Chapter 5
The art of creating and managing luxury fashion brands

> 'Branding is not about getting your consumer to choose you over the competition. It's about getting them to see you as the only solution.'
>
> L. Aldisert, cited in Dennis and Harris (2002)

What is branding, really?

'Brands' and 'branding' are among the most abused and misunderstood terms in the business vocabulary. If you ask the average consumer of luxury goods to define a brand, they'd probably relate it to a 'brand name' like Versace or Dior, or to a product like the famous Hermès Kelly bag. But if you prod deeper, you'll discover that consumers have different perceptions, feelings and attitudes towards different brands, simply because each brand is unique and customers understand the different messages that brands emit. This shows that consumers understand the branding concept.

Even more surprising is the range of responses from business professionals when asked the meaning of brands and branding. Some refer to branding as a corporate logo or identity, others believe that it is a company's trademark and yet others associate branding with the name of a company or its products and services, including the processes of new product launches and relaunches. These features do not define a brand but form parts of the associative elements of branding.

A brand, as mentioned earlier in this book, is an identifiable entity that makes specific and consistent promises of value and results in an overall experience for the consumer or anyone who comes in contact with the brand. This entity includes names, terms, signs, symbols, designs, shapes, colours or a combination of these elements. Their purpose includes identifying the products or services of a seller, differentiating them from those of competitors and providing value to consumers.

In brief, we can simply define a brand as the following:

> A brand is the sum of all the feelings, perceptions and experiences a person has as a result of contact with a company and its products and services.

This means that a company's brand resides in the mind of consumers and that the success and failure of a brand depends on its position in the consumer's mind. It also means that contrary to popular belief, a product (which is something manufactured in a factory) is not a brand. However, the product becomes a part of the brand (the total experience), when it has been stamped with the brand logo and transported to the store and displayed within the unique store environment. It is this total package that consumers buy. Products are easily outdated and can be copied by competitors and counterfeiters but a brand is unique and timeless making it impossible to be imitated. Also, a company's corporate identity is not a brand but forms a part of the brand.

The luxury goods industry uses branding as a core competence and recognizes the important position of branding among consumers. For this reason, the sector places an emphasis on branding and marketing strategy development. These strategies are targeted at increasing the share of the brand in the consumer's mind through appealing to human emotions and psychology, which are of course controlled by the mind!

Branding sustains attraction and influences consumers. A well-developed brand is like vintage wine that increases in value with age and care and yields long-term benefits. The rewards of branding are overwhelming but the process of building a successful brand is a long, tedious and expensive exercise that requires dedication and scrupulous management. However, the benefits are sustainable and if carefully managed generate continuous returns. This chapter provides insights into branding as a long-term investment therefore it would be irrelevant for those seeking short-term branding benefits, which cannot be found in this book.

Branding benefits

Before we go further into the interesting subject of branding, let's take a look at the benefits that branding brings to companies and their implications for luxury brands.

Brands are assets to the companies that own them. This asset comes in an intangible form and results in added financial and social benefits for businesses. To get a clear picture of the asset worth of brands for companies, let's take a look at the following illustration.

In 2006, Interbrand placed a brand value of US$17.6 billion on Louis Vuitton, making it the most valuable brand in the luxury goods industry and the seventeenth most valuable brand in any product category in the world. This figure is exclusively attributable to the brand and excludes the company's assets, earnings and revenues. This means that if Louis Vuitton ever decides to sell its brand (which is highly unlikely, by the way), its brand name and associations alone could fetch the company more than its book price (its balance sheet worth). The case is similar with other 'highly valued' luxury fashion brands like Gucci, Armani and Rolex. In some cases, companies with strong brands are sold at up to 600 per cent of their balance sheet worth.

The average company is valued by the stock-market at twice its net assets, but companies with strong brands are valued at from 4–20 times their actual physical assets. This additional valuation is often a result of recognition of the intangible value assets of the brand and confidence in the long-term future earning potential of the companies due to their brands. The large amount of money companies with strong brands amass during mergers and acquisitions is also evidence of the importance of branding as an asset. For example, in March 2006 French cosmetics company L'Oréal offered to buy British brand Body Shop for a price 34 per cent higher than its worth, as a result of its brand value. Also, American high-end sportswear brand Tommy Hilfiger was recently acquired by British investment company Apax for $1.6 billion, a figure several times more than the company's physical worth. In the non-luxury fashion category, Nike bought sportswear company Converse for $305 million, a figure that far exceeded its book value. These indicators show the importance of branding to any company that wants to make substantial long-term financial returns.

A quick look at Table 5.1, which represents the most valuable luxury brands in the world, according to Interbrand, previews the significance of the business of branding. The values shown are solely attributable to the brands and exclude the company's assets and earnings.

Table 5.1 The Global Luxury Brand Value Scoreboard (2004–06)

Brand name	Ranking	Brand value, 2006 (US$ billion)	Brand value, 2005 (US$ billion)	Brand value, 2004 (US$ billion)	Country of origin
Louis Vuitton	1	17,606	16,077	6,60	France
Gucci	2	7,158	6,619	4,70	Italy
Chanel	3	5,156	4,778	4,416	France
Rolex	4	4,237	3,906	3,720	
Switzerland					
Hermès	5	3,854	3,540	3,376	France
Tiffany & Co.	6	3,819	3,618	3,638	USA
Cartier	7	3,360	3,050	2,749	France
Bvlgari	8	2,875	2,715	–	Italy
Prada	9	2,874	2,760	2,568	Italy
Armani	10	2,783	2,677	2,613	Italy
Burberry	11	2,783	–	–	Britain

Source: www.interbrand.com

You might wonder how branding has gained so much prominence in the luxury fashion business and for how long the concept of branding has been around. The answer to this can be found in Chapter 2 of this book.

In addition to being an asset to owners, brands also have invaluable benefits for consumers. Branding helps consumers identify the source of a product and reassures them that their purchase decision is the right one, making their buying process easier. A brand is also a symbolic device that signals quality, precision, craftsmanship and several other associations that make it unique. As a result of this, consumers are reassured that what they're buying is the most suitable for their needs. This results in a relationship of trust between the consumer and the brand. For strong brands that maintain their promise of value, the relationship is often sustained through brand loyalty. Luxury brands are also highly beneficial to consumers through the fulfilment of functional and emotional needs. These needs are identified through brand promises and brand perceptions. Branding also reduces the risk of disappointment with products and services for consumers.

Luxury fashion branding strategy development

This chapter doesn't provide a magic formula or a definite model for developing or managing a luxury fashion brand that would guarantee instant success and perpetual steady income. However it provides a guide to aid in strategic thinking through a critical analysis of brand development and brand management issues related to luxury fashion. As we all know, fashion and its industry is ever-changing, but what remains constant are branding principles and strategies that can be applied in luxury fashion and beyond.

We've already seen the importance of branding to the luxury fashion sector, and will now evaluate how luxury brands are developed and how they can be managed successfully. First, let's take a look at the attributes of luxury brands. A true luxury brand exhibits 10 core characteristics as indicated below:

1. innovative, creative, unique and appealing products;
2. consistent delivery of premium quality;
3. exclusivity in goods production;
4. tightly controlled distribution;
5. a heritage of craftsmanship;
6. a distinct brand identity;
7. a global reputation;
8. emotional appeal;
9. premium pricing;
10. high visibility.

Other important elements of a luxury brand are an indelible impression, a recognizable style, fast and high fashion design turnover, a strong country-of-origin link, especially a country with a strong reputation as a source of excellence in luxury fashion (such as France and Italy).

The key tools of luxury fashion branding are *differentiation* and *emotional appeal*. For example, when you see a woven luxury leather bag or shoe, you'll likely think of Bottega Veneta. In the same manner, tweed or pearls on a product is likely to evoke a Chanel image. This is because these brands have differentiated themselves through these specific product attributes that also serve as a signature for the brands. However, product differentiation forms a part of the tangible aspect of branding which is a complement to the intangible aspects of branding as explained further in the chapter. The intangible aspects of luxury branding include the psychological responses that consumers exhibit towards luxury fashion that leads to an emotional attachment to specific brands and their products and services. Emotional appeal connects with the consumer's sub-conscious, sensitivity, intelligence and personality. This implies an intimate relationship and a special bond between brands and their consumers.

In the current rife fashion market where the consumer is overwhelmed with product variety and choices, purchase decisions are mostly based on brand choices. This means that the brand that consistently reinforces its appeal to consumers through its differentiated offerings will draw the most loyal customers.

How can a brand differentiate itself from its competitors? The first step is through finding the answers to the following three questions:

1. What feature does my brand have that will appeal to customers?
2. What makes my brand unique, which competitors cannot copy?
3. What element do I need to make my brand a better choice than others that offer similar products?

After establishing the answers to these questions to ascertain a clear indication of the differentiation and emotional appeal features, the process of brand creation and development is set into motion.

In order to create a luxury fashion brand, four factors should be ingrained in the subconscious of every participant of the brand-creation process. These points include the following:

- **Strategic thinking** the ability to have a defined brand vision, foresight and orientation towards long-term brand benefits.
- **Creativity** the ability to use imagination, resourcefulness and innovation in creating and designing brand elements.
- **Clarity** a clear idea of everything the brand stands for, both for the company and for the target customers.

- **Consistency** a uniform approach in designing every aspect of the brand and in delivering every communication regarding the brand.

The role of these points will become clearer in the following sections. The process of brand strategy development is stimulating and the results can be positively overwhelming. This step-by-step procedure, which I prefer to call an adventure, is explained in detail in the following sections.

The brand concept

This answers the question: '*What is your name?*'
The brand concept is simply the birth of a brand, in other words, the overall idea behind the creation of a brand. The core concept of the brand must be compelling and appealing to anyone that comes in contact with the brand. It should be both relevant for its moment of creation but, more importantly, it should have a lifetime potential. Prominent branding specialist Jean-Noel Kapferer perfectly sums up the approach to the Brand Concept in the following statement:

> The best way for a new brand to succeed is to act like an old brand!

In other words, the new brand should develop new products but conceive its strategies like an established brand. If you're wondering how this can be done, then keep reading.

The brand concept is reflected through the name of the brand, its country of origin, its history and story, its visual image, its logo, its colours, its shapes, its language and its total offerings. Luxury fashion brands each have a distinct brand concept that differentiates them from others although they generally share the similar characteristic of 'prestige'. For example, the horse carriage, which is part of the Hermès logo, represents the brand's beginnings in horse saddlery production. The colour orange is also unique to the brand and the taglines in the brand's print advertisements are often in French, reinforcing the brand's foundation and country of origin. Also, Louis Vuitton products are packaged in brown and this has become the colour attributed to the brand. It is also difficult to think about Tiffany without thinking of the colour turquoise, which is the brand's concept colour. These are all components of the brand concept.

The most visible aspect of a luxury fashion brand's concept, however, is the brand name. Traditionally, the brand names adopted are those of the founders or major designers of luxury brands. The names naturally depict the country of origin of the brands as exemplified by the following brands:

Salvatore Ferragamo	Italian
Yves Saint Laurent	French
Donna Karan	American
Yoji Yamamoto	Japanese

However, luxury brands also feature brand names that evoke a specific country of origin and sometimes do not typically represent the countries of the brands' founders. These brand names have been adopted for strategic associations with particular countries or for other reasons. They include the following:

Jimmy Choo	British
Comme des Garcons	Japanese
JP Tod's	Italian
Samantha Thavasa	Japanese
Paul & Joe	French

The adoption of a brand name for a luxury goods company increasingly requires careful handling. Since the brand name is the first point of contact between the consumer and the brand, the name should evoke all the associations that make up the brand. Consumers should easily be able to decipher a brand's connotations from its name without being in contact with its products or advertisements. This is quite challenging to achieve especially since the traditional practice in luxury fashion has been for fashion designers to lend their names, personalities, origins and beliefs to their brands.

The genesis of this practice can be traced to the French and Italian fashion designers of the eighteenth, nineteenth and twentieth centuries such as Pascal Guerlain, Thierry Hermès and Guccio Gucci. During their time, the notion of branding was less sophisticated and focused more on differentiation through brand name and product design. This meant that the business development aspects of the brands often came after the name choice, indicating that the brand concept was not the determinant of the brand name. This approach has been successful for more than two centuries. However, the twenty-first century branding context requires the application of a defined strategy in every aspect of brand development, including brand naming. This factor has led to an emerging trend of brand name adoption that reflects a specific message and appeal to consumers. A classic example is the brand, 'Comme des Garcons', launched by Japanese designer, Rei Kawakubo, which doesn't have its origin in France or the French language. The brand creators realized that as a country, France is recognized as having a strong luxury fashion heritage. They therefore used *French fashion appeal* in the brand name concept to reach consumers who might not ordinarily associate a Japanese brand name to luxury fashion. Also when Diego Della Valle created the Tod's brand in 1978, he chose the name JP Tod's from the Boston telephone directory because this was the only name he found that sounded good in all languages and also had ease of pronunciation. More importantly, the Tod's brand concept was developed to translate the American casual weekend style through Italian know-how of luxury product development and to introduce luxury weekend fashion style to the world. The brand name was therefore suitable for the brand concept.

Another often cited example of strategic brand naming in the non-luxury fashion category is the Baileys Irish Cream liqueur brand. The brand is named after a supposed 'R.A. Bailey', who also has his signature on the liqueur's bottle packaging, although he doesn't exist. This fictitious character has been used as a banding tool to sell the appeal of Irish beverage alcohol to consumers. The benefit of this conceptual approach is an acceleration of the understanding of the brand concept and the spread of brand awareness among consumers.

In addition to recognizing the symbolic role of the brand name, several traditional old luxury brands currently modify their brand names to reflect a modern look and increase their appeal to the changing tastes of consumers. For example, Christian Dior has erased the forename 'Christian' from its packaging, advertisements and communications. The brand is now simply known as Dior by consumers, although the company name remains 'Christian Dior Couture'. This name adaptation is a variation of the strategy of adopting the brand's initials like Louis Vuitton has done with the 'LV' logo; Yves Saint Laurent with the 'YSL' logo and Dolce & Gabanna with 'D&G'. The adoption of a brand's name initials aids consumer memory recall of the brand name but could also backfire on the brand if mishandled. For example, the adoption of the initials 'CD' could have several meanings for consumers, including 'Compact Disc'. The choice of the brand initials as a logo should only be made by a brand after achieving extensive global awareness and appeal. This would ensure that the brand's perception remains undiminished among consumers.

The brand name choice should also have elements of universality because luxury fashion brands are increasingly global in nature. Consumers of luxury goods appreciate exotic brand names associated with the brand's history and origin. At the same time, the disposable nature of today's consumer means that if the total brand package lacks appeal, then the name of the brand will count for little. There are thousands of brands launched annually but most of them fail and become forgotten as a result of unfeasible tactics. Only the few brands that have well-defined brand concepts and brand strategies are successful.

The brand concept is also reflected in the brand logo. Most luxury brands are built on a foundation of history and heritage. However the evolving luxury market requires an adaptation of the traditional outlook of luxury brands to a modern stance. This has resulted in the tweaking of the logos and the brand names of several luxury companies. As noted earlier, Christian

Figure 5.1 *The Dior logo has evolved from Christian Dior to simply 'Dior', depicting a modern outlook*

Dior's logo is now represented simply as 'Dior' (Figure 5.1). Also Diesel, which aspires towards the luxury sphere, has included a tagline '*For successful living*', to its logo that interprets its status as a premium brand that helps its consumers show their success. Other brands like Hermès and Lacoste have maintained their traditional logos using their heritage as their symbol, while Prada's logo can be classified as 'hybrid'.

The logo plays a key role in both the brand and product recognition. For example the famous LV monogram of Louis Vuitton and GG of Gucci provide instant recognition of the products of these brands. Other brands like Bottega Veneta minimize the logos on their products and rely on their signature style as a recognition tool.

The strategic objective of accurate representation of the brand concept is to align all its features to show the idea behind the brand in the way that the public can understand. It is also essential for all other elements of the brand to complement the brand concept. These elements are discussed in subsequent sections. The brand concept is the root from which the brand grows and therefore should be solid because some aspects of the branding strategy might change with time but the brand concept remains constant.

The brand identity

This answers the question: '*Who are you?*'
The brand identity is the next branding element that is developed after the brand concept has been established. The identity of a brand is who the brand truly is and how consumers perceive the brand. In other words, the attributes and identifiable elements that make up the brand and how these are perceived and interpreted by the people that come in contact with the brand. This is the essence of the brand.

The brand identity comprises of the *brand personality* and the *brand image*. The brand personality is the core personality traits and characteristics that have been consciously chosen for the brand. It is who the brand has decided to be, how the brand views itself and how it wants to be viewed by others. It is the 'true self' of the brand.

The brand image on the other hand is the way the brand is seen by the people that it is exposed to. The brand image is developed in the mind of the public through their perception of the way the brand projects itself. The image is the consumer's interpretation of the brand personality. Sometimes the image of a brand that consumers see is different from the personality that the brand has adopted or desires to adopt. This means that the internal understanding of the brand (by its employees) is different from the external understanding of the brand (by its consumers). In this case, there is a miscommunication that requires the brand to re-align its communications.

To further highlight the difference between the brand personality and the brand image, let's use an illustration. When you think about a friend or colleague, certain qualities or 'associations' run through your mind regarding that person. These qualities, which would normally be different for each person you think of, is the image you project of them in your mind through your understanding of their personality. Sometimes this image is correct and at other times it could be wrong through your misjudgement of their personality. The same principle applies in branding.

The personality of a luxury brand is crucial for accurate positioning in the consumers' minds. It should be clear and consistent in order to project the right image to consumers. The brand personality should be memorable and affirmative and also distinguish the brand from its competitors. Brands often lose out on market share when their personality is not defined because consumers are left confused and guessing, which often drives them to seek alternatives. This is amplified among the current clever and demanding luxury consumer group who lack the patience for additional tasks such as 'guesswork' related to a brand's identity. An unclear brand personality often leads to one reaction: '*next, please*'.

The brand personality of a luxury brand could be checked against one of the most widely applied models in both business and academic circles, The Brand Personality Model by notable Marketing and Branding scholar, Jennifer Aaker (Figure 5.2). This model uses five dimensions to classify the personalities that brands could adopt. These are further given a set of descriptive traits, against which the personality is tested. The measurement attributes five points to traits that are extremely descriptive of the brand and one point to the least descriptive. Although several additional personality traits exist, this model is useful as a guide in the development of a set of attributes that could contribute to the meaning a brand has for consumers. The traits are shown in the following diagram.

Luxury fashion brands have a unique advantage in the brand personality and image development process because their consumers already perceive them as 'luxury'. This is the reason that luxury brands hardly need slogans or characters commonly found in other goods categories to accompany their brand symbols. The term '*luxury*' makes a lot of difference between luxury brands and conventional brands. Luxury is associated with denotative words like opulence, superiority, exclusivity and wealth. This means that no matter what peculiar personality attributes a luxury fashion brand adopts, they also ought to possess a strong element and projection of the 'luxury' and 'prestige' qualities. This implies that selecting the additional personality traits to complement the core 'luxury' attributes should be a straightforward task.

On one level, luxury brands generally share certain brand personality traits

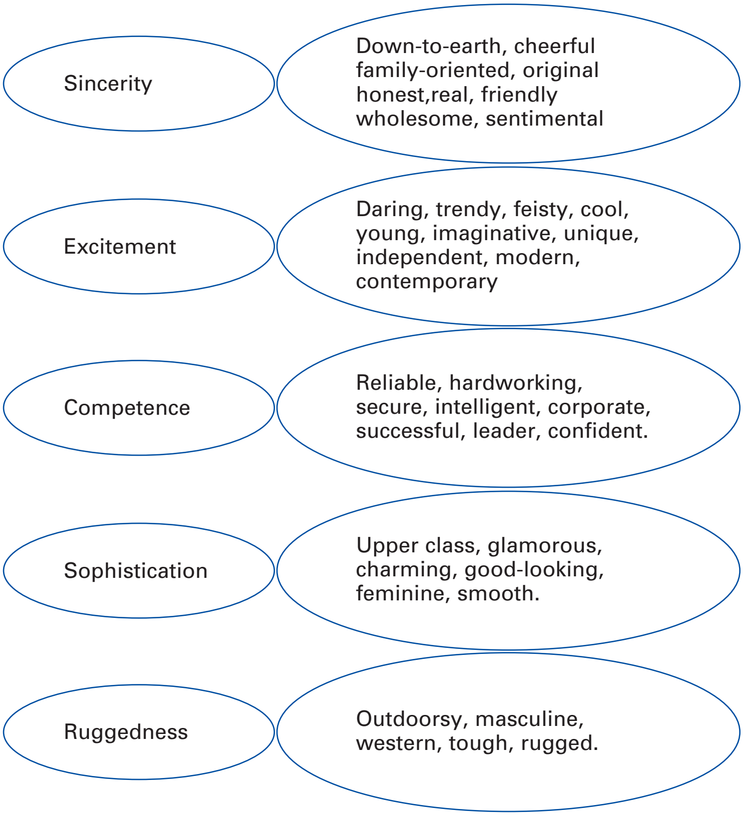

Figure 5.2 *The Brand Personality Model of Jennifer Aaker*
Source: Modified from valuebasedmanagement.net

such as glamour, reliance, originality and sophistication. On another level, different brands exhibit distinct qualities that make each brand unique. For example, American brand Michael Kors depicts modernity; Gucci has positioned itself with a mix of sophistication and lustre while D&G arouses a sense of excitement and adventure. Burberry on the other hand portrays the English lifestyle much more than Dior portrays the French lifestyle, and so on.

As a further guide, there are three critical features of brand personality and brand image development:

1 A clear and consistent theme in visual and verbal brand communications.
2 Uniformity between the core brand personality developed by the company and the brand image received and understood by the public.
3 A direct co-relation with other elements of the branding strategy, like the brand concept and the brand positioning.

Successful brand personality development does not automatically translate into the desired brand image, however. Brand image as mentioned earlier is based on the abstract form that people attach to a brand. It is the consumer's interpretation of the brand personality. This is achieved mainly through the brand message communications (pictures, images, colours, symbols and so on) or through direct contact with the brand (products, customer services and so on). Consumers sometimes misunderstand or misinterpret brand personalities as a result of an unclear message portrayal on the part of the luxury brand. Luxury brands ought to avoid this common error at all costs.

The brand personality and brand image must be reflected in all the elements of the overall corporate strategy such as product development and product naming as a part of its differentiating strategy. To sustain a brand identity that is unique and resistant to change, a brand must determine its core attributes that make it different from others and promote these as the tools that will enhance its ability to be recognized by its target market.

Finally, the golden rules of brand identity creation are:

1 Clarity in personality choice and image projection to the public.
2 Consistency in maintaining the chosen personality and image.
3 Constancy and relevance in the marketplace over time.

Brand awareness

This answers the question: '*Who knows you?*'
Brand awareness is when the brand goes public. Awareness constitutes a high level of knowledge and consciousness of a brand in its market to the extent of recognition and recollection among consumers. This means that the brand is in the subconscious of the consumers and easily remembered whenever they come across products or communications of the same category. In other words, the target audience are able to pull the brand name and its associations from their memory unconsciously.

Brand awareness comprises of two elements: *brand recognition* and *brand recall*. Recognizing a brand involves remembering the brand and its associations when exposed to that brand or a similar brand (for example, through print advertisement). This is usually less challenging to achieve as recognition could be developed in the early stages of the brand awareness creation through publicity and advertisements.

Recalling a brand from memory occurs when consumers relate a brand directly to its goods category without prior exposure to or direct interaction with the brand. This means that the brand has attained a powerful level of visibility and it has been imprinted in the memories of consumers as the most recallable brand in its category. For example, the luxury brand Gucci has high brand awareness among both male and female luxury consumers and Gucci might be the first brand that comes to consumers' minds in association to luxury fashion. This level of brand awareness is challenging and requires time and effort to attain. It is the desirable level of brand awareness for luxury brands.

As an illustration, take a moment to reflect on the first three brands that jump to your mind when you think of luxury fashion. These are the brands that have attained a high *recall* level within your mind. Now think of the numerous luxury fashion brand advertisements you see in the print media. How many of them do you instantly recognize? How many do you have to look at several times or study closely before recognizing or establishing their associations? The brands that you were able to recognize instantly are those that have high *recognition* while the others could have medium or low recognition levels.

Luxury brands generally have the advantage of attaining a higher level of global brand awareness than mass fashion brands. This is because luxury fashion brands, as the name denotes, fall within the category of 'luxury goods' and this offers an aspirational and unique quality that distinguishes them from an overcrowded fashion market. As a result, consumers remember them because they crave for products from within luxury brands. Also, the luxury sector is smaller than the mass fashion sector in size and focuses on a global market, making it easier for the brands to stand out. However, the task of creating brand awareness for luxury brands is becoming more challenging especially with the lowering of the sector's entry cost and subsequent expansion.

How can brand awareness be achieved?

The major tool of brand awareness creation is visibility, visibility and visibility. This means achieving a high level of exposure for the brand among its target consumer audience. Luxury brands should however attain high visibility without over-exposure. In other words, placing the brand to be seen, heard and thought about by the right people with the aim of registering the brand in their memory.

The effectiveness of brand awareness tactics varies between industries but communications tools like advertising, sales promotions and sponsorships can be used to increase familiarity with the brand and attain high brand awareness. The luxury sector also has the additional advantage of the global reach of the Internet, the increase in international travel and the globalization of the marketplace to enhance rapid brand awareness.

In creating brand awareness, luxury brands face an additional challenge of staying visible while retaining exclusivity. Luxury brands are elite by nature and are required to maintain this quality and the status of prestige. This means that they must be seen only in the appropriate communications media that enhance the 'luxury' quality. Consequently, the process of creating brand awareness for luxury brands is a carefully managed process that applies the most effective communications channels. For example, British luxury accessories brand Jimmy Choo attained rapid global awareness through celebrity connections, notably in Hollywood. The brand features celebrities in its print advertisements and associates itself with major 'Red Carpet' events like the famous American Oscar awards. The brand was also frequently featured in episodes of the world-famous American TV series, *Sex and the City*. An additional celebrity-linked promotional tactic by Jimmy Choo is the production of the book titled *Four Inches*, in 2005, which features photographs of Hollywood stars wearing nothing but Jimmy Choo shoes. Proceeds of the book sales were donated towards cancer research but the publicity generated from this venture was enormous. Similarly, shoe designer Manolo Blahnik attained a global consumer following through celebrity connections despite having only two stores. By adopting the celebrity promotional tactic, these two relatively new brands have succeeded in creating a link between their brand and the luxury goods category.

An additional brand awareness creation tactic is 'Word-of-mouth', which is often underestimated. Creating awareness for a luxury brand through word of mouth is both tricky and challenging. It is not something that is achieved on the street but is rather most effective when implemented through opinion leaders and experts in the luxury field and the fashion world. Examples abound in fashion magazine product reviews and features. Other effective methods of word-of-mouth promotion include the endorsement of experts in the luxury sector such as those that have authority in the global luxury fashion field. Think of who made Christian Louboutin famous.

Branding expert Kevin Keller asserts in his text, *Strategic Brand Management: Building, Measuring and Managing Brand Equity*, that if a brand desires a high brand recall level, then its name should be short, simple and easy to spell and pronounce. This opinion makes logical sense for conventional consumer goods such as FMCGs but it is unsuitable for luxury brands. Luxury brand names are more attractive when they are unique, symbolic and original. This is because the luxury consumer expects a high level of sophistication, exoticness and a degree of complexity in luxury brand names. For example, the brand names 'Comptoir Des Cotonniers', 'Marithe Francois Girbaud', 'Comme des Garçons' and 'Jaeger Le Coultre' are all difficult to pronounce for non-French speakers. The brand name 'Abercrombie & Fitch' on the other hand is a nightmare for the French to pronounce. However, the exoticness and originality of these brands' names atone for the difficulty in pronunciation and make them more appealing.

The brand awareness goal of every luxury brand is to attain a high level of familiarity with consumers, leading to affiliation with the brand. This will ensure that when consumers think of luxury goods, they would be likely to think of the brand. This can be achieved through repeated exposure and associations in the appropriate media.

Brand positioning

This answers the question: '*Where are you in the consumer's mind?*'
Brand positioning like all the branding elements resides in the mind of the consumer. It may be developed on an elaborate brand strategy chart and might be discussed extensively in boardrooms, but the final destination and home of brand positioning is in the consumer's mind. Brand positioning is the point where the relationship between a brand and consumers become apparent. It is also at this point that the value creation that a company obtains from its brand begins. The brand value is discussed extensively further in the chapter.

Brand positioning is often confused with market positioning although the two concepts are significantly different. Brand positioning involves the placement of a brand and all its associations (characteristics, attributes, personality, image) in a distinct place in the mind of the consumer. Market positioning on the other hand refers to the competitive position of a company in terms of size and market share, in a particular sector. Brand positioning emphasizes the connection between a brand and the consumer's mind and emotions.

Positioning begins with brand associations, which are defined by the brand identity, personality and image discussed earlier in this chapter. These associations include the company's brand communications interpreted through words, images, mediums, products and services that are channelled towards the emotions and subconscious of the consumer. Once the brand associations have been clarified, then the consumer uses this as a guide to place the brand in a distinct platform in his mind. For example, when consumers think about Cartier, certain associations are formed in their minds which are likely to be different when they think of Donna Karan. This shows that the positioning of the two brands are at different locations in the consumer's mind. Another example is luxury watch brand Ebel which recently featured the Brazilian model Gisele Bundchen in its print advertising with the goal to re-position its brand as modern, glamorous and more appealing to a younger fashion-conscious luxury consumer group. As a result, the previous position of the brand in consumers' minds might be altered by the new associations brought about by the advertisements.

Brand positioning occurs on two levels:

1 The Broad level of positioning.
2 The Narrow level of positioning.

Luxury brands clearly desire to occupy a position characterized by 'high-end, expensive and well-crafted products', in the consumer's mind. This level of positioning features the characteristics common to all luxury brands and is supported by the luxury concept. It is the broad sector positioning and is often easily and effectively achieved by most luxury brands. For example, there is no doubt that Versace, Fendi and Hermès are all positioned as luxury brands because they all share the broad attributes of luxury and prestige.

