

Chapter 3

A passion for fashion: the luxury fashion consumer

‘Twenty years ago, youngsters wanted to look like their parents. Now parents want to look like their children.’

Jean-Baptiste Danet, CEO, Interbrand France

The consumer is king

Gabrielle Coco Chanel thoroughly understood the luxury consumers of her time. She also recognized the influence of the wider society on shaping consumer expectations and outlook. In the early twentieth century after the First World War, fashion designers continued to apply the pre-war styles characterized by extravagant and elaborate designs. Chanel however opted for classic and practical clothing such as trousers and the famed little black dress for women. This design approach was embraced by society because consumer needs had evolved after the war. Women who had been forced to work during the war and also cater for their families in the absence of their husbands had been exposed to a different lifestyle that required dressing in a different and more realistic way. After the war, they maintained the same attitude towards fashion. They were no longer attracted to extravagant dressing but desired more practical clothing like trousers. Chanel’s designs offered the fashion solutions they sought. The approach to anticipating and meeting consumer expectations formed one of the key success factors of the Chanel brand. It also significantly contributed to the continuous existence of the brand unlike Coco Chanel’s contemporaries like Paul Poiret, Madeleine Vionnet and Elsa Schiaparelli who have all closed shop.

In a similar manner, when Gucci’s former Managing Director, Domenico de Sole and former Creative Director, Tom Ford, left the company in 2004, the seat of de Sole was filled by an industry outsider, the former head of Unilever’s frozen foods division, Robert Polet. The unexpected choice of this man considered as a stranger to fashion was a surprise to several practitioners

in the highly protective luxury fashion industry. Gucci's reason for choosing him was strategic. The company wanted a manager who had a deep insight and understanding of the customer and would effectively apply the concept of meeting consumer needs and exceeding their expectations to the brand. Polet was credited with the know-how of providing the desired products and managing effective relationships with customers. Several people predicted that his lack of luxury experience, industry relationships and creativity and press savvy would backfire on the Gucci brand. However, the approach of customer orientation applied by Gucci has been effective, as the brand has increased its brand equity, sales and profitability under Robert Polet's helm.

It is apparent that insight into consumer behaviour is imperative in the luxury fashion sector and beyond. Gone are the days when products were guaranteed to sell, provided that they were well-designed, expensive and branded as luxury. Today's luxury consumers are different. They have to be surprised, tantalized, captivated, courted, pampered and constantly pleased without end. The competitive environment of luxury goods is also increasingly rife, making the quest of attracting and retaining the consumer's interest and loyalty more challenging.

There are currently two major segments of the luxury consumer population. The first is the 'traditional luxury consumer' who still reveres established brands like Hermès and Christian Dior; and the second segment constitutes a larger proportion of luxury consumers known as the 'new luxury consumer' population. This new consumer group are no longer lured by only brand names but also cherish a complete package of products and services that offer solid value through innovation and an exceptional experience in every element of the brand. They know exactly what they want and are not fooled by pseudo-luxury offerings. The luxury consumer of today has different desires, expectations, outlook, influences and characteristics from those of as recently as 30 years ago.

To illustrate the advanced level of the current consumer progression, an advertising campaign of the software solutions company, Siebel, in the 24 October 2005 edition of *Businessweek*, had the caption 'The Benefits of Selling to Sheep'. It showed a graphic image of a sheep, divided into four portions each with the following labels:

Sheep want simple things
Sheep are predictable
Sheep aren't demanding
Sheep don't mind being treated like sheep

The advertisement then proceeded on a cautionary note to highlight that companies should desist from treating consumers like sheep because consumers have evolved beyond exhibiting the attributes of sheep. The lesson



Figure 3.1
Consumers have evolved from the previous tag of 'Sheep' to the current tag of 'Smart'!

of the advert is simply that consumers are not sheep and should not be treated as sheep by companies, including luxury brands. Consumers are, rather, among the major assets and leeway that companies have for increasing revenue. They should therefore be considered as such and treated accordingly. The days are long gone when luxury consumers exhibited the characteristics of sheep through unbending single-brand loyalty. Consumers used to be pleased to make purchases from their favourite brands without seeking alternatives, but today the luxury fashion consumer is everything that is the opposite of a sheep.

Having said this, we have to understand the relationship between consumers and luxury brands and the role of luxury brands in the lives of consumers. The reason for the purchase of goods, regardless of category, is to fulfil consumer needs. When people pay for products or services, they are actually looking for solutions to problems and needs, and luxury goods form a part of those solutions. They are objects of desire that consumers view as a means to solving multiple problems and fulfilling multiple needs. Some of these needs are related to the consumers' real or aspirational identity, personality and lifestyle. Luxury brands help consumers define and accentuate the type of person they are or who they would like to be and also assist in communicating this definition to others. This is one of the roles of brand association in the luxury sector.

As is highlighted throughout this book, the concept of branding begins and ends with the consumer. The relationship between consumers and a strong brand is a type of bond or pact that starts with a psychological process in the mind of the consumer and is manifested through product purchases. This relationship is highlighted even more between luxury brands and consumers because of the profound role of the branding factor in the development of

luxury goods. The source of the attachment of consumers to luxury goods is the role of luxury brands as symbols of personal and social identity.

Consumers offer their trust and loyalty to luxury brands with the understanding that the brand will deliver its promises and exceed their expectations. These expectations include the fulfilment of both functional and symbolic needs. The functional needs are the tangible and practical benefits of a product such as the time-keeping function of a wristwatch. The symbolic needs involve intangible benefits linked with the emotional and psychological dimensions of the consumer. These include fulfilling ego and self-esteem needs, reinforcing social status and projecting a self-image. The self-image extends from the consumer's true-self, that is who they truly are; their ideal-self, that is who they would like to be and their social-self, that is who they would like others to think they are. Although both tangible and intangible benefits are derived from luxury brands, the principal value of luxury brands to consumers is the intangible benefit. The intangible level brings the branding aspect of luxury goods into prominence and is reflected in consumer preferences and the decision-making process. It is also on the intangible level that the relationship between consumers and luxury brands moves from logic and functionality to what has been interpreted as irrationality. Now let's take a look at the 'rational' consumer decision-making process and compare it with the decision-making process of the purchase of luxury goods.

The consumer purchase-decision process

In their 2004 book titled *Consumer Behaviour*, Leon Schiffman and Leslie Kanuk define the term as the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect to satisfy their needs. This means, in other words, how consumers make decisions to spend their available resources (time, money and effort) on consumption-related items (products and services). Further scrutiny of this definition shows the following aspects of the behaviour of consumers, presented in their hierarchy of influence:

- 1 What they buy (Products and Services)
- 2 Why they buy (Needs, Wants, Desires)
- 3 When they buy (Convenience)
- 4 Where they buy (Location)
- 5 How they buy (Channel)
- 6 How often they buy (Frequency)
- 7 How often they use the products (Relevance)
- 8 How they evaluate the products (After-Purchase)
- 9 How they dispose of the products (Durability)
- 10 How they decide future purchase (Loyalty)

This analysis can be applied to any category of goods, but since this book is concerned with luxury fashion goods, it will be related to the luxury goods sector. Each of the points above are further expanded according to the requirements of luxury goods:

- 1 **What consumers buy** Luxury consumers buy more than luxury products and services. They buy a complete package of experiences, feelings and identities made up of the product, the service and the brand's characteristics.
- 2 **When consumers buy** Luxury consumers purchase luxury goods whenever the opportunity arises. Luxury goods purchases often don't result from convenience as they are constantly desired and often fall within the priority of luxury consumers.
- 3 **Why consumers buy** Luxury consumers do not buy luxury fashion goods when they are required because the desire for luxury goods is not fuelled by basic needs. Luxury products are 'cravings' and sometimes 'wishes', rather than functional needs, therefore there is a continuous yearning to possess them. Luxury goods are objects of desire and desires exist on a continuous basis.
- 4 **Where consumers buy** Luxury consumers buy their products mainly in major fashion centres of the world where luxury fashion is prominent in consumer lifestyles.
- 5 **How consumers buy** The majority of luxury consumers prefer to shop in the physical stores in order to benefit from a complete product selection and also enjoy the luxury retail atmosphere. However, other shopping channels such as the Internet and Mobile shopping are gaining increasing influence in the luxury arena and consumers are continuously shopping through these channels.
- 6 **How often consumers buy** Luxury consumers buy luxury goods as frequently as is practically and financially possible for them. They often do not evaluate the buying decision of luxury goods on a logical basis. As previously indicated, luxury goods are objects of desire, meaning that if consumers can help it, they would fulfil this desire on a continuous basis.
- 7 **How often consumers use the products** Luxury goods are highly relevant to consumers as a stamp of their personalities and lifestyles. As a result, the products are used frequently.
- 8 **How consumers evaluate the products** The post-purchase evaluation of luxury products is almost a non-representational occurrence. This is because the appreciation of luxury goods extends beyond the products' functional attributes to include abstract and symbolic benefits. As a result, the evaluation focus is on the role of the luxury product in the life of the consumer and the satisfaction that it provides. Since the symbolic role of luxury products is continuous, their post purchase evaluation remains immaterial.

- 9 **How consumers dispose of the products** Luxury goods traditionally last for a lifetime and are rarely disposed of. However, an interesting occurrence has developed in the luxury goods sector in the last five years that has made luxury goods disposable. This occurrence is called the 'fast-fashion' phenomenon later discussed in Chapter 7 of this book. Fast fashion means that the design turnover of luxury products has become higher and the product lifecycles have become shorter. As a result, the 'It' fashion items change every few weeks. Consumers in a bid to keep up have also become smart and savvy in their luxury goods purchase cycle. They now sell their 'used' or 'semi-used' products for substantial amounts (sometimes close to the original price tag) in order to purchase new ones. Several second-hand dealers who trade in these items are cropping up in different global markets. This factor, however, does not diminish the value of the products or their brands.
- 10 **How consumers decide on future purchases** The decision for the future purchase of luxury goods has already been made. The future is now!

To further illustrate the decision-making process of consumers, Schiffman and Kanuk identified three main levels of influence which is illustrated in Figure 3.2.

The Input stage is mainly influenced by the strategies behind the marketing mix such as the product, pricing, retail channels and promotions. Other influencing factors are branding elements like the brand personality, brand image and brand awareness; and social groups like family, friends and colleagues.

The Process stage operates on a more intangible level, characterized by psychological and emotional elements such as perception, personality, attitude, and motivation.

The Output stage involves the use, evaluation and disposal of the goods.