Narrow level positioning involves specific brand positioning that is attributed to each brand. Although luxury brands share the 'luxury' attribute as a broad positioning tool, each brand has its own unique positioning supported by its identity. This is where the battle for the consumer's mind begins and is often more challenging to attain than broad-level positioning. The positioning of different luxury brands varies and they highly influence the brand choices that luxury consumers make. For example, if you take a moment to think about John Galliano, Escada, Roberto Cavalli, Chloe and Jean Paul Gaultier, you'll discover that although these brands have the 'luxury' factor in common, they do not have the same brand positioning. They also do not send the same specific brand messages, neither do they address the same tastes.

Brand positioning is what drives consumer choices through comparisons. If consumers have a clear understanding and perception of a brand, then they're likely to place the brand in the right position in their minds and this will form a part of their selection process. This involvement in the selection process means that the brand has become part of the group of brands that have a place in the consumer's mind and the consumer recognizes the contribution the brand would make in their lives.

The task of brand positioning becomes even more challenging for luxury companies that own multiple brands such as LVMH and Richemont Group. On a group level, these companies are corporate brands that address the needs of their investors, employees and other stakeholders. This requires the development of a corporate brand strategy and positioning that has little to do with consumers. On another level, the brands that these companies control hold great significance to consumers and their positioning is associated with consumers. For example, the brands in the LVMH portfolio include Louis Vuitton, Fendi, Loewe, Givenchy and Dior; while Richemont owns Chloé, Cartier and Lancel; and the Gucci Group owns Gucci, Alexander McQueen and Yves Saint Laurent among others. These individual brands have different positioning points in consumers' minds. They are also different in their internal positioning levels and influence the holding companies' positioning as corporate brands. These varying brand positioning points create a challenge for the groups. Also there is a risk of developing brand positioning overlaps that could confuse consumers and internal competition that could affect the performance of the brands. To overcome the challenges posed by these factors, each brand ought to remain clearly distinct and original, while maintaining the luxury quality.

The following points are important in the evaluation of a luxury brand's positioning.

- The products and services must be in alignment with the desired positioning.
- The positioning must be credible, i.e. the brand must have a *raison d'être* and be deserving of it.

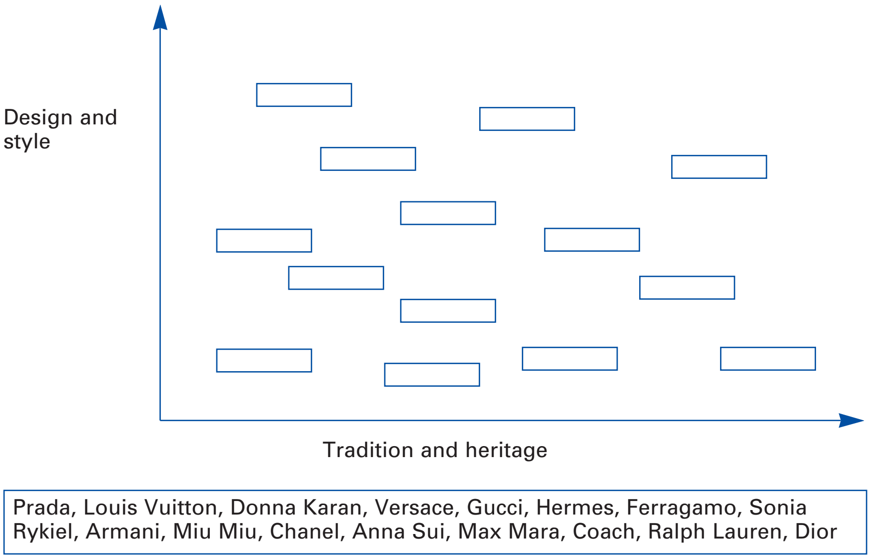

Figure 5.3 *The luxury fashion brand positioning map*

- The positioning must be distinctive and cannot be shared by competitors.
- The positioning must justify a luxury association.
- The positioning must be relevant for the moment but also have the capacity to be extended with time.
- The positioning must have a contingency positioning plan.

The following exercise provides an illustration of the elements of brand positioning. The two-axis positioning map of Figure 5.3 shows two labels, several empty boxes and a list of luxury brands. You can take a few minutes to fill the empty boxes, according to the axis label indicators, with the brand names provided. If you succeed in filling all the boxes, then you understand the message of this section. The axis attributes can also be changed with varying positioning factors.

Brand loyalty

This answers the question: '*Who wants you?*'
Brand loyalty is simply a consumer's preference for a brand in a product category. It is often both a conscious and unconscious decision, expressed through an intention to purchase or the actual repurchase of the products of a brand continually and habitually.

Brand loyalty is clear evidence of the success and relevance of branding to both consumers and companies. For consumers, it reduces the search costs, and for companies it is the cornerstone of long-term profitability and competitive leverage. Brand loyalty also leads to lower costs for companies in acquiring and servicing customers because loyal consumers purchase more frequently and in higher quantities and also show less sensitivity to prices. Brand loyalty can also enable luxury brands to save the costs of attracting new customers, which is often four to six times more than retaining an old one.

When consumers become loyal to a brand, it is a demonstration of a high level of trust in the promises of the brand. Brand loyalty is the height of consumer affinity with a brand. In some cases, loyal consumers see the brand as the only solution to their consumption problems and needs fulfilment.

Luxury fashion consumers often show an apparent high level of loyalty and emotional attachment to luxury brands that is sometimes irrational to outside observers. Some consumers that are truly attached to specific brands offer their loyalty to their trusted brands to such an extent that the relationship with the brand departs from functionality to symbolism. This is because luxury brands help consumers project a self-image as a result of the 'prestige' and 'high-status' features with which the brands are associated. This implies that luxury goods serve as a communication tool that consumers use to speak to others and even to themselves of the type of person they are or would like to be. This connection that the brand has forged with the psychology and subconscious of consumers often results from brand loyalty.

Brand loyalty is attained progressively from brand positioning. As highlighted earlier, brand positioning occurs as a result of consumer's awareness of a brand and its image. When consumers have the right perception of a brand, they position the brand in their minds and are likely to involve that brand in their brand choices. If the brand is repeatedly favoured, its share in the mind of the consumer will increase. This is called *Brand Share* and a high brand share ensures the continuous choice of the products of that brand. This then leads to the manifestation of brand loyalty through repeat purchases or the intention to purchase.

However, repeat purchases of products from the same brand do not automatically have their source in brand loyalty. Several factors like product availability and high awareness could also be contributors to repeat purchases. This does not necessarily mean that brands with high awareness and large sales turnover benefit from more brand loyalty than their smaller contemporaries. Conversely, the high level of brand affinity that luxury consumers demonstrate towards their favoured brands indicates that product unavailability is not a deterrent to luxury consumers' loyalty levels. For example, Hermès customers often have a waiting period of up to eight months to purchase a Birkin bag, in addition to the high price tag of the product. Despite this, the waiting list of this product is always extensive and in some cases customers could wait for up to six months to get on the waiting list! Yet the Hermès Birkin bag has one of the highest loyalty levels in the luxury sector. The same can be said for the loyalty level of several limited-edition products from different luxury brands.

Consumers that are loyal to luxury brands are assets to luxury companies. They offer a lower service cost for the company because they show a high level of commitment to the brand and are often willing to pay a higher price for the products in addition to recommending the brand to others. They are also habitually keen to follow their favoured brands to new destinations and search for these brands everywhere they go. Brand loyalists are also open to new and different distribution channels. For example, luxury consumers are more willing and confident about buying products of their favoured brands on the Internet, provided that the website is authorized and genuine. This is another manifestation of brand loyalty.

Brand loyalty can be achieved by luxury brands through continuously appealing to consumer tastes. The current rapidly changing fashion consumer scene requires that the products offered must be appealing to consumers before loyalty can be attained. Also, consumers must like a brand's service package as well as the brand personality in order to become loyal to the brand. This means that luxury brands must continuously remind their consumers of the value of their products and the worth of loyalty to their brands. This can be done through reinforcement of the brand presence, essence and appeal in advertising and brand message communications. This is what forms the attitudes and beliefs of consumers regarding a brand and leads to brand loyalty.

Another important brand loyalty indicator is related to customer satisfaction. Luxury consumers are becoming more demanding and more individualistic, reducing the chances of single brand loyalty. This indicates that brand loyalty is no longer assured through offering appealing products with a brand symbol, a deluxe shopping environment and excellent customer services. Consumers are demanding a lot more, including a total and lasting brand experience. The previous magic formula of satisfied customer equals loyal customer is no longer valid. Today, a completely satisfied customer of a brand is also bombarded with the advertising messages and offerings of numerous other brands. This makes retaining the attention and loyalty of luxury consumers more tasking.

The most important lesson for luxury brands regarding brand loyalty is to treat all customers like royalty and to remember the 80/20 rule through recognizing the trophy customers and treating them accordingly.

Brand equity

This answers the question: '*Who likes you?*'

Brand equity is a term that has been much used and confused and has attracted endless questions and debates. In simple terms, it is the sum of all distinctive qualities of a brand that result in the continuous demand and commitment to the brand. It is a set of attributes, elements and liabilities linked to a brand that add to or subtract from the value placed on the brand by consumers or companies. Brand equity is a means to an end, the end being the creation of brand value. It is what gives consumers a reason to prefer certain brands and their products to the alternatives offered by other brands of which they are aware. Brand Equity refers to the inherent worth that is attached to a well-recognized brand through the consumer's perception of the brand's superiority. This is the significant difference between brand equity and brand loyalty.

Brand equity is therefore the accountability and justification given for the existence and preference for a brand and is measured through the value placed on the brand. This value is expressed in two forms, which are directly related. The first form is based on the total positive or negative associations that consumers hold regarding a brand. If these associations are favourable, it leads to high consumer-based brand equity while low consumer-based brand equity is a result of negative brand associations.

The second form is approached from the point of view of the company. It is when the total sum of the consumer-based brand equity is translated into an intangible asset represented on a company's balance sheet. This is then called the corporate-based brand equity or what is commonly known in corporate circles as the brand value. It forms a part of a company's corporate assets and is often shown as the incremental cash flows that accrue to a company due to its investments in its brand. It is the sum of all the power that a brand has and exhibits. However, brand equity and brand value are different in the sense that brand equity is measured from the consumer viewpoint while brand value is financial-based.

Consumers are crucial to the development of brand equity in the same manner as they are to the other elements of branding. The power of a brand lies within the experiences that consumers have had with the brand and their attachment to the brand. This influences the consumer perception of the brand, made up of the feelings, thoughts, images, opinions, beliefs, emotions and associations. The implication is that brands generate positive consumer-based brand equity when they're favourably viewed by consumers and vice versa.

As previously mentioned, luxury brands utilize the branding concept as their core competence and major corporate strategy tool. This means that without branding, luxury brands would not be as appealing and might not exist. However, the question of brand equity is something that remains vague and often unanswered within the offices of several luxury brands. There are several reasons for this. The first reason is that in luxury fashion management circles the concept of brand equity is not completely understood and applied. Luxury brands place much emphasis on creating high brand awareness and the appropriate brand image with the objective of attaining a high level of brand loyalty and subsequently a steady income stream. What several luxury brands have exhibited is a lack of appreciation of the corporate asset that the branding elements lead to, especially brand equity.

Several luxury brands have the notion that brand equity and brand value come into play when a company needs to be valued for a merger, an acquisition or financial reporting. This is, however, only a surface-level approach to brand equity. Brand equity is a profound concept that should be sustained and grown in order to result in increased value for luxury brands. It is something that involves relentless long-term management and if left static, often takes a downward slope. Attaining a high level of brand equity requires nurturing all the previously discussed brand elements. In other words, what consumers see, hear, feel and know about a brand that results in their overall experience with the brand, over time should be sustained. Since these elements reside in the mind of consumers, the brand equity sustainability takes place through the enhancement of the brand associations in the consumers' minds.

In the luxury fashion sector, brand-equity measurement is done on two levels, depending on the corporate ownership structure of the brand. For luxury brands that are under the ownership of a conglomerate, their equity affects that of the individual brand and the equity of the holding company. For example, Louis Vuitton has a high brand equity but is owned by LVMH, a group with a portfolio of more than 50 brands, including Fendi, Emilio Pucci, and Thomas Pink. The high equity of Louis Vuitton is, however, transferred to the holding company, LVMH, since all the earnings of Vuitton are reflected on the balance sheet of LVMH. Each of the other brands owned by LVMH also has distinctive personalities, associations and positioning and therefore different levels of brand equity, which they contribute to LVMH. Although the brands are individual luxury brands and are independent of one another, they are ultimately linked because collectively, their equity affects the value of LVMH, its status as a corporate brand and its worth on the stock market, since it is a publicly traded company. The direct implication is that the higher the brand equity, the more intangible assets the company will acquire and the higher its stock market value. However, the challenge for conglomerates like LVMH is that each of the brands in its portfolio needs to be meticulously nurtured to ensure continuous growth.

The second approach to brand-equity measurement for a luxury brand is the simpler single-brand approach. This is where a particular brand is monitored and developed to generate a high value for its owner. It often occurs among brands that are privately owned such as Chanel, Hermès and Armani.

Table 5.2 shows the ownership portfolios of four of the largest luxury goods conglomerates.

An understanding of the brand equity measurement indicators is essential in assessing the financial value of brands, which we shall discuss in the following section. These indicators include image attributes, level of awareness and familiarity, loyalty, satisfaction and recommendation, among others. These are factors that measure consumer's perceptions of brands and how they influence brand choices and buying behaviour.

Table 5.2 The major luxury fashion conglomerates

LVMH* France	RICHEMONT Switzerland	GUCCI GROUP Italy	PRADA Italy
Louis Vuitton	Cartier	Gucci	Prada
Loewe	Van Cleef & Arpels	Yves Saint Laurent\YSL Beauté	Miu Miu
Celine	Piaget	Sergio Rossi	Azzedine Alaia
Berluti	Baume & Mercier	Boucheron	Car Shoe
Kenzo	IWC	Bédat & Co.	
Givenchy	Jaeger – Le Couture	Bottega Veneta	
Marc Jacobs	A. Lange & Söhne	Alexander McQueen	
Fendi	Vacheron Constantin	Stella McCartney	
Stefano Bi	Dunhill	Balenciaga	
Emilio Pucci	Lancel		
Thomas Pink	Montblanc		
Donna Karan	Montegrappa		
eLuxury	Purdey		
Parfums Christian Dior	Chloë		
Guerlain	Shanghai Tang		
Parfums Givenchy			
Kenzo Parfums			
Laflachère			
Benefit Cosmetics			
Fresh			
Make-up Forever			
Acqua di Parma			
Parfums Loewe			
Tag Heuer			
Zenith			
Dior Watches			
FRED			
Chaumet			
OMAS			
DFS			
Sephora			
Sephora.com			
Le Bon Marché			
Samaritaine			

Notes: Some brands might have been omitted due to unavailability of data at the time of writing.
* LVMH brands shown are those in the luxury fashion goods division. Wines and spirits brands and brands in other activities have been excluded from this list.

Brand value

This answers the question: '*What have you gained?*'
Brand value is the bottom line of the business of branding. It is the final result of the success or failure of a brand. As indicated earlier, brand value is the end that all the branding elements discussed earlier, including brand equity, aim to reach. While brand equity is based on consumer psychological indicators,

brand value occurs when this equity translates into financial gains for the company that owns the brand.

Brand value in the simplest of terms is the financial benefit that a company receives as a result of the strength of its brand. This financial benefit is represented in the company's financial report or balance sheet as a part of its assets, specifically as an intangible asset. It oftentimes contributes substantially to the worth of a company. A high brand value is sometimes the sole reason that some companies are valued at more than ten times their net worth assets. Also it explains why certain companies sometimes generate up to five hundred percent of their actual book price, when they are sold.

The brand value is often represented on a company's balance sheet as a part of its 'goodwill'. The goodwill is the difference between a company's tangible assets and its actual worth, and goodwill often represents a statement of the confidence in the company's current strength and of assured forecast earnings and growth. It is this goodwill that translates into an intangible asset for the company. A major source of goodwill is the brand value. Goodwill could also comprise of other elements such as technology and patents. Consequently, companies with powerful brands have a high intangible asset base, which becomes the brand value when translated into financial worth. The intangible asset is arguably the most important asset for luxury fashion brands because a large proportion of the business value of luxury brands originates from the brand value.

For a long time, the concept of brand valuation as a business aspect has been controversial. This is because a company's asset source was viewed as tangibles such as land, machinery, capital and human resources. Although there was a general awareness that intangible aspects existed in business, there were no methods to measure or quantify these and to directly link them with the benefits that they provided. This was until the wave of mergers and acquisitions of the 1980s and 1990s led to the questions that has been continuously asked in the stock market valuation of companies:

What role do intangibles play in company valuations and how can these be measured?

For example, when Daewoo made a bid to purchase the electronics company, Thomson, it offered to pay an astonishing €1 because, according to Daewoo, the brand Thomson had no value. This extreme view was perhaps because, as a brand, Thomson had little branding weight to substantially contribute profitability to Daewoo. In the luxury fashion scene, Pierre Cardin, one of the pioneers of *haute couture* and *prêt-à-porter* put his brand on the market for sale at a price of approximately $500 million but industry sources indicate that buyers were not forthcoming. This could again be because the market believed that this asking price is an over-estimate of the true value of the brand. As a matter of fact, excessive licensing and questionable minimal quality and distribution control have devalued the brand in the luxury market. Although this business strategy has made Pierre Cardin one of the wealthiest men in fashion, it has severely damaged his brand image, brand equity and brand value. These examples provide a clear rationale behind brand valuation.

The process of calculating and determining the intangible asset worth of brands is called brand valuation. This valuation incorporates several business aspects such as branding, marketing, finance and production as well as features of the law of taxation and economics. This gives brand valuation a multi-subject dimension by bringing a synergy between the different business disciplines. It shows a direct co-relation between branding, marketing and finance and how the result of one directly impacts on the other. It also shows that the figures recorded on the balance sheet of companies with strong brands have their origin in marketing and branding. Since a company's brand value is recorded in its financial report as an asset, it is worth asking how this intangible asset is accurately calculated.

The methodology for brand valuation has been in debate ever since the importance of branding rose to the forefront of business strategy and management in the mid-1980s. Brand valuation is linked with accounting methodologies, standards and principles. This is because in financial reporting, a company's worth must be recorded against the specific source(s) of its value, which includes brands. Since accounting standards vary from country to country, it is quite difficult to pinpoint a standard brand valuation methodology that has been accepted internationally. In addition, unlike the measurement of other company assets such as stocks and bonds, which have comparable values, brand valuation lacks a market base from which to draw benchmarks. This makes the exercise of brand valuation both challenging and accuracy-focused.

So how can the value of luxury brands be reliably assessed? When should brand valuation feature in the balance sheet? How often should brands be evaluated? What about depreciated brands? Are they also featured on the balance sheet as lost revenue? The questions regarding brand valuation are endless and have led to intense debate in Western economies.

As much as accounting is complicated and is not the subject of this book, its discussion cannot be avoided in this section because of the major interrelationship between accounting and brand valuation. Accounting principles work on the premise that brands acquire their value through the market. In other words, the true worth of a brand is not known until it is either sold or purchased. This is when the payment that has either been made or received as a result of a company's goodwill is explicitly represented on the balance sheet of the acquiring company. This viewpoint also supports the notion that as long as a brand has not been bought or sold, its brand value cannot be accurately estimated or represented. Therefore, only past and recorded transactions regarding brands are the reference points for the brand value. If this principle is right, then the implication is that several luxury brands that are believed to be of high value such as Louis Vuitton and Gucci can have only an estimated brand value until they're involved in a merger, acquisition or buy-out. It also means that brands that have been acquired by conglomerates and grown internally such as Van Cleef & Arpels of the Richemont Group cannot be accurately evaluated.

How realistic and applicable is this viewpoint in the current business scene and is it relevant for the global luxury goods industry? The answer is simple. Brands must be evaluated, whether grown internally or acquired externally. This especially provides a thorough perspective of the success and failure of the branding efforts made by a company. This is imperative for luxury brands that desire to remain competitive. It might seem contrary to the accounting system, which is based on the reliability of data, as the subjective nature of brand valuation creates a problem in accounting rules. However, this prudence is losing its bearing in certain business aspects including branding.

All brands are grown internally until they are sold and then they become external brands for the owners. As a result, all brands have internal value or the potential of attaining value without external transactions. For example, in 2001 private equity firm Equinox bought 51 per cent of Jimmy Choo. Equinox later sold this stake in 2004 to venture capital firm Hicks Muse now known as Lion Capital, in a transaction that valued the company at £101 million, although Jimmy Choo's annual sales at the time were about £40 million. This sum was justifiable because of the efforts made by the owners of Jimmy Choo to develop the brand strength internally before external transactions.

On another level there are brands like Armani, which remains a privately held company under the ownership of Giorgio Armani and hasn't yet been involved in acquisitions and buy-outs. How can such a brand that has been meticulously nurtured since its launch in 1974 be accurately evaluated based on its brand value if the principle of accounting were to be followed? Also since brand value does not remain static but either appreciates or depreciates, it is quite impossible to wait for a transaction to determine the result of a company's branding efforts. What if there is no transaction? Will the value of the brand never be evaluated?

Accounting and finance serve as a structure for accountability in terms of income, expenses, investments and taxation. When costs are accrued by a company with respect to brand promotion, for example print advertising, they are recorded as expenses and are often tax deductible. This was until accounting standards authorities realized that these expenses are rather investments, which yield enormous results in terms of assets for the companies in question. Thus these expenses began to be treated as investments and their returns as assets. This led to the identification that the same system that uses the value of a company's assets generated by investments to estimate the future earning potential could be applied to brands. So brands began to be evaluated through a method using forecast earnings projections.

The major problem with this method was that the objective of forecasting was different from the objective of brand valuation. Forecasting methods were used to evaluate the market value of fixed assets, while brand valuation represented the market value of intangible assets. Above all, the role of brand valuation in mergers or acquisitions is significantly different from the role of brand valuation for a company's internal use in strategy development. These factors have contributed to the ongoing debate of the brand valuation of companies, particularly luxury brands.

The exercise of brand valuation is necessary for brand-auditing purposes, that is to carry out a health-check for the brand. Another function of brand valuation is to aid in the creation, revision and implementation of effective marketing and corporate strategies. In addition, brand valuation when carried out frequently, helps to assess the short-term results and long-term impact of current strategies. However, this frequent evaluation shouldn't undermine the long-term nature and benefits of the brand. For example, luxury brands such as Prada have seen a significant rise in their brand value in recent years, compared to twenty years ago, as a result of efforts made towards brand value creation. However the high brand equity and long-term brand growth potential of Prada shouldn't hamper frequent brand valuation.

Several brand valuation methods have been devised by different companies and groups specializing in brand management strategy, as a result of the inconsistencies created by accounting methods and the need for constant brand valuation. These groups have differing approaches but have all recognized three important facts that accounting fails to reflect:

1 The importance of understanding how brands work, how they can be grown and how they can increase or decrease in value in the short and long terms.
2 The importance of creating synergy between all the departments involved in creating and sustaining brands within a company such as finance, marketing, operations, product development, e-commerce and audit.
3 The significant role of brand valuation in marketing, branding and corporate strategy formulation.

The methodologies created for brand valuation include the technique developed by brand consulting company, Interbrand Corp. This method recognizes brands as assets that have value through a projection of their future earning potential using current sales turnover and historical financial data. This projected figure is then discounted to a present value, creating what accountants call a Net Present Value (NPV). The NPV is arrived at after deducting operating costs, capital, taxes and other intangibles. Other factors such as the management capability, market position, global scale of operations and stability are considered in calculating the net present value.

Another brand valuation method is that of brand consultancy company

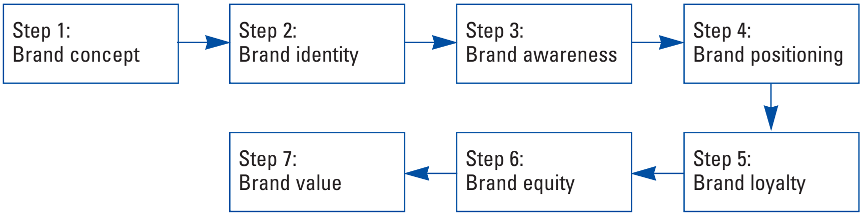

Figure 5.4 *The luxury fashion branding process*

Ogilvy. This method views brands as a means to an end, the end being higher earnings, revenues, cash-flows and profits. The significant difference between this method and that of Interbrand is that the latter puts an absolute value on brands as intangible assets and represents them on the balance sheet, while the former indicates that brands cannot be absolutely valuated and should only feature on the Profit and Loss accounts because their contribution to a company are clearly represented there. The method use by Ogilvy uses the regressed Compound Annual Growth Rate (CAGR) to measure strength through its growth potential and the Capital Asset Pricing Model (CAPM) to calculate the discount rate of companies with strong brands.

In addition to these methods, several branding experts such as Jean-Noel Kapferer also propose that different methodologies can be utilized according to the specific objective of the brand valuation. For example, if a brand is being valuated in order to generate capital funding from a financial institution, then it is worthwhile to use a brand valuation method that places an emphasis on the future earning potential of the brand.

Although the brand valuation methods that have been discussed can be applied to companies in various sectors, the method that is most relevant for the luxury sector is that which emphasizes the brand as an asset to companies. This is because the luxury sector does not only have branding as one of its core competences but also draws a high percentage of its value from the power in the concept of branding. The complete branding process, which has been discussed extensively in this chapter, is represented in Figure 5.4.

The luxury fashion marketing strategy

The process of branding begins from the marketing strategy, where the products and services are created and strategies for their pricing, distribution, promotion and positioning are devised for the target market(s). Branding and marketing have a mutually beneficial relationship. Branding is a core aspect of marketing and also depends on the marketing strategy for its existence because without products and services (which marketing devises), the branding process cannot exist. Marketing on the other hand benefits from branding because a strong brand enhances the marketing strategy while a weak brand suppresses it.

The luxury fashion marketing strategy comprises of the branding mix as its main component which will be tagged here as 'The Six Ps of Luxury Branding'. The branding mix are recognized marketing elements that drive the branding process forward. Like the famous Four Ps of the marketing mix, the Six Ps is a tool that propels the marketing and branding strategies of luxury brands in the direction of market success. The Six Ps are the following:

1 **The Product**
2 **The Pricing**
3 **The Place of Distribution**
4 **The Promotion**
5 **The People**
6 **The Positioning**

The product

A product is everything a consumer receives from a company in exchange for a cost. These include physical goods and services. A product has two dimensions: the tangible features that we can see, touch, smell, hear or taste; and the intangible features that we feel and experience. Using this brief definition, it is clear that the luxury goods sector is highly product specific. The meticulously crafted luxury goods that consumers purchase are tangible objects to treasure, while the intangible benefits constitute of the brand dimensions, the retail atmosphere, the customer services and the guarantees.

Products are designed to satisfy consumer needs. These needs could be functional such as the need for a pair of glasses to aid eyesight; or the needs could have intangible dimensions such as the need to wear a pair of glasses with the Prada logo, in order to make a statement of status to oneself and to others. The first level of need satisfaction can be found among the categories of goods that serve purely practical purposes such as consumer goods; while the second level of need satisfaction is found among products that have very strong branding concepts such as luxury goods. This is because luxury products provide much more than functional benefits to consumers. They are products that consumers use to project an image of themselves to the public as an expression of their true selves or their ideal selves. They are status symbol tools that show prestige, good taste and affluence. These factors indicate a symbolic role linked to the emotional, social and psychological benefits that are derived from purchasing and using luxury products. As a consequence, strategies behind the development of luxury products place a strong emphasis on branding elements. This is because luxury goods are evaluated by consumers on an abstract level with a focus on non-product-related associations, unlike non-luxury goods, which are evaluated on a concrete, product-related and functional level.

In the product development of conventional consumer goods such as basic toiletries, several factors are taken into consideration. They consist of the ease of product use and customer requirements. In the development of luxury products, however, there are certain features that cannot be compromised. They comprise the following:

1 Innovative, creative and appealing product designs and packaging.
2 Classic and timeless products.
3 Extremely high-quality materials.
4 Meticulous craftsmanship.
5 Manufacturing precision.
6 Rapid design turnover.

Other luxury industry-specific product features include: creative and emotion-evoking product names such as Christian Dior's '*J'adore*' and '*Dior Addict*' fragrances; Gucci's 'Envy Me' perfume; André Ross' '*Champs Elyseés*' bag and Chanel's '*La Ligne Cambon*' product range. Creativity also extends to packaging design such as the bottle designs of Givenchy's 'Organza' perfume, Jean-Paul Gaultier's 'Male' and 'Female' signature fragrances, Nina Ricci's '*Eau de Temps*' and Paco Robanne's 'Ultra Voilet' perfumes.

The luxury goods product division has five major traditional dimensions. These include Apparel, Leather Goods, Perfumes & Cosmetics, Eyewear and Watches & Jewellery. However, this traditional product range has been expanded through the recent trend of product and brand extension. Luxury goods now include completely new categories like restaurants, hotels and spas, and multi-category required products like iPod cases. Figure 5.5 shows the main luxury fashion product groups.