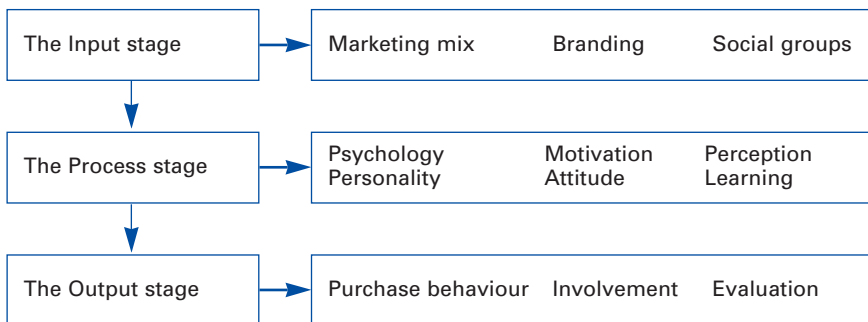


Figure 3.2 *The three influential levels of the consumer decision-making process*

Source: Adapted from Schiffman and Kanuk, 2004.

A close examination of the model indicates that consumer evaluation of luxury goods purchases and use takes place mainly on the Input and Process stages. This is because of the highly aesthetic and symbolic nature of luxury brands. This fact does not, however, mean that the Output stage is irrelevant, but the elements of the Output stage feature on a minimal level.

Who is the luxury fashion consumer?

Consumers drive the luxury fashion sector. Any luxury brand that aims to succeed in the increasingly competitive luxury market environment needs to understand everything about the luxury consumer. And there's a lot to understand!

When we say 'luxury consumer', we don't mean only female fashion victims whose purses are stashed with endless cash and unlimited credit cards. Although women are highly influential in luxury buying decisions and constitute a large proportion of the luxury consumer market, men and children are also important luxury consumers.

Today's luxury consumer is different from the wealthy consumer of the past. Unlike in the past when wealthy consumers were easy to understand and satisfy, it is difficult to place the current luxury consumers in a box of definite descriptive characteristics. As one luxury brand manager rightly said, today's luxury consumer cannot be segmented. This is because the luxury consumer has evolved beyond the 'head-to-toe designer-clad single-brand loyalist' to a smart and savvy discerning consumer.

The current luxury consumer is highly sophisticated and brand literate. They are fashionable and aware of their tastes and preferences. Their choices of luxury products are based more on an understanding of their own style needs and less on the 'brand-name' factor. They also have an attitude that is a personification of youth, assertion and adventure, irrespective of their age. This attitude is reflected in the fact that today's parents and their children dress alike. Also older consumers can now look years younger through advanced cosmetics, giving them the freedom to appear like youths. The consumer market has consequently become loosened and diluted. For example, consumers of all ages including those in their forties, fifties and sixties, can be found at the payment queue for roller blades at Decathlon in Paris. Also the fitness and well-being craze now means that grandmothers, mothers and daughters can be found wearing the same clothes and accessories, and shopping in the same stores. These factors make understanding today's luxury consumer imperative and is responsible for the current huge market of Trend Trackers and Analysts.

The following characteristics provide an overview of the current luxury consumer's personality. These attributes only give an inclination of what to expect from the current luxury consumers and is by no way a definitive list;

luxury consumers are continuously evolving and their monitoring should be a permanent activity.

- **The luxury consumer is smart and intelligent.** It is difficult to mislead the luxury consumer of today in terms of any aspect of a brand's offerings. Consumers can now interpret marketing and branding messages in a whim. They are knowledgeable about product materials and their sources; they have travelled extensively and are interculturally aware and competent. They know the difference between Zen and Yen. They are also more informed through product comparison, reviews, virtual communities and publicly accessible information about luxury brands. Today's consumer has a personal calculator that helps them understand the overall value package of a brand's offerings in terms of product design and quality, price and brand identity. They also know when to trade down in some categories of goods in order to trade up in luxury goods. If a luxury brand offers an empty box, today's consumer can smell it from miles!
- **The luxury consumer is powerful.** There has been a power-shift from luxury brands to luxury consumers. The authority in the luxury market now belongs to consumers and they know it. This is because consumers have more choices in products, shopping channels and pricing of luxury goods. There are more luxury brands today than thirty years ago, offering more product variety and shopping choices. Also the old luxury brands are extending their offerings to include lesser-priced sub-brands. Consumers also have easier access to viewing the product choices and lower switching costs to purchasing them, especially on the Internet. They can now exchange digital photos of luxury products taken with their cameras or phones and can also shop on their mobile phones in addition to the Internet. Consumers also have the increasing flexibility of purchase and payment methods through credit cards and store accounts. They can buy at will but they also know when to buy and, most importantly, what brands to buy from.
- **The luxury consumer is individualistic.** Today's luxury consumer is a fashionista but not a fashion victim. They know who they are, what they want and how they prefer to interpret their personal style. Irrespective of location, from America to Europe, Asia, Africa and the Middle East, luxury consumers are becoming their own individual stylists. The expansion of the fashion market environment has provided them with the tools to become fashion experts. Diffusion fashion brands like Zara and H&M have given them the confidence to be experimental and bold enough to mix high-street with luxury fashion in one outfit; something that their grandmothers would have considered taboo in the past. This means the empowerment to stamp their personality through an independent style rather than through a single brand. Today's luxury consumer uses fashion as a definition of their individual personality and identity, in their own way and according to their own terms.

- **The luxury consumer is highly demanding.** The luxury consumer has grown from novice to smart. Smart people are less accepting of anything sub-standard and when people become knowledgeable, they also become demanding. Today's consumer wants individual attention and instant satisfaction. They also want a personal shopper, style adviser and shopping assistant at their disposal. They crave customized products and services both offline and online. They expect luxury brands to understand their needs in advance and to satisfy them. They are also interested in the ethical practices of the brands they endorse and the sources of the labour and materials of the products they buy.
- **The luxury consumer has high expectations.** Luxury brands already offer alluring products and high-standard services, but consumers are asking for more. Consumers want originality and authenticity in luxury products. They want to understand their source, material components and how they were made. They want genuineness in a brand's promise and its delivery. Consumers also want to be shown respect, to be greeted by their names in the stores, to be given privileged information through one-to-one marketing, to be invited for limited-edition product previews and for private shopping. More importantly, they want to be constantly delighted and surprised.
- **The luxury consumer has a disposable attitude.** The disposable attitude of luxury consumers is fuelled by multiple product launches; the pressure to be current and trendy; the speed of evolution of the global market; and the increasing pace of technological advancement. As a point of comparison, in the electronics goods category, home entertainment media has moved from VHS to VCD to DVD and now to iPod and iPod Video, in a space of ten years. This rapid development fuels disposability of goods beyond electronics. Luxury fashion consumers, who also use electronic products, have transferred this behavioural trait to luxury fashion. Also, as indicated earlier, the introduction of fast fashion has also fuelled the disposable nature of luxury consumers. Luxury consumers are no longer content to use a single luxury item for five years, without acquiring more. In the same way, they are no longer loyal to a single brand and have become brand hoppers.
- **The luxury consumer has strong values and principles.** The high level of moral ethics seen in the wealthy consumer segment is as the result of a different source of wealth. Most of the world's new wealthy consumers accumulated their riches through genuine discipline, persistence and hard work. It is uncommon for consumers with these personality attributes to be frivolous in their spending. Also, luxury consumers are no longer content with being outsiders. They want to be in the know of the ethical management practices of luxury brands. While these consumers appreciate and frequently purchase luxury goods, they are more likely to be associated with the luxury brands that share their moral values. These are the brands

that are capable of showing core ethical associations; and at the same time represent real value and relevance through their offerings.

The twenty-first century fashion consumption environment

The personality and expectations of the luxury consumer are being shaped by several factors in the consumer market and general society, and an understanding of these factors provides an insight into the current consumer behaviour. More importantly, these factors are also indicators of the likely future behaviour of luxury consumers. The following are the factors that currently influence their behaviour:

- 1 **The rapid growth of information, communications and mobile technology.** It is no longer news that the Internet has changed consumers forever. The Internet has also changed business practices significantly. Consumers now have uniform and instant information at their fingertips everywhere in the world. The offerings from luxury brands are now in the public domain and consumers can access choices and alternatives at will. This has led to a desire and expectation of immediate solutions in terms of products and services. It has also contributed considerably to the 'brand-hopping' attitude and 'shopping-on-the-go' expectation of consumers.
- 2 **The increase in individual consumer wealth and wealth-creation opportunities.** A mass class of wealthy people have emerged the world over. At the beginning of the century, luxury consumers were a small segment of the global population. In the last four decades, however, an immense amount of wealth has been accumulated by individuals due to several economic, social and technological breakthroughs. Consumers are making money at younger ages, and they are also spending their money in a different way. They continuously have a penchant for luxury goods because as people get richer, they tend to spend proportionately less on necessities and more on luxuries. These luxuries include fashion, travel and property. In Europe, for example, the buoyancy of the luxury market is being driven by a steady increase in household income and the value of the property market. These newly wealthy consumers have replaced the traditional aristocratic consumers of luxury goods.
- 3 **The increasing spending power of women.** Women have become the major consumers of luxury goods as a result of their possession of more money due to increased education, career orientation and decreased financial responsibilities. Also women are marrying later, divorcing more and having fewer children, which has led to an increase in their disposable income. Women spend significantly more than men on luxury products and

at the same time are influential in the luxury purchase decisions of men. Four out of every five luxury purchases are either made by women or are controlled by women. Since women are working and earning more money, their impact on the current and future luxury retail market is important.

- 4 **An increase in international travel, intercultural exposure and artistic exchanges.** Consumers are travelling a lot more than in the past and gaining insight and interest in new practices and ways of life. For example, groups of Chinese tourists can be spotted everywhere all over Europe and the rest of the world; Americans are leaving home more and the European Union has opened up its national borders. It is also important to note that tourists around the world are responsible for approximately 25 per cent of the world's luxury goods purchases. Increased travel and cultural interactions lead to more varied material cravings. Also, the mind education gained through travel has increased the expectation of originality and substance of consumers towards luxury brands.
- 5 **Media saturation and information overload in the marketplace.** The commercial environment is congested with information screaming for the attention of the same consumer. As a result, consumers have to process multiple advertising information channelled towards them on a daily basis. There seems to be an advertisement in every visible public space. Luxury brands have also begun advertising their products at bus stands and on street billboards in a bid to catch on with consumer goods advertisements. This has led to mental fatigue of consumers, who therefore choose the messages and brands that have some meaning to them. This factor emphasizes the importance of having a brand essence.
- 6 **The changing retail environment.** Luxury goods are now accessible to more consumers through what has been popularly termed 'The Democratization of Luxury'. This means that mass premium brands like Zara and other retail discounters such as Primark have made it possible for consumers to have replica luxury products like clothes and accessories, at lower costs. When consumers have the possibility of spending less on clothes from Zara, they are likely to be able to afford more luxury products in other categories such as leather goods and jewellery. Also, several luxury brands such as Armani have extended their product portfolios to include lower-priced ranges.
- 7 **The increase in consumer credit and payment options.** This includes credit cards, store cards, fidelity cards and affinity cards. The use of consumer credit for luxury purchases has increased significantly in the last decade, which not only buoys the retail market and economic environments but also provides consumers with independence and higher spending power.
- 8 **The effect of immigration and mass movement of consumers.** Across Europe, America and in other parts of the world, the increase of immigration has diversified the ethnic make-up of local populations. This is

especially evident in the United Kingdom, where immigrants from India, Pakistan and the Caribbean have helped shape the national culture and identity. Their influences have affected the fashion styles, tastes and product preferences of the entire country. Also in France, the effects of the dress culture and style of immigrants from North Africa and Asia is gradually being reflected in the French fashion style. The case is similar in other parts of Europe and America, notably the USA and Canada. This factor has created new expectations and success opportunities for new luxury brands, and has also led to globalization of fashion tastes.