Several marketing experts have identified the conventional product as having four concentric levels represented through what is known as *The Anatomy of the Product*. This model can be applied in the development of luxury products with the four levels as follows:

1 The **Core Product**, which constitutes the major features and benefits of the product. This comprises the tools that are used to differentiate the core product, such as design specifications and packaging. For example, the Dior Saddle bag and the Vuitton Speedy bag both have distinctive signature designs. The André Ross bag comes with 23k gold-plated hardware and Hermès has a characteristic packaging in orange. These are all aspects of the core product.
2 The **Basic Product** is the functional attributes of the product from which consumers derive their tangible benefits. These include the time-keeping

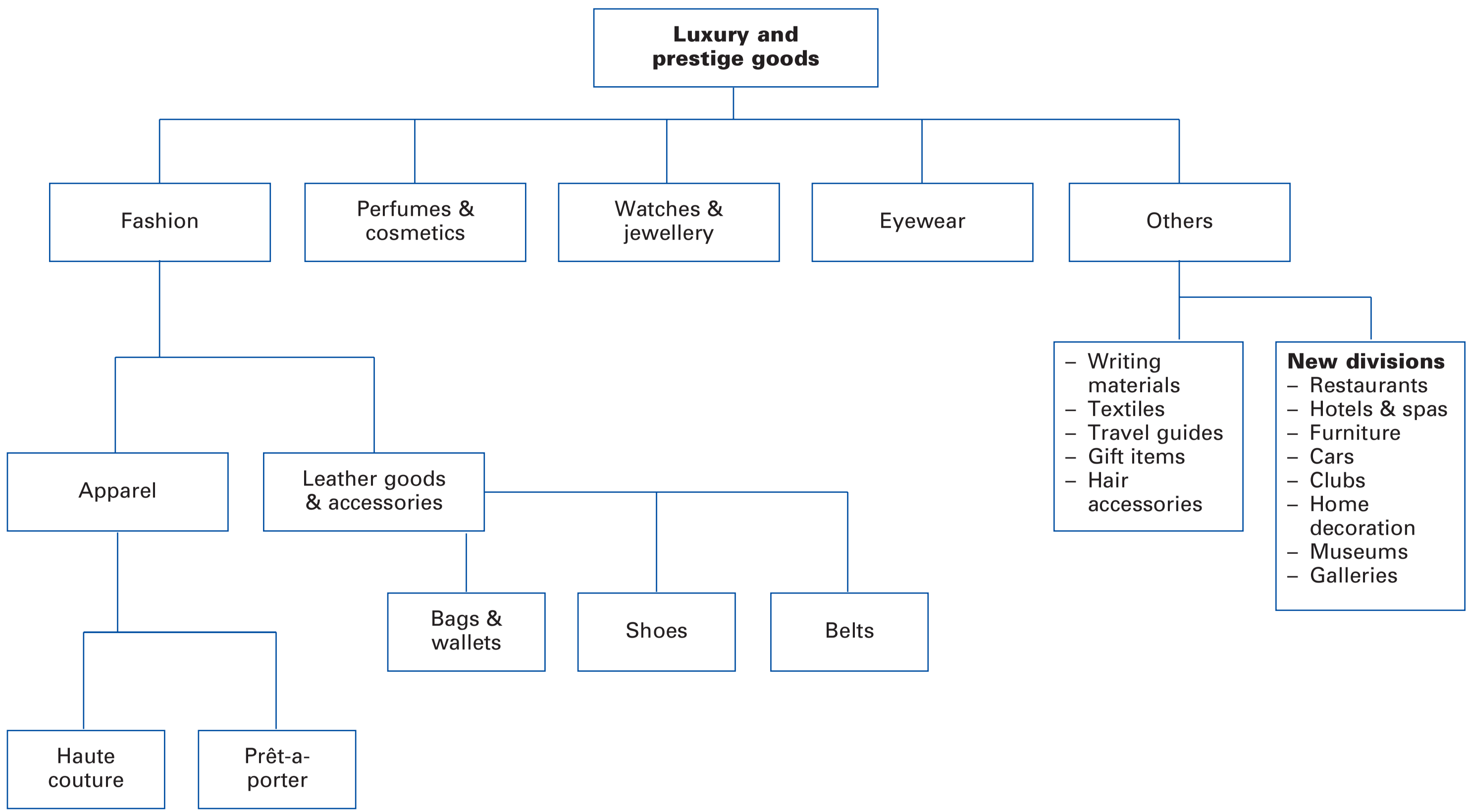

Figure 5.5 *The major luxury fashion product divisions*

function of a wristwatch and the ability of a business portfolio to contain folders, a laptop computer and other business tools.

3 The **Augmented Product**, which comprises the unexpected extra features that improve the attractiveness of the product. These include extra services, guarantees and, in the case of luxury goods, free repairs, exchanges and lifetime warranties.
4 The **Potential Product** is what the product should and could be in future. It gives an indication of how many different directions the product could be stretched to in order to give it leverage and attractiveness.

New product development (NPD)

Luxury brands are constantly faced with market pressure to launch new and desirable products in short life cycles. This means that as a product is launched, new products are already in the design process. This factor calls for a clear strategic direction in product development. In order to achieve an articulate direction, the following steps are necessary:

1 Generation of new ideas. This is where designers are inspired by different elements ranging from travel and art to culture, literature, an era and even space. It is also at this stage that the services of trend-watchers, researchers and venture teams who track consumer behaviour are required. For example, for the autumn/winter 2005 collection of Burberry Prorsum, the brand's Creative Director Christopher Bailey took inspiration from the strength of character and cultural revolution of the 1960s, triggered by Twiggy.
2 Screening of ideas involving a study of what is acceptable in the marketplace. This is an important aspect of product development and could lead to a negative impact if overlooked. For example, Chanel made a *faux pas* during its fashion show for the summer of 1985 where models showed dresses with design imprints of verses from the Muslim Koran. This prompted protests from the Muslim world and an apology and discontinuation of the design by Chanel.
3 Testing concepts and their feasibility. For example, the use of specific materials that are both appealing and acceptable, for products manufacture. This is a key aspect of product development as the wrong choices could lead to a negative impact. An example is the use of animal fur which sometimes provokes protests from consumers.
4 Business analysis to ensure that the product has the potential for generating profits. For example, the Louis Vuitton Murakami leather goods line was a huge success when it was launched in 2002/2003 because the brand had evaluated its success potential.
5 Development of the product through design prototypes. This provides a first-hand look of the final product and an opportunity for modifications.

6 Test-marketing involving the complete or partial launch of products in a specific market. This is practised by luxury brands that avoid launching certain products uniformly in all the markets where they operate.
7 Launching and retailing of the product.

Product management

Creating new products is only the beginning of the Product Manager's job. Products need to be managed so that they can remain relevant and appealing. The product management system that a brand adopts depends on the range of the product portfolio. For example, brands with a **mono-product** range such as Manolo Blahnik who designs and manufactures purely footwear could handle product management through a single product-planning division. Other brands with a **multi-product** range such as Celine, which has bags, shoes and apparel in its product range, would have a broader product management system. Yet other brands that have diversified their range to include products and services with sub-brands such as Armani, which has a **multi-brand** portfolio ranging from Emporio Armani to Armani Exchange and Armani Casa, among others, would have a more extensive product management system. Another category comprises of a brand like Louis Vuitton, which has maintained a **single-brand** approach while extending its product range and introducing services such as an art exhibition centre.

In order to clearly craft an effective product management strategy, it is important to first understand the structure of the products in a brand's range. The product structure comprises of the **length** of the product, which indicates how many types of major product groups are in the brand's complete range. The second component is the **breadth** of the product, which indicates how many different sub-products are within each major product group. The third is the **depth** of the product, which shows yet how many types of products are within these sub-product groups.

To clarify this structure, let's take a look at the product range of a typical luxury brand. The examples of products shown are divided into broad product and sub-product categories, to act as a basis for a general overview of luxury products and are not definite in nature. The information in Figure 5.6

Figure 5.6 *The luxury fashion product classification*

uses the product portfolio of Jimmy Choo, which is a mono-product (leather-goods) brand to illustrate the relationship between the product length, product breadth and product depth.

An additional approach to the assessment of luxury products according to their categories and functions is through dividing them into groups and sub-groups, as shown in the following section.

Major product groups

The following are examples of goods that can be found in the major product groups:

1 **Leather goods**: bags, shoes, belts, small leather-goods, luggage and accessories.
2 **Apparel**: *haute couture*, *prêt-à-porter*, sportswear.
3 **Eyewear**: sunglasses and prescription glasses.
4 **Timepieces**.
5 **Jewellery**.
6 **Children's clothing and accessories**.
7 **Animal accessories**.
8 **Furniture & home decoration**.
9 **Services**: hotels, cafes, clubs.

Sub-product groups

The products below are examples of goods that can be found in the sub-product categories among the major product groups:

1 **Bags**: day bags, shoulder bags, clutches, evening bags, bridal bags, sports bags, briefcases, and so on.
2 **Shoes**: evening shoes, day shoes, sandals, and so on.
3 **Accessories**: hairpieces, key rings, mobile phone straps, iPod cases, animal accessories, and so on.

In order to effectively manage luxury products, it is also important to categorize them according to the commercial role they play for the companies that own the brands. This can be done using the well-known product management model developed by the Boston Consulting Group, known popularly as the BCG Matrix. This model aids in product portfolio planning and management. The BCG Matrix features a cube that comprises a four-boxed dimension of products that are labelled: Dogs, Cash Cows, Stars and Problem Child. These are further measured against two major market elements: Relative Market Share and Market Growth Potential.

Dogs are products with a small share of a slow-growth market. Products in this group do not generate cash for the company but tend to absorb it and therefore might need to be removed from the product portfolio. In the luxury goods sector, these would include haute couture, which several brands have gradually removed from their portfolio.

Cash cows are products with a high share of a slow-growth market. The products in this group generate high sales and profitability for their owners; more than the investment made in them. It is therefore important to keep them in the product portfolio. An example is jewellery.

Stars are the products that have a high share in high-growth markets. They also generate huge income and contribute substantially to the profitability of the brands. The stars are the key products of brands and should be kept and rejuvenated at all costs.

Problem child products are those with a low share of a high-growth market. They consume high capital resources and generate few sales and profits in return. They also need huge investments of time, money and effort in order to increase their market share. These include products like timepieces.

In balancing the role of products within the portfolio, there should be equilibrium in investments and management time. This means the removal of the Dogs, the maintenance of Cash Cows, and the boosting of the Stars. Usually, the funds from Cash Cows are invested in Problem Child products to turn them into Cash Cows or Stars. If, however, the Problem Child product potentially becomes a Dog, then it ought to be removed from the product portfolio.

The BCG Matrix is also useful as a platform for performance measurement for luxury companies with multiple brands in their portfolio, as shown in Figure 5.7.

The next major task after defining and charting out the product range of a brand is to actually manage the products. The decisions that are made regarding product management consist of product naming, product classification, product extension, product alignment to the brand image, marketing research, trend tracking and analysis of the consumer response to the product offerings

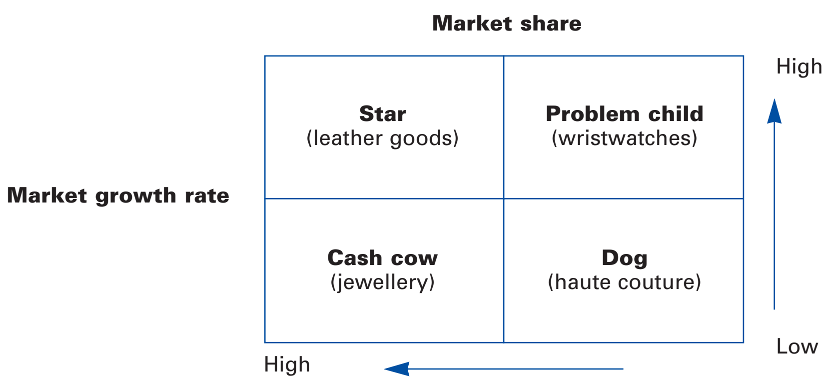

Figure 5.7 *The Luxury Fashion Product Classification using the BCG Matrix*

of the brand. Other decisions are related to customer relationship management and sales response.

In several luxury companies with a wide product portfolio, the function of product management is often divided according to the particular product group or sub-brand group. This is where product category managers have the role of coordinating the mix of diverse product ranges and lines within the general product portfolio and also evaluating new product additions. In this setting, there are also brand managers who manage the different brands within a single or multi-product category. Their responsibility also includes coordinating the extensive marketing mix and aligning them to the overall brand strategy.

There are two significant decisions that are made in product management of luxury goods. They are luxury product naming and luxury product and brand extension.

Luxury product naming

Every fashion season, consumers are introduced to new products from luxury brands. These products include apparel and accessories like bags, shoes, eyewear and timepieces. Others are fragrances, make-up and cosmetics. A number of these products, notably the leather goods, usually come with product names. Some of the names are remarkable because they have a 'background story' while others are forgotten by the next season when new products are launched with yet more names. Examples of luxury product names include Alexander McQueen's debut Novak bag; Ralph Lauren's Ricky bag launched in the 2006 spring/summer collection; Jimmy Choo's Tulita and Theola bags and Louis Vuitton's Speedy and Musette bags that are often re-launched with different materials. Other brands with product names include Furla, which has names for almost all the leather goods in its collection. Among them are the Patricia, Susy, Greta, Phoenix, Lutetia, Hope, Penelope, Norma, Nicole, New Divide and a host of others. In addition, Tom Ford's recently launched eyewear range have products named after film and fashion icons such as Farrah Fawcett and Ryan O'Neil and also after people personally close to him such as the De Sole, the Buckley and the Whitney glasses.

Product naming is an aspect of product management that should be approached from a strategic perspective. Although this practice is not new in the luxury goods sector, its current rampant application raises several questions. These questions are related to the motive behind naming the products and the objective these might serve for the brands and consumers. On the surface level, products could be used by brands to tell 'a story' and give some meaning to consumers regarding the particular product. However in most cases, this objective of product naming is unmet due to poor execution. In other instances, the aim of product naming is to replace product references. This strategy however doesn't provide an optimum positive impact as consumers are left confused and overwhelmed by the numerous product names.

Product naming of luxury goods needs to be credible to consumers. This means that there should be a reason behind the product name, which should be communicated to and understood by consumers. Several luxury brands seem to have caught the 'product-naming bug' and are rampantly naming products in order not to be left behind by the competition. Some of these product names also seem to have no tactical purpose and therefore are meaningless to consumers. Product naming should be approached tactically, whether the names are for fragrances, which require naming for their existence, or leather-goods, wristwatches, and sunglasses, which can exist without names.

While product naming is an excellent strategy for selling luxury, the product itself should be distinctive, innovative and highly appealing. When a catchy and meaningful name is added to an appealing product, it acts like a complement and contributes to the staying power of the product in the market. For example, the Hermès Birkin bag is named after famed actress Jane Birkin while the brand's Kelly bag is named after Grace Kelly. These bags that were created several decades ago have remained sustainable and continuously generate long purchase waiting lists due to their appealing and classic nature. Also, Mulberry's Roxanne bag, which contributed significantly to the brand's return to the luxury arena, has been highly successful as a result of its innovative and enchanting design and name. Yet other products with potential lasting power include the Chloé Paddington bag, named after London's Paddington district, the André Ross Champs Elysées bag, named after Paris' Avenue des Champs Elysées and the Gucci Jackie bag, named after US former first lady Jackie Kennedy.

Figures 5.8–5.13 show some of the signature bags of luxury brands that have been strategically named or connected with specific associations, which have turned them into iconic items.

Figure 5.8 *The Chloé Paddington bag named after the Paddington area of London*

Figure 5.9 *The André Ross signature Champs Elysées bag, named after Paris' Avenue des Champs Elysées*

Figure 5.10 *The Louis Vuitton classic Speedy bag in the brand's signature monogram*

Figure 5.11 *The Mulberry signature Roxanne bag*

Figure 5.12 *The Hermès classic Birkin bag named after actress Jane Birkin*

Figure 5.13 *The Gucci Jackie bag, the original version of which was named after US former first lady Jackie Kennedy*

Although product naming is important albeit not imperative in the luxury marketing and branding strategy development, when adopted, it should be approached with tactical objectives and implemented with caution. Above all, the consumer audience should understand what the name stands for and associate the product with its name.

Product and brand extension

The news of luxury product and brand extension is everywhere in the fashion press with numerous examples. Roberto Cavalli is now into hotels and cafés and has also launched branded Vodka. Giorgio Armani has added the ownership of several restaurants, cafés and a nightclub to his fashion empire. This also includes a recent venture with EMAAR Hotels & Resorts to build seven hotels and resorts within the next decade. Missoni also plans to build a hotel chain across the world. Salvatore Ferragamo owns luxury Hotel Lungarno in Florence and Bvlgari has hotels in Milan and Capri. Versace has also added hotel services to its range with the Palazzo Versace in Australia and a second hotel slated to open in Dubai in 2008 with six more hotels planned in Asia, North America and Europe. Nicole Farhi's offerings also range from fashion goods to restaurants, furnishings and home accessories. Pierre Cardin owns the highly successful Maxims hotel, restaurant, bar and club in Paris, Monte Carlo, New York, Mexico, Shanghai and Peking. The list of examples could go on for several pages.

Other luxury brands, from Gucci to Bottega Veneta, Ralph Lauren, Nino Cerruti and Paul Smith have all extended their product ranges to include home decoration, furnishings and more. Yet other product extensions include Prada and Nicole Farhi's debut fragrance launch in 2005 and Missoni's 2006 fragrance range launch. Gucci and Louis Vuitton have also included writing materials in their offerings and Tod's plans to launch its first ready-to-wear range in 2006. Also crystal brand Swarovski and jewellery brand Cartier have added leather goods such as handbags to their product portfolios. In addition, several luxury brands have included iPod covers in their product ranges as a response to the new MP3 player market.

Product and brand extension has brought a new dimension to luxury branding. New product and service categories that include a total lifestyle concept make up the new business arena that luxury fashion is being stretched into. Consumers now have the possibility to dress their homes with luxury products from brands like Versace and Armani; to grab a drink at Just Cavalli café in Milan; to have lunch or dinner at Nicole Farhi's restaurant in London or New York while shopping in the unique concept store; not to forget getting down to some dancing at Armani's nightclub in Milan. Product and brand extension has provided an avenue for luxury brands to offer a complete 360° lifestyle provision for consumers.

This diversification strategy of product and brand extension is an important means to extend the luxury brand from 'fashion' to 'lifestyle' through offering home furnishing and hospitality services to complement fashion and accessories. While diversification breeds growth, it is imperative to infuse a strategic approach in the diversification process of luxury goods. This means that for product extension to be successful, there should be an equal blending of solid managerial ability with artistic skill and an understanding of customer needs. Although several luxury brands have achieved success through this approach, the sector still lacks adequate streamlining and clear positioning of the diverse products and services offerings.

The creative talents of the designers at luxury brands are a part of the core make-up of the brands but must be complemented with business proficiency especially in the management of product extensions such as hotels and restaurants, which require a completely different set of skills. For example, the atmosphere and service level at Pierre Cardin's restaurant in Paris, Maxims, is the epitome of opulence, distinction and exceptionally high standards. This description doesn't exactly fit the brand's products like the licensed perfumes sold at several Parisian supermarkets.

Every luxury brand has the creative capability to turn out desirable extended products and services but not every brand has the capacity to effectively extend its product range. Before product extension can be successful for a luxury brand, the brand should have achieved a clear and concrete positioning in the market and most importantly in the consumer's mind. There should also be an apparent consumer following through a loyal consumer base. For example, consumers that are most likely to stay at the Palazzo Versace hotel are those that have an affinity with the Versace brand and are attracted to what the brand represents. In the same way, home furnishings designed by Missoni are likely to be purchased by consumers that also buy Missoni fashion or are attracted to the brand.

The implication of product and brand extension for luxury brands is that this strategy creates opportunities for growth and also for a broader level of brand experience and a deeper level of brand affiliation. The risk factor of brand extension is also high and rests with the company's capabilities and resources. Product and brand extension provides a channel for growth but should only be adopted if a possibility of competitive advantage is envisaged.

Pricing

Pricing is an important aspect of the marketing and branding strategy as it is one of the first indicators of a brand's positioning to consumers. It is also the most flexible of the Six Ps as it can be easily modified.

Luxury and prestige brands have traditionally adopted the premium pricing strategy to emphasize the brand strength, high quality and exclusivity associated with luxury goods, and also to differentiate them from the mass-market fashion brands. The luxury target audience is less price-sensitive and actually expects luxury goods to be premium-priced rather than economically priced. Pricing forms a part of the branding process as consumers often judge the position of a brand and the value of a product in terms of price.

To explain further, luxury brands are those brands whose ratio of functionality to price is low while their ratio of intangible and situational utility to price is high. This means that the price of luxury products is significantly higher than the price of products with similar tangible features but the high intangible characteristics and benefits of luxury goods justify the high price.

Pricing is the most elastic element of the marketing and branding mix as it can be changed at will. However, the strategy behind pricing decisions for luxury products requires meticulous evaluation and control. Pricing is also the only direct revenue generator among the Six Ps. This gives it a delicate position

		Product quality		
	Low	**Medium**	**High**	
Low	Economy Pricing	Value Position	Penetration Pricing	
Medium	Poor value Position Pricing	Medium Value Position	High value Position Pricing	**Price**
High	Price Skimming	Poor value Position Pricing	Premium Pricing	

Key: Traditional luxury goods pricing strategy
Extended luxury goods pricing strategy

Figure 5.14 *The extended strategic pricing model*
Source: Adapted from *Principles of Marketing* by Brassington and Pettitt (2003).

and calls for a clear set of objectives behind its strategy. Overall, companies set prices to maximize profitability, return on investment, increase cash flows and market share as well as optimize the production capability. Since luxury brands are premium priced, the pricing objective and emphasis is on profitability and return on investments. This is because prices between premium and economy differ by at least a factor of ten and the profit margins are even higher.

The process of calculating and equating costs to pricing is not very simple. This process is often done using the 'Extended Strategic Pricing' model, which is presented in Figure 5.14. It indicates a high, medium and low level of measurement in pricing versus product quality. This model is appropriate for luxury brands especially in the current luxury market context where offerings from several brands currently feature a gradual gravitation from premium-pricing towards the medium-pricing range for certain products.

The pricing strategy also includes an evaluation of the key objectives behind the chosen strategy to determine its success potential. The elements of this analysis consist of the pricing for the brand's products, the features of its customers, and the stance of its competitors. The customer aspect involves ensuring that there is a ready consumer market willing to pay the set price for the products and services offered. Price and cost are relatively different. The total cost of purchasing a product for a consumer incorporates the price-tag on the product as well as several other 'costs' such as time, energy, transport, mental effort and psychological costs. These factors are important in evaluating consumer responses to pricing. In the case of luxury brands, customers generally accept the premium pricing strategy.

Secondly, pricing has to be checked against those of competitors. For example, the classic Hermès Birkin bag retails for approximately €4,000 while its considered equivalent at Chanel costs about €2,500. For some customers, this could mean that the Hermès bag has more value than the Chanel bag while others might perceive the Hermès bag as overpriced. Thirdly, the overall costs of obtaining the product must be evaluated. In addition, the pricing strategy could be utilized as a publicity generation tool. An example is the one-off Eunis bag produced by André Ross, which was sold for US$88,888

Another important factor in pricing decisions is analysing the external market demand factor. This involves the responsiveness of the level of demand to changing or increasing prices. In technical terms, it is done through checking the price elasticity of demand. This is a measure of the degree of change in demand for a product when the price changes. If the change in demand is high in proportion to the change in price, demand is said to be elastic. If the change in demand is low in proportion to the change in price, demand is said to be inelastic. In order to implement an effective pricing strategy, these essential factors including costs, customers, competitors and demand ought to be thoroughly evaluated.

The place of distribution

The place of distribution refers to the channels that are used to make products and services available to customers. Retail channels are most effective when they meet the consumer's expectations in terms of location, convenience and product assortment. For luxury brands, there's the additional task of brand protection in the distribution channel choice. This is because one of the important features of luxury brands and any brand that desires to maintain an exclusive brand aura is a tightly controlled distribution channel. This means avoiding or minimizing the use of middlemen and licences or franchises in order to retain control of where the products are sold. For example when Gucci and Burberry licensed their brands to multiple manufacturers and distributors, their brand values plummeted downwards. However, the buying back of the licences led to the increase of the brands' strengths and appropriate brand positioning.

Tightly controlled distribution is nonetheless not a magic formula for the success of luxury goods distribution. There are other relevant calculated factors that have to be considered in the design and implementation of distribution strategies. Luxury brands currently utilize four broad strategies in products and services distribution:

1 Directly Owned Stores (DOS), which could be in the form of stand-alone stores or retail spaces within high-end departmental stores.

2 Licence operations through third parties, which is challenging to control and often leads to a diminished luxury status.
3 The Internet, which is a new channel and one of the strategic challenges luxury brands currently face.
4 Catalogue mail-order, which is a strategy used before the introduction of modern distribution channels.

The most appropriate medium of the distribution of luxury goods is the DOS both offline and online. This channel best preserves the brand qualities of exclusivity through controlled distribution, and prestige through brand image projection. Licensing is generally bad news for luxury brands in terms of quality and distribution control. This is the reason that several luxury brands such as Chloé and Gucci have either completed or are in the process of buying back their licenses from third party companies.

The distribution strategy of luxury brands also comprises of the tactics for the services distribution. These services include customer services and after-sales services. The services aspect of the distribution of luxury goods is often neglected and wrongly considered as an offshoot of the product. Luxury brands currently utilize three broad service distribution strategies, which are the following:

1 Customer service within the brand's store, wherever the store is located.
2 Customer call centres, which a number of luxury brands have outsourced to other companies.
3 Online customer services, which remains poorly handled by the majority of luxury brands.

As previously indicated, luxury brands have an exclusive distribution strategy. This is also technically known as the **vertical value chain system** and is represented in Figure 5.15. The vertical value chain system indicates that luxury brands manufacture, wholesale (where this applies) and retail their products and services with the minimal use of secondary distributors. This strategy involves both exclusive (single channel) and selective (approved and tightly controlled dealers only) channels.

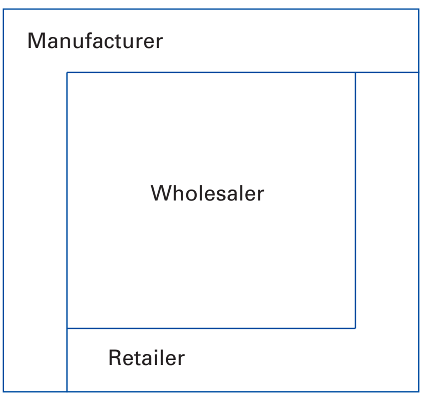

Figure 5.15 *The vertical chain distribution system adopted by luxury brands*

Unlike consumer goods, the distribution of luxury goods and services comprises of a one-track direction, making it easily manageable. In addition, several new distribution opportunities like the Internet provides optimal tools for enhanced services, long-term customer relationships and improved direct marketing methods. As noted in earlier chapters, luxury consumers desire personal attention and customized services and this can be achieved through online customer services powered by the Internet.

The choice of the appropriate distribution strategy results in increased sales and profitability, competitive leverage, customer satisfaction and brand loyalty. Most importantly, it portrays the language of the brand.

Promotion

Promotion involves communicating the message of a brand to consumers through various means. The means of communication include advertising, personal selling, sales promotion, public relations, sponsorships, cold-calling and several others. Additional ‘new’ promotional methods are online banner advertising and pop-ups; e-mail alerts and mobile phone alerts; movies, music and books; celebrity collaborations; and the recent iPod-casting.

Traditional brand promotion is a one-way process while communications is a two-way process that emphasizes exchanges with consumers. Communication with consumers features receiving feedback when brand messages have been effectively delivered. This is what yields the most benefits for brands. The communications strategy is an offshoot of the branding strategy.

The communication strategy has the following features:

1 The Push Trade promotion, where the brand is promoted to the market. An example of this is the traditional print advertising.
2 The Pull Customer promotion, where the market is pulled to the brand. An example is the various Internet promotional methods.
3 The Profile Stakeholder promotion, where the wider market environment is targeted for the promotion.

Luxury brand promotions follow the conventional promotion pathway where a brand sends a message to the consumer who receives and interprets the message. The complete process involves the sender (the brand) encoding the message through a package of images, colours, moods, feelings, sound and other elements that reflect the underlying message before sending it out. The receiver (the customer) then processes and decodes the message received from the brand. This process sounds simple but is oftentimes ineffectively implemented by several brands. Some of the hitches of effective brand communications can be found in four broad cases:

1 When the wrong message has been designed for the target audience.
2 When the right message has been designed and sent to the wrong audience.
3 When the target audience misinterprets the message as a result of failed sender encoding.
4 When the wrong medium has been used to send the message.

In designing promotional messages, it is imperative in all cases to define and target the right audience. Luxury brands have the additional task of conveying the brand's essence and all its elements in each communication. This means that the appropriate message, channel and execution style should be utilized in addition to the communications design itself. The identified effective promotional mediums suitable for luxury brands are:

1 Advertising
2 Direct marketing
3 Personal selling
4 Public relations
5 Sponsorships

Advertising is often defined to be a way of reaching a mass market because it utilizes the mass media. It is also often wrongly implied that advertising is non-personal and non-targeted. The reality is that although advertising luxury products through the mass media such as magazines and television is viewed by a mass market, the message within the advertisements are often targeted to a narrow group, that is the luxury consumer market.

Luxury brands are niche brands and their advertisements are tailored towards a specific consumer market. In addition, the advertisements of luxury brands are a means of communicating the brands' story, starting from their history and development to their personality and image, products and services.

Advertisements are highly important in the luxury goods sector, as they enhance the visibility of luxury brands. As a result, luxury brands allocate a large percentage of their earnings to advertising. The annual advertising budget of the average luxury brand is between US$14 million and US$50 million, representing between 5–15 per cent of revenue in most cases. This budget increases to approximately 25 per cent of the sales revenue with the inclusion of other aspects of communications such as public relations, events and sponsorships.

Traditionally, advertisements of luxury brands are mostly featured in fashion magazines, business publications, airline in-flight magazines and other high-end publications. This is because these publications are the most widely read by the target audience. Current statistics from *Luxury Briefing* indicate that *Vogue*, which is the foremost women's fashion magazine, circulated more than 2.1 million copies of its UK edition between January and June 2005.

Also more than 9 million people read its US edition in the first quarter of 2005. Furthermore more than 5 million people read men's fashion and lifestyle magazine, GQ, in the first quarter of 2005 in the USA alone. These examples represent a small fraction of the numerous fashion and lifestyle magazines that exist in different parts of the world. The indicators point towards the importance of the print media in advertisement and its influence on the luxury fashion consumer market.