- 9 **The lowering of the entry barrier to the luxury goods sector.** The highly protective luxury goods industry has opened up. New luxury brands such as Jimmy Choo, André Ross and Paul & Joe have emerged, creating more competition for brands and more choices and variety for consumers. These brands have also proved to up-and-coming designers the feasibility of launching a new luxury fashion brand in the twenty-first century.
- 10 **The increase in outsourcing of the manufacture of luxury products and services.** Several luxury brands manufacture their products in Asia, East Europe and South America where labour costs are substantially lower than in their home countries. This has created cost-saving opportunities for the brands but also a loophole for the manufacture of counterfeit luxury goods. Also luxury brands are increasingly outsourcing their customer services through independent call centres, which leads to cost-saving but might also result in sub-standard services and unmet consumer expectations.

Luxury consumer market indicators

Several luxury brand managers accede that the luxury goods sector doesn't require market segmentation like other categories of goods. While this viewpoint is credible in some areas, the luxury market environment has changed dramatically and consumer groups need to be monitored. Luxury brands need to understand who their customers are, where to find them and the key factors that drive their behaviour. This is an aspect of market segmentation. For example, trend-watchers from London-based company The Future Laboratory have identified two groups of young and wealthy consumers that make up the luxury consumer population. They are Young Urban Professionals (YUPs for short) and New Entrepreneurial Nomads (NENs for short). These consumer groups exhibit characteristics that make them appropriate targets by luxury brands. In addition, there is a consumer group that is found neither among the extremely wealthy consumers nor the newly wealthy youth, and which also makes up an important market segment for luxury brands. However, the affluent market has no single or defined target and no

uniform retail strategy that matches them. The key is to understand consumers and what drives them.

In order to better understand the luxury consumer market, the following indicators have been identified as having a substantial effect on the market:

Global wealth A changing global economic environment has created immense opportunities for personal wealth accumulation, and the size of the world's affluent is on a steady rise. The beginning of the noughties witnessed a significant upward movement on the global wealth index. Between 2001 and 2002, there was an 18 per cent increase in the number of millionaires worldwide, creating 514 additional billionaires with a collective holding of US\$25.5 trillion in the process. This figure jumped to US\$44.9 trillion by the end of 2004. Presently, the number of billionaires in the world is estimated to be more than 26 million with a collective holding of US\$30.8 trillion in assets. The annual rate of increase of the world's millionaires is estimated to be 7 per cent. These categories of high net-worth individuals are defined as those with investable assets of over US\$1m. This group of wealthy consumers includes a newly emerged youthful elite of millionaires who are a part of the 'new' luxury goods consumers.

Other indicators of the world's growing wealthy and their consumption patterns include the popularity and interest in art auctions running into billions of dollars and the upsurge in the demand for gemstones, such as tanzanite and diamonds. Also, the personal asset management portfolio of the global private banking industry is on a steady increase. It is also interesting to note that 80 per cent of the world's new wealthy elite acquired their wealth in the last 20 years.

European coming of age Europe has an ageing population. From the United Kingdom to Italy, Spain, Germany, Portugal, France (to a lesser extent) and the rest of the continent, this phenomenon resounds in government decisions, as well as in economic and social policies. There are more seniors in Europe than in America and Asia. People aged 60 and over make up nearly 25 per cent of the European population, compared with 16 per cent in the US. This might be bad news for several aspects of socio-economic governance, but it is welcoming news for the luxury goods sector. In France for example, individuals aged 50 years and above account for more than 30 per cent of the population. They earn 45 per cent of net domestic income; hold 50 per cent of the population's net financial assets; and represent a market for goods and services estimated at €150 billion. In the United Kingdom, Germany and other European countries, the senior citizen pattern is being set and this is an important indicator for the marketing, branding and retail strategies design of luxury brands.

The European senior consumer group wields considerable influence in the retail market. They have a high disposable income and also an inclination to

spend more on luxury goods. They also have more time to shop for luxury goods in relation to their younger luxury consumer counterparts.

American baby boomer surge The United States is the biggest retail market in the world for both luxury and non-luxury goods. Retail is the second-largest industry in the United States in the number of retail establishments and employees. The US retail industry generates \$3.8 trillion in retail sales annually and approximately \$11,690 per capita. The affluent market is also on the increase. In 2000, the total personal wealth of Americans was more than \$25 trillion, with more than 7 million households having a net worth of over \$1 million, and approximately 600,000 households with a net worth of over \$5 million. A substantial proportion of these consumers are the baby boomers.

The consumer segment referred to as the baby boomers are those born after the Second World War, between 1946 and 1964. They number approximately 74 million consumers and make up 2 per cent of the US population. They are the largest and most influential consumer age segment in the United States and also have the largest earning capacity and the greatest disposable income in America. With an estimated annual spending power of \$2 trillion, they are a tremendously significant target group for the luxury market.

The baby boomers have moved into their prime earning years and are currently independent of children who have mostly left home. This gives them more purchasing and consumption freedom. Also the approaching retirement of most baby boomers will provide more free time to spend their money. They will also enjoy longer, more productive lives than any previous generation as a result of advanced medical care and well-being practices.

Baby boomers are driven by a different set of characteristics than the previous consumer generation of their age. First, they are more physically and mentally active, more flexible and willing to try new products and experiences, including experimenting with luxury brands. A baby boomer will likely not be locked into loyalty for Chanel or Hermès for the rest of their lives. They will likely be curious to check out the offering of John Galliano, Matthew Williamson or Vanessa Bruno. Secondly, they are not afraid of change and even crave change to fuel their energy. They are staying longer in the corporate world and several of them are even on the verge of starting new careers or acquiring new education diplomas upon 'official' retirement. Thirdly, the divorce rate among this consumer group is also on the rise. This common phenomenon also drives change. When people get divorced, they want to change a lot of things in their lives beginning from their looks to their luxury brand consumption. This factor is important for luxury brands, as Americans are known to spend substantially on beauty and image.

Japanese balance Japan is the world's second-largest economy with a consumer population of approximately 100 million people. This holds great

significance for the luxury and prestige goods sector. The Japanese also have a special affinity for luxury goods. Japan also accounts for a quarter of the world's luxury-goods consumption, and therefore the state of the Japanese economy and currency value is crucial to the annual performance of luxury goods companies.

Japanese luxury consumers are highly fashionable. They are also more label-conscious and brand loyal than their European counterparts. The level of the Japanese luxury consumer loyalty to several brands such as Louis Vuitton and Chanel is so high that books have been written about it. According to statistics from stock market analysis company, Seeking Alpha, 94 per cent of Tokyo women in their 20's own a Louis Vuitton product; 92 per cent a Gucci product; 58 per cent a Prada product; 52 per cent a Chanel product; and 44 per cent a Dior product. Although Japanese consumers are sophisticated, they also value simplicity, high quality, well-crafted goods and distinctive packaging. These qualities are found among the identified European luxury brands, which Japanese consumers have a special penchant for.

The Japanese consumer demographic is also an important luxury market factor. More than 40 per cent of the population, representing 50 million people, are over the age of 50. They also control much of Japan's wealth. These consumers are more willing and able to spend freely on luxury goods and services. Japan also has another interesting consumer group, known locally as the 'parasite singles'. This group is made up of 5 million young, single working women who mostly live at home. Their high disposable income makes them a major force in the consumer economy. They are the single largest spending segment in Japan, and their expenditure on luxury goods is up to 10 per cent of their annual earnings. They also play an influential role in their parent's buying decisions.

China's might China is the largest emerging luxury goods market in the world and is also establishing itself as a superpower of the world's economy. The country currently represents 12 per cent of global luxury goods purchases and is forecast to grow 26 per cent per annum for the next four years. There are currently 300,000 millionaires in China, who make up a part of the Chinese luxury consumer population. Within the next five years, the number of people who can afford luxury goods is expected to reach 1.3 billion. This means that the Chinese consumer is important for luxury brands because of the potential that this market will have to make or break the luxury goods sector.

China has seen one of the most dramatic explosions of wealth creation in human history, notably from 1978 to date. Twenty years ago, there was no middle class in China but currently, the middle-class population is more than 100 million. Every aspect of the Chinese economy is witnessing a boom. For example, the year-on-year growth of China's economy in the first quarter of

2006 was 10.2 per cent. It has been estimated that by the end of 2007, China's retail trade will be above \$2 trillion, nearly twice as high as Japan and two-thirds the size of the American market. China is also likely to overtake the European Union in purchasing power within a decade. The Chinese textile and retail industries are being fuelled by cheap labour and an endless flow of Western clients and is currently on the verge of dominating the world's textile production and exports.

Travel in and out of China is also on the rise. In 2002, China had 36 million visitors and this number is expected to rise to 100 million by 2020. This influx of visitors into China is also fuelling the dilution of cultures and the acquisition of an international level of fashion sophistication for the Chinese luxury consumer. Also between 2003 and 2004, Chinese outbound tourism rose from 20 million to 29 million and it is estimated that by 2015, more than 100 million Chinese will travel abroad annually. Chinese visitors to Europe are also expected to exceed American visitors within the next five years. About 80 per cent of luxury purchases by Chinese consumers are made while on a trip abroad, especially to Europe. Chinese consumers purchase luxury goods while abroad and return home with the products, the style and the class acquired from their travels.

The high growth rate of the Chinese economy is an enticing market for the luxury fashion goods industry. For example, China has currently surpassed Japan to become the world's largest market for luxury watches. The country takes fashion retailing seriously and plans to build Asia's largest shopping complex in Shanghai.