Also, the glamorous nature and credibility of fashion magazines complements the characteristics of luxury brands. Fashion magazines also reinforce creativity through their high visual quality and long-lasting nature. The same can be said of television advertising. Although television advertising is used minimally by luxury brands, its prestigious nature complements luxury brands. It can also provide both entertainment and excitement through high-impact messages that utilize visuals, movement and sound.

Luxury brand advertising is significantly different from consumer goods advertising because they address different audiences. Sometimes however, several luxury brands wrongly adopt the same advertising channels as consumer goods. Other brands copy their competitors' media and style without understanding the strategic reasoning behind the choices. For example, it is common to find the advertisements of luxury products on street billboards and bus-stands in France, although these media are considered to be advertising domains of Fast Moving Consumer Goods (FMCGs). However, it can be argued that these media do not diminish the brand image of luxury brands in France because luxury fashion is an embedded aspect of French lifestyle and culture. However, if this strategy were transferred to the United Kingdom, where the majority of luxury consumers do not commute by bus, then the adverts would be addressing the wrong audience and its objective would be misplaced. On the other hand, in a city such as London where the majority of luxury consumers in full-time employment use the public underground train system in and out of central London on a daily basis, luxury brands might achieve a strategic objective by advertising at the train stations where their target consumers commute. Other advertising media that several luxury brands utilize, which require assessment and revision, are the bodies of taxis and buses (Figure 5.16).

The second issue to be determined after choosing the medium of advertising is selection of the products to advertise through each specific medium. In order to do this, it is important to ascertain whether the advertisement is product-specific or brand-specific. This factor indicates whether the advertisement aims to emphasize and reinforce the brand or if it seeks to promote a particular product in the market or both. For example, an advertisement of a fragrance might be placed at a bus-stand as a means of targeting the consumer group who commute by bus. In this case, the product (fragrance) is used as a tool to attract and invite new or old consumers to interact with the brand. This means that the advertisement is product-specific. On the other hand,

Figure 5.16 *Who do luxury brands target when they choose bus-stands, train stations and street billboards as advertising media, such as these found in different French and United Kingdom cities?*

placing the advertisement of a product such as expensive jewellery or leather handbag on a billboard in a highly tourist district of Paris could be a tool to invite wealthy tourists to purchase the particular product or to visit the brand's store while in Paris. In this case, the advertisement is brand-specific. Advertisements could also have a hybrid objective between brand and product specificity but if the objective is not set prior to deciding the medium, then the result could be counter-productive.

Luxury brands often feature products, models, celebrities and society personalities in advertising to reflect the brand essence and message. In addition to these, other tactics that generate rapid and instant publicity or rejuvenate the brand have been adopted. For example, Tom Ford has been known to use the 'Sex' concept to sell luxury. As the Artistic Director of Gucci, he oversaw the use of a controversial print advertisement in February 2003 featuring a female model displaying her pubic hair shaved into the Gucci logo. The picture shows the model pulling down her underwear to reveal Gucci's G logo, with a male model crouching between her legs. Needless to say, this advert generated great public coverage. Tom Ford again applied the 'Sex' advertising concept by featuring pornography stars as models in the 2006 print advertisement for his own branded sunglasses. Reports indicate that the models were also paid to have private sex on the set of the photo shoot in order to effectively transfer the 'feel' of sex onto the print adverts.

Additional advertising tactics include the use of a brand's origin, location, history and heritage as a source of its credibility and communications. This could be done through pictures, words and products. For example, Bally includes the tagline '*Since 1851*' in its print adverts to reinforce its history; Lacoste's print advert has featured a 1921 picture of company founder Renee Lacoste playing tennis, to underline the brand's long history and sports association. Also Burberry used images of London, the English lifestyle and a British celebrity, Rachel Weisz, to advertise its 2006 fragrance Burberry London (Figure 5.17); and Jean-Paul Gaultier uses a similar tactic of selling 'Frenchness' in its Spring/Summer 2006 advertising campaign.

The effectiveness of advertising can be measured in different ways. The factors that are considered in this exercise are the following:

- The persuasion level of the advertisement in terms of creating a favourable consumer predisposition towards the brand and its offerings.
- The accomplishment of the message delivered in terms of understanding and conveying the brand essence.
- The level of delight and enjoyment of the advertisement to consumers.
- The result from tracking the pre- and post-awareness level of the brand and products.
- The result from a panel research regarding the long-term advertising effectiveness.
- The impact of the advertisement compared with those of competitors.

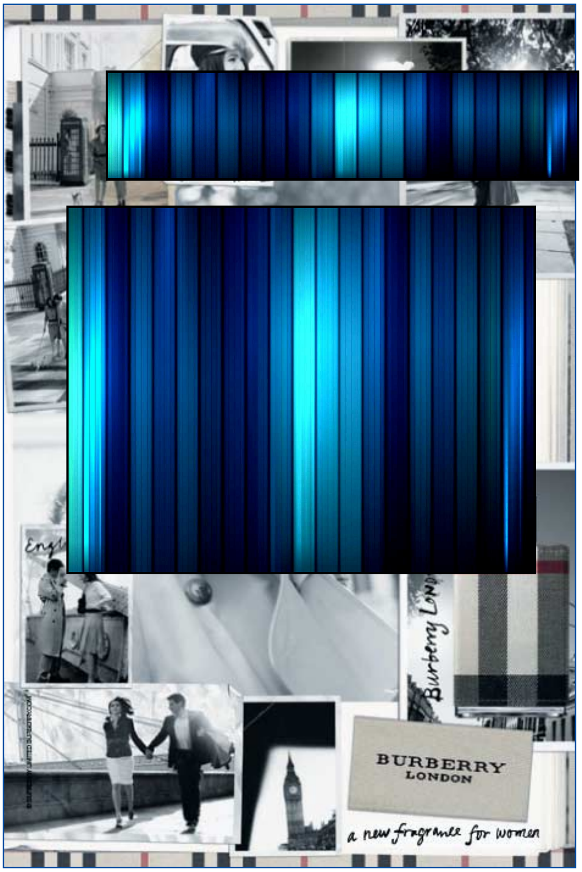

Figure 5.17
Burberry emphasizing its English heritage through using a British actress to depict the quintessential English lifestyle, (2006)

In order to achieve a high level of effectiveness in luxury advertising, it is important to differentiate the general style, message and execution of the advertisement. The luxury goods sector is highly competitive and as brands strive to get noticed, they end up falling into the trap of sameness. It is not uncommon to look through the pages of a fashion magazine and find advertisements of several brands that are so similar that if the brand names were concealed, they could pass for the same brand. Consumers long to see fresh and distinctive advertising that has high and lasting appeal and this is only achieved through differentiation. The message of the advertisements also ought to be deeper than the surface beauty of a pretty model flaunting a desirable product. Luxury brands have differing underlying personalities but their advertising messages sometimes reflect the same brand image and personality which is wrong. The distinct brand images could be effectively portrayed with a more focused attention on insight, innovation and imagination.

Also, the concept and style of the advertisement of the sunglasses product of Armani, shown in Figure 5.19, has been adopted by several luxury brands.

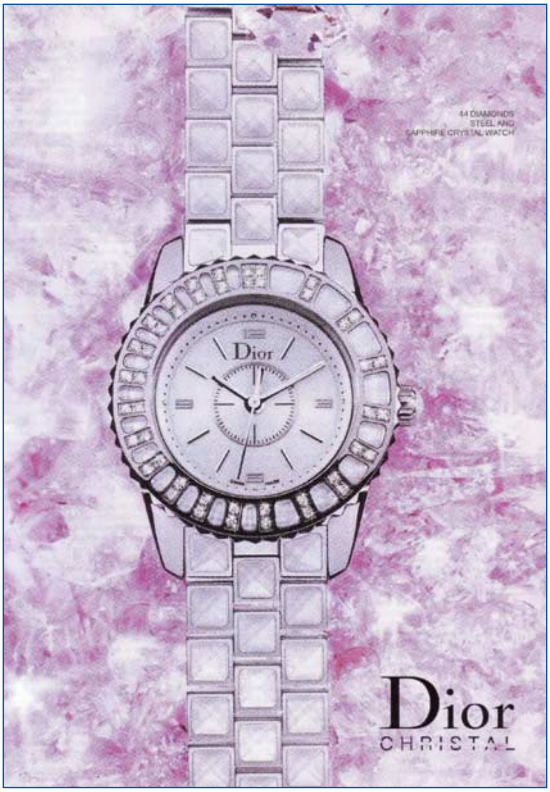

Figure 5.18 *The Dior Crystal Watch advertisement (2005/2006), which focuses on the product features and design to accentuate its luxury status. The advertisements of other luxury products like the Chanel Camelia watch advert (2005) and the Hermès Cap Cod watch advert (2006), have also applied the same advert design and strategy concept. This depicts sameness, which is contrary to the quality of substance that consumers seek. Luxury brands have distinct identities, personalities and images and these are required to be reflected in all aspects of marketing communications, including print advertising*

Figure 5.19 *The Emporio Armani eyewear advertisement, 2006. Several luxury brands have applied the same concept and style in their eyewear advertisements, depicting 'sameness'*

This depicts similarity in terms of products and brand personality portrayal. Consumers are bored with this level of sameness and monotony and now have higher expectations from luxury brands.

In response to the monotonous images and messages often found in luxury goods advertisements, several luxury and mass fashion brands constantly devise innovative advertising means and messages that act as ‘firsts’ in their categories. A notable example is the spring–summer 2006 advertising campaign of premium leather-goods brand Furla, which features its own employees as models (Figure 5.20). The strategic aim of this advertisement for the brand was to ‘express the spirit of the brand’ and to show that the brand understands its consumers’ real needs. This tactic represents a new approach to fashion advertising. It portrays the employees of Furla as ‘brand stewards’ and ‘brand ambassadors’, who are attuned to serving their customers and fulfilling their expectations. This is an effective representation of perceived product efficiency and customer services. Another advantage of this advertising tactic is that it gives the brand a ‘face’ through revealing the dynamic and creative team behind the products and their complement to the brand’s personality. This advertising method could however raise other questions related to the ‘fantasy’ aspect of a luxury brand’s image projection to the public.

Figure 5.20 *Furla’s advertisement featuring employee Daniela Bernardi (2006). This is an innovative advertising technique that shows the brand’s employees as its ambassadors. However, it raises the question of whether luxury consumers relate more to the people who represent the brand or to the ‘fantasy’ and ‘desire’ aspects of luxury goods*

Figure 5.21 *Oscar de La Renta (Spring 2006) advert, featuring Liya Kebede, effectively captures the brand's essence of stylish and modern chic, (2006).* Photographed by Craig McDean

While striving for differentiation in the luxury market, it is also important to critically evaluate the impact of an advertising campaign on a brand's positioning and image. This evaluation should also feature customer expectations and the effect of the advertisement on their perception of the brand.

Luxury and high-end fashion consumers constantly seek to be enticed and excited through desirable goods and dazzling models or celebrities in advertisements. While consumer goods like detergent and toilet paper project a sense of reality to their consumers, luxury brands project a sense of fantasy. These contribute to creating the 'desire' and 'lust' that propel consumers to seek luxury goods. However, when consumers are exposed to a different form of advertising, it is essential to ensure that they understand the underlying message.

Figure 5.21 shows a luxury brand advertisement that has effectively applied advertising communications to recapture the major qualities of the brand.

Direct marketing is defined as direct communication between a brand and a consumer designed to generate a purchase behavioural response. The response could be in the form of information request, a visit to the brand's store or website or actual product purchase. The goal of direct marketing is to lead consumers to interact with the brand. Its methods include the age-old mail-order selling technique through catalogues and direct mail. Others are telemarketing and home shopping, although these are rarely used in the luxury sector.

Direct marketing is one of the fastest growing media of communication among fast moving consumer goods, but their application in luxury goods promotions is minimal. This minimal use arises from several discrepancies in its utilization. For example, several luxury brands produce product catalogues designed for consumers but there is a continuous inconsistency over how, when and to whom these should be distributed. Several brands such as Roberto Cavalli and Gucci offer their catalogues to consumers on request and at no cost. Other brands such as Louis Vuitton sell their catalogue to consumers for a small fee. Yet others like Coach provide the possibility to order a free print catalogue from their website, in addition to the online version. Also, Jimmy Choo provides an online downloadable catalogue in PDF version that consumers can print. Most of these online and offline catalogues often do not make provision for product purchase although they provide product information.

One of the challenges that luxury brands face in using the direct marketing strategy is the retention of the 'exclusivity' and 'prestige' qualities while pushing products commercial-wise. This challenge raises the question of the range of products to present through direct marketing.

Direct mail has several disadvantages in addition to its numerous gains. The first disadvantage is the risk of overwhelming consumers with information which they might not be interested in; the second is related to ethical marketing concerns like seeking consumer permission prior to utilizing personal details for direct marketing purposes of the brand and its partners.

Personal selling is the most direct and longest established means of promotion in the promotional mix. It is the presentation of products and associated persuasive communication to potential clients. Personal selling is widely used in business-to-business exchanges where products or services demonstrations are required. However, it can also be an effective promotional tool for luxury brands.

Personal selling is manifested in several ways in the luxury goods sector. These include private shopping programmes, special customer events, private product previews, online privileged information access, fashion show sales and so on.

Personal selling in the luxury sector usually requires the presence of the product creator or other specialists that understand the product components, history, use and care. Specialized information and one-to-one interaction is the core of the personal selling strategy. It is also one of the avenues of providing personalized and customized customer relations services. This strategy is also effective for collecting customer data that could be utilized for data mining and re-designing products and services according to customer needs and expectations.

Public relations involve the planned and sustained effort to establish and maintain goodwill and mutual understanding between a company and its target audience. The aim of public relations is to influence and in some cases, change people's knowledge and feelings regarding a company and its offerings, including its identity and image.

In the luxury goods sector, public relations is a promotional tool used to persuade consumers and the public of the authenticity of the brand, while also facilitating understanding between the brand and the public. It is a means of building good relationships with not only consumers but also all the stakeholders of the company. The stakeholders include shareholders, associations, partners, collaborators, suppliers, distributors and competitors. For example, representatives of several luxury brands are often invited to their competitors' events and fashion shows and they are expected to share the goodwill of their brands during these events. This is because consumers and other stakeholders are influenced by the information they receive about a brand from different sources; therefore the brand must maintain positive associations at all times.

Public relations messages are often more credible than paid advertising because they involve a story that frequently leaves a lasting impression with the public. They also create a continuous buzz around a brand or a product. This contributes to a positive image for the brand and fuels word-of-mouth publicity. It also helps luxury brands to stay in the limelight through exposing their good deeds. The deeds can range from humanitarian acts to those concerning environmental protection. For example, in 2004, Jimmy Choo launched the coffee table book, *Four Inches*, featuring photographs of celebrities and models wearing nothing except Jimmy Choo shoes. The photographs were sold by auction in London, Los Angeles and New York and raised more than £1.6 billion. The proceeds went to the Elton John AIDS Foundation, which particularly benefits women and children with AIDS in Africa. Also in 2005, Salvatore Ferragamo celebrated the tenth anniversary of its Beijing store with a fashion show and gala night. The proceeds from the events were donated to the China Welfare Fund for the Handicapped. These are effective public relations tactics.

The Internet provides an additional effective medium to advertise and inform the public of public relations deeds. For example the corporate section of websites is an avenue to feature public relations deeds particularly on the 'News and Highlights' pages.

Among the main objectives of public relations in the luxury fashion sector, the following are the most prominent:

- Bringing attention to a brand's good deeds. For example, Stella McCartney supports the anti-fur movement and this is known as a part of her brand legacy. Burberry also supports the Breast Cancer Awareness project through donating a percentage of specific product earnings to the cause.

- Enhancing the image of a city, region or country. Several Italian and French luxury brands are involved in initiatives that promote their countries as fashion and art centres.
- Introducing new products or sub-brands to the public such as the 2005 co-branding collaboration between Zac Posen and Jaguar for the design of a limited edition driving gloves collection for the launch of the Jaguar XK Sports Coupé. A percentage of the sales turnover was donated to the Teachers Count charity.
- Influencing government authorities and legislation. Louis Vuitton is one of the luxury brands actively involved in initiatives such as lobbying to aid governments in fighting counterfeit luxury goods.

In order to execute an effective public relations strategy, it is imperative for a luxury brand to have a clear set of objectives and a specific target audience. An analysis of the brand's current position in public relations, the competitors' activities and the public's expectations is also important.

Public relations effectiveness can be measured in several ways. These include internal assessments, brand preference research and media coverage generated by public relations activities.

Public relations deeds are increasingly important especially among the current consumer base who are more ethically and environmentally aware and therefore seek substance and depth from luxury brands.

Sponsorships can be considered as an extension of public relations because they both aim to achieve similar objectives such as providing a good image and reinforcing a brand's credibility. Unlike public relations, sponsorship initiatives involve the provision of financial support channelled towards funding an event often relating to art initiatives, sports and goodwill. These actions generate a lasting positive impact among consumers and the public towards the brand. It is also a great source of brand loyalty especially among the consumers that have enjoyed the event or have an affinity with the specific activity that has been sponsored. For example, Louis Vuitton has been known to sponsor several young artists, painters and photographers. The brand also has an exhibition centre at its flagship store in Paris, dedicated to exhibitions by various artists. Other brands such as Pierre Cardin provide art and history exhibitions through the brand's private museum. Yet other non-fashion brands are implementing sponsorships through fusing fashion and gastronomy. An example is the champagne brand Moët & Chandon, which often sponsors and promotes fashion-related deeds. Every season, the brand commissions a designer to create a dress that would reflect the qualities of the Moët & Chandon brand. Past designers include Roberto Cavalli and John Rocha. The brand also sponsors the Fashion Tribute Award.

Sponsorships are also a way to target specific market segments. For example, Louis Vuitton sponsors the annual American Yacht Regatta competition, and in exchange the trophy has been named the Louis Vuitton Cup. The company also receives immense positive publicity and access to some of the world's wealthiest individuals through this sponsorship venture.

One of the major benefits of sponsorship is that it is a precise way of marketing because it provides a brand with its own specific territory. This makes both the brand and its message stand out. It is also a great way to attain competitive advantage. Like public relations, the sponsorship programme should involve an analysis of the current company situation, a definition of a clear set of objectives and the identification of the target audience. This will provide a guideline for mapping out and clarifying the strategy and its resources and performance measurement.

Some important points to remember in the development of sponsorships and other promotional tactics are the following:

1 Be distinctive and innovative.
2 Be consistent in portraying the brand personality and image.
3 Understand who the target is and satisfy them.
4 Analyse competitors' strategies and differentiate from these and avoid sameness.
5 Understand that each brand is unique and different and therefore promotional messages should correspond to the unique nature of a brand.

The celebrity connection

Celebrity endorsement of luxury fashion is hardly a new phenomenon but has been in practice for several centuries. Charles Worth, the man who invented haute couture in Paris in the nineteenth century understood the importance of linking celebrities to brands, even before this was recognized as an important marketing communications tool. To promote his fashion house, La Maison Worth, he sought a high society lady and influencer of court fashions Princess Von Metternich, wife of the then Austrian ambassador to France and close friend of Napoleon's wife Empress Eugenie. This celebrity's patronage and connection with La Maison Worth contributed immensely to the success and status of Charles Worth's couture house as the most influential in the world at this time.

Celebrities are highly important and valuable to brands especially in the luxury fashion sector. There is no argument about this. They wield enormous power in fashion circles and can contribute to making and breaking brands. Fashion designers pamper them and brand managers recognize their potential to brands and utilize this effectively. For example, Marilyn Monroe's declaration that she wears only Chanel No. 5 to sleep, contributed to making the fragrance an unequalled icon. Celebrity endorsement does not however begin and end with shooting and printing the photo of a beautiful star with a luxury product, in a fashion magazine. There are several factors and dimensions involved in choosing a celebrity to endorse a brand. It is however worthwhile to establish the scope and true value of celebrity endorsement.

First of all, who are celebrities? Celebrities are people that exert significant influence in several facets of the society ranging from arts, music, movies and television, sports, culture, education, politics, government and also religion. They range from film and television stars to musicians, sports personalities, scientists, engineers, royals, politicians and also socialites who have no defined careers apart from looking beautiful and attending the right events. In the fashion world, this list of celebrities would include designers, their muses, models, photographers, image consultants, style advisers and any famous person involved in the artistic aspects of fashion such as make-up artists, fashion consultants and also fashion experts like Mark Tungate whose book *Fashion Brands: Branding Style from Armani to Zara*, was published in 2005. The celebrities most utilized in the promotion of luxury fashion brands, however, are those in the film and music industry as a result of their high visibility and the prominent role that fashion plays in the entertainment sectors.

According to recent research statistics from advertising and marketing services company WPP, the number of celebrity advertisements has doubled in the past ten years. *The Guardian* also reports that one in four adverts currently features celebrities compared with one in eight in 1995. Although this statistic is related to a broad range of goods and services, there has also been an increase in the use of celebrities in the brand message communications of luxury brands. Several recent examples show evidence of this practice. Italian luxury brand Versace featured music icon Madonna and Hollywood stars Demi Moore and Halle Berry in its print adverts between 2005 and 2006. Likewise Julia Roberts appeared in the 2006/2007 print advertisements of Gianfranco Ferre; Sharon Stone and Monica Bellucci in Dior's and Jennifer Lopez, Scarlet Johansson and Uma Thurman (Figure 5.22) have all been the faces of Vuitton at different times. Also luxury watch brand Baume & Mercier adopted celebrity endorsement in 2005 in its advertising campaign featuring actors Meg Ryan and Keifer Sutherland. Non-luxury brands such as Gap and H&M are also catching on. Gap featured television and movie star Sarah Jessica Parker in their 2005 advertisement and H&M featured Madonna and her crew in their 2006 print advertisement. The use of celebrities from an earlier period is also not left out in luxury brands endorsements. For example, to celebrate the 100th anniversary of the birth of silver-screen actress Greta Garbo, Mont Blanc designed a special edition pen named after the deceased actress.

The reasons that these personalities are used in brand communications are: to make the brand's message stand out among the clutter of advertising and

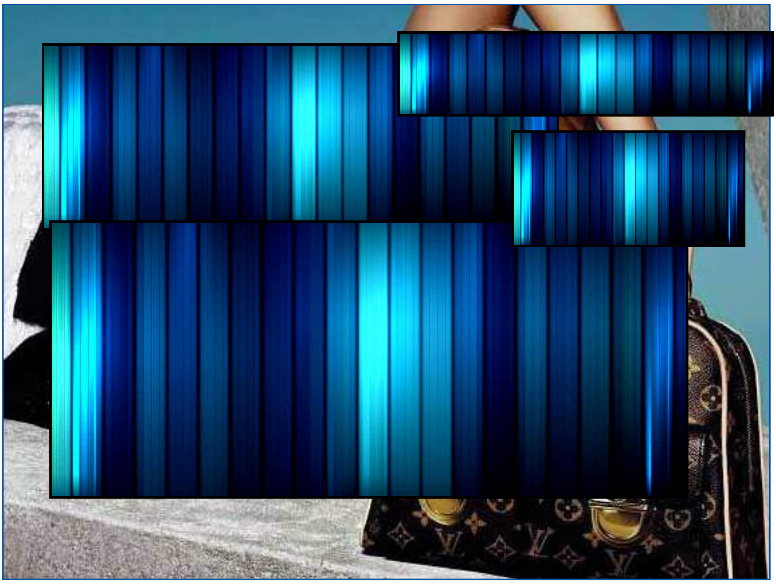

Figure 5.22 *Uma Thurman for Louis Vuitton (2005)*

offerings from competitors; and to convince customers of the credibility of the brand's offerings. In addition to these, celebrity endorsement is important to luxury brands for the following reasons:

- Celebrity endorsement is a great brand awareness creation tool for new brands.
- Endorsement by celebrities helps to position and re-position existing brands.
- Celebrities contribute to sustaining a brand's aura.
- Celebrities are used to revive and revitalize staid brands.
- Celebrities generate extensive PR leverage and opportunities for brands.
- Celebrities are used to reach a global market.
- Celebrities promote a brand's products and appeal.

There are several ways that celebrities can be utilized to either endorse a luxury fashion brand or show some connection to the brand. The classic and most widely used method is the paid-for media advertisement mostly found in fashion magazines and on television. This is when a celebrity is photographed or filmed with an often-appealing product of the brand in question. The themes of these advertisements vary but the underlying message is uniform and gives an indication of a direct connection between the brand, its products and the celebrity. The ways that celebrities are used to endorse brands include the following:

- Print media advertising found in various magazines such as the 2005 spring/summer and autumn/winter adverts of Versace that featured Hollywood stars Madonna and Demi Moore respectively.
- Television advertising such as the video clip advert of the Chanel No. 5 perfume featuring Nicole Kidman, which ran from 2004 to 2005.
- Product use in movies and television programs, sitcoms and soap operas such as the 1984 film American Gigolo, which was a showcase of Armani designs and contributed to the global appeal of the brand. Other movie brand promotion includes Legally Blond II for Jimmy Choo, Le Divorce for Hermès, Miss Congeniality for Fendi and Dolce & Gabbana and the sitcom Sex & The City, which patently promoted both Jimmy Choo and Manolo Blahnik, among others.
- Fashion spreads showing celebrities in the apparel and accessories of luxury brands at different events and locations.
- Photographs of paid celebrities casually using the products of a brand. This tactic involves brands paying a highly photographed celebrity to appear with their products in an indifferent manner indicating that the product and brand is a part of their daily lives. Although this practice might be thought uncommon in the luxury goods category, as luxury products are highly desirable even to celebrities, it is frequently utilized. It is also highly effective as it portrays a true lifestyle which the public can relate to better than a glossy advert.
- Photographs of unpaid celebrities using the products of a brand. This is called 'gratis' product placement. It occurs when a celebrity embraces a product or a brand they truly like and visibly uses these products in public. Since these celebrities are often photographed, they become promotional tools and grant the brands exposure that yields both short-term benefits and long-term rewards. This aspect of celebrity endorsement is however becoming rare, as celebrities have got wise to their powerful influence over consumers and increasingly use this influence to their own advantage.
- The mention of luxury brands in music lyrics such as the inclusion of Jimmy Choo in the lyrics of Beyoncé. Another example is that of Maria Carey, who sang extensively of Louis Vuitton in her last album. In some cases, luxury brands pay the musicians to mention them in songs while in other rare cases the musicians voluntarily adopt the brands. Music celebrity endorsement of brands is increasingly used by both luxury and non-luxury brands. The concept has become so commonplace that a chart called *The American Brandstand Chart*, has been created by a company that tracks the mentions of brands in music lyrics. The chart indicates the hierarchy and level of influence of the brands that have been mentioned in song lyrics.
- Inviting celebrities to be co-creators and partners in designing specific products. Japanese designer Samantha Thavasa adopted this strategy through her collaborative bag designs with Beyoncé, Penelope Cruz, Victoria Beckham, Maria Sharapova and Paris and Nicky Hilton. Louis

Vuitton also teamed up with American rapper and music producer Pharrel Williams to create a limited edition sunglasses line in 2005. Also non-luxury fashion brands like Dorothy Perkins have collaborated with stars Sienna Miller, Nicole Kidman, Sharon Osbourne and Charlotte Church to create a T-shirt collection in aid of breast cancer research.
- Naming products after celebrities, (with their approval of course). Gucci has the Jackie bag, named after Jackie Kennedy and Hermès has both the Kelly and Birkin bags named after actresses Grace Kelly and Jane Birkin. Tom Ford also named one of his newly launched eyewear after celebrated actress, Farrah Fawcett.
- Other creative cross-marketing methods such as Jimmy Choo's book *Four Inches*, which featured photos of several celebrities including Paris Hilton, wearing nothing but Jimmy Choo shoes. Also, Pamela Anderson posed as a nude mannequin at the window of Stella McCartney's London store. The two endorsements were aimed at promoting several social courses but also generated immense publicity for the brands in the process.

Celebrity endorsement entails that the personality and status of the celebrity as successful, wealthy, influential and distinctive are directly linked with the brand. Other personality attributes that the celebrity may have such as glamour, beauty, talent and style will also be ultimately linked with the brand. This factor however appears to be required less among luxury brands than consumer brands because luxury brands already have well-defined and strong brand personalities. The reality is that luxury brands need to define the connection between their brands and celebrities. This fact raises the question of the choice criteria of a celebrity for a luxury brand. How can the right celebrity be matched with the right brand in order to achieve the desired maximum impact and results? The following five rules of celebrity endorsement for luxury brands provide an indication of this.

Rule 1: Credibility The celebrity must be credible. This means that he/she must have a high level of expertise and talent in their field. These merits bring value to the brand and indicate the intent of the brand to be associated with the very best. Actors Tom Cruise, George Clooney, Nicole Kidman and Hilary Swank have star power because of their talent.

Rule 2: Global Appeal The celebrity must have global appeal. This means that the celebrity must not only be known worldwide but must also be appreciated and liked by the majority of the people in the consumer and fashion societies. Charlize Theron and Halle Berry are two actresses that satisfy this criterion effortlessly.

Rule 3: Personality The celebrity's personality must match the brand's personality. Several brands often wrongly choose a celebrity to endorse their brands based on their popularity and appeal. Although these attributes are important, it is essential to understand the significant role that a celebrity's personality brings to the brand. For example, a classic brand such as Hermès is most likely to give a clear brand message by using a celebrity who portrays the quality of 'classic chic' rather than one who exhibits non-conformism. In the case where luxury brands use a celebrity that portrays a different brand personality, it should be for a strategic purpose such as brand re-positioning, new product launch or brand extension. When the celebrity's personality matches that of the brand, the result is often an enhancement of the brand's image. For example, there is a definite match between Nicole Kidman and Chanel; and between Uma Thurman and Louis Vuitton and these celebrities brought a positive brand enhancement at the time of their endorsements of the luxury brands.

Rule 4: Uniform Power The celebrity must not overshadow the brand. This is particularly important for new and up and coming luxury brands. Several established luxury brands already have powerful brand personalities, making it a challenge for celebrities to outshine the brand. However other brands that are yet to ascertain a high level of brand strength have to be careful in choosing a celebrity whose strength doesn't surpass that of the brand.