China also poses several challenges and contradictions for luxury brands. For example, the country has the potential of being the largest consumer market of genuine luxury goods in the world within the next decade. At the same time, China is reputed to be the largest manufacturer and supplier of counterfeit luxury goods in the world. The potential problem that this contradiction creates for luxury brands is a clash of the genuine luxury consumer population and the counterfeit consumers who might dilute the image of the luxury brands to an extent that could drive the genuine luxury consumers to seek alternatives.

Also China has a host of upcoming designers that will likely play influential roles in the world of fashion. As a country that has fashion as a part of its culture, both designers and consumers of the present and next generations are being groomed to recognize and support talented indigenous Chinese designers. The impact of the rising Chinese designers will be heightened in the next decades when the influence of Western luxury brands on Chinese consumers eventually declines. Presently, China is a retail paradise for most European and American luxury brands but the Western luxury fashion influence is likely to last less than it did in other parts of Asia such as Japan. This is because unlike Japan and Hong Kong, China did not experience colonization by a Western country, therefore the consumer aspirational element towards

Westernization is less powerful. Although Chinese consumers will continue to look towards Hong Kong, Japan, Europe and America for fashion inspiration, they will eventually recognize and embrace their own luxury fashion brands.

India's rise India is one of the emerging luxury markets gaining momentum worldwide. Although this market has been slower than China in embracing Western luxury brands, several indicators show that it is as ready for luxury fashion as the Chinese market. India has a growing literate population with potentially brilliant careers and spending power. There are currently 70,000 millionaires in India, which make up the top end of the luxury consumer population. The country's current per-capita income is \$460 and the rapid growth of its services industry has contributed to more internal wealth creation. The population structure is also favourable for the luxury industry as the working-age population is growing. By 2020, 47 per cent of the population will be between the ages of 15 and 59, compared with 35 per cent in 2003. The economy is also expected to sustain an annual growth rate of 8 per cent as from 2006.

The Indian luxury consumer is also highly fashionable and is likely to make more luxury purchases than their Western counterparts in the near future. India's long-term fondness for jewellery has created a base for the upsurge of luxury brands into the lives of Indian consumers. This market substantially influences the luxury jewellery market which is expected to grow by 40 per cent annually to reach US\$2 billion by 2010.

Russia's influence Russia is a current luxury retail gold mine. It is a country that provides both design inspiration and a ready luxury consumer market. Its rapid and vigorous economic growth has given rise to increased luxury consumption and expenditure, and Russian consumers currently have access to acquiring luxury goods, which were previously unattainable under the previous communist regime.

Russia's Gross Domestic Product is growing at a rate of 6 per cent per annum compared with 2 per cent in the USA. The consumer population is 145 million with Moscow and St. Petersburg representing 10 per cent of this population. Moscow's luxury market is currently worth more than US\$2 billion, which makes it larger than the luxury market of New York. Moscow and St. Petersburg have joined the world capitals offering access to all international luxury brands. It is also estimated that more than one hundred thousand people of Moscow's population fall within the consumers that can afford luxury goods.

There are 88,000 millionaires in Russia and a large proportion of their wealth is channeled towards luxury fashion purchases. The Russian luxury fashion taste is also becoming more global and attuned to Western flavour. Today's wealthy Russian shoppers are among the best-informed, discerning

and sophisticated luxury consumers in the world. They also purchase the most expensive products such as limited edition accessories and off-the-catwalk creations. Russian luxury consumers have a preference for products made with special materials such as pure gold and diamond encrusted hardware finishing in leather goods. They have been described as daring in their portrayal of their fashion tastes, with tendencies of being obsessed with luxury. Russian consumers are likely to replace Japanese consumers in luxury expenditure.

Several luxury brands are already present in Russian cities notably Moscow and St. Petersburg and more brands and luxury departmental stores including Britain's Harvey Nichols are planning expansion into Russia. The country is also nurturing home talent and held its first Russian Fashion Awards in 2005.

The future luxury fashion consumer

There is no doubt that the luxury consumer will continue to be highly sophisticated, stylish and informed. The current luxury consumer can comfortably navigate around the luxury terrain and expertly position luxury and mass-market brands in a hierarchical order according to their values and offerings. This clear frame of reference has not been witnessed in the luxury consumer landscape until now.

In the future, consumers' awareness of their self-worth will continue to increase, and they will know exactly what they want and where to find it. They will no longer look to luxury brands to define themselves but will themselves determine the scope of luxury brands that will fit into their self-image and lifestyles. They will recognize their ownership of the power to determine their choice of luxury brands, and will also become savvier through an increased global and open outlook.

In addition, new technologies will continue to influence luxury consumers, and in addition, new avenues of shopping such as the Internet, mobile phones and possibly the iPod will play a key role in the way consumers view luxury shopping. This will make them even more demanding of instant gratification and innovative offerings, and expecting to be marvelled by every product and service of a luxury brand.

Another important factor that will drive the future behaviour of the luxury consumer is the increasing influence of the temporary-ownership culture. Consumers will become more disposable in their attitude to general consumer goods and this will also transfer to luxury goods, albeit on a lower scale. Since luxury goods cost as much as 600 per cent more than the same goods in other categories, luxury consumers will not dispose of luxury goods but will rather exchange or resell them. They will also increasingly subscribe to services that loan luxury products for a fee.

Strategic implications for luxury brands

The analysis of the luxury consumer market has several strategic implications for luxury brands. It forms a basis for a clear direction in the formulation of branding and overall corporate strategy, and an understanding of luxury consumers also enables luxury brands to gain a competitive leverage in the marketplace. In order to achieve this, the following tips are imperative:

- 1 Luxury brands must remain innovative and forward-thinking.
- 2 Luxury brands must streamline production processes for fast fashion turnover.
- 3 Luxury brands must embrace mass fashion brands as complements rather than as competitors.
- 4 Luxury brands must have a clear brand and market positioning. A brand that is stuck in the middle in the current market environment is going nowhere.
- 5 Luxury brands must never compromise their 'luxury' and 'prestige' status.

Chapter 4

Luxury retail design and atmosphere

‘Only ever make splendid or awful impressions. The rest are forgotten.’

Alison Mosshart, musician

Luxury retail location

The most popular slogan in retail is the following:

The three most important things in retail are: location, location, location.

This watchword is used to emphasize the indispensable nature of an appropriate location in retail. Retail location involves more than physical space but includes the choice of a place that is most suitable for the sale of the products or services in question. An inappropriate retail location is difficult to overcome, irrespective of the feasibility of the rest of a company’s overall strategies. Poor retail positioning can also negatively affect a store’s accessibility and attractiveness to shoppers, regardless of the brand’s positioning. This factor is even more crucial for luxury brands because in addition to visibility and accessibility, luxury brands ought to be situated in the most elite and prestigious locations of the cities where they operate. Retail location is therefore of paramount importance to the luxury goods sector.

In general goods retailing, the choice of store location is determined through utilizing socio-economic pointers like population, geography and consumer disposable income. Other factors include human-traffic flow and in some cases, tourist-traffic flow. In addition, technical business models that aid the choice of store location have been developed by experts, including the ‘Catchment Area’ method and the ‘Central Place Theory’ method. The main aim of these techniques is to identify the most commercially viable store locations for optimal sales turnover. These models are, however, more appropriate for general goods retail, so they will not be discussed in this book.

Luxury brands have a central requirement for retail location choice. This is the ‘Prestige’ indicator. The main distinguishing factor between luxury retail location and that of mass-market retailers is the requisite need that luxury



Figure 4.1 *Avenue des Champs Elysées, Paris, a luxury retail heaven*

brands have to position their stores in exclusive and high-status districts and cities, which are at the same time commercially feasible. The prestige store location reinforces the core brand values and the differentiated brand status of luxury brands. Prestigious retail locations also attract and retain a niche-customer base while satisfying their ego needs during shopping.

In Paris, prestigious luxury retail locations can be found at Avenue des Champs Elysées, shown in Figure 4.1, and its environs, including Avenue Montaigne and Avenue George V. This district is also known as the '*Triangle d'Or*' or the 'Golden Triangle'. Other locations are the historical Rue Saint Honoré, which is considered the global luxury fashion industry's foundation, and its extension on Rue du Faubourg Saint Honoré and their environs. These streets are lined with several luxury brands.

The same pattern follows in other cities such as London, where the Knightsbridge area, including Sloane Street and Bond Street, is considered the epitome of luxury store positioning. In Milan, the '*Quadrilatero d'Oro*' or 'The Golden Rectangle', which runs between Via Monte Napoleone and Via Della Spiga, is the luxury retail district. It features the stores of Gucci, Armani, Prada, Tiffany and Louis Vuitton, among others. New York's prestigious shopping streets include Madison Avenue and Fifth Avenue and their environs, while in Los Angeles, Beverly Hills is the location of luxury fashion brands. Tokyo's Omotesando district represents the equivalent of luxury store positioning in Japan, while other examples abound in several cities around the world.

In addition to being located in high-status districts, luxury brands need to be in the fashion cities of the world to ensure both brand visibility and commercial viability. The fashion cities are those that have the highest catchments of luxury consumers in terms of indigenous population and visitors. They include Paris, Milan, New York, London, Tokyo and increasingly Los

Angeles and Hong Kong. Luxury brands usually begin their global expansion in these cities irrespective of the brand's origin. In addition to these locations, other rising 'fashion cities', in terms of style and commercial returns, include Moscow, Shanghai, Bombay, Dubai and Johannesburg.

Strategic store location guarantees a brand's visibility, which reminds the consumer of the brand's existence and core attributes. The store location also acts as an extension of the brand's personality and is used as a tool to ensure the vitality of the brand. Although luxury brands ought to be at the right locations to reflect their 'prestige' status, careful attention should also be paid to hasty store expansion at the same location in order to avoid over-exposing the brand. For example, Japan is host to numerous luxury fashion stores which often have multiple stores within the country, like Coach, which has more than 100 stores in Japan. This strategy ensures high sales returns, but at the same time it is important for luxury brands to attain the right balance between commercial feasibility and brand over-exposure. This can be done through a continuous evaluation of the costs and benefits of extensive store openings against the long-term effect on the brand equity. The 'prestige' brand attribute of luxury brands should be maintained through the store location choice, while pursuing global growth and expansion.

In addition to exclusive stand-alone stores, luxury brand store locations are also found in high-end departmental stores, where they rent retail spaces. Such department stores include France's Galeries Lafayette, Printemps and Le Bon Marché; America's Bloomingdale's, Sak's Fifth Avenue and Macy's; the UK's Harrod's, Selfridge's and Harvey Nichols; and Italy's The Galleria Vittorio Emanuele in the Piazza del Duomo. Others are Japan's Mitsukoshi, Core, Matsuya, Seibu and Matsuzakaya in the Ginza district of Tokyo; and Hong Kong's Lane Crawford. Other parts of the world also have impressive high-end department stores, which are emerging so fast that the level of competition has more than doubled in the last five years. Notable examples are the world's tallest building, Taiwan 101, where brands like Chanel, Prada, Loewe and Yoji Yamamoto have stores; and the highly publicized Dubai Mall also known as the Burj Dubai building, still under construction, set to become the world's largest shopping centre on completion. Other retail monuments in the Middle East include Dubai's Mall of the Emirates, which houses almost every major luxury brand as well as a five-star hotel and a ski slope; and the Villa Moda store in Damascus.

In Russia, luxury department stores include the Grand Palace in St. Petersburg and the new 'Luxury Village' in Moscow. India is also not left out in prestigious department stores, with its opulent shopping area at Mumbai's Taj Mahal Palace & Towers and the Hotel Oberoi. Also, countries that are usually classified as the 'rest of the world' or 'other countries', by luxury brands, where luxury retailing is still in the introductory phase, are catching up with the construction of retail and entertainment malls. For example, British luxury departmental store Harvey Nichols recently opened a store in

Istanbul, Turkey, and plans a Russian expansion. Also South Africa's largest city Johannesburg has the Sandton City Shopping Centre, often described as a 'World of Splendour', where Louis Vuitton has a store. In addition, the Nigerian city of Lagos has just seen the completion of two high-end retail shopping centres, although luxury brands are yet to enter this market. At the South American end, Brazil has witnessed the growth of independent retailers of luxury brands like Daslu in São Paulo, in addition to other luxury departmental stores in Brasilia and Rio de Janeiro. In most cases the retail spaces in these departmental stores are leased by major international luxury fashion brands.

Retail location techniques can also be exploited in order to create a more viable niche for luxury brands. This can be done by creating 'special products stores', which retail specific goods not usually found in the brand's permanent collection range. These goods could include limited edition products, special order goods, bespoke products and co-branded goods. Several brands have adopted this strategy, in following with the current consumer needs of constant delight and individualism. A notable example is sportswear brand, Puma, which currently has a New York flagship store called the 'Puma Sports Fashion Lab', devoted to its collaborative product ranges with Alexander McQueen, Christy Turlington, Philippe Starck and Neil Barrett. Nike also has a concept store called the 'Nike-ID Lab', which retails only limited edition products. Although several luxury brands have stores which retail specific products from the permanent range, the luxury sector is yet to make the concept-store retail location technique an important aspect of its retail strategy.

Retailing is a core aspect of the luxury fashion business. However, retailing doesn't end when a brand has successfully found a location. There are several additional tactical factors that determine retail success, and which make up the retail strategy. The retail location choice is the first step to the retail strategy, followed by the store concept.

Store concept

The store is an integral aspect of luxury retailing and is crucial in representing the brand identity and meeting the expectations of visitors. The store is often the first point of real physical contact between consumers and brands. A brand's identity is mostly projected through the store concept, from where an image is either crafted or harmonized. This image leads on to a mind positioning and internal judgement of the brand by consumers. For example, if a consumer sees the advertisement of a luxury product in the print media and visits the store afterwards, they would expect synchronism between the image that they already have in their minds based on the advertisement and what they see and experience in the store. The advertisement is like the cover of a

book and the store is the actual book contents. The story should be in accord with the cover.

The store concept comprises the design, the atmosphere, the size and impersonal selling techniques.

Design

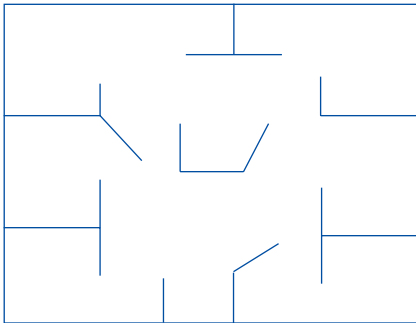
The design function is one of the most visible fundamentals of retail store strategy. It refers to the store layout and elements of its aesthetics such as its colours, decorations and lighting, among others. The effective combination of these features often result in enticing and captivating consumers and, of course, higher purchase probability.

The layout of a store greatly contributes to its image and manipulates traffic flow. In the conventional retailing of consumer goods such as supermarket retailing, the store layout choice follows the most commercially realistic pattern, which is often an outline called the Grid-Flow Layout. This layout features long vertical and horizontal rows of display units of goods with a single entrance and a separate single exit. Another general retailing pattern is the Guided-Flow Layout, with a pre-determined long path from the store entrance to its exit, as found in several furniture stores. In mass fashion retail, the most common and most feasible store layout is called the Free-Flow Layout. This pattern features several entrances and exits to the store and allows free movement of customers. It also provides the store with a better image and enhances the consumer's mood and feeling. An additional advantage of this pattern is that shoppers are likely to stay in the store for a long time if the atmosphere is complementary. However, its disadvantage is that shoppers might fail to spot several products as a result of the lack of a main entrance and a central exit.

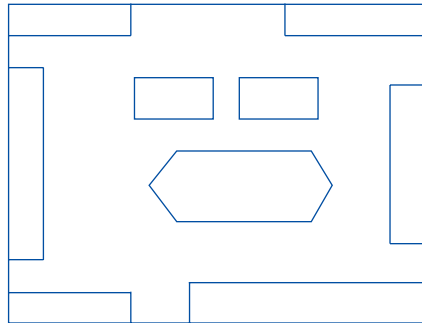
In addition to these essential layout considerations, there are other factors that are essential in the selection of the luxury store layout. The first factor is to ensure that the layout best reflects a prestigious image and complements a luxury atmosphere. The second factor is to ensure that the layout optimizes the surface area while providing the customer with adequate comfortable space and distance to appreciate the store and the brand. The third factor is that the retail layout choice ought to provide room for a form of in-store animation and entertainment which enhances the image of the brand. Although each brand has a unique store arrangement that best reflects its brand personality, the luxury attribute is best shown through variations of the Free-Flow Layout and the Boutique Layout represented in Figure 4.2.

In addition to the store layout, the colour scheme that a brand adopts in its store design is essential to its image and positioning. This ensures synchronization of the brand's identity with the store representations, and cannot be over-emphasized. For example, the dark colour tones found in the stores of Alexander McQueen evoke a smouldering sexiness which is associated with

(a) The boutique store layout



(b) The free-flow store layout

**Figure 4.2** *Store layouts*

Note: Lines and boxes represent product shelves.

the brand. Also the gold and brown colour tones found in Louis Vuitton stores are in harmony with the brand's visual identity and luxurious brand appeal. The Chanel monochrome black and white, which evokes classic chic, is felt both in the stores and in the other aspects of the brand's communications.

Colour can also be used in retail stores to influence shoppers' moods and increase purchase probability. The appropriate management of colours through knowledge of colour functions often complements an effective store design. For example, the colour red is considered to be exciting and escalates the body's metabolism, and yellow is believed to be the colour of intellectual and mental stimulation. Blue is considered as the colour of calm and dignity while green fosters harmony and uplifts spirits. Brown is considered calming and wise; black is sexy and sophisticated; while white evokes purity, innocence and agelessness.

Another crucial aspect of retail store design is lighting. It is highly essential as a tool for the manipulation of space and enhancement of colour and visibility. Effective lighting can influence the size appearance of a store, making it appear large, small or long. Lighting can also affect the way a store's decorations are viewed, affecting the colour tones of both the store and the products displayed within the store. It is important to place strong lighting in the product display sections of the store, irrespective of the overall mood and atmosphere. Other design tools such as mirrors and glass are used to manipulate lighting to create an impression of a larger space. For example, large well-positioned mirrors can reflect lighting from one window, creating the appearance of two windows in a store with only one window.

Decorations within the retail store are also vital in luxury fashion retailing. The luxury store is more than a selling channel, it is also a means of artistic projections that present expertly crafted goods and an appealing brand image. The aesthetic appeal of a luxury fashion store is one of the major

differentiating factors between a luxury store and a mass fashion store. Luxury store decorations may be in the form of the now commonly used wall-mounted plasma televisions featuring videos of the brand's fashion shows and product care guidance. Store decorations may also be thematic or seasonal. Luxury fashion stores are expected by consumers to have highly appealing store decorations that add to the brand's cachet. The messages of the store decorations should therefore go beyond the surface beauty and appeal of the products to the inner subconscious and psychological levels of the consumers' minds.

An example of an impressive store design concept is Louis Vuitton's flagship store located at Avenue des Champs Élysées, Paris. The store, which covers 1,800 square metres of retail space, embodies both high artistic and architectural design and has been described as '*Art à tous les étages*' or 'Art on all floors'. The concept of art and architecture has been transferred to every aspect of the store design and layout including the elevator. Unlike most retail stores where the elevator is a functional instrument that transports consumers from one floor to another, Louis Vuitton's store uses its elevator as a statement of creative imagination. The elevator, which is essential for the store's seven floors, is completely decorated in black and is empty of any signal, light and sound. As the lift transports visitors from one floor to another (with an escort), the total darkness and stillness that envelops the passengers is a powerful force of art and imagination. Its strategic purpose is to stimulate the loss of the senses of vision and sound. The effect of this sensory loss is the invigoration of the imagination of the person travelling in the lift because they find themselves in a space that is the opposite of the high visibility of the store. The intent is that when they eventually arrive at their desired floor, they will be likely to look at the products differently and appreciate them better. Although physically and sensually empty, the lift space is abundantly rich in the imagination, experience and psychological space of the customer riding the lift. Such is the level of interactivity expected between luxury stores and consumers.

Another example of a notable luxury store design is the Hong Kong boutique of Chanel. The store concept is an emulation of Coco Chanel's Parisian apartment, and its design displays include all the style elements associated with Coco Chanel during her lifetime, which have formed signature elements of the brand. These range from a 32-metre strand of pearls hanging down through three floors; tweed-replicating black and white lacquer panelling; chandeliers; and a diamond-dust portrait of Coco Chanel. The strategic reasoning behind this store design is to create a space where all the attributes associated with the brand's founder, Coco Chanel, are featured.

Mass brands such as Nike are also capitalizing on using the store concept to appeal to the lucrative upper-end market. The sportswear brand's Nike-ID store on New York's Elizabeth Street is designed to resemble an *atelier* where bespoke goods are manufactured. The store also retails only limited edition goods.