Rule 5: Constancy The celebrity must have constancy and lasting appeal. This means that the celebrity should have sustainability and the knack to maintain their image and career accordingly. It is often based on how predictably successful a celebrity's career and role as a star is projected to be. This is quite similar to the sales forecast projections that companies make using previous and current cash-flows. Several stars that have been successful in their careers for decades might at the same time lack constancy and appeal, which cannot be ignored if they are to endorse a luxury brand.

Luxury brands that utilize celebrity support must also maintain high appeal through their product and service offerings even after the celebrity campaign is over. Celebrity endorsement facilitates an increased customer expectation level and this expectation must be constantly met and exceeded. Also, the use of celebrities to promote a brand shouldn't be a one-off strategy but should be revisited periodically.

Luxury brand managers constantly evaluate celebrities through unclear criteria. This is largely because this strategy has been viewed for a long time as one that doesn't require complex business decision grids. The increasingly sophisticated global business scene especially in the luxury fashion sector, however, calls for clear and structured decision criteria in managing the celebrity endorsement strategy. The closest evaluation measurement that exists today is *The Davie-Brown Celebrity Index* developed by Davie-Brown Entertainment and i-think Inc. This index evaluates the worth of celebrities through a systematic and controlled method that resembles financial brand valuation and forecasting. It aims to remove the ambiguity that surrounds celebrity appeal and acts as a guideline for celebrity choice in advertising.

Celebrity endorsement is not rosy at all times. Several risks are associated with this brand communications strategy; therefore luxury brands should meticulously evaluate all the inter-connecting elements related to this strategy. The following list covers some of the potential hazards involved in celebrity endorsement:

1 Celebrities can get into public controversies that might harm the brands they endorse.
2 The image of celebrities can be damaged as a result of professional or personal circumstances. This is automatically transferred to the brands they represent.
3 Celebrities can disappear from the spotlight of their careers even before the advertising campaign is over.
4 Celebrities can become over-exposed and lose their star appeal as a result of endorsing multiple brands in different categories. For example, Kate Moss has represented luxury brands Louis Vuitton, Burberry, Dior, Yves Saint Laurent and Chanel but also mass cosmetics brand Rimmel, which is sold in supermarkets.

   As a model, Kate Moss is performing her professional duties by endorsing various brands but when her status transcends to that of a celebrity, then the luxury brands' image balance with her celebrity status should be checked.
5 Celebrities can also decide to change their image, which might sometimes be a contradicting image to the brands they currently endorse.
6 Celebrities can decide to intentionally damage a brand if they feel that the brand did not meet their (sometimes extraneous) demands or did not give them the star treatment they desired.

As earlier identified, a key aspect of celebrity endorsement is related to the issue of the over-exposure of celebrities who endorse multiple brands within a short time period. This is often found among celebrities that are in 'popular demand' at a particular time. The multiple brand endorsements could lead to an over-exposure of the luxury brand or an undermining of its brand perception. This is because consumers could associate the luxury brand with the overall package that the celebrity and the multiple endorsements represent. If the multiple brands that the celebrity represents constitutes of mass-market brands or 'low-value' brands in other product categories, the damage on the luxury brand's equity could be worse. For example, the talented musician Madonna has represented luxury brand Versace as well as mass-premium brand H&M. Do her multiple endorsements affect the brand equity of the luxury brands she represents? In the evaluation of these endorsements, it is important to understand whether the two brands and adverts address the same group of consumers. It is also essential to ascertain what impact Madonna's brand endorsements could have on the brand equity of the two brands and on Madonna's own personal brand as a celebrity.

Celebrities are getting wise to the branding leverage their star strengths and powerful appeal provide them and are also more inclined to use this in branching out in their careers. They now understand the importance and influence of personal branding and are exploiting and extending it to commercial branding. As a result, several celebrities have ventured into the fashion and accessories businesses and more are on the way. Examples include Jennifer Lopez, Sean Combs, 50 Cents, Eminem, Sadie Frost, Gwen Stefani, Pamela Anderson and Jessica Simpson who all have clothing or accessories brands. Others are Kylie Minogue who owns a lingerie brand, Victoria Beckham who recently began designing jeans and Elizabeth Hurley, who launched a swimwear brand in 2005. In addition, the list of celebrities that have launched perfumes named after them is steadily increasing including Jennifer Lopez, Britney Spears, Paris Hilton, Celine Dion, Elizabeth Taylor, Michael Jordan, Naomi Campbell, Jessica Simpson, David and Victoria Beckham, Antonio Banderas, Donald Trump and Cindy Crawford, among many others.

The fashion business ventures of celebrities could also affect the brands they endorse in terms of image and competition. For example Sara Jessica Parker, who featured in the extensive global advertisements of Gap in 2005 was also the model in the advertisement for her own fragrance shortly afterwards. Also, Jennifer Lopez who appeared in Louis Vuitton advertisements in 2003/2004 (Figure 5.23) has also featured in the advertisement of her own branded fragrances before, during and after this period.

These product and brand launches result in an increased and steady source of revenue income for the celebrities and is also a way of increasing their visibility in the already cluttered celebrity market. However,

Figure 5.23 *Jennifer Lopez for Louis Vuitton (2004). The celebrity has also appeared in several advertisements for her own branded fragrances before, during and after this advertisement*

being a celebrity doesn't mean an automatic success potential in fashion branding. The real issue is to apply effective business strategies required in the development, management and sustenance of a brand because relying on a celebrity name alone to uphold a business venture is the fast lane to business failure.

Endorsement of luxury fashion brands by celebrities is a strategy that undoubtedly has great importance in the luxury goods sector. Although the short-term results are difficult to accurately measure, if managed effectively, this strategy often yields long-term benefits such as increased brand loyalty and brand equity, which ultimately translate to higher sales turnover and brand value.

People

People in the luxury branding mix refers to everyone that is affected by the brand and everyone that affects the brand. These include those involved in the development of products and services, brand management and the employee-wide staff involved in the daily business processes. People also constitutes customers and the general public whose attitudes and predisposition towards a company and a brand affects its performance. People are the most important element of any service because the experience they have with a brand influences their relationship with that brand and is transmitted to the customers.

People in the luxury sector can be categorized into three broad groups.

1 Customers, who have been extensively discussed in Chapter 3
2 Employees
3 Brand ambassadors

Employees such as retail store sales representatives and customer services staff are usually the first direct interface between consumers and the brand they represent. They are the representatives of the brand and reflect the spirit of the brand wherever they are located and under every circumstance. The luxury sector retails high-involvement goods and therefore the service expectation is high. The people who sell luxury products to consumers in the stores are consequently required to be professional, exhibit expert knowledge, be sufficiently stylish and emanate the brand's aura. This places a high level of responsibility on the employees of luxury brands.

There is a general consensus among a large percentage of luxury consumers of the negligible and sometimes poor level of customer services provided by the staff of luxury brands within the stores or after-sales. Consumers often complain that several representatives of luxury brands provide a 'cold' and 'aloof' service in their bid to maintain the 'prestige status' of the brand and a cool distance from consumers. This attitude spells unprofessionalism and neither inspires nor endears the customer to the brand. The customer interface and after-sales staff are important in luxury retailing and brands ought to invest heavily in them through expert training in sales, personal selling, customer service and brand stewardship.

Ambassadors of a luxury brand are the people that provide the brand with life. They are used by luxury brands in a peculiar way to promote the brand through 'giving it a face'. This involves using strong personalities that are connected with the brand to act as either the brand ambassadors or a symbolic figure linked with the brand. These personalities range from the designers and creative directors of luxury brands, to chief executives or prominent figures in the brand's management team. They could also include external public figures that are not involved in the brand's product design or management but have been adopted by the brand to become a part of its 'face'.

There is a difference between 'People' in the luxury branding mix, such as ambassadors and the 'People' that feature in the advertisements and other promotional activities of luxury brands. The people we are talking about here have a consistent and long-term relationship with the brand. As ambassadors of brands, they are a permanent part of the brand unlike the people used in advertisements who could be changed seasonally.

The people who act as brand ambassadors include creative directors such as John Galliano of Dior, Marc Jacobs of Vuitton, Jean-Paul Gaultier of Hermès and Karl Lagerfeld of Chanel and Fendi. Others are chief executives and senior managers such as Sidney Toledano of Dior; Bernard Arnault of LVMH and Frédéric de Narp of Cartier. Yet there are those that are both presidents or senior executives of luxury brands and at the same time the creative directors. This group includes Giorgio Armani, Muiccia Prada, Donatella Versace and Tamara Mellon of Jimmy Choo, among many others.

Brand ambassadors often become household public names and sometimes celebrities in their own right with a personal brand value. They represent the brands both in their personal and public lives and are the expected faces at all public events involving the brand or the wider fashion industry. For example Donatella Versace acceded in an interview that it is impossible for the Versace brand to function without her because there is nobody that can represent the brand the way she does. She is also widely believed to be a fashion diva, which is an indirect definition of a celebrity. On the personal level, her home in Italy is an extension of the Versace brand. Donatella represents Versace just as Tom Ford represented Gucci and Karl Lagerfeld currently represents Chanel and Fendi.

There is yet another small group of ambassadors who are not directly linked with the creative or business aspects of luxury brands but have become 'muses' or 'eyes' or 'noses' for the brands. Their principal role is to bring inspiration and fresh ideas to luxury brands through their fashion vision, wealth of knowledge, worldliness and high aesthetic sensitivity. This group includes the likes of Sofia Coppola who acts as Marc Jacob's muse and Dita Von Tesse who is connected with Louis Vuitton.

The final group of the faces that act as ambassadors are the models through whom a brand's products are displayed both on the runways and in advertisements. The concept of fashion models was introduced in the nineteenth century by La Maison Worth and since then the popularity of models has grown. However, for a long time, models were not celebrated in the fashion sector until the era of the Supermodels of the 1980s, mainly promoted by the late Gianni Versace. Since then, luxury brands have promoted and even celebrated models such as Eva Herzigova, Cindy Crawford, Heidi Klum, Kate Moss and more recently Gisele Bundchen and Daria Werbrow.

The challenge faced by luxury brands in managing ambassadors is to know when the brand's ambassador should be promoted as a personal brand and if this is a positive factor for the luxury brand or not. For example, during Tom Ford's tenure as the Creative Director of Gucci, his celebrity status and personal brand power seemed so strong and influential that the thought of Gucci without Tom Ford and vice versa was unimaginable. On the other hand, both Stella McCartney and Phoebe Philo were highly successful as the Creative Directors of Chloé but never quite overshadowed the brand.

It has often been argued that luxury brands should avoid celebrity or star designers in order to contain the risk of the designer overshadowing the brand. The proponents of this opinion believe that instead of promoting the designers, luxury brands should channel their resources into sustaining their brand equity. This debate could be approached from two viewpoints. The first point of view is the definition of the strategic role of the designer. The designer's role for a luxury brand depends on the position of the brand when the designer joined the company. Using Gucci as an illustration, Tom Ford as a star designer played a key strategic role in resuscitating the prestige brand aura of Gucci and elevating it once more to the luxury fashion brand status after the brand depreciated for several years. In this case, the star designer is imperative. On the other hand, Karl Lagerfeld's role at Chanel and Marc Jacobs' at Louis Vuitton are more aligned towards promoting the identities and 'spirits' of the brands and enhancing their value and less about defining the brand character and strategic direction as Tom Ford did for Gucci. Other rising designers such as Tomas Maier of Bottega Veneta who currently plays a purely creative role might be elevated to star or celebrity status according to the needs of the brand and the requirements of the market environment.

To say that a brand doesn't need a designer with celebrity status would be wrong but the presence of a star designer should be to play a key strategic role at the required time for the brand. This is one of the reasons for the importance of brand ambassadors.

Positioning

Positioning is the strategic placement of a company or brand in a clearly desired position measured against that of the brand's competitors. Positioning as part of the luxury branding mix is different from brand positioning already discussed in this chapter, which is a source of brand equity and brand value. In this context, Positioning refers to the choices that a brand makes, which determines where and how it competes in its market. In the consumer goods category, this would mean defining and targeting a specific or several market segments, which would act as a guide in designing other elements such as pricing and product features.

Positioning on this level deals mostly with products, services and pricing. Since luxury brands have a clearly defined and highly specific market, the positioning strategy serves mostly as a strategic tool for external competitor intelligence and sector benchmarking. It is also a guide for evaluating internal product decisions such as product extensions and diversification.

Positioning is applied through positioning maps. This could be done internally through mapping products and services together on a positioning map. It allows the products to be compared and contrasted in relation to one other and those of competitors. On the external level, positioning could be done through using market indicator factors such as appeal and pricing as labels for the positioning map. The most feasible competitive position, which enables a brand to distinguish their own products from the offerings of their competition is then selected and executed.

In the development of positioning maps, two or multiple axes are used depending on the length and breadth of the brand's portfolio. After determining the number of axes, they are labelled with relevant factor indicators. These factors could be represented through 'pricing' as one variable and 'quality' as another variable. Other possible labels include 'design' as one variable and 'image' as another. The individual products are then mapped out next to each other and gaps are usually identified at this stage. These gaps could be regarded as possible areas for new products or product re-launches. An example of a positioning map is shown in Figure 5.24.

It is highly essential for luxury brands with low market awareness to have a well-crafted positioning in terms of product, services and branding. This is one of the fastest routes of appropriate placement in the market. The Tom Ford brand can be used to illustrate the dimensions of positioning. Tom Ford, the former Creative Director of Gucci has recently launched two products. The first is an eyewear range branded *Tom Ford Eyewear* and the second is a fragrance and cosmetics co-branding venture with Estee Lauder branded the *Tom Ford Estée Lauder Collection*. Since Tom Ford is a household personality in the luxury fashion arena with a clear image that needs no introduction, the recognition level of products associated with his name is likely to be high. However, on the branding sphere, there is some message disparity regarding

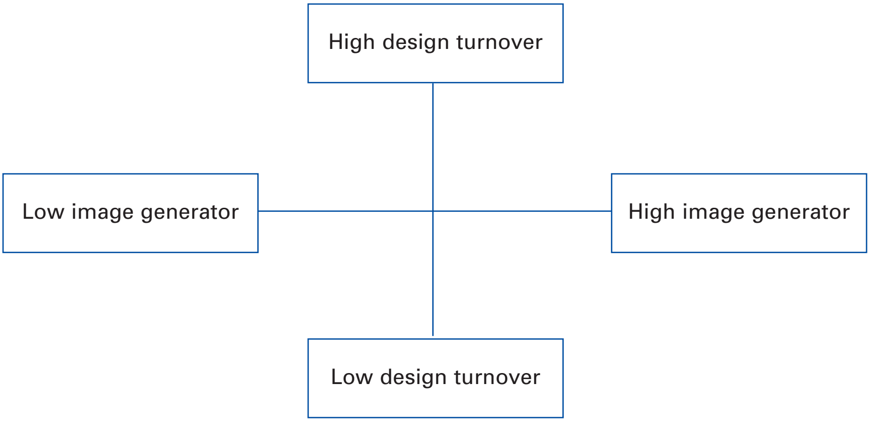

Figure 5.24 *The positioning map*

the simultaneous brand launch of the Tom Ford brand and its co-branding venture with Estée Lauder. It is important for consumers to understand from the onset whether Tom Ford is a new luxury brand or a co-brand of Estée Lauder. If it is a new luxury brand, what is its product range? Where is its market and which consumers does the brand target? What is its identity and positioning? These questions need to be clarified for consumers as co-branding is a strategic move that requires clarity with consumers. However, the strategy that Tom Ford adopts ought to be clear and understandable to consumers from the moment the brand is introduced in the market.

The Positioning of luxury brands is important for competitive leverage. It should also incorporate research and benchmarking, with the objective of creating value for consumers.

The confusion and clarification of fashion co-branding

Co-branding occurs when two different companies pair their brand names in a marketing context. This could include new or revived products, services or ventures as well as advertising or distribution outlets. The tactic of co-branding has been rare in the luxury goods sector mainly due to the high level of competition and brand protection among luxury brands. It is however currently gaining acceptance and popularity.

The attempt at co-branding is believed to have been started by *haute couture* designer Pierre Cardin in 1959, through his attempt to fuse luxury fashion and mass fashion. He fused his then highly luxurious brand name with then supermarket Printemps, where he presented his first *prêt-à-porter* collection to the shock of the world of high fashion. As a result, he was expelled from the French fashion governing body La Chambre Syndicale and was regarded as a sell-out.

Fast-forward to 1987 and venerable Japanese luxury fashion designer Yoji Yamamoto designed his first sportswear collection for Adidas under the brand name Y-3. This generated a buzz in the fashion press and several 'analysts' tried to understand the motive behind the collaboration apart from the commercial gains. This action was promptly termed the '*commercialization of exclusive fashion*'. The partnership remains in existence and has broadened to a product range including apparel, footwear and accessories. Adidas is also collaborating with Stella McCartney in designing stylish but functional sportswear.

In the autumn of 2004, however, something groundbreaking happened in the fashion-branding arena. Respected and often revered king of the catwalk and creative director of Chanel and Fendi, Karl Lagerfeld designed a limited edition collection for Swedish mass-fashion brand H&M. Lagerfeld's reason for accepting this one-off collaboration with H&M was his desire to bring high fashion to normal people. His designs turned out to be a hit among consumers worldwide and a retail innovation for H&M. Several items in the collection were sold out within hours of their launch. H&M also experienced same-store sales increase of 12 per cent in the first month following the launch, and also higher profits.

A repeat episode occurred in the autumn of 2005 through another one-off design collection for H&M by Stella McCartney. This time, there were reported queues in front of several H&M stores all over the world, the night before the collection's launch. Some consumers were even injured in the frenzy and near-fights that ensued in the stores. Needless to say, this collaboration was a huge success not only for H&M but also for Stella McCartney who launched her high-end brand just five years ago. The third collaboration is with Viktor & Rolf in autumn 2006. H&M has also indicated its interest in working with other luxury designers.

Other examples of co-branding abound between luxury brands and other brands. Puma, another sporting goods brand, has collaborated with Japanese designer Mihara Yasuhiro in shoe designs; supermodel Christy Turlington in yoga wear through the Nuala sub-brand name; Richemont-owned Shanghai Tang in footwear through another sub-brand called Shanghai Tang Peony, and more recently in spring 2006, Alexander McQueen to create men and women's sports footwear. In addition, American music star Sean Combs signed a deal in 2004, to collaborate with Estée Lauder in the production of a fragrance line. Prada has also co-designed jewellery with Fred Leighton, the first between a jewellery company and a fashion brand. Jewellery brand Tiffany also hosted a first-ever fashion show in New York in September 2004 showing the designs of clothes designer Behnaz Sarafpour. In 2005, hosiery company, Wolford collaborated with luxury designers Zac Posen and Missoni to design a limited edition range of tights collection. Also in February 2006, American supermarket Target launched an accessories collection by British high fashion designer Luella Bartley.

There have also been co-branding activities between luxury brands and companies in the non-luxury sector. For example, British designer Ozwald Boateng redesigned the charge card of Coutts bank, United Kingdom as part of its re-imaging project in 2004. Alexander McQueen also created a new version of the American Express Centurion exclusive credit card as part of its fifth anniversary in 2004. Remarkably, Giorgio Armani designed a limited edition CLK for Mercedes-Benz in 2003 and Emilio Pucci linked up with Champagne and fine wines brand Veuve Cliquot in summer 2004 to create a limited edition packaging design for Cliquot's La Grande Dame 1996 vintage wine. Also in 2004, LVMH owned Moet & Chandon teamed up with Swarovski to design an edition of the champagne bottle decorated with Swarovski crystals. Versace also recently collaborated with private charter airline TAG Aviation to redesign the interiors of its airplanes.

In addition, Coca Cola and luxury cosmetics brand Shisheido have signed a deal to create a health drink and a new cosmetics and drinks brand. Kate Spade also took the co-branding exercise beyond the fashion arena by collaborating with stationary company Crane & Co. to create personalized stationery and wedding invitations, which were launched in January 2006. Also designers Versace redesigned the limited edition version of the Nokia 7270 mobile phone in 2005, while Dolce & Gabbana designed a limited edition version of the Motorola V3i Gold in 2006. In addition, designers Christian Lacroix, Philippe Starck and Nicole Farhi collaborated with Danish pedal bin company Vipp between 2005 and 2006 to design a special collection of bins, which were auctioned for charity. The list goes on . . .

The important strategic questions related to co-branding are the following:

> What is the tactical objective behind these collaborations and what implication do they have for individual luxury brands and the luxury goods sector as a whole?

Co-branding is a new phenomenon that indicates the departure of luxury brands from the core single-brand strategy. This co-branding strategy was previously termed 'controversial and risky' and was generally unacceptable until this decade. It was viewed as having a potentially negative impact on the 'luxury' and 'exclusive' image attributes of luxury brands. However, the changing luxury market environment and democratization of luxury are factors that co-branding addresses in addition to providing competitive leverage for the brands.

There are four major methods of co-branding for luxury fashion brands:

1 Co-branding among luxury brands such as between Swarovski and Moët & Chandon.
2 Co-branding between luxury brands and mass fashion brands like Karl Lagerfeld and H&M, which has generated much discussion and analysis.

3 Co-branding between luxury brands and celebrities such as the collaboration of Sean Combs and Estée Lauder; and Samantha Thavasa and Penelope Cruz.
4 Co-branding between luxury brands and companies in other categories of goods such as Alexander McQueen and American Express.

These types of co-branding are increasingly gaining acceptance among luxury brands. However, co-branding should be approached cautiously as it could have adverse affects on the brand image and brand loyalty. The effect of co-branding on the consumer ought to be paramount in decisions concerning this strategy. The following tactical guidelines are essential in developing co-branding strategy in the luxury sector:

- There must be a strategic purpose behind the co-branding activity. In other words, brands shouldn't team up without a concrete and significant reason. When H&M collaborated with Karl Lagerfeld and Stella McCartney, it was to address the consumers' changing needs and expose them to luxury fashion in anticipation of 'trading up'.
- The co-branding should be a win–win situation for the brands involved. Again, the H&M venture had the advantages of endearing mass fashion consumers to luxury designs and embracing mass fashion brands as complementary brands of luxury brands rather than being viewed as competitors.
- The collaboration should be controlled through a limited edition or a one-off collection. Karl Lagerfeld's design for H&M was a thirty-piece one-off collection. This retains the luxury aura of Lagerfeld, which extends to his own brand and the luxury brands he designs for. It also ensures that H&M is not misinterpreted by the consumer as a luxury brand, which is not the company's objective.
- There must be a clear synchronism between the brands in the co-branding process. Co-branding sometimes involves two brands with different brand associations. However, the target audience must understand these two brand messages and be able to see their joint benefit. This benefit must be favourable otherwise the exercise is pointless.
- The co-branding activity must increase the brand equity of the brands involved. Brand equity is the effect of brand knowledge on consumer response to the brand. One of its sources is brand loyalty, which is a result of a psychological process of affiliation and attachment with a brand. Co-branding should be designed to increase this element in consumers.

Finally, to ensure the success of co-branding, the brands involved in the venture must communicate the co-brand promise and its differentiated features in a clear and consistent manner. The brands ought to also enhance the esteem and loyalty of the customer groups.

The menace of fake luxury goods

To commence the discussion of this highly important topic, it is imperative to set the record straight by defining counterfeiting and its boundaries. There are four levels of the luxury faking business:

1. A **counterfeit product** refers to a 100 per cent copy of the original product made to deceive consumers into believing that it is the genuine product.
2. A **pirated product** is a copy of a genuine item but produced with the knowledge that the consumer will be aware that the item is fake.
3. An **imitation product** is not 100 per cent identical to the original product but is similar in substance, name, design, form, meaning or intent and consumers are often aware that it is not the original product.
4. A **custom-made product** is a replica of a trademark design of branded products made by legitimate craftsmen who may have some connection with the brand.

Having clarified these definitions, it is obvious that the luxury goods sector battles all four groups of fake products, albeit in differing degrees. On the first level, counterfeit goods are sold in some markets by people who claim to be authorized agents of luxury brands. These goods are traded everywhere, from the kitchens of housewives in San Francisco to side-street stalls off Oxford street in London; Canal street in Manhattan and various market 'hot-spots' in Hong Kong like the Temple street market; and also in China and Taiwan. Imitation and custom-made fakes hold a minor proportion of the trade in fake luxury goods. For example, the Hermès Birkin and the Vuitton Speedy bags have been greatly copied by other non-luxury designers who have quoted the brands as their sources of inspiration. Do these products represent fakes?

Fake products, whether counterfeits, imitations, pirated or fake custom-made pose an ongoing problem for luxury brands. Apart from the legal implications, which are important, fake goods cause enormous harm to brands, consumers and also their vendors and manufacturers. It damages a brand's image, over-exposes high-end brands, reduces a brand's equity and costs companies a lot to curtail. Fake goods also lower the self-image of counterfeit product consumers and add to their mental stress by creating an increased desire for products that they might not be able to afford. For the vendors and manufacturers, there is the continuous fear of being caught by increasingly vigilant authorities.

These adverse effects not only exist within the luxury sector, they also affect governments and economies. In 2003, the counterfeit goods market cost New York City more than $1 billion in taxes, an immense weight on the state's economy. This led to increased vigilance and seizures of counterfeit goods across the USA. Counterfeiting of fashion goods is a menace and has no justification. It is similar to pirating CDs, DVDs and Video Games and also stealing intellectual property like Copyrighted materials.

Counterfeits have been a problem for the luxury and prestige industry for centuries. In 2005, the international trade of counterfeit goods was estimated to be worth €500 billion, which is a significant jump from its 1997 worth of $90 billion. New York City alone accounted for $23 billion in sales of counterfeit luxury goods in 2004, while Italy has an annual counterfeit goods trade of approximately €3.1 billion. This rapid growth rate is also evident in several Asian markets and shows no signs of abating. In Hong Kong, there is a high demand for counterfeit luxury goods mainly from white-collar workers between the ages of 25 and 34 and other age groups. In China, the case is more serious and although statistical evidence remains inaccurate, it is considered a major world centre for counterfeiting and the worst violator of intellectual property rights. However, the Chinese government has recently taken measures to contain the trade through introducing new laws and launching visible raids on factories. Other major producers of counterfeit luxury goods are found in Turkey, Thailand, Morocco and South Korea.

The ongoing question of how to curtail counterfeiting in luxury fashion seems to have received no clear answer. Several luxury brands believe that this is a losing battle so instead of trying to win against the violators, they have initiated different means of making the trade more expensive to operate. Luxury brands such as Louis Vuitton and Burberry have proactively channelled substantial resources towards dealing with the supply aspect of fake luxury products but have almost ignored the growing demand facet. These brands work in collaboration with law enforcers such as the New York Police Department's Trademark Infringement Unit and the Chinese government authorities. They often raid stores and factories; and arrest counterfeit goods suppliers and distributors. An example is the recent closure of the Shanghai Xiangyang Road Market, which is considered an abode for replicas of luxury brands, by government authorities. Other brands such as Hèrmes have warning messages on their website informing consumers that products are sold exclusively in Hèrmes Boutiques, approved retailers and on the official Hèrmes website and therefore purchase of Hermès goods outside these three channels would not guarantee that the products are genuine. The result of these efforts is that the counterfeiting trade is now more expensive for the suppliers but despite this, the demand continues to grow.

So how can the demand aspect be curtailed in addition to the supply of fake luxury goods? An example of how this may possibly be done can be taken from the French government, which is a notable pioneer of curbing the demand for fake luxury goods. While several government authorities have made the manufacture and sale of fake luxury goods illegal, the French government has gone a step further. It has introduced legislation covered under criminal and customs law which makes not only the manufacture and distribution of fake luxury products a crime, but also their ownership and possession. Therefore a consumer possessing a fake Louis Vuitton bag can be arrested on the streets of France and stands the risk of spending a minimum of two years in jail. Although this measure may be perceived as drastic by some authorities, it has guaranteed an almost 100 per cent absence of fake luxury goods in France. Italy is also another country that has shown seriousness in fighting counterfeiting although the country is also a manufacturing centre of fake luxury goods. Representatives of several Italian luxury brands are often found at major Italian airports informing travellers of their risk of being fined for purchasing fake luxury goods whether at home or abroad.

Luxury brands however need to move beyond focusing on winning the battle against the suppliers of fake luxury goods. Making the ownership of fake luxury goods illegal just as pirated CDs and DVDs is a step towards this. In addition, an understanding of the demographic and behavioural profiles of the counterfeit luxury consumers will provide a platform for creating better counter-strategies to eradicate the demand for the goods.

Interestingly, a large proportion of luxury consumers in different markets are opposed to the sale of fake luxury goods and several consumers are even willing to join in the battle against this practice. Yet numerous other consumers would consider purchasing fake luxury goods if presented with an opportunity to do so while on holiday. In Hong Kong for example, one of the popular tourist activities is a visit to the fake luxury goods markets. This is perilous for the luxury industry and shows that even core luxury consumers could contribute to the demand for counterfeits. However, if the ownership of fake luxury goods becomes illegal, consumers will be wary of being found with counterfeit luxury goods. Luxury companies therefore must collaborate with various governments in order to make the ownership of counterfeit luxury goods illegal.

One of the biggest problems of counterfeiting is that consumers do not view the trade as a crime similar to selling fake drugs because they believe that there are no serious victims. The only casualties they see are the brands but these brands are perceived as highly profitable companies therefore consumers assume that the problem of counterfeit trade has no drastic consequences. The reality is that the problem of fake luxury goods is grave both for consumers and for brands.

Several consumers and brand analysts have argued that counterfeiting has numerous advantages. Prominent of these is the theory that if a brand is copied, it means that the brand has a strong reputation. Others have said that fake and counterfeit products are an extension of the advertisement of the true brand. Yet others have indicated that counterfeit trade provides employment opportunities for poor people in the countries where they're manufactured. These justifications have no concrete basis just as defending an apparent crime in front of a jury stands no chance.