Figure 4.3 *Le Bon Marché departmental store, Paris, combines the free-flow and boutique store layout patterns (2005)*

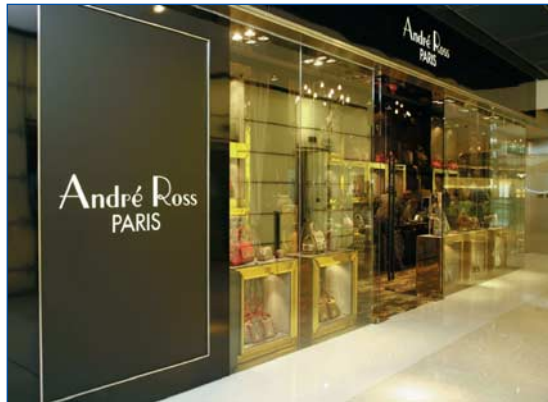


Figure 4.4 *The André Ross store exterior, Hong Kong, harmonizes with the brand's personality and image (2006)*

Luxury fashion stores are required to have magic, energy and life in order to inspire consumers and also become embedded in the consumers' memories.

Atmosphere

In simple terms, atmosphere is the sum of the feelings that consumers experience within a store interpreted through their senses. It is a blend of sensory communications that exists on the subconscious and psychological levels of consumers, and is associated with terms like ambience, mood, impression, background, character and sensations. Atmosphere is connected with the five human senses: visual, aural, tactile, olfactory, and taste; and an additional sixth sense, 'emotion'. Appealing to consumers' visual and aural senses is essential in creating the appropriate atmosphere, but it is not sufficient in the current luxury marketplace. A complete sensory package comprising all the senses is required in luxury retailing.

Luxury goods are categorized as sensory in nature, which means that they rely heavily on intangible factors to ensure sales and to promote the brand.

Since sensory elements such as the visuals, touch and smell are intangible in nature, they ought to be manipulated to complement the intangible qualities of the brand like the brand personality and image. This will ensure that the atmosphere of the selling space harmonizes with the brand and reduces the risk of the brand losing its cachet.

Consumers mostly remember their experiences in a luxury store based on the feelings they had during and after the store visit. These feelings are shaped by their perceptions, which are influenced by the store's atmosphere through visual and other sensory elements. The visual aspect of a store is affected by its colour, lighting, size, shapes, packaging and so on, and visuals play a key role in defining the mood that a store evokes in consumers and has the highest level of impact on consumers' interpretation of a store's atmosphere.

The aural sensory element connected with sound (or in some cases noise) in a store also contributes significantly to the mood and ambience of the store. Sound considerations include music, volume, pitch, jingles and noise distractions. For example, in conventional fashion retail fast music such as pop is used during peak shopping hours to encourage high expenditure and impulse purchases while at the same time unconsciously promoting quick exits in order to accommodate more shoppers. Slow music on the other hand is used during low shopping hours to encourage shoppers to linger in the store, thereby increasing their purchase probability. Luxury brands could replicate these features through a higher level of application. For example, the choice of sound should not only focus on sales returns, but must complement the brand personality. In addition, luxury stores ought to avoid every possible noise distraction and retail gaffe that could disturb shoppers, including telephone exchanges of sales assistants.

The sense of touch or tactile sense is highly important in the luxury fashion store atmosphere. Luxury consumers have a strong need to touch and feel luxury goods before purchase. As indicated earlier, luxury goods are sensory in nature and consumer responsiveness to retail and product design is particularly connected with the sense of physical touch. The tactile sense is also described by the words 'emotion' and 'feeling'. This indicates that the sense of touch is linked with the emotional response that luxury brands strive to arouse in their consumers.

The olfactory sense or the sense of smell is also an important influential factor in luxury goods retailing. The sense of smell has become more crucial in luxury goods retailing because several luxury brands have extended their product range to include fragrances and cosmetics, which rely heavily on the sense of smell. Often these products are sold in the same stores as apparel, leather goods and other products manufactured by the brand, which emphasizes the importance of the sense of smell in luxury goods retailing.

Also, every brand has an associated scent and this should be perceived in the store. Consumers do not expect to visit a Hermès store and find that it smells of Chanel No. 5; or to visit the cosmetics section of a luxury brand's

store to find that it smells of leather. The minimum olfactory requirement for luxury stores should be to smell fresh, clean and distinct.

The sense of taste is also increasingly being featured in the luxury fashion arena. Luxury brands like Giorgio Armani, Roberto Cavalli and Pierre Cardin have extended their offerings to include products that require the use of the sense of taste, such as sweets, chocolates, wine, champagne, vodka and coffee. Although these products highlight the increasing relevance of the sense of taste in luxury retailing, taste remains the least relevant of the senses in the overall retail of luxury fashion goods. Also, products that require taste are often distributed through other more appropriate channels like restaurants and food halls of major luxury departmental stores.

The additional sensory element of 'emotion' is also critical in luxury goods retailing. As indicated earlier, luxury brands present and retail their products through reinforcing the brand's aura and appeal, which produce emotional responses from consumers. This emotion stems from the consumers' overall feelings in the store and encompasses all the elements of the retail space, the products and the services. The feelings are then transformed into longing and are stored in the consumer's 'memory bank'. They are pulled out when decisions regarding the brand are required, which is often.

The store size

Store size is an important consideration in the store concept of luxury brands. In choosing the luxury fashion store size, the unspoken rule of thumb among luxury brands seems to be 'the bigger the better'. Luxury brands currently vie to outdo each other in the development of colossal stores mostly within flagship retail centres. For example, Louis Vuitton's flagship store in Paris covers 1,800 square meters over seven stories, while its New York store is set in a 20-storey building. Chanel has a 10-storey size store as its Asian flagship in Tokyo. Armani's planned Tokyo store opening in 2007 will cover 86,000 square feet over multiple floors. Also, Chloe's flagship on Paris' Avenue Montaigne is 2,000 square feet, while Fendi's largest store is located in a seven-story palazzo in Rome. Pucci's flagship store in the brand's hometown of Capri is 324 square feet. And the list goes on. In some cases, the store sizes of luxury brands are even larger than those of department stores, where space is a crucial determinant of retail prowess.

Adequate store space is crucial in luxury goods retailing and the large-sized stores have the additional role of making a bold statement of the brand's strength, austerity and personality. These factors are essential in the image development and preservation that makes luxury brands appealing to customers. Accordingly, although a giant store serves commercial purposes (because more goods can be displayed), large retail spaces also have underlying importance in luxury goods retailing. So, large retail space is a positive selling point and should be implemented wherever possible. However, the

strategic question related to luxury store size is whether ‘bigger’ automatically translates to ‘better’ and whether the size of luxury stores influences luxury consumers.

Impersonal selling

This is the art of product display and store layout manipulation that promotes the customer’s independence during shopping. Impersonal selling encourages the customer to move freely within the store and to spend as much individual time as possible without relying on the assistance of sales staff. It is a tactic that aims at providing a total brand experience and encourages impulse purchases.

Impersonal selling is the opposite of personal selling. It enables customers to request personal selling services when they actually need them, without feeling that sales assistants are crowding them. In several cases, unsolicited personal selling services come off as hard selling, which is often a put-off for consumers. Impersonal selling on the other hand empowers customers and in most instances is also more convenient for customers.

In addition, impersonal selling can be used to dispel misconceptions and put consumers at ease. Some luxury consumers feel intimidated by luxury stores because of the notion that such stores and staff have a cold and superior disposition. Impersonal selling is a way to counter this perception. Although the luxury store should have adequate sales staff on hand to assist shoppers, personal service is most effective when it is granted on request.

The additional benefits of impersonal selling include lower labour costs for the companies that own the brands and, in some cases, less floor space utilization. Impersonal selling techniques include product grouping, product spread, space liberty and hot-spots for bestsellers or new products, among others.

In designing the store concept, luxury brands are required to maintain the attributes of creating a desire and an aspiration, while ensuring sales feasibility. These will ensure that the consumer benefits from both the functional and socio-psychological gains of using luxury products.

Retail extension

The retailing scene has undergone dramatic development in the last three decades and continues to evolve. The current consumer culture has embraced shopping as more than an act of necessity. Shopping is now a leisure, cultural and entertainment activity in several parts of the world. For example, ‘*Mall Shopping*’ is currently a major pastime in Dubai, London and most American cities, and has become a strong competitor for other forms of arts and cultural activities. The phrases ‘Meet me at the mall’ or ‘Let’s do the mall’ is becoming as common as ‘I need a glass of water’.

Retailers are also responding accordingly through providing consumers with what has been dubbed in marketing circles as ‘Retailment’, a combination of the words ‘Retail + Entertainment’. This concept involves the combination of retail, leisure and entertainment services in a commercial location. Most retail establishments such as shopping centres now also have leisure centres, restaurants and cafés used as relaxation, refuelling and meeting points. Retailment has also been adopted in the luxury goods retail sector. For example, British luxury retailer Harvey Nichols is known for both luxury goods retail and gastronomic expertise. Also, The Mall of the Emirates shopping centre in Dubai has a ski slope although the mall is located in the middle of a desert. Other luxury departmental stores like Printemps in Paris also provide in-store entertainment for shoppers and spectators alike.

The use of retailment as a retail extension tactic is necessary to enhance the status of luxury brands. The method has been used by the luxury sector in the nineteenth and twentieth centuries through associating luxury fashion with different leisure aspects of society like arts and culture. As far back as the early part of the twentieth century, *haute couture* designer Elsa Schiaparelli collaborated with artists Jean Cocteau and Dali in fashion design. This blending of artistic and fashion talent is currently being adopted by several luxury brands and extended to other aspects to form an integrated luxury retailment offering. Luxury brands are placing a strong emphasis on the fusion of luxury retail with retailment forms like art, literature, music, film, sports and gastronomy. The association of luxury brands with an appealing form of entertainment has become a necessity in the current challenging luxury market because consumers increasingly seek substance from brands in the form of background stories, fulfilled through retailment collaborations. Providing consumer satisfaction through retailment links ought to feature as a prominent aspect of the luxury retail strategy.

Retailment is also an effective means of generating positive publicity for a brand through showing the brand’s commitment and interest in its community. This also forms a part of corporate social responsibility, which improves the brand’s public image in the long term. Retailment also offers a powerful means of linking the world of fashion with intellect through literature. An additional benefit of luxury retailment through art initiatives and sponsorships is the chance to project the brand as not merely ‘profit-driven’ but also able to share its financial gains with the wider society.