Counterfeiting is theft irrespective of the way it is evaluated. It is similar to purchasing a fake ticket or a fake property. The buyer supports crime, steals money from the brand and governments and lies to other people and sometimes even to themselves. Contrary to popular belief, when consumers buy counterfeit goods, they are indirectly funding crime as most counterfeiters belong to organized criminal groups that are also involved in other perceived 'more serious' crimes such as drug trafficking and prostitution. Also buying fake luxury goods does not increase employment opportunities in poor countries. On the contrary, it creates misery and hardship for the people forced to take part in these criminal activities and exposes them to the risk of being caught and penalized. Luxury goods counterfeiting is theft of intellectual property and the creativity of others. To illustrate this point, let's use a piece of literary work produced by a writer after months of tenacious writing and editing that results in the creation of a masterpiece. After finally getting it published criminals steal the script and begin to illegally reprint it to sell for $1. If you think this is unacceptable, then luxury goods counterfeiting is ten times more unacceptable. Another way to look at the theft of creativity and intellectual property (to which luxury goods belong) is through the work that went into this book, which you have in your hands which included years of extensive research, writing, editing and finally publication. It involved countless hours behind the computer screen, endless days spent at libraries in different cities, constant travel, interviews, exchanges and continuous full-time work in the luxury goods sector. Some nights I had to forgo sleeping in order to meet deadlines. Now, after going through all these relentless efforts to get the book published and available in the market, would it be a source of pleasure to discover that a vendor somewhere has reproduced it and is selling it at a fraction of its price to enrich himself? This case is similar to the sale of fake luxury goods.

> *Think-point for consumers*: If you condemn drug trafficking, prostitution or the sale of fake prescription drugs but you turn around and purchase fake luxury goods, you are no better than the people who engage in the activities you condemn.

Several luxury brands such as Louis Vuitton are visibly working hard to contain counterfeiting. As one of the most copied luxury brands in the world and a favourite for consumers of fake luxury goods, the company has shown a firm commitment to the battle against counterfeiting. Louis Vuitton spends approximately €10–15 million a year on the battle against fake products. A part of this budget is channelled towards lobbyists, who try to persuade different governments to protect brand rights. A team of counterfeiting and intellectual property specialists has also been established at the Louis Vuitton offices in Paris and abroad, to counter this menace. The company also employs agents who scour the world in search of counterfeiters' factories and export operations, which are then reported to local authorities. Louis Vuitton has also joined forces with various French and international professional associations to educate consumers and raise awareness of the risks inherent in purchasing counterfeit goods. In addition, the company was one of the key players in the formulation of the legislation that makes the ownership of luxury goods illegal in France.

Louis Vuitton assists in seizing and destroying counterfeit materials and finished products. In 2003, the company conducted a total of 4,200 raids, leading to the arrest of nearly 1,000 counterfeiters. Louis Vuitton also helped the US Customs Service seize 100,000 fake Louis Vuitton products that were being imported from South Korea. In 2004, more than 6,000 additional raids were conducted worldwide and over 8,200 anti-counterfeiting complaints were filed by the company. One of the numerous counterfeiting victories won by Louis Vuitton is the April 2006 court ruling against French (incidentally!) supermarket group Carrefour, which was ordered to pay Louis Vuitton more than US$37,000 in damages for selling fake Louis Vuitton bags in one of its Shanghai stores.

In addition to these, Louis Vuitton continues to devise new strategies for fighting counterfeits. The company now targets landlords who rent their premises to vendors of fake Vuitton products, through filing complaints against them for turning a blind eye to criminal activities on their property. In April 2005, Louis Vuitton won a major victory against a New York landlord who owned seven stores in the counterfeit hot zone, Canal Street. This led to the eviction of the tenants and the prohibition of further fake goods retail, among other actions. The objective of this strategy is to discourage proprietors from leasing their property to fake luxury goods vendors, thereby making the business either impossible or more expensive to operate. These examples ought to be emulated by other luxury brands.

The luxury branding death-wish list

Managing luxury brands is a fascinating business. However, the development and implementation of effective strategies is a challenge that needs constant revision and high adaptability. Luxury brands must remain innovative and creative in their branding, marketing and retailing design. More importantly, there should be clarity and consistency in delivering a luxury brand's message to its audience.

Every luxury brand worth their place in the market ought to ingrain brand knowledge and management methods in their company's DNA. As the most powerful and single most important asset of a company, the brand should be the blueprint, organizing principle and the basis for every decision made within the company.

In conclusion of this interesting chapter, which has provided the tools and techniques for effectively managing a luxury brand, let's take a quick look at the luxury branding death-wish list. The death-wish list consists of factors that often lead to a brand's death, therefore when a luxury brand decides to commit suicide, it should adopt these strategies. If, however, the brand desires to have a long and profitable existence, it ought to apply the opposite of these suggestions. The death-wish list of luxury fashion branding is the following:

1 Do not have a clear brand identity and image.
2 Do not fight counterfeiters.
3 Believe that you don't need to reinforce your brand aura.
4 Do not have a strong web presence.
5 Do not have an e-boutique.
6 Retail your goods through low-end retail locations.
7 Do not track market trends and consumer behaviour.
8 Overlook your competitors' branding strategies.
9 Believe that branding is the same as marketing.
10 Believe that marketing is the same as advertising and promotions.

Chapter 6
Digital luxury

> 'Luxury brands have been slower than most to unlock the potential of e-retail. They have struggled to overcome the challenge of making their digital environments as alluring as their stores.'
>
> Mark Tungate, writer and branding specialist and author of *Fashion Brands: Branding Style from Armani to Zara*

The case for e-retail

Technology has definitely changed the landscape of consumer behaviour and the way business is conducted, including luxury fashion management. The impact of the digital revolution on consumers in the last ten years is overwhelming. The Internet has empowered consumers more than ever before and has elevated their product and brand expectations. The Internet also provides online consumers with instant information, and lower switching costs in terms of time, information, product comparison and purchase. As a result, the task of retaining the attention and loyalty of consumers has also become more challenging.

The Internet as a means of information and retail distribution has established e-retail as a core aspect of global business. E-retail is now an indispensable complementary sales channel for offline retail activities in several categories of goods, including luxury fashion. It is also an effective avenue of enhancing brand awareness, reaching new markets and creating competitive leverage and differentiation for luxury brands. The internet provides a unique opportunity to access the huge market constituting of millions of people that make up the online consumer population.

The Internet plays a significant role in fuelling the universal appeal of luxury brands to a global consumer group. Just as the language of fashion branding is universal, the e-retail community is also worldwide. Since luxury fashion goods don't need introduction or clarification in the global marketplace, the allure of their highly creative products on consumers is identical, wherever the consumers may be located. They are uniformly appealing to an international consumer base that stretches from San Francisco and New York, to Paris and Moscow, Hong Kong, Sydney and beyond. In the same way, the drawing power of the brand aura is consistent among a worldwide consumer group. Several brands like Christian Dior, Gucci and Burberry have a high awareness level in the global fashion society and beyond and this global presence is reinforced on the internet. The internet also contributes to attaining a higher level of brand equity and creates multiple opportunities for developing deeper relationships with consumers.

However, the Internet has evolved from a medium for enhancing brand awareness and disseminating information to an essential channel of retailing. Although the online sale of general consumer goods such as books and CDs have been highly successful, the sale of luxury goods online has been the subject of constant debate. Since e-retailing of other goods became prominent, there has been a wide credence of the near impossibility of successfully retailing luxury fashion goods on the Internet. This is as a result of the perception that e-retail has a strong negative impact on the innate attributes of luxury brands such as '*prestige*' and '*exclusivity*'. Also the sale of luxury goods relies heavily on aesthetic and sensory appreciation and this factor has raised questions regarding the reproduction of a prestigious atmosphere and the sensory attributes of luxury products online. These issues are yet to be fully addressed. However, several advancements in e-business strategies have made the e-retail of luxury goods currently feasible. The tools and techniques that enable this are extensively analysed in the following sections of this chapter.

As earlier indicated, the adoption of the internet as a sales channel is now essential for luxury brands that aim to maintain a competitive edge. The important nature of the internet is being propelled by several factors, such as the increasingly complex and accelerated nature of global retailing and the rapid dissemination of information. The internet has also closed the information gap and consumers worldwide now have uniform awareness of products and services in real-time. This means that if Givenchy launches a new product in Paris today, consumers in Dubai, Tokyo, Mumbai or Johannesburg are aware of the new product uniformly, mainly through the internet. The direct consequence of this is that the consumer desire for additional information and purchase possibilities of the product and instant gratification is heightened. Since the product information is uniform and accessible globally, the expectation of product availability is also uniform, irrespective of the geographical location of the consumer. One of the most effective means to providing global consumers with products and instant customer satisfaction is through e-retail.

The fast flow of instantaneous information across the globe has also provided the luxury consumer with a wide variety of choices in product offering and more access to viewing and purchasing them through the internet. To illustrate this point, a standard scenario involving a luxury consumer who lives in Mumbai, India is reproduced below:

> A wealthy consumer buys a fashion magazine where she sees the advertisement of a new product of Christian Dior. She immediately visits the Dior website and to her delight finds the product and its exact specifications. As a devotee of Dior

> she's often willing to spend thousands of dollars on Dior products and would like to make an immediate purchase of this new product. However, she lives in Mumbai, India, where there is no Dior store. In order to purchase the product, she would need to travel to New Delhi, where the only Dior store in India is located and hope that she would find the product in the often limited stock. The possibility of travelling to New Delhi was however remote since she had a busy work schedule and would hardly have adequate spare time for the trip. A second alternative would be to purchase the product during her summer shopping vacation trip to Europe in several months' time but she didn't want to wait. Another option was to ask a friend who lives in London to purchase the product and ship it to her. This would however entail finding the fastest means to send money to her friend and also dealing with shipping requirements. She was already becoming irritated by the envisaged inconveniences but however decides to give her friend in London a call. If the process became too complicated, she might start thinking of alternative brands with more accessible means of purchase.

This scenario provides a backdrop to the changing attitudes of the current luxury consumers towards the accessibility of luxury goods. A large proportion of luxury consumers currently seek alternative luxury brands rather than alternative means of purchasing products from a single brand. The likely conclusion of the recounted scenario would be that the consumer would visit the website of a luxury fashion e-retailer like yoox.com, choose an alternative luxury brand, make the purchase online and receive the product at his or her doorstep. The result would be satisfaction on the part of the customer; enhancement of the relationship with the brand selected online and the possibility of the dissipation of the brand attachment to Dior.

This illustration indicates that luxury consumers are losing patience with brands that are distant. Consumers now have access to multiple brands and products through one click of the mouse and this has made product accessibility one of the key decision factors in the purchase of luxury fashion goods. This factor gives old luxury brands the necessity to adopt e-retail and new brands the potential of becoming global brands within a short time period.

E-retail indicators

Internet penetration in several countries is growing at a fast rate. In most developed economies, the percentage of the population with internet access is as high as 95 per cent. In the United Kingdom, more than 11 million people consider themselves as 'heavy' web users and this trend is similar in other countries. Other indicators show that by the end of 2006, more than half of the entire UK, German, French and Italian populations will be online, almost a 100 per cent increase from 2000. The number of broadband connection in Europe also increased by 136 per cent between 2004 and the first quarter of 2005. This is excluding the increase in the number of consumers connected on high-speed Wi Fi systems and those still using the dial-up internet access. In France the adoption of the Wi-Fi system has become almost a national obsession. The governing authorities of Paris strive to make the city the Wi-Fi capital of the world with 3,000 'hotspots' implemented by the end of 2005, including bus routes and underground train stations. These are in addition to the wireless spaces provided by telecommunications companies such as Orange. The increasing availability of internet connection directly impacts the retail of goods online. It is also fuelling the rapid increase of the e-retail economy, which is currently growing at a rate of 45 per cent year-on-year, according to IMRG.

The adoption of the internet is spreading among different age segments of the consumer society that has extended beyond young consumers. For example, the number of European seniors with Internet access was 15 million in 2005 and this figure is on a steady rise. This consumer group also has the highest disposable income in Europe and more shopping and leisure time; therefore they constitute an important online luxury consumer segment.

The United States, which is the largest global retail market, also has the highest growth rate of both internet penetration and e-commerce. In 2000, more than 40 million US households had online access. In 2006, more than one-third of all households in the entire US population make at least one online purchase each year and this figure is expected to increase steadily. Internet retailing is also the US retailing industry's fastest-growing distribution channel. Retail sales on the internet totalled \$87.5 billion in 2004, an increase of 25 per cent from the \$70 billion figure in 2003 and an increase of 62 per cent from the \$54 billion in 2002. Also, the Internet is now the primary communication medium for US teenagers who constitute an important future market for luxury brands. In a recent poll by AOL, 46 per cent of 12–34-year-olds voted the internet as the most essential communication medium to their lives. Wireless network is also gaining popularity in several US cities and major software and telecommunications companies are installing 'hot-spots' in thousands of locations enabling the access and convenience of online shopping.

Current indicators also show the online consumer population is growing steadily and rapidly. A large proportion of these online consumers are wealthy and they make frequent purchases online. For example, approximately one-quarter of the US online population in 2000 had annual incomes of over US\$75,000. This figure has doubled in the last five years, indicating an increasing online luxury consumer market. Also the US had a forecast online retail sale projection of \$316 billion in 2005, an increase of more than 100 per cent from 2004, indicating a substantial growth rate, fuelled by online consumers. Also, the e-retailing sectors in the UK, France, Germany, Spain and Italy are increasing rapidly.

E-retail is also currently a part of the daily activities in several Asian countries. For example in South Korea, which has one of the highest Internet penetrations in the world, 23 million out of 30 million cell phones were internet enabled by the end of 2005. This factor fuels product accessibility, e-shopping and instant information dissemination. The Internet has also overtaken television as the most heavily used communications medium among young consumers and teenagers in Hong Kong. In Shanghai, there are several WiFi 'hot-spots' around the city including several retail outlets and eateries like Starbucks cafés.

These indicators show that a growing number of consumers currently have internet access at their fingertips and therefore the possibility to shop at will.

In addition to online penetration and e-shopping of general consumer goods, the demand for the e-retail of luxury fashion goods is on the increase. As earlier indicated, a large segment of the world's wealthy consumers has constant internet access and are increasingly making online purchases. In several countries, the ratio of wealthy people who have bought products worth above US$250 online versus the rest of the population is 3:1. This provides evidence of the viability of the e-retail of luxury goods. It also raises the following question:

> Why are the majority of luxury brands reluctant to satisfy the consumer demand for the e-retail of luxury fashion goods?

The answer is mainly that luxury brands have a major concern related to the possible loss of the brand aura on the Internet. Other reasons include the lack of e-business planning and implementation know-how of online luxury. The subsequent sections of this chapter aim to clarify the major strategic issues related to the e-retail of luxury goods.

E-retail attributes

The internet as a retail platform is uniquely different from conventional bricks and mortar retailing. The key attributes of e-retail are shown in Figure 6.1.

The internet as a retail location

The internet is the most accessible platform for retailing the products of global brands as well as enhancing brand equity and customer relationships. This includes luxury fashion brands, which thrive on global awareness and operations.

The famous retailing adage, which states that '*the three most important things in retail are location location location*', recognizes location as the central aspect of retail, and this reasoning can also be applied to the internet,

E-retail characteristics

- Fast and convenient shopping
- More product variety and access
- Global availability
- Mass online class
- Lack of human contact
- Low switching cost (1-click)

Advantages of e-retail

For the e-retailer

- Convenient location
- Cost-effective
- Global audience
- Round the clock service
- Opportunity for data mining and relationship marketing
- Small to large scale operations
- Competitive advantage services

For the consumer

- Saves time
- Extensive product variety
- Convenient
- Easy to use
- Up-to-date information
- Round the clock availability
- Product personalization
- Favourable prices
- Instant gratification

Disadvantages of e-retail

For the e-retailer

- High capital investment and ongoing costs
- Complex logistics (related to global deliveries, returns, exchanges and refunds)
- Low impact sales
- Less impulse purchase
- Legal complications
- Challenging post-sales

For the consumer

- Security worries
- Delivery timing
- Delivery costs
- Lack of human contact
- Non-physical goods
- After-sales services difficulties
- E-CRM inaccessibility

Figure 6.1 *E-retail attributes*
Source: Adapted from Dennis, Fenech and Merryllis (2004) *E-Retailing*, Routledge, London.

as a retail location. Although the internet is an important retail location, a large number of luxury fashion brands do not recognize it as such. The few brands that acknowledge and utilize the Internet as a sales channel mostly provide a sparse product range and limited delivery to a few destinations. Also there are some luxury brands that have shown such a low commitment to e-retail that they have implemented a website constituting of one page, with neither information nor e-retail. The brands that have adopted this stance also do not recognize their website as a retail location in their print media advertisements.

The offline store

Figure 6.2 *Louis Vuitton Stores are found in exclusive luxury locations like the Sandton City Shopping Centre in South Africa (2004)*

The online store

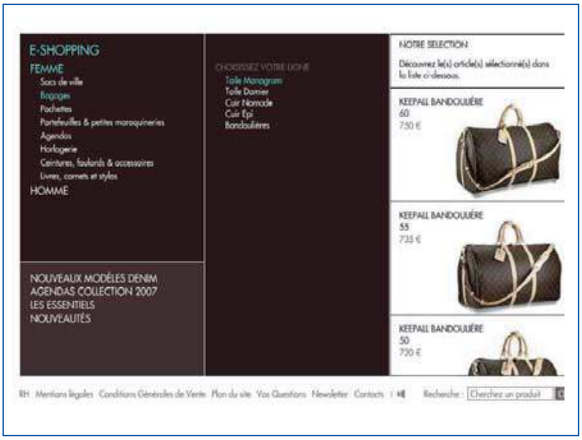

Figure 6.3 *Louis Vuitton's 'exclusive' online store for the European market. The exclusive retail strategy is yet to be implemented in the US market (2006)*

The e-retail of luxury fashion goods is still in its early introductory phase. The current situation indicates that the majority of luxury brands are yet to realize and tap the enormous market potential that exists in the e-retail economy. As a sales platform, the internet is almost unexploited by luxury fashion brands and the few who have done so, approach it with apprehension. The reluctance of luxury brands to adopt e-retail is mainly from a fear of diluting the brand image through more product accessibility, and negatively affecting the offline sales channels. Several luxury brands are also concerned that the luxury retail atmosphere and overall high-impact experience cannot be reproduced online. Another point of view is that since luxury goods are sensory in nature and involve an innate emotional response, they cannot be sold online because of the difficulty of reproducing the sensory attributes required in their appreciation. As a result, several luxury brands including Chanel, Versace and Valentino are yet to adopt e-retail through their own websites. Other brands like Hermès and Armani have launched limited e-retail websites with a narrow product range distributed in a small number of markets. Yet the products of other brands like Chloé and Roberto Cavalli are retailed through separate e-commerce websites and e-malls. However, the majority of the global luxury fashion brands have not currently implemented e-retail activities.

The *sensory* nature of luxury goods has been particularly cited as one of the major reasons for the slow adoption of e-retail by luxury brands. This is because luxury consumers are known to appreciate the high aesthetics of luxury products when viewed physically, through the utilization of the human senses of sight, touch and feel. These senses also draw out the emotional and psychological brand responses from consumers. As a result, luxury products such as apparel, leather goods, jewellery, wristwatches, fragrances, cosmetics and other accessories are classified as sensory goods. The online reproduction of the sensory elements required for luxury goods retailing has been a major source of concern for luxury brands. Also, the conventional luxury shopping experience, which is summed up in the store visit, the immersion within the highly creative and prestigious retail atmosphere and the interaction with the products is sensed to be lacking online. The majority of luxury brands are of the opinion that the e-retail shopping experience lacks these prominent features and that a computer screen cannot reproduce the level of interaction required for luxury goods retailing. The reality, however, is that the value of luxury goods to consumers does not decrease as a result of the lack of some of the sensory elements online. Also, there are current e-retail strategies that can be used to replicate the sensory elements online, compensate for the lack of human presence and enhance the shopping experience.

The current global retail environment requires e-retail as an indispensable aspect of retailing and a means of reaching and satisfying luxury consumers. The issues related to physically viewing and interacting with products before purchase is becoming less important for consumers especially those with prior experience with the brand. In addition, consumers increasingly utilize both the offline and online channels in a single purchase, making e-retail a complement of the overall shopping experience.

The major factor that has currently made the e-retail of luxury goods mandatory is the luxury consumer psychology which has changed. Convenience and accessibility which are both prominent benefits of e-retail now rank high among their expectations. A wealthy luxury consumer living in a Scottish village castle no longer wants to be obliged to travel to Edinburgh or London to purchase luxury goods. Consumers desire to have the luxury retail experience online and in the comfort of their homes or offices. Since they now frequently interact with the internet, their level of expectation of convenience from luxury brands has increased. The luxury consumer group has comfortably adapted to technology and is currently evolving to adapting technology to their needs and their lifestyles.

The time has come for luxury brands to change their stance regarding e-retail. There is a current need for luxury brands to design merchandizing, retailing, marketing and logistics strategies to incorporate the internet. This will form an effective tool for integrating the online and offline retailing activities. The prevailing issue is whether it is realistic to imagine that the physical luxury retail store environment can be replicated on the internet. Or that luxury goods can be successfully sold online without diluting their brand aura and brand equity.

The challenge of selling luxury goods online is evidently enormous as the online luxury shopping experience is considerably different from the conventional physical shopping experience. Also the sensory nature of luxury goods requires a face-to-face contact rather than the face-to-screen contact provided by the internet. The internet also seemingly lacks the exclusivity and prestige qualities of the offline locations of luxury fashion stores. In addition, the online luxury consumer has a different set of needs from the offline luxury consumer although some of the offline consumers also shop online and vice versa. These needs have to be understood and satisfied by luxury brands.

Therefore the questions relating to creating a high-status website atmosphere, replacing the human senses in the virtual environment, satisfying the high demands of online consumers and matching ‘high class’ with the ‘mass class’ of the internet world are justified. However, the application of feasible e-retail strategies makes the successful e-retail of luxury goods possible. Prior to investigating these strategies, let’s take a look at the online consumer and understand how their evolution has affected e-retail.

Online luxury fashion consumer behaviour

The existence of an online luxury consumer population is no longer in question and this consumer segment is also growing rapidly and steadily. Luxury fashion consumers frequently make online purchases through the limited available luxury e-retail websites. They are also more willing to make continuous online luxury purchases than offline. For example, apparel is one of the fastest growing e-retail product categories globally. An indication is that in the USA, online sales of apparel were forecast to generate revenues of $12.5 billion by the end of 2005, an increase of 23 per cent from 2004.

Consumers of luxury goods are among the global consumer population that crave continuous internet access. They represent a substantial proportion of the 600 million + consumers worldwide who currently see online access as an absolute necessity, in the same manner they view eating and sleeping. This is excluding the estimated near 1 billion online users exposed to e-retail. A large portion of this online population represents high net-worth individuals who have the resources and willingness to purchase luxury fashion goods on the Internet.

The evolution of e-retail since the DotCom crash of the late 1990s and early 2000s has enabled a prolific environment for e-retail. The widespread adoption of high-speed internet connections has changed the perception of consumers to online shopping. Also, the introduction of secure payment systems and development of e-CRM methods have dispelled consumer fears related to payments, refunds and after-sales services. As a result, consumers currently exhibit a high level of confidence in online shopping and in spending vast sums on the internet.

However, consumers that are likely to purchase luxury goods online are those with a prior offline relationship or exposure to the brands. This is because consumers are influenced by their previous shopping experiences and brand relationships both online and offline. This experience affects their assessment of the current online purchasing process. If the consumers already have a positive brand experience, it enhances their evaluative process and the decision to buy the products of the brand online. At the same time, the website must satisfy consumer needs and exceed their expectations.

The website of a luxury brand is expected to meet more than the minimal requirements of e-shopping, like ease of navigation and appealing design. This is because the luxury-purchase decision process utilizes a high dose of emotions and irrationality which are boosted by high-impact experiences. The emotional responses of online consumers must be enhanced through capturing the right moods and feelings on the website. This is key to ensuring the ultimate goals of increasing online shopping traffic, high sales turnover and profitability!

The online buyer behaviour is comparatively different from the offline behaviour in several aspects. The conventional offline consumer buying decision-making process starts from recognizing the need for the product to the product information search, purchase, utilization and after-use evaluation. Shopping for luxury goods both online and offline however does not follow this path as a result of the significant role that sentiments and psychology play in luxury goods purchasing decisions. In addition, the online consumer attitude is shaped by an auxiliary series of emotions and feelings, indicating a distinct process, especially in relation to luxury goods. These feelings include the total web experience and prior relationship with the brand, among others. Luxury fashion consumers have an emotional affair rather than a cognitive bond with luxury brands. This factor is also reflected in the online product evaluation and consumer behaviour.

The online luxury buying decision-making process has been excellently captured in the 'Experience Hierarchy' model of R. Mohammed *et al*. (2002), in their book, *Internet Marketing*. This model follows a four-stage process and is based on the principle that the sum of the consumer experience while shopping online determines their evaluation of the website, which subsequently

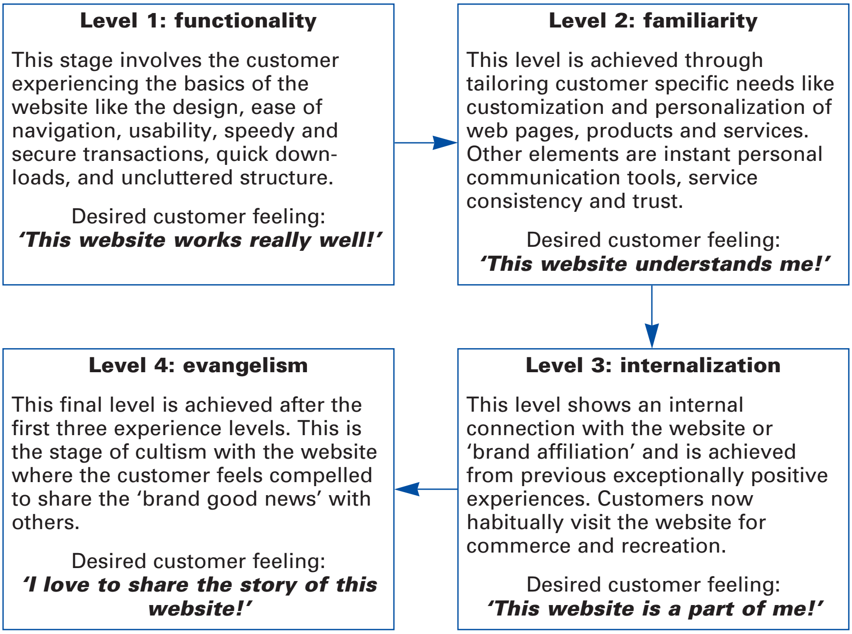

Figure 6.4 *The four-phase online customer* Experience Hierarchy

Source: Adapted from Mohammed *et al*. (2002) *Internet Marketing*.

affects future visits. The online experience also affects the consumer's overall perception of the brand, which will determine the direction of future interaction with the brand.

The stages of the Experience Hierarchy model begin from the moment a potential online shopper clicks on the homepage, to his post-purchase evaluation process. The model is presented in the Figure 6.4.

This customer experience assessment highlights the need for luxury fashion brands to create a compelling, memorable, enjoyable and positive total customer experience for online shoppers. The website should also be consistent with the overall brand strategy in order to maintain a parallel customer perception of the brand associations. Fortunately, the high brand awareness of several luxury fashion brands provides a fast route for online luxury consumers to attain the level of 'Brand Evangelists'.

The key to attaining enhanced customer experience is to develop a website that places an emphasis on accentuating the brand characteristics and also has an unwavering focus on creating a superior customer experience for every online shopper. Luxury brands generally have desirable products but the brands that will succeed with acquiring and retaining loyal customers through e-retail are those that apply the right mix of branding, marketing, customer relationship management and transactional strategies to enhance customer experience. This is a challenge that can be overcome through the implementation of feasible e-retail strategies discussed further in this chapter.

In order to execute effective e-retail strategies, it is important to understand the characteristics of online luxury consumers. Online consumers are intelligent and should never be underestimated. They are also empowered with a low switching cost because they can move from one e-boutique to the other with a click of the mouse. This means that they are equipped to view and compare product variety, to shop conveniently and to receive delivery of goods without the extra time cost of travelling to the store. Online luxury consumers also have high expectations. This includes their opinion that although the luxury e-boutique is available to the masses, it should be designed to feel appropriate to only a niche segment, to which they belong.

Several attempts have been made by different researchers to segment the online consumer population according to their key purchasing influences. Other efforts have been in differentiating the offline and online consumer behaviours. Although a standard online consumer behaviour model is yet to be developed, a suitable model of offline consumer segmentation, which can be applied to online consumers, is that of J. Nielsen produced in his book, *Designing Web Usability*, where six groups of consumers were identified:

1 **Social shopper:** those who associate shopping with pleasure and social meetings. They are the least likely group to shop online.
2 **Habit shopper:** those that only visit the same stores and shop through the same medium. This group will stick to offline stores for a long time.
3 **Ethical shopper:** those more concerned with ethical associations of shopping like material sources and employee working conditions, than with shopping medium. They have medium online shopping potential and require websites to meet their ethical expectations.
4 **Value shopper:** those who seek value from an overall combination of product and service quality and cost. They are likely to scout for these features online.
5 **Experimental shopper:** those who are not afraid to try new stores and shopping media. This group has a high potential for shopping online.
6 **Convenience shopper:** those who appreciate shopping without time delays. This is the best target group for online shopping.