Several examples of art sponsorships and other related retailment initiatives abound in the luxury fashion sector. They provide evidence that luxury brands have recognized the importance of extended retail practices to include several forms of entertainment. An example is Louis Vuitton, which launched an Art Exhibition Centre named ‘*L’Espace Louis Vuitton*’ within its flagship store on Paris’ Avenue des Champs Elysées in 2005. The centre is a means of artistic and cultural expression and showcases the works of avant-garde artists such as Vanessa Beecroft. Pierre Cardin also has a private museum at his Maxim’s

Paris restaurant, which showcases artistic furniture and paintings from the eighteenth and nineteenth centuries. Also Italian high-end brand Furla supports art through an annual young artists award called '*Furla per l'Arte*', which it set up in collaboration with the Italian foundation for art and culture, *Querini Stampalia*. Another notable example is the Bally Museum owned by the Swiss brand, where visitors can find shoe displays from the early twentieth century. Other brands such as Bvlgari, Cartier, Rolex and Ermenegildo Zegna are all connected with several art initiatives, providing a link to retailment.

The fusion of art and fashion can also be extended to product development and often leads to success when effectively managed. For example, the 2005 collaboration between fashion designer Lulu Guinness and British sculptor Ann Carrington to create a limited edition collection of handbags was highly successful. Also, the famous Louis Vuitton monogram multicolour range is a result of the collaboration between the brand's Creative Director Marc Jacobs and Japanese artist Takashi Murakami. Several other examples can be found in the works of other luxury brands.

The combination of fashion and art, however, requires strategic direction. The strategic challenge lies in incorporating the brand's collaborations within the brand story and effectively communicating them to the public, rather than treating them as part of the periodic 'News & Highlights' of the brand.

In the literary entertainment sphere, British accessories brand Jimmy Choo provided a link with the art of photography and writing through its Coffee Table photography book, titled *Four Inches*. Other publications that are aimed at both informing and entertaining the public are the 20-years chronicle book of Dolce and Gabbana titled *20 Years: Dolce & Gabbana* published in 2005; the 150 years anniversary publication of Louis Vuitton in 2005; and the book that chronicles the history of fashion brand Diesel, titled *Fifty*, which was published in 2005 to coincide with the 50th birthday anniversary of Diesel founder Renzo Russo. Louis Vuitton has also incorporated a bookshop at its Avenue des Champs Elysées Paris store, where Louis Vuitton travel guides are sold.



Figure 4.5 *Vanessa Beecroft exhibition poster at L'Espace Louis Vuitton, Paris, January to March 2006*

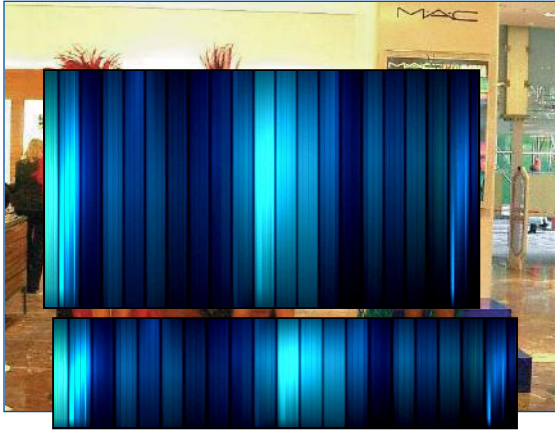


Figure 4.6 *Brazilian carnival in-store entertainment at Printemps luxury departmental store, Paris, April 2005*

The blending of sports and fashion is another means of retail extension through providing luxury retailment. Examples include the collaborative design ranges between sportswear brand Adidas and Yoji Yamamoto and Stella McCartney respectively. Other collaborations have been between Puma and fashion designer Alexander McQueen and model Christy Turlington. While the fusion of luxury fashion with sports is unconventional, the synergy of tradition and technology that the two sectors offer often results in a highly creative collection. However, this strategy should be meticulously managed in order not to lead to the depreciation of the luxury brand's value.

Product merchandizing design

Merchandizing means the process of managing the methods used to push products into the market. It utilizes several methods to make the offerings of a brand attractive to consumers and increase purchase probability, and is therefore a push-marketing medium as it pushes consumers to make purchases. Merchandizing involves selling goods at the point of sale, which in most cases is the physical store. It utilizes visual representation, which is of paramount importance in luxury fashion retailing and is a constituent part of branding.

Effective merchandizing techniques are important in luxury fashion retail especially with the more demanding nature of consumers and the increasing level of competition among luxury brands. The merchandizing techniques and product offerings of luxury brands should be realistic, delightful and relevant to the lives of consumers, since luxury consumers now have multiple product choices and a multitude of fashion trends every season from a growing number of designers. As a result they can compare products and trends and make more informed choices. They also have information and choice overload, which

sometimes leads to confusion and conflict. The result of these factors is that consumers are likely to lose trust for brands that have only surface-level offerings. This means that luxury brands need to differentiate themselves through creating desirable products and selling them with effective techniques.

Merchandizing involves product display and layout, pricing and ticketing display, product packaging, point-of-sale advertising, product zoning, traffic-generation techniques, product hot-spots and inventory control.

Product and price-ticketing display is driven by imagination. A large number of luxury brands often fall into the trap of sameness through lack of creativity in product presentation. For example, the product packaging of several luxury brands such as shopping bags and product boxes have a uniform look in style and concept and little differentiating features. Also the point-of-sale product display in the stores of numerous luxury fashion brands is often bland and uninspiring. On the other hand, the point-of-sale could be used as an advertising medium to introduce new products, showcase best sellers or display 'take-away' complementary goods such as small leather goods. However, when customers find these goods unappealingly displayed or encounter employees that show a lack of enthusiasm in promoting these goods, then the target of purchase probability will be lost.

Additional merchandizing techniques include 'Product Zoning', which involves the placement of complementary products side by side; and 'Traffic Generation', which features the positioning of high-demand products towards the centre or rear of the store thereby obliging customers to walk through the store to reach them. For example, leather goods such as bags and shoes are logically placed close to apparel, which are positioned close to other accessories such as belts and scarves. Jewellery and timepieces go together while cosmetics and fragrances complement one another. Eyewear and other high touch-based products are often grouped together. Other merchandizing techniques include 'Product Hot-Spots', which display new products or interactive products like fragrances, cosmetics and promotional goods. These products are usually presented in groups or categories as well as in rankings of importance, demand, relationship or interaction.

Window display is another important consideration in product merchandizing, as both a sales medium and a communicative medium. It is an important brand image projection tool because it addresses the public, which includes luxury consumers, potential luxury consumers and non-luxury consumers.

Window display merchandizing techniques currently require strong differentiation. This is a result of the visible convergence of retailing tactics of luxury brands with those of mass fashion brands, as a result of continuous evolution of the fashion industry. For example, fashion brands that do not advertise in the mass media, such as Zara, use their window displays as a communicative tool and therefore place great emphasis on its design and message. This is similar to luxury department stores such as Macy's or



Figure 4.7 *The store window display of luxury department store, Harrod's, Knightsbridge, London, April, 2006*



Figure 4.8 *The store window display of mass fashion brand H&M at Knightsbridge, London, April 2006*

Harrod's. The result is a greater level of creativity and imagination in window displays among luxury fashion brands, departmental stores and mass fashion brands. This factor has contributed to increased expectations of consumers from luxury brands, which therefore need to show greater creativity and imagination in window displays at all times. For example, there is little difference between the window displays of the two stores, Harrod's and H & M, Knightsbridge, London, shown in Figure 4.7 and 4.8.

Another crucial element of store image projection through merchandizing is the synergy between a store's interior and its exterior in terms of display, design and aesthetics. A store that habitually changes its exterior design motif should also routinely change the interior to maintain a consistent message. An example of a luxury store that has maintained interior and exterior design consistency over its long history is French department store Galeries Lafayette (Figure 4.9). The store often uses a thematic concept both indoors and outdoors to enhance its appeal.

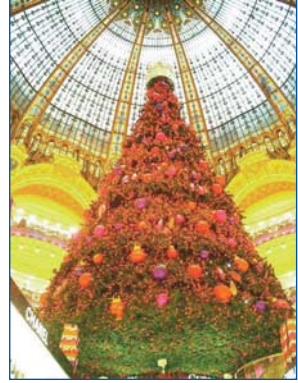


Figure 4.9 *Luxury department store, Galeries Lafayette, Paris, maintains consistency between its interior and exterior designs*



Figure 4.10 *Louis Vuitton's creative giant monogram trunk façade covering the renovation work at its Paris Champs Elysées flagship store, 2004*



Figure 4.11 *Cartier's giant replica of its packaging box, covering the reconstruction work at its Paris Rue de la Paix store, 2005*

Finally, the exterior design of a store can also be a creative tool in all circumstances irrespective of condition. For example, during the renovation period of the Cartier and Louis Vuitton flagship stores in Paris, the stores' exteriors were covered with giant-sized reproductions of the brands' products and packaging. This is a creative communications tool that reminds the public of the presence of the brand and also a landmark and in some cases a tourist attraction (Figures 4.10 and 4.11).

New selling techniques

In order to gain competitive leverage in a more demanding retail climate and satisfy a more impatient consumer group, new and creative forms of luxury retailing are required. Luxury consumers have increasingly busy lifestyles and their shopping for luxury goods has become more challenging as a result of a crowded luxury market and the unavailability of online luxury shopping. This means that they are restricted to shopping in stores in most cases. However, several consumers no longer desire to go to stores but they want the store to come to them. As a result, several additional techniques have either emerged or are being revived to complement existing retail store practices. Among the new selling techniques are:

- 1 Trunk shows
- 2 Pre-season shows
- 3 Post-season sales
- 4 Personal stylist shopping
- 5 Shopping lunching

Trunk shows originated in America's mid-west as a shopping means where individual retailers took goods in their car trunks to wealthy housewives in the suburbs of major cities. Presently, several luxury brands like Burberry, Chanel, Celine, Alexander McQueen and Yves Saint Laurent have adopted the concept of trunk shows and modified it to suit a sophisticated clientele by giving it a prestigious aura.

In the luxury context, trunk shows are privately held fashion shows where the new season's collections are previewed to a select clientele prior to being displayed in stores for the public. Trunk shows offer customers the opportunity to shop privately in an uncluttered environment. They also provide access to products that are only available by pre-order, helping the clients to avoid being on long waiting lists. Another important benefit is the availability of expert advice and individual attention through style advisers and fashion consultants, which are often lacking in the stores. This personalized service leads to a higher purchase probability and increased customer satisfaction. Customers who attend trunk shows are generally likely to spend

substantially higher amounts of money than they would during conventional shopping. This leads to higher sales turnover for the brands and a stronger attachment between the customer and the brand. Trunk shows are often held in the luxury store on a specific day, usually after the runway fashion shows and are mostly attended by appointment. However, brands like Ralph Lauren and Burberry are making trunk shows more available to a mass consumer public by providing information and access to them through their websites.