A large proportion of the current online luxury fashion consumer group fall within the ‘Convenience’ and ‘Experimental’ shopper segments. Their characteristics include high literacy and mobility and inter-cultural awareness as well as being high net-worth individuals. Their expectations from e-retail range from security and convenience to personal and instant satisfaction. Their chances of switching between brands are also high. This is as a result of their experimental nature and the ease of viewing numerous brand alternatives and product offerings online. Other characteristics of the current online luxury consumers comprise the following:

- Restless
- Empowered
- Fashion-savvy
- Highly demanding
- Disposable nature
- Convenience-driven
- Cash-rich and time-poor
- Media and brand saturated
- Individualistic and independent
- Informed, knowledgeable and educated
- Financially, socially and environmentally aware
- Less attuned to brand loyalty and more attuned to brand-hopping
- Busy Busy Busy Busy Busy Busy Busy Busy Busy Busy Busy Busy Busy

Although online consumers are attuned to switching between brands, they are also likely to be repeat visitors and repeat buyers if they find a website visit enjoyable. At the same time, they are less likely to return to a website which they found unsatisfying than they are to return to a physical store. This is because the physical store could be located in the same vicinity as other retailers the customer visits or other activities the customer partakes in. This factor is however inapplicable online.

Online consumers are unique because they are easy recruits as 'brand evangelists'. Current pointers show that the chance of 'word-of-mouth' promotion of effective websites versus effective offline distribution channels is more than 50 per cent. Also, viral marketing or 'word-of-mouse', which involves forwarding web pages to others, is most effective with satisfied online consumers.

The acquisition and retention of the sophisticated and savvy online consumer set might seem impossible through the internet, which lacks the human charm and interface. However this objective could be approached through the four-step process of marketing communications, as follows:

Attention >>Interest >> Desire >> Action

This framework may sound simplistic or indicate a transactional outlook but it is an important tool in the process of online customer persuasion.

Attention is the first step to online purchase probability. How does a website grasp a consumer's attention? This can be attained through a captivating homepage design, ease of navigation, excellent functionality, interactivity and clear and concise text and contents. These features lead to the 'stickiness' of consumers to the website.

Table 6.1 The effect of Internet features on consumers

Web element	Effect on consumers
Interactivity	Compensates for the lack of human presence
Fast service	Saves time
Convenience	Provides goods and services anytime and anyplace
Personalization	Empowers consumers to be co-creators
Customization	Gives a sense of individual recognition
Privacy	Associates the brand with ethics
Real-time communication	Shows excellent customer relationship management
Security	Breeds brand trust and loyalty
Instant product availability	Provides instant gratification
Low transaction costs	Saves mental energy and time
Additional features	Creates an enhanced experience, personal enhancement, education and social benefits

Source: Adapted from Mohammed *et al.* (2002) *Internet Marketing*.

Interest in a website is achieved when a consumer senses that a website has the potential of fulfilling their needs. Creativity in visual and interactive elements is a fundamental requirement to achieve this.
Desire for the product and service offerings of a website are as a result of creative product and service designs and also ingenuity in their presentation, merchandizing and transactional process. The products must emanate desire and reflect the brand's persona.
Action is when the actual purchase is made, as a result of a positive customer experience. This leads to repeat-action during subsequent visits.

In addition to the online customer persuasion tactics, the design of an effective e-retail strategy involves an understanding of what luxury fashion consumers look for in a website. This is summarized in Table 6.1.

Luxury fashion e-retail strategy

In order to implement a successful e-retail strategy, it is important to have a clear plan, which is in line with the organizational long-term branding and marketing goals. Global luxury fashion brands often have excellent offline brand positioning strategies but repeatedly ignore or underplay the effect and importance of strategic online branding. Several strategies have been identified for the successful e-retail of luxury fashion goods. They are discussed further in this chapter. The appropriate application of these tactics will contribute to e-retail success through generating online traffic, high turnover, profitability and brand asset value.

An effective e-retail strategy plan should incorporate aspects of marketing and branding in addition to the e-retailing tactics. The chart of Figure 6.5

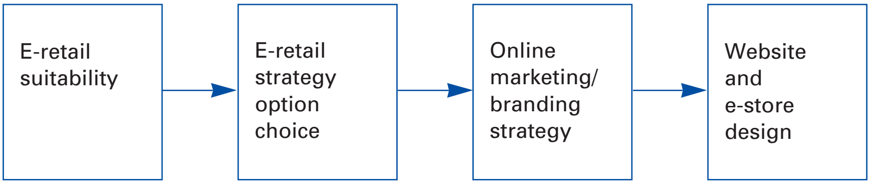

Figure 6.5 *The process of e-retail strategy development*

illustrates the process of e-retail strategy development. As indicated in the chart, the first step in the formulation of a feasible e-retail strategy is to determine the suitability of luxury goods to be retailed online. This leads to the question in the following title.

Are luxury fashion products suitable for e-retailing?

The early part of this chapter identified the major reasons for the late adoption of e-retail by luxury fashion brands, ranging from concern over diluting the brand aura to the popular consensus of the incompatibility of sensory goods and the web. Although these arguments have some logical business credibility, the reality is that it is possible to sell luxury goods online profitably. As proof to this, luxury brands like Louis Vuitton, Christian Dior and Gucci are pioneering e-retail in the industry and currently reaping substantial online sales turnover in the process.

An effective method of gauging the suitability of goods for online sales is through the 'Electronic Shopping Test' or ES test framework, devised by M. de Kare Silver in his book, *E-Shock: The New Rules*. The ES test quantifies the likely e-retail potential of certain products and estimates the proportion of the target customers that are likely to buy the goods online. This strategic tool, when frequently utilized, acts as an aid in the development and revision of e-retail strategies. It utilizes a three-factor test criterion based on (a) product characteristics; (b) familiarity and confidence; and (c) consumer attributes.

Product characteristics

The product characteristics are classified in terms of their physical and virtual attributes. The products, which appeal to one or more of the human senses of sight, sound, taste, touch and smell are grouped as physical goods. Those that require a minimal use of the human senses and a high level of 'intellect sense' are classified as virtual products. Luxury fashion goods naturally fall within the physical goods group while services such as travel and banking fall within the virtual products classification.

The test measures product characteristics through scoring them between 0 points (lowest) to 10 points (highest). The more virtual a product is, the higher its e-retail appeal and therefore the higher the score. In the same manner, the more physical a product is, the lower the e-retail appeal and therefore the lower the score. This evaluation is based on the principle that virtual products are more suitable for e-retail than physical products. For example, products such as clothing and shoes that could require the utilization of the senses of sight and touch have a lower score than products that are more virtual such as insurance and banking.

In the framework of this test, however, we can say that luxury goods can be classified as 'virtual' because consumers evaluate them mainly through the abstract qualities of brand perception and brand relationship. Also, the utilization of atmospheric elements in the e-store design influences the 'virtual' nature of assessing luxury goods online.

Familiarity and confidence

This criterion is measured by considering the consumer's feelings of familiarity and confidence in products and services based on previous use, satisfaction and brand reputation. A consumer who is confident about the products of a brand is likely to purchase them online without feeling a strong need to physically handle the goods pre-purchase. This relates to the fact that luxury consumers that are most likely to purchase goods online are those that already have an existing relationship with a brand.

The scoring in this category ranges from 0 points (lowest) to 10 points (highest). Sensory goods are scored high as there is often an advanced level of familiarity and confidence towards them. For example, consumers are more likely to buy sensory goods like fragrance, cosmetics or leather goods from brands that they are already familiar with.

Consumer attributes

Consumer attributes identify the characteristics that shape online consumer behaviour. This factor is weighted higher (0–30 points) because consumers' attitudes have greater influence on purchase decisions. It measures the percentage of the target consumers' responsiveness to e-retail. It is scored from 0 (non e-responsive) to 30 (90 per cent e-responsive).

A sample ES test is provided in Table 6.2. It highlights the e-retail potential of sensory goods. A total score of 30 and above indicates likely e-retail success.

The sample ES test indicates that several goods in the portfolio of luxury brands are suitable for e-retail. This shows the viability of the e-retail of luxury fashion goods.

Table 6.2 The ES (electronic shopping) test

Product	Product characteristics (0–10)	Familiarity (0–10)	Consumer attributes (0–30)	Total
Women's wear	7	7	21	35
Men's wear	5	6	19	30
Handbags	8	8	25	41
Luggage	8	7	22	37
Shoes	5	5	20	30
Timepieces	5	5	10	28
Eyewear	5	7	17	21
Jewellery	3	5	10	18
Fragrance	2	9	19	30
Home items	5	6	14	25
Cosmetics	6	9	22	37

Key:
Black: Low ES potential
Red: Medium ES potential
Blue: High ES potential

Source: Adapted from Harris and Dennis (2002), *Marketing the e-business*.

E-retail strategy options

The next step after determining the suitability of the e-retail of luxury fashion goods is the selection of the appropriate e-retail strategy option. The core of the e-retail strategy is the choice of the approach to adopt towards e-retail. Several luxury brands often fall into the unfounded conclusion that internet presence and a strong brand identity equals guaranteed online sales. This is one of the biggest misconceptions of luxury e-retail. Success on the web is unachievable without a defined e-retail strategy that fits with the overall branding and marketing strategies. This factor cannot be overemphasized. If a brand doesn't have a clear e-retail strategy that is aligned to its offline strategies, it runs the risk of losing consumer loyalty in the long run. Also in addition to website design and execution, e-retail has implications for other channels of distribution in respect of supply chain, logistics, product orders and delivery, taxes, payments and security, returns, refunds and exchanges. These important factors ought to be considered in the choice of an e-retail strategy.

The classified strategic e-retail options are shown in Figure 6.6 followed by an explanation of the implications of each strategic choice.

Strategic option one: e-retail only

The main activity of the luxury fashion retailers that have adopted this strategic option is that of exclusive e-retailing of luxury fashion goods. As a result,

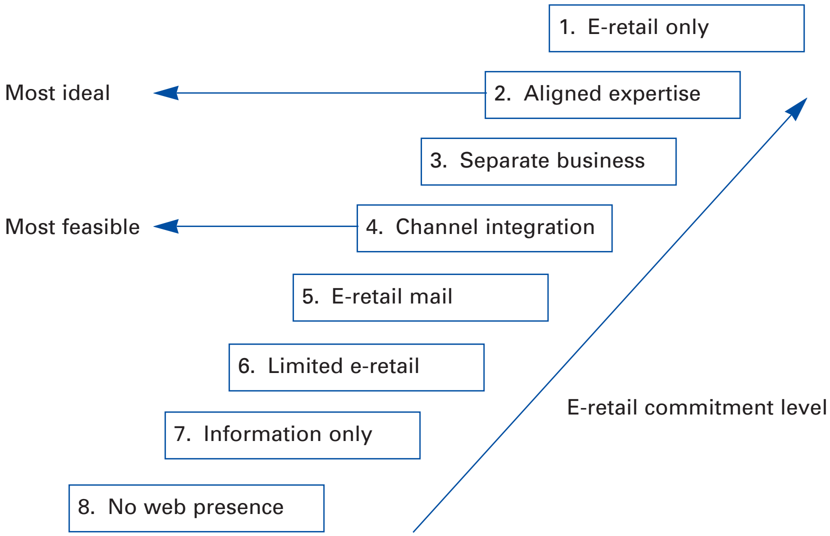

Figure 6.6 *The e-retail strategic options*

Source: Adapted from Harris and Dennis (2002) *Marketing the e-business*.

all of the company's strategies are developed and attuned to online customer requirements and the e-market environment. This indicates a high commitment level to e-retail.

As of the time of writing, no luxury brand has adopted this strategy. However, several independent web-based retailers of fashion goods have emerged in different markets. A notable example is Italy-based Yoox.com, which has a global e-commmerce platform and distribution. Yoox.com is also the exclusive authorized e-commerce partner of some of the most prestigious luxury fashion brands like Roberto Cavalli (Figure 6.7), Armani and Dolce & Gabbana. The e-retailer also has the differentiating factor of a product range that includes exclusive ranges, limited editions by young designers and precious vintage items. The e-retailer also has an online design studio with a selection of books and a fully localized website in seven languages. Another luxury goods e-retailer with global distribution is U.K.-based Net-A-Porter.com, which hosts the online boutiques of Chloe and Jimmy Choo in addition to retailing products of other brands.

Others independent e-retailers are bluefly.com, glam.com and forzieri.com. Some of these e-retailers sell products exclusively from luxury brands while others have a mix of luxury, premium and mass fashion brands in their portfolios. Also some of the independent e-retailers like Net-A-Porter.com sell the goods that feature in the current season's collection of luxury brands while other e-retailers sell the products from the previous season's collections at discounted prices. Some of the products that can be

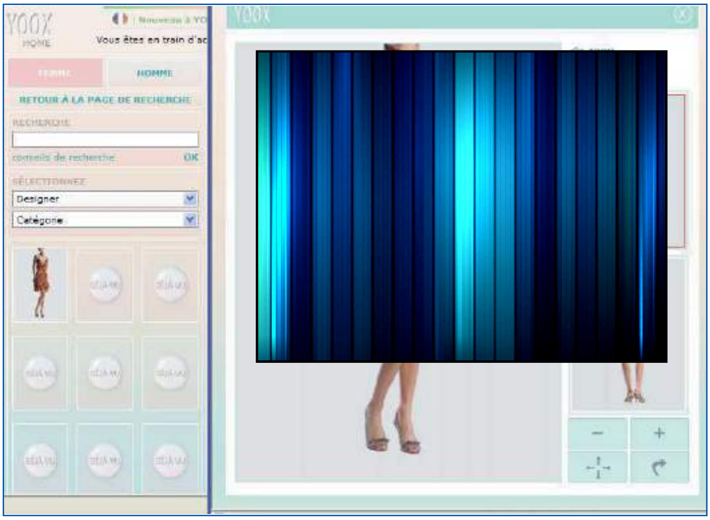

Figure 6.7 *Roberto Cavalli at Yoox.com (May 2006). Yoox.com is also the official e-retailer of goods from Armani, Dolce & Gabbana, Versace and numerous other luxury brands*

found on several e-retail-only websites include those of brands like Giorgio Armani, Prada, Fendi, Burberry, Versace, Valentino, Diesel, Anne Klein, Chanel, Gucci and Chloé, among several others.

The sale of luxury goods through secondary e-retail-only websites is a source of high sales revenue and industry partnerships. It is also an avenue for the enhancement of the luxury brand aura through highly functional and interactive online experiences. However, this strategy ought to be managed by luxury brands with tact in order to avoid long-term negative results. This is because e-retailers who sell a mix of luxury and mass fashion brands could expose the luxury brands to brand dilution in the long-term. Also independent e-retailers that sell luxury products at discounted prices could foster a possible loss of pricing control for luxury brands. This means that in some cases, luxury brands that implement a 'no-discount' policy might not be able to control independent e-retailers who practise price discounts. Therefore there should be synergy between the strategies of the luxury brands and those of the e-retailers. For example, in May 2006, notable e-retailer designersimports.com featured the Fendi Zucchino Hobo bag with a price tag of US$269, marked down from its original US$795 retail price. Another noteworthy e-retailer bluefly.com has also featured several Gucci products sold at discounted rates of up to 40 per cent. If Fendi and Gucci both implement strict pricing strategies that do not include discounting, this could have a negative impact on the brand equity. However, the discounting strategy is often an agreement between the luxury brands and the independent retailers. From the strategic viewpoint nonetheless, a consistent branding message ought to be provided to the brands' customers irrespective of the retailer or retailing channel.

In addition, there are several websites that retail counterfeit luxury goods, with a claim of authenticity. Consumers may confuse the authorized e-retailers with the counterfeiters, if the luxury brands don't take measures to control the online distribution of their goods and educate consumers on where to purchase the authentic goods. Brands and e-retailers must therefore have an agreement in e-retail practices and above all, the message to consumers should be clear.

The 'e-retail only' strategy is still in its introductory phase in the luxury fashion sector, therefore its long-term effect on the luxury brand equity is yet to fully materialize.

Option two: aligned expertise

The aligned expertise strategy identifies e-retailing as a major source of the core competence of luxury brands. This strategy indicates a high commitment to the development of e-retail. It combines expertise in offline and online retail strategies to produce a continuous outstanding experience for consumers. It recognizes the internet as a key sales channel and gives it a prominent position alongside offline retailing in the company's overall strategy. This e-retail option is capital-intensive and brands that adopt it must invest in technological expertise for integrated retailing and customer service management. The overall goal of this strategy is to provide a uniform high level of satisfaction through integrated advanced technology, whether the consumer is shopping online or offline. This is the most ideal e-retail option for luxury brands but unfortunately, at the moment, no known luxury brand has adopted this option.

Option three: separate business

The brands that apply this strategic option recognize the importance of e-retail but approach the channel with caution. The e-retail activities are therefore developed through a separate and independently managed company. An example is eluxury.com owned by Louis Vuitton Moet Hennessey (LVMH), the parent company of Louis Vuitton. LVMH uses eluxury.com as a platform of e-retail in the US market for the products of several brands in its portfolio such as Louis Vuitton, Christian Dior, DKNY and Marc Jacobs, among others. This strategy differs from the e-retail strategy LVMH executes for some of its brands like Louis Vuitton in the European market. Although this strategic option provides a risk-free entry into e-retail, it also poses a risk of compromising the unique individual brand identity through the mixed message communications of the separate e-retail company and the luxury brand. This strategy is most effective when both the online and offline retail activities are aligned with similar marketing and branding strategies.

Option four: channel integration

Channel integration involves the effective streamlining of both the online and offline retail channels. Brands that adopt this option recognize the presence of an online consumer group and provide a trading platform to satisfy them without compromising the strong emphasis placed on offline retail activities. This e-retail option is the most feasible for luxury fashion brands at the moment as it effectively aligns the online and offline retailing activities and utilizes internal resource fits in its management. This option also recognizes that real space (offline) and cyberspace (online) are not mutually exclusive because frequently, consumers use both spaces during their purchase evaluation process. For example, a customer may obtain pricing information online and visit the store for the 'purchase experience' while others may visit the store to 'feel and look' at the products and then purchase online at their convenience. An additional indicator is that e-retail continuously influences offline store visits both for shopping and through return and exchanges of purchased goods. Consumers are also likely to make a purchase in the store while returning or exchanging a product they bought online. Although several luxury brands are yet to adopt complete channel integration, the brands that have shown the most inclination to this strategy are Dior and André Ross (Figures 6.8 and 6.9). At the time of writing, Dior had implemented a multi-country e-retail strategy

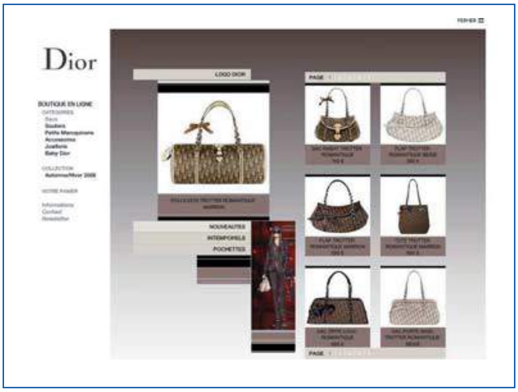

Figure 6.8 *The Dior online boutique (October 2006)*

Figure 6.9 *The André Ross online boutique (August 2006)*

These brands are closest to adopting the Channel Integration strategy. They also indicate the highest commitment to e-retail in the luxury goods sector so far covering the USA, the UK and France with other planned markets like Germany; while André Ross had adopted product delivery to the global market.

Option five: the e-retail mall

The e-retail mall is a website that sells the products of multiple luxury brands with a single check-out point. This strategy has been adopted mostly by offline luxury departmental stores such as Macy's and Neiman Marcus; and by pure-play e-retailers like net-a-porter.com, yoox.com and eluxury.com. Another notable company that has implemented the 'e-retail mall' strategy in an elevated manner is glam.com. The website innovatively and creatively combines the different aspects of fashion retail that online consumers seek. These include fashion and trends information, style news and celebrity features. They are provided in a unique space that also includes links to the websites where the featured items are retailed.

The e-retail mall streamlines the shopping experience for the consumer by grouping different brands together in one website. It could however lead to the opposite effect if mismanaged. This could happen when elements that enhance the online customer experience have not been effectively implemented.

High-impact web experiences are more challenging to produce in an e-retail mall than in a single brand e-boutique. This is because e-malls focus more on functionality and managing multiple brands than on creating a prestigious website. Also, a customer who intends to purchase the product of a particular luxury brand might not appreciate clicking through a website with multiple brands and products such as an e-retail mall. At the same time, some online consumers appreciate the variety of product offerings that e-retail malls offer. This poses a paradox that requires an appropriate strategic balance.

Online luxury consumers lack both physical contact with the products retailed online and human contact with the sales personnel; therefore their interaction with the brand is summed up in the visit to the e-store. This means that online customers would have a higher expectation for an enhanced brand experience with the brands they encounter online. The elevated brand experience is more difficult to attain in a website that features numerous brands but innovative companies like glam.com (Figure 6.10) have implemented tactics to overcome this through providing e-shoppers with links to luxury brands' websites.

A major challenge of the e-retail mall strategy option is that the aura of a luxury brand could be downgraded if the e-mall retails a mix of products from high-value and low-value brands. For example, the products of Louis Vuitton, which is considered the most valuable luxury brand in the world, are retailed on eluxury.com where products from little-known mass fashion brands with lower brand value are also found. This factor could affect the luxury brand equity in the long term.

Figure 6.10 *Glam.com provides a combination of fashion, celebrity, trends and style news with direct links to e-retail the websites (May 2006)*

The offline retail location choice of luxury brands is often in the most exclusive and prestigious districts of the world's fashion capitals, and the same principle of exclusive retail location ought to be applied online through exclusive websites. Streamlining offline and online retail strategies is crucial to generating online traffic and retaining brand loyalty.

Option six: limited e-retail

This e-retail strategy option recognizes the value of e-retail in specific markets while overlooking other markets. Luxury brands that adopt this option implement e-retail in a single or few markets and often leave an unfilled market gap in other regions with a ready online consumer population. Limited e-retail also provides a narrow range of products online, rather than the complete product range. This strategy is currently the most widely adopted by the few luxury fashion brands that have implemented e-retail. For example, luxury brands like Louis Vuitton, Gucci and Dior (Figure 6.11) have e-retail activities for a few markets while other brands like Giorgio Armani (Figure 6.12) and Hermès provide a limited range of products for their online boutiques although the brands have plans to extend their e-retail offers. However, the limited e-retail approach is akin to telling consumers that 'we know it is possible to make life easier for you but we won't'. This strategic option indicates a rather low level of commitment to e-retail.

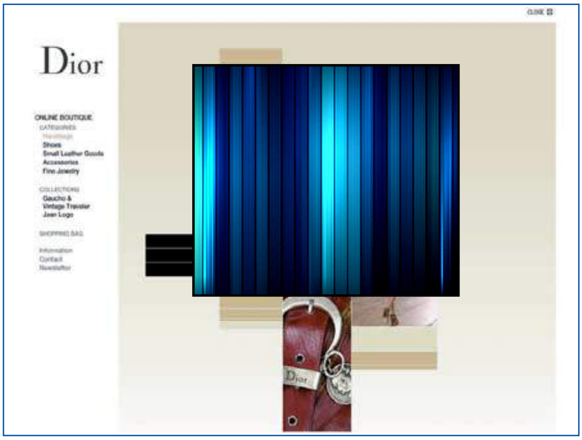

Figure 6.11 *Dior online store is available in France, UK and German markets and in the USA through eluxury.com (Spring 2006)*

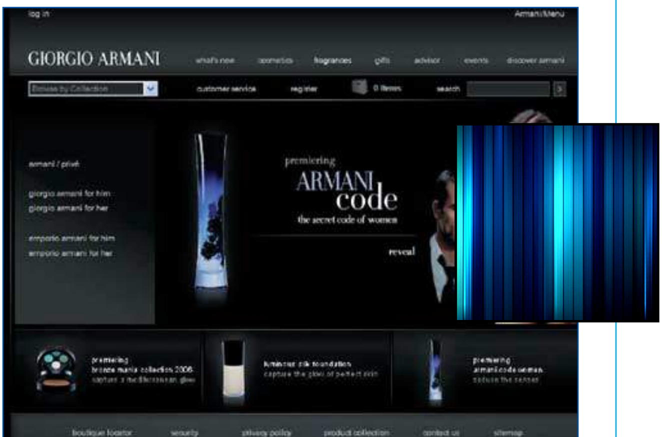

Figure 6.12 *Armani's US-only online store retails fragrance, cosmetics and timepieces; however, Armani products are sold on several other independent websites (Spring 2006)*

However, since the e-retail of luxury goods is still in its introductory phase, rapid expansion of e-retail by luxury brands is envisioned. Several luxury brands are currently evaluating the possibility of extensive e-retail operations.

Option seven: information only

This e-retail option provides solely product and corporate information for customers and the public through the website. The majority of the global luxury fashion brands such as Chanel and Versace fall within the group of luxury brands that have this approach to the internet. This option shows a low commitment to e-retail and doesn't address the online consumer and their needs. While this approach may be intended to protect the brand integrity of exclusivity, it is no longer applicable in the current global luxury fashion marketplace.

Option eight: no web presence

The 'no web presence' e-retail strategy indicates an aversion to the use of the internet for e-retail and also for information provision. Some luxury brands that currently adopt this approach are Prada, which has a single-page website with no information, although it occasionally features pop-up messages of news and events related to the brand. Other luxury brands like shoe designers Christain Louboutin and Manolo Blahnik don't have independent websites although their products are retailed from the websites of e-retailers like neimanmarcus.com. There are often several reasons for the non-adoption of the internet medium as an information or retailing channel, which might vary among brands. The fact remains however that the internet is the biggest potential of global commerce and any luxury brand that intentionally ignores this medium has literally signed a long-term death wish.

Case Analysis
Louis Vuitton and Eluxury.com

Louis Vuitton is the most valuable luxury fashion brand in the world. Its brand value asset has been placed at above US$ 17 billion and its consumer following is likened to a cult. The brand characteristics include innovation, creativity and exclusivity. Louis Vuitton also implements stringent brand developmental strategies such as a 'no price discount' principle, rigorous product tests and the destruction of unsold goods. The brand's stores are located in the most exclusive areas of the world's major cities and its clientele range from the rich and famous to the new luxury mass consumers. Louis Vuitton stores are also neither located in the same vicinity as mass fashion brands nor in shopping centres. However on the internet, the goods of Louis Vuitton are retailed on eluxury.com, which is a pioneer fashion retail mall that also retails the products of more than fifty brands ranging from luxury to premium and mass fashion. Some of the brands retailed on eluxury.com have low brand awareness. This strategy raises several questions.

Does this e-retail strategy represent the 'exclusivity' and 'high status' brand attributes of Louis Vuitton? Does it enhance the equity of the brand?

Luxury fashion e-marketing and e-branding strategy

Consumers decide to visit websites according to the information and products they seek but they re-visit websites according to the experiences of their previous visits. These experiences are shaped by effective e-marketing and e-branding strategies. The internet is a pull marketing medium, which contrasts with the push medium used in offline marketing. This is because internet activities function on the premise of drawing or 'pulling' consumers to visit websites while traditional marketing platforms 'push' consumers to make purchases. The marketing strategy used for the internet should therefore focus on the acquisition and retention of website visitors.

E-marketing strategy

Marketing is often wrongly summed up as marketing communications, in other words advertising and public relations. From a tactical viewpoint, marketing strategy comprises of a holistic approach that incorporates the development of products, pricing, distribution and promotional techniques. There are also important additional elements of the marketing strategy like the assessment of the competitive and consumer market environments and factors that contribute to competitive leverage.

The online marketing strategy borrows some of the major elements of the offline marketing strategy and adapts them to the internet environment. However, rather than focusing on the product and services aspects of a brand's offerings, the elements are re-aligned with a strong concentration on the customer experience. This is because the internet is a virtual medium that lacks human interface and this factor ought to be overcome. The shortcoming is compensated through the application of strategies that provide an overall high satisfaction for the online customer. The online marketing strategy therefore captures the internet marketing strategy as a customer-oriented technique rather than a product-oriented method.

The major element of the luxury fashion e-marketing strategy is known as the e-marketing mix. It is a model that has been adapted from the e-marketing-mix concept found in the works of Lauterborn (1990); Harris and Dennis (2002); and Mohammed *et al*. (2002). The e-marketing mix features a set of factors that offer the optimal value to the online customer, when effectively implemented. The elements of the e-marketing mix are also known as the 10 Cs of Luxury Fashion E-Marketing and are presented in the following section.

The 10 Cs of luxury fashion e-marketing

The 10 Cs that comprise the luxury fashion e-marketing mix are the following:

1. Customer value
2. Convenience
3. Cost
4. Communication
5. Computing
6. Customer franchise
7. Customer care
8. Community
9. Content
10. Customization

Customer value

Consumers seek satisfaction from a brand's products or services through obtaining solutions to their needs and wants. In the case of luxury consumers, these might include emotional and psychological needs. When a luxury fashion consumer purchases a new timepiece from Rolex, the overall pleasure he obtains from the product not only originates from the physical attributes of the wrist watch itself, but also emanates from a package of contentment gained through the total brand experience which the product is a part of. This is what the customer interprets as benefits and value, and the satisfaction obtained is called 'customer value'. In the offline marketing mix, its equivalent is the 'product' element. However, rather than focus solely on the product features as a source of customer satisfaction, 'customer value' emphasizes the creation of a powerful brand experience in addition to the satisfaction gained from the brand's products and services.

The creation of customer value for the online consumer can be achieved through providing the required product range and adequate tools to viewing them and also enhancing the web atmosphere. Several luxury brands wrongly offer a narrow product range in the e-store. Others provide end-of-season products or goods that no one would buy in the physical stores. For example, Hermès is best known for its highly coveted leather goods, but the brand's website neither provides a means to purchase this product range online nor information regarding its offline sales. Ideally, luxury brands ought to offer a complete product range online with a few exceptions such as limited edition products or other specially-made goods that retain the brand's aura.

Convenience

Convenience is one of the most important advantages of e-retail. The internet provides online consumers the comfort to buy what they want, when they want it through an e-store that is open round the clock. Online consumers also have the benefit of combining online shopping with other activities. The internet also offers a retail location without associated problems like accessibility and transport. Convenience replaces 'Place' or 'Distribution' in the offline marketing mix.