Pre-season shows are an extended form of trunk shows. The distinguishing factor is that pre-season shows are mostly by invitation and attendance is exclusive to the clients the luxury brands select. Also, pre-season shows focus on the sub-collections that are launched just prior to the main season's collections, while trunk shows are held as a preview of the next season's complete collection. The sub-collections are called Cruise Collections by some brands like Gucci and Jimmy Choo, while Dior refers to theirs as the Capsule Collection. Pre-season shows also provide the same benefits that trunk shows provide to both luxury brands and luxury consumers.

Post-season sales is the equivalent of price discount sales normally held by mass fashion brands or brands in other product categories. However, in luxury fashion, post-season sales are private and are mostly by invitation. They involve the sale of a luxury brand's previous season's collection at discounted prices, often up to 50 per cent of the original retail prices. Since luxury brands need to remain exclusive in order to maintain their brand equity, post-season sales have not been widely adopted by several luxury brands. The brands that practice post-season sales retailing do so exclusively for selected customers and on a restricted number of shopping days.

Personal stylist shopping is a selling technique that has been in existence in both luxury goods and conventional goods retailing for decades. However, shopping with a personal stylist was restricted to VIP clients but is now being required by a broader consumer base. Personal stylists are currently found at luxury brands, luxury departmental stores and also at major fashion magazines. Some of them also work independently such as the New York-based company, Paris Personal Shopper, which caters to the needs of clients intending to make shopping trips to Paris.

Personal stylists provide shoppers with invaluable advice on the season's trends and also how they can combine products in the store with the complementary products the clients already own. They also help less fashion-savvy clients define their tastes and choose the right goods to balance their looks. The ultimate goal of personal stylist shopping is to satisfy the customer, enhance their experience with the brand and develop a deeper relationship that often leads to brand loyalty. Personal stylist shopping is an important aspect of client relations, which also provides an opportunity for one-to-one marketing.

Previously, the luxury fashion sector had the reputation of poor customer services provided by cold and aloof sales staff. However, several luxury brands have realized the importance of client relations and are investing in smart and stylish sales staff with dispositions to be responsive to customer needs, with the right personality to embody the aura of the brand.

The shopping lunch is a relatively new retailing technique in luxury fashion retail, pioneered by innovative luxury brands such as Fendi. This method mixes the art of entertaining and socializing with shopping in a private setting. Shopping lunches take place when luxury brands invite a specific number of clients to an afternoon of eating, socializing and shopping, at a private venue. Fendi currently hosts four shopping lunches annually in the UK, each time in the home of a different Fendi client handpicked by the brand. The guest list is a chain of invited guests who are asked to invite other guests until all available slots are taken. The invited guests are shown a collection of products that include pre-order-only goods as well as collections that are yet to be displayed in the stores. The benefits of shopping lunches are similar to those of trunk shows, personal stylist shopping and pre-season shopping. These include the comfort of exclusive private shopping in a relaxed environment; expert and individual style advice; high customer satisfaction; high purchase probability; enhanced brand relationship; convenience for the shoppers; and increased sales turnover for the brand.

The case of designer outlet shopping villages

Discount shopping is a major retail feature that attracts consumers to brands. In pursuit of the best value for their money, consumers are ready and willing to go an extra mile for certain types of products including fashion goods. It was on this premise that the concept of discount outlet centres was developed for fashion goods. In the early days of this phenomenon, discount outlets were found mainly in North America, and were often warehouse-style retail centres on the outskirts of major cities where mass fashion brands often went to ‘dump’ their old stock that was no longer desirable in the main stores. These goods were sold at exceptionally low prices to attract consumers and to clear the stock. This concept was highly successful as consumers were often willing to travel the extra kilometres for a good bargain. However, discount or outlet shopping was for a long time the domain of mass-market retailers. Today, this concept has encroached into the luxury fashion scene.

It began when Prada purchased a mass piece of land in the small town of Montevarchi, Tuscany, located between Milan and Florence in Italy, and began developing a shopping mall that would later serve as a discount village for the brand. Today, the outlet mall officially named ‘The Space’ retails Prada and Mui Mui products, including apparel and leather goods, at prices

that are sometimes up to 60 per cent below the main store prices. Gucci caught on shortly after this and purchased an equally massive piece of land in nearby Leccio Reggello, Florence in 1999. There, the company developed a shopping outlet named 'The Mall' where the products of 20 exclusive luxury brands including Gucci and all the Gucci Group-owned brands are retailed at discounted prices, sometimes up to 50 per cent lower than the original prices. Unlike the Prada-owned mall, which retails Prada and Mui Mui goods, the Gucci outlet mall retails a wide range of 'outside' luxury brands like Burberry. The Mall, however, focuses exclusively on luxury brands that desire to sell their end-of-season stock at discounted prices and doesn't retail the goods of non-luxury brands. Giorgio Armani also has a factory outlet store in Vertemate, near Como, while Jill Sander's outlet store is located in nearby Cirimido.

The common factor these discount outlet shopping centres have is that they do not advertise themselves as Prada-owned or Gucci-owned or Armani-owned spaces. This is because the strategy of discount shopping centres is in contrast with the brand attributes that form part of the desire for luxury goods, like 'exclusivity' and 'enhanced image'. Also, luxury brands do not include the addresses of their discount stores as a retail location in their media advertisements, for the same reason.

Luxury fashion discount shopping has, however, been made more popular by the founders of the Value Retail Chain, which owns designer outlet shopping villages on the outskirts of 11 cities around Europe. The shopping villages include Bicester Village, located between London and Oxford (Figure 4.12), La Vallée Village close to Disneyland Paris (Figure 4.13), La Roca Village in the outskirts of Barcelona, and other shopping outlets on the outskirts of Milan, Bologna, Brussels, Dusseldorf, Munich, Frankfurt, Dublin and Madrid. The group currently has a portfolio of 300 fashion brands and more than 600 stores across its network of villages. The target consumer group is the upper-income fashionable consumer set aged between 25 and 55.

The Value Retail discount shopping villages are built to resemble small towns, but instead of housing they feature only shops and restaurants. More than 60 per cent of the brands that occupy the stores are international brands such as Versace, Kenzo, Max Mara and Givenchy, although exclusive domestic brands are also promoted. The discount outlet villages focus mainly on retailing fashion goods although cosmetics, house wares and interior decoration brands are also well-represented. The goods are usually end-of-season products marked down at prices ranging from 30–70 per cent of the original store prices. Although discount luxury fashion retail dominates the activities of the Value Retail villages, there is also the presence of mass fashion brands such as Mexx, Puma and Reebok. This raises the following question:

Do designer outlet shopping villages dilute the luxury brand image? Is this a luxury brand killer?

Figure 4.12 *Discount shopping outlet, Bicester Village, near London, 2004*



Figure 4.13 *La Vallée Village discount outlet village, near Paris, 2006*

The sale of luxury goods at discounted prices is not a new practice, although it is not widely publicized, and is a practice that has amplified in the last decade. The adoption of the mass discounting strategy for luxury goods is a result of several factors in the changing environment of luxury fashion retailing. These factors have placed an emphasis on sales returns and commercial results, driving luxury brands to adopt discount selling strategies. Notable among these factors are the following:

- 1 Consumers have become wise to the variety of choices they have in terms of luxury and mass fashion goods. They increasingly know where to go to find what they want and are ready to reject the brand that doesn't meet their expectations in terms of value for money and product design.
- 2 The luxury market is expanding rapidly and the competition level has more than doubled in the last decade. This has put a lot of pressure on luxury brands.

- 3 The ownership structure of luxury brands is changing as several non-luxury companies have acquired luxury brands. This has increased the performance pressure on luxury brands with more emphasis on sales turnover, return on investment and shareholder value.

The answer to the question: ‘Do designer outlet shopping villages dilute the luxury brand image?’, is yes, placing luxury brands in discount outlet shopping villages undoubtedly affects the ‘exclusivity’ attribute associated with luxury brands. This is even more enhanced at the discount centres that mix luxury goods discounting with mass fashion discounting.

The answer to the question: ‘Is this a luxury brand killer?’, is no, the presence of a luxury brand in a discount outlet centre is not a brand killer. However, this strategy needs to be meticulously managed by luxury brands to ensure that the long-term benefits outweigh the costs in relation to the brand equity.

So how should this delicate strategy be handled? The following points act as guidelines for luxury brand retail positioning in discount shopping centres:

- Select the discount outlet centres that only retail goods from luxury brands. This factor retains the exclusive location attribute associated with luxury brands even though the prices of the goods have been lowered. It also minimizes the shoppers’ impression of shopping among ‘junk’ goods.
- Provide only end-of-season goods at the discount shopping villages and avoid goods that are in the current collection in the main stores. This way, when consumers travel the several kilometres to the discount villages, they know that they are getting the previous season’s goods at reduced prices only because the goods are ‘last season’ and no longer available in the stores, and not because the brand is a ‘discount brand’.
- Provide expert and unparalleled in-store customer service at the discount store. This will give shoppers the impression of being in a special place and among highly crafted goods although they’re being sold at reduced prices.
- Provide in-store animation and entertainment. The main stores of several luxury brands such as Roberto Cavalli and Chanel have plasma TV screens that showcase the fashion show of the latest collection. These features will enhance the atmosphere of the discount store even more.
- Maintain the brand personality and aura. Discounting is not an excuse for luxury brands to forget who they are and what they represent to the public. Consumers that visit outlet centres also shop in the main stores so the same attributes that are found in the main stores should be extended to the outlet stores.

In conclusion, store location, store merchandizing and atmosphere are intricate aspects of luxury fashion retailing that contribute to the public image

projection of the brand. These aspects of retail need to be constantly innovated in the rapidly changing luxury market. Also, several aspects of fashion retail strategies like the convergence of both luxury and mass fashion brands need to be meticulously monitored and managed. For example, Avenue des Champs Elysées, Paris, which is considered as the epitome of luxury location, currently has stores of non-luxury brands Zara and Naf Naf, among others, in addition to Louis Vuitton and Cartier. In the same manner, London's Knightsbridge is the location of Burberry and Harrod's as well as H&M, Zara and several other mass fashion brands. The Sloane Street area which was previously exclusive to luxury brands has also seen the encroachment of non-luxury brands like Zadig & Voltaire, which recently opened a 1,300 square foot store on the street.

The implication of these changes is that luxury brands need highly refined retailing techniques more than ever before. Luxury brands are expected to develop creative and innovative retail techniques to add to a more meaningful relationship with consumers. The strategic goal of luxury retailing should not only be to reach sales targets, but also to satisfy customers through implementing strategies that enhance brand value. This means that it will take much more than the brand name and product designs to maintain the long queues in front of luxury fashion stores.