In order to make the 'convenience' experience complete for the consumer, luxury fashion brands are required to integrate the offline retail offers with the e-retail strategy. As indicated earlier, real space and cyberspace are not mutually exclusive but are inter-related and this factor should be reflected in providing convenience to consumers. This is because several luxury consumers are multi-channel shoppers who may visit both the website and the offline store before making a purchase from either or both of the retail channels. The convenience element should also include effective website usability and streamlining the after-sales service to include returns, refunds and exchange of goods in physical stores, despite online purchase.

Cost

The cost of purchasing a product is not the same as the product's price-tag. The real cost that consumers bear includes the price of the product and additional costs like transport cost and travel time to and from the store, time lost in parking, time spent in the store, time spent at checkout points, the mental cost of shopping and in some cases the monetary cost of parking. E-retail saves the online consumer these costs and hassles.

An additional 'cost' factor in the online sale of luxury goods is the issue of price discounting. Consumers generally perceive the internet as a price discount destination due to a wide range of goods that are often on 'sale' on the internet. As a result, they transfer the expectation of online price discounting to luxury goods. In response, several luxury brands have adopted the strategy of online product discounting or end of season sales promotions. This strategy neither enhances brand integrity nor sustains brand equity for luxury brands. Ideally luxury brands ought to maintain a strict and consistent pricing policy both online and offline. This means that if a luxury brand does not discount the price of its products offline, the same policy should be applied online.

Communication

Communication is a two-way cooperative process between a company and its consumers. It provides access to feedback and more importantly to insight into consumer needs and expectations. Marketing communication adopts several methods in the exchange of information such as through customer services. The internet enhances customer services through instant information exchange with online consumers using emails and live chats. Communication is the equivalent of 'Promotion' in offline marketing. However, unlike promotion, which focuses on convincing consumers to make purchases, communication concentrates on exchanges, which eventually leads to conviction.

Luxury fashion brands can exploit internet tools like exclusive online clubs, permission marketing (opt-in and opt-out), viral marketing, email news and other customer data collection techniques to enhance communications with the online consumers.

Computing

Computer and logistics systems are fundamental in the effective functioning of the e-retail elements. Computing is required for effective control of the product range, orders and dispatch. In order to manage logistics like timely deliveries of goods in the right quantity and size and to the right location, effective computing and category management systems must be put in place. Other related issues such as electronic billing, taxation calculation and secure payments can only be achieved through competent computing coordination. Creating computer networks between suppliers, manufacturers and retailers is one way of accomplishing effective computing management.

Effective computing is essential in e-retail particularly with the rapid change of the online product variety. This is because luxury brands currently have an increasing variety in product offering and a decreasing product life-cycle. The implication of this is an enlarged assortment of goods that require effective management online. In addition to product management, luxury brands can also extend computing systems to empower customers through providing tools for online order tracking and mapping for store directions.

Customer franchise

Customer franchise is the sum of the associations of trust, confidence, image and overall feelings that a consumer has developed in relation to a brand, as a result of their experiences with the brand online. Customer franchise can be directly linked with brand positioning and brand equity, which have been extensively discussed in Chapter 5 of this book. The branding element is of paramount importance to luxury fashion brands because the brand strength sustains the online experience with the customer. In order to build trust with the online consumer, a high customer franchise is essential.

Customer care

Customer care and customer services are among the current buzzwords in the business vocabulary. Excellent customer service does not begin and end with placing pleasant looking employees behind polished desks to respond to queries. Effective customer care is extended to every aspect of a customer's contact with a brand. The current reality is that the majority of luxury brands have a poor rating among consumers with regard to the provision of customer services both online and offline. This is because, for a long time, the luxury sector focused on product sales rather than customer experience enhancement as a source of advantage. The internet has however made the challenge of achieving consistent and efficient customer services easy.

Online consumers lack the human interaction of offline retailing and this factor must be compensated to enhance the web experience. Some ways of achieving this and enhancing customer services online are the following:

- Fast and reliable delivery of goods.
- Quick returns, refunds and exchanges of goods.
- After-sales services both online and offline.

Figure 6.13
Eluxury.com's live chat facility provides instant shopping assistance in an efficient manner (June 2006)

- Live online chat with a customer services representative.
- Direct telephone link facilities from the website.
- E-notes facilities for message posting.
- Online bulletin boards.
- Online personal shopper.
- E-news subscription.
- Instant online fashion coordination.
- Extensive product view and description.
- Exclusive subscription offers to fashion shows and product previews.
- High security transactions.
- Viral marketing tools.
- Permission marketing tools.

Online customer services programmes also provide an excellent medium of developing a customer database and gathering feedback from consumers. The majority of the existing luxury brands are far from implementing effective e-CRM strategies. A few exceptions are Gucci.com and Eluxury.com (Figure 6.13) which have implemented efficient means of interaction between their online customers and an available customer services staff.

Community

The online consumer society consists of several communities of consumers with shared interests. The internet has equipped consumers with the tool to develop platforms where they can share stories of positive and negative experiences with different brands. These are called user-to-user communities. These communities have sprung up in the luxury fashion arena, although they have been prevalent in other sectors such as the airline industry. A notable example is the Louis Vuitton fan website at ‘www.lying-awake.net/vuitton’. Consumer fans of Louis Vuitton use this website as a platform for sharing experiences and discussing issues connected with the brand. The website had 1,322 official members as of May 2006. This platform for sharing brand experiences is an effective tool that luxury brands can adopt to build stronger relationships with consumers.

In order to optimize the opportunity created by online communities, luxury brands can proactively incorporate internally managed user communities to their websites. Although luxury brands have yet to initiate this level of customer relationship, casual fashion brand Lands End has pioneered a simultaneous shopping possibility called ‘*Shop with a Friend*’, where two shoppers can browse the website, share notes and purchase goods at the same time. Other examples outside the luxury fashion sector that enable user communities include Orange.com and Microsoft.com. An effective brand community helps to build a closer relationship between consumers and brands.

Content

The contents of a luxury brand’s website are significant in sustaining the brand’s image. The corporate, product and services information provided on the website should be up-to-date and highly interesting. The presentation style using text, images, video, sound and colour scheme are also expected to be well coordinated. In addition, other pleasantly surprising features that contribute to an enhanced customer experience should be incorporated in the website. This could be in the form of a brand’s product manufacturing process or an audio/video greeting from the brand’s ambassador. These tools are called ‘social benefits’ and their role is to boost the functional benefits provided by a website. The social benefits that some luxury brands have provided on their website at different times include product manufacturing video clips at Vuitton.com and an animated picture story of the Gucci’s La Pele Guccissima in production at Gucci.com.

Customization

The demand for customization of products, services and web experiences is an aspect of the increasing expectations of online consumers. In the present luxury market, consumers desire to be recognized and provided with personal attention. In line with this, they expect the websites of luxury brands to provide tools to customize and personalize their experiences with the brands. One method of achieving this is through implementing techniques that aid in manipulating features of web pages such as background colour, wallpaper and text size. These could leave powerful lasting impressions on consumers. Another technique is the provision of multiple background music choices. Other methods of customization and personalization could be derived from the

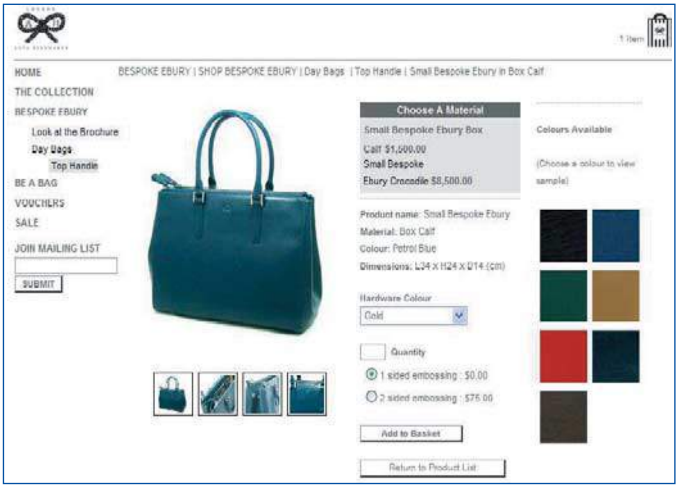

Figure 6.14 *Anya Hindmarch's website provides tools for product customization, which boosts the overall web experience and enhances customer value (Summer 2006)*

shopping habits and product preferences of a brand's consumers. A notable example of a luxury brand that uses customization as a means of providing a superior web experience is Roberto Cavalli. The website attains this through providing customizable wallpaper and multiple background music options.

In addition, the internet could be used as a means of making products and services customization available to a broad consumer group. This strategy is, however, lacking in the luxury sector as the majority of the existing luxury brands provide product customization only to a select clientele. There are a few exceptions, though, including British luxury brand Anya Hindmarch which pioneered the provision of product customization through its website as a means of enhanced customer value (Figure 6.14).

E-branding strategy

Branding and marketing on the web have often been misinterpreted as one and the same thing. While the branding and marketing concepts complement one another, their application is hardly identical. As has been repeatedly emphasized throughout this book, a brand is the sum of all the feelings, perceptions and experiences a person has as a result of contact with a company and its products and services. This means that branding strategy constitutes of factors that can be linked to consumers' minds, where the branding associations reside.

Several luxury brands have defined both their online and offline marketing strategies but are often found wanting in the aspect of online branding. This is mainly because attaining the desired brand perception and brand positioning on the web is a challenge that requires clear-cut strategies. However, a

Case Analysis
Coach.com and the 10 Cs

Customer value It is not clear if the full product range of Coach is available online; what is clear is that the online shopper has a wide selection (including limited editions!) and ease of navigation to view them. Products are categorized for easy retrieval through uncluttered pages. There is also a search facility for a quick tour. There are multiple tools for product views such as zoom, image enlargement, colour selection, complementary product selection, avatar product view and an online flip over catalogue!

Cost Coach maintains a consistent online and offline pricing strategy. Nowhere on the website are products marked with 'Sales' or 'Discount' signs.

Convenience The Coach e-store as a retail destination offers several features that enhance and stimulate an enjoyable shopping experience, except sound. The website can also be found easily on search engines.

Communication Coach.com provides visible ways of communicating with the online customer. The Customer Services telephone number appears on the homepage and on all subsequent pages. Links to customer services, email sign-up and store locations are also visible on multiple pages including those in the online catalogue.

Computing Coach has made excellent use of computing technology to design an effective website. Orders are shipped within two to three working days of purchase and the customer can track the status of their purchased merchandise online. There is also a facility for express shipping.

Customer franchise Coach.com communicates a consistent brand image through its website. The overall experience of the customer after each visit is expected to be positive. The service is quick, well-organized and provides value and a high satisfaction level.

Customer care The online customer care of Coach.com is one of the most efficient in the luxury fashion industry. Online customers are offered the possibility to return or exchange new and unused merchandise either at a Coach store or through shipping. Merchandise can also be exchanged for store credit. Provisions are also made for telephone contact, email contact, free catalogue order, viral marketing and product registration. Consumers also have the possibility to purchase and check the balance of gift cards online.

Community At the time of writing, neither Coach nor its consumer group had developed a visible user community platform.

Content Coach.com features relevant corporate and product and services information, presented in a highly functional and uncluttered layout. However the website is deficient in social benefits.

Customization The website of Coach lacks customization features for products, services and web contents.

well-defined offline brand strategy can be streamlined into the online branding strategy. This boosts the response of consumers because when the brand perception and equity are positive, the consumer response to new channels of sales is likely to be high. Online branding can prove to be an indispensable brand power booster, when expertly managed.

In the development of online branding strategy, the online consumer forms the central point from which the strategy is built. The aim is to enhance the brand's perception in the consumer's mind. Consumers have exceptionally high expectations from luxury brands on the internet. In order to meet their needs, luxury brands need to apply effective strategies to differentiate the luxury brand's website from the clutter of millions of existing websites.

The following questions are particularly important in the development of an online luxury branding strategy:

- Does the website capture the interest of the consumer through its design, layout and structure?
- Will each visitor to the website experience a high impact through the key brand associations?
- Does the website epitomize the key characteristics that make up the brand identity, personality and image?
- Does the website evoke the desired luxurious atmosphere?
- Will the website have a positive impact on the brand equity and increase the brand value?

Dior.com can be used to illustrate the points raised above. The website successfully captures the brand essence of Christian Dior. The cool and trendy yet luxurious elements of the brand are apparent on the homepage and on all the subsequent pages. The website's atmosphere exudes every emotion experienced in a Dior store, which gives it authenticity. This effect has been achieved through the use of online branding elements such as atmospheric features like visuals, flash animations, videos, sound, pictures, navigation, layout and customer care (Figure 6.15).

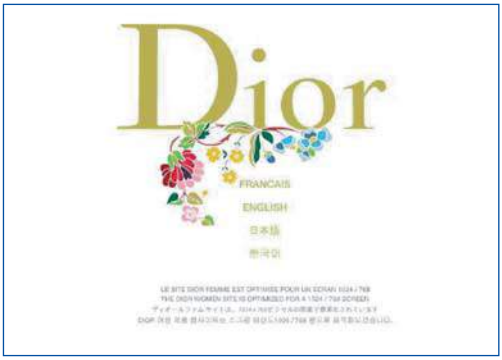

Figure 6.15 *The Dior website captures the brand essence through its design and functionality features (May 2006)*

Website and e-store design

A crucial aspect of the online branding strategy development of luxury goods is website and e-store design. Luxury fashion website and e-store design ought to aim to achieve more than basic, functional requirements, through a focus on an enhanced web experience for every visitor to the website. This is because e-retail involves a constant flow of innovative concepts of differentiation to meet the high expectations of the online consumer.

One of the most powerful pioneering tools of designing high-impact websites and e-stores is called ‘web-atmospherics’ or ‘webmospherics’. It is the creation of a luxurious atmosphere on a brand’s website to emit the prestigious atmosphere found in the physical stores of luxury brands. Webmospherics is achieved through the utilization of specific elements to reproduce the intricate ‘look and feel’ associated with luxury brands. The concept of webmospherics was made prominent by Knowles and Chicksand at the 2002 IBM E-business Conference in Birmingham; and Harris and Dennis in their 2002 book, *Marketing the E-Business*.

The elements of webmospherics are adaptations to the five human senses which, when applied, contribute to a more sensory online consumer experience. They are the following:

1. Visuals such as text, graphics, pictures, design, colours, videos, 3-D view and zoom.
2. Sound such as music, clicks and other effects.
3. Smell such as fragrance and perfume samples.
4. Usability such as interactive tools, navigation ease, 3-clicks purchase, video and sound control buttons, quick downloads, avatars, instant messaging, chat groups, message boards, online shopping assistance, complimentary products, collaborative filtering and virtual changing rooms.
5. Personalization and customization of web pages, products and services.

The objective of webmospherics is to create a high-impact web experience, increase purchase probability, aid in subsequent brand and website memory recall and retain customer loyalty in the long-term. In order to achieve the optimal effect, the features of webmospherics must be aligned and applied with exactitude according to a brand’s specific attributes.

Visuals

Sight is the most powerful medium of attracting and retaining the interest of online customers. Visuals involve the use of tools and aids that luxury brands can manipulate to create a memorable web experience. These tools include the colour scheme, pictures, video clips, slide shows, three-dimensional product views, zoom facilities of whole and parts of products, text font, style and size, interactive flash media, full screen mode and graphics.

The **homepage** of a luxury brand's website is the first point of contact between the brand and the online luxury shopper. The homepage introduction must be powerful in order to create a high impact and reinforce the prestige attributes of the brand. Several luxury brands such as Roberto Cavalli, John Galliano, André Ross and Valentino have implemented highly graphical and attention-grasping homepages, while the majority of luxury brands have homepages that are far from powerful. It is also important for a luxury brand's homepage to reinforce the brand's attributes such as the brand's personality and heritage. Chanel captures this feature effectively on its website's homepage, which opens with the Chanel double C logo in the brand's classic black and white colours. Also, the homepage should be constantly updated and must maintain consistent impressive features in the course of the updates. Louis Vuitton is one of the few luxury brands that has maintained a steady use of visually-arresting and regularly updated pictorial images on its homepage to create high impact (Figures 6.16–6.19).

Figure 6.16
Vuitton.com (Spring 2004)

Figure 6.17
Vuitton.com (Spring 2005)

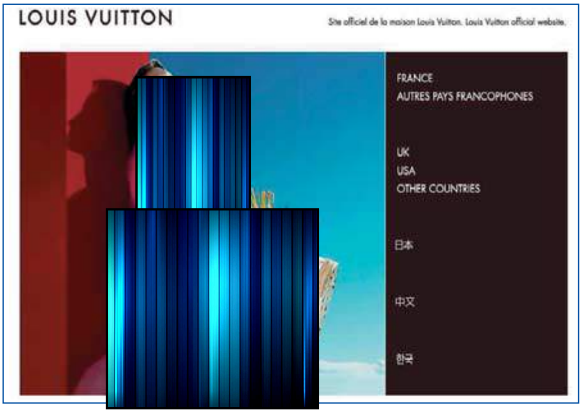

Figure 6.18
Vuitton.com (Spring 2006)

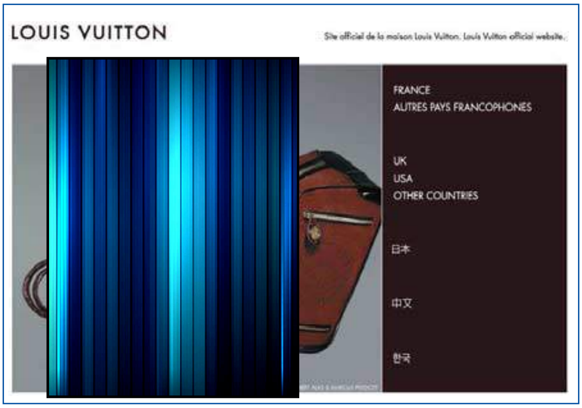

Figure 6.19
Vuitton.com (Autumn 2006)

Another key factor in achieving a strong homepage introduction is the implementation of interactive rapid features such as flash animations to grasp the attention of the browser. It is also important to provide control tools for viewing and skipping introductory videos, animations and sound. Several brands ignore these important elements and website visitors are sometimes forced to wait for long homepage downloads or watch flash animations against their desire.

When improperly managed, the homepage has the potential of generating negative brand perceptions rather than brand and website enhancement. For example, some luxury brands shut down their websites during redesign and often replace the homepage with a message that reads along the lines of, ‘Coming Soon’ or ‘Will be Back Soon’. This affects the online customer experience and dampens their high expectations. Versace.com, Fendi.com, Gucci.com and Elizabethhurley.com have fallen victim to this rather wrong strategy. The ideal situation is that a luxury brand’s website should be kept in operation during its reconstruction, where possible. There is no strategic reason to remove access to a website while changes are being implemented.

The homepage establishes the online experience with the website visitor and its messages ought to aid brand enhancement and not the reverse.

In addition, the homepage message of luxury brands should also be aligned to the offline communications strategies. For example, in the spring of 2005, Versace.com was 'closed' and the homepage had a message indicating that the new site was 'in arrival'. During the same period, Versace launched a multi-million dollar global print advertising campaign featuring music icon Madonna. Several consumers that were exposed to the highly visible and appealing adverts would have likely visited the website either out of the desire to begin a relationship with the brand or reinforce the already existing brand relationship. The closure of the website and absence of an alternative shopping channel, could have led to stunting the consumer's perception and negatively affecting the brand's aura. Closing down a website can be likened to closing down a physical store without providing an alternative store.

The homepage of a website is often misunderstood as the brand's **welcome page**. The welcome page is different from the homepage in content, function and layout. Homepages house the major navigational toolbars for the website's functionality and interactive features to enhance the web atmosphere. Welcome pages on the other hand serve as the first page that welcomes the browser and ushers them into the website. Welcome pages are most useful for sectionalizing websites that have different localized contents in terms of language and region-specific information. While the homepage is indispensable for every website, the welcome page is optional and is implemented according to the requirements of the market and the expectations of the consumers. Luxury brands should ideally have welcome pages, especially the brands that feature multiple languages and regional market contents.

Another important visual element in webmospherics is the **video**. The use of short and relevant video clips adds colour and excitement to the online luxury atmosphere, and enhances the mood of both the e-boutique and the online shopper. Video clips also contribute to website stickiness. Website stickiness is the retention of the online consumer's attention to an extent that their time allocation to the website's visit is extended. Videos also contribute to memory recollection of the website and repeat visits. Most importantly, website video clips create a feeling of human presence and interaction and decreases the impact of the virtual interface in the web environment.

Several luxury brands such as Christian Dior (Figure 6.20) and Louis Vuitton have included video clips of their fashion shows on their websites. Other brands like Chanel and Dior have also implemented video clips of interviews with their creative directors Karl Lagerfeld and John Galliano at different times. Vuitton.com has also shown a video clip of the manufacturing process of its leather goods and Chanel.com has featured a video clip demonstration of its cosmetics use at different times.

In order to be relevant and appreciated by online consumers, video clips ought to be short, easy to understand and fast to download. They should also

Figure 6.20 *Dior.com 's online video clip of its fashion show (2006)*

have control tools and an option for skipping or enlargements. These provide the website visitor with a sense of empowerment.

Interactive animation is yet another essential visual tool that contributes to an enriched online retail atmosphere. There are several ways that animations can be used to feature products and services on a website. For example, Jimmychoo.com and Coach.com have utilized the animation tool through online flip-open catalogues, which provide a sense of human presence online. Coach.com has also incorporated a feature for product-view on an avatar that can be modified according to the height and weight dimensions of the shopper. This gives the online consumer a clear idea of the product size on the human form. Coach's website also has tools that allow the shopper to view handbags either on the shoulder or clutched in the hand. These elements contribute to a high-impact online shopping experience.

Colour is also a highly important online visual element. This is because the product attributes are most enhanced by their colour scheme, the quality of the images and their placements. Luxury brands use colour heavily in the product presentation, e-stores and online catalogue sections of their websites. The appropriate colours should be applied on the homepage for a strong introduction and in the subsequent pages for a balanced result. In addition, some background white space should be left on most or all the web pages to achieve a harmonizing effect. The download time of colour pictures or online catalogues should also be kept short.

A factor that poses a challenge in efficient online colour management is the representation of colour on computer monitors, which display colours in varying tones. The colour display gradient and quality can be controlled with colour management software like eColour, which has a cookie that reads a monitor's output and advices on its settings adjustments.

Colour pictures are accompanied by product information and description through text. The **website text** should ideally be short and presented in an uncluttered format. At the same time, the product information should be in-depth and expert. The text font size, style, clarity of language and tone ought to be applied with consistency according to the tastes and expectations of luxury consumers. Ideally, website text should be restricted to a maximum of three sentences per paragraph. Small illegible text font sizes and uncoordinated language should be avoided at all costs. The language of the website should also be clear, concise and consistent in its tone through all the pages. Dark text colour should also be applied against a clear background and vice versa.

3-D and zoom product views are indispensable visual tools in the online sale of luxury goods as a result of the sensory nature of luxury products. Facilities for three-dimensional product views, zoom view and product-size enhancement provide a superior visualization of products and also empower shoppers to see products in their own individual mode. Also applying these features through slide shows contributes to a positive online web experience.

Sound

In offline retailing, sound is used to evoke and stimulate different feelings in the subconscious of the shopper. This is achieved through music type, volume, pitch, tempo and other sound manifestations. For example, in physical store retail, fast music is used to generate high shopping traffic inflow and spending; loud and funky music encourages impulse purchase; soft music such as jazz and classical music prolong the length of time that customers spend in a store; and slow tempo music reduces the pace of human traffic flow and increases sales volume. Also, familiar and nostalgic sounds such as waterfalls, chirping birds and Christmas carols stimulate emotions that lead to spending.

This retail strategy of influencing mood with sound effects can be transferred to the internet environment. Sound is also an important tool for entertainment while shopping online, and can be one of the strongest motivations for online luxury shopping. Sound is most effective when applied with a focus on the brand personality. Although all luxury brands are associated with prestige, each brand has its own distinct attributes. Therefore the choice of sound features such as music should be in line with the key associations of the brand and its consumer expectations. It is also vital to apply the sound element in moderation and appropriately through consistency in sound type. This is in order to avoid a negative effect that could lead to irritating online consumers with sound in all the website's pages. Sound effects should also have control tools to provide online consumers the empowerment to manage their sound choices.

Several luxury brands have currently incorporated sound within their

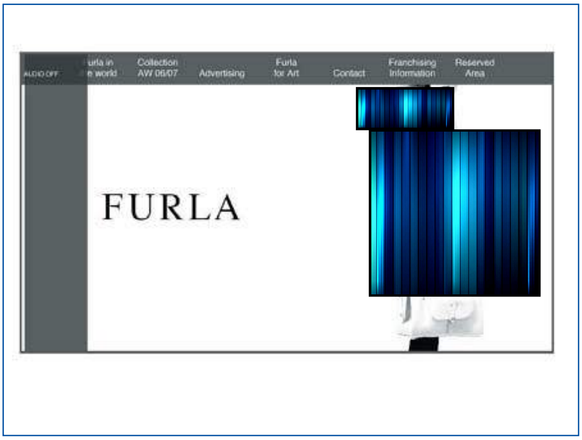

Figure 6.21 *The Furla homepage uses appropriate sound that is aligned to the brand's personality (August 2006)*

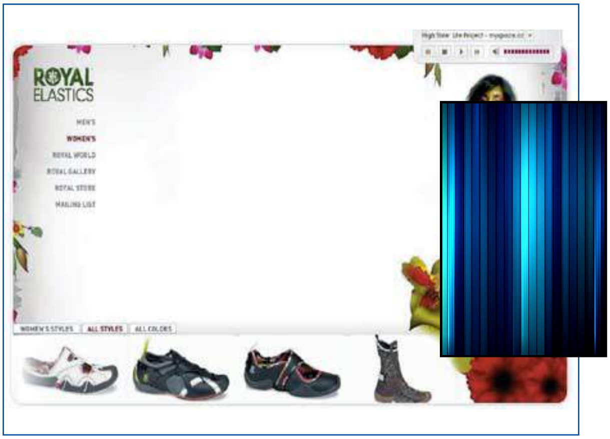

Figure 6.22 *Royal Elastics homepage creates a high impact introduction with music that accentuates its brand aura (August 2006)*

websites. Furla.com (Figure 6.21) has background music on its homepage while Chanel.com has featured background tempo instrumental music on its product presentation pages, which effectively creates a luxurious mood. Another website that has successfully implemented an effective online sound feature is sportswear brand Royal Elastics (Figure 6.22), which has music that complements its trendy brand personality.

Smell

Smell is a challenging human sense to transfer to the internet virtual environment because of the difficulty of reproducing aroma on the web. However, technological advancement aims to provide a means for online consumers to have a whiff of scent while shopping on the internet. One method is through a scent-smelling software called 'iSmell Personal Scent Synthesizer', still in development. This software is supposed to provide digital scent through a peripheral device plugged to a computer in the same manner as speakers. The device will receive and transmit smell from websites that have scent-emission tools. Luxury brands can use this mechanism to sell goods that rely heavily on the sense of smell such as fragrance and cosmetics.

The absence of the sensory element of smell online can also be overcome through offering samples of luxury products from the brand's website. Providing complete product or component samples from a website is a powerful way of guaranteeing future sales. This is because consumers who have tested or purchased scent-based products are usually likely to make regular future purchases as a result of an affiliation with the product's scent. In addition, scent can be easily recalled and attachment to particular scents is hardly outgrown. Therefore, there is a high probability of repeat online purchases of scent-based products. This is one of the reasons that perfumes and fragrances are among the most frequently purchased sensory goods online.

An additional strategy for the enhancement of the 'smell' element online is through providing a strong and comprehensive description of scent-based products. For example the following phrase might be used to describe the scent in a bottle of perfume:

> A soft and soothing scent that oozes energetic vanilla, with a hint of soothing lavender and powdery English rose that lasts all day.

Usability

Usability is the backbone of a website and crafts the online experience through navigation, functionality and interactivity. It is an essential element for a high-impact customer experience and can contribute substantially to a luxurious online atmosphere. The usability of a website is determined by its effective application of tools that enhance the ease of navigation, speed of operations and an overall pleasant web atmosphere.

Luxury consumers expect reliable and fast service online and at the same time, more value through a high level of website interactivity. The utilization of easy **navigational tools** makes the browsing experience effortless and will likely encourage the visitor to click through several pages on the website. Navigational tools include appropriate website design and layout and other elements such as full-screen mode and new window pop-up tools. Also important are multiple product download formats like PDF and Word versions of documents and catalogues. Another important navigational tool is the 'breadcrumb', which provides a sequential list of the pages that an online visitor has viewed. This aids the online consumer in tracking their movement on the website and retracing their steps where required. It is also imperative to provide the possibility to return to the homepage from all the pages of the website.

Simplicity in website layout and structure is an important factor in luxury fashion website design. Several luxury brands seem to underestimate this factor and end up developing websites cluttered with multiple pages and excessive information. The luxury fashion website ought to be easy to navigate in terms of product search and highly relevant in terms of information content.

Functionality involves elements that contribute to the flawless online shopping transaction process. These include the number of clicks from product view to the checkout point; product display and e-merchandizing techniques; the security of online transactions; payment method choices; currency conversion; and the overall shopping transaction speed.

The purchasing and transactional process should be quick without too many click-through pages. At the same time, customers should be given the possibility to store their product selection and return at will to order and pay. There should also be the possibility to check product stock and reserve goods to try on and purchase in the physical stores.

In addition, a website's functionality is enhanced through tools such as multiple language choices to satisfy the global base of luxury consumers. While it is impossible to provide alternative website text in all the languages understood by consumers, the ideal luxury brand's website should have an extensive language choice apart from the classic English, French, Italian and Japanese. The language options should also not be automatically restricted by the locations. This means that if a luxury brand has different web contents for different markets, the language choice given to the online consumer to view those contents should not be limited to the language spoken in that particular market. Thus the consumer could select their location and then select the language in which they would like to view the contents of the website in that location. For example, if a consumer is in France and would like to view the website in English or in Spanish, the website contents would display the information relevant to the French market in the language selected by the consumer. This is contrary to the assumption of several luxury brands that every consumer who lives in France automatically wants to view websites in the French language. Exceptions to this are Cartier.com and denim brand Levi.com.

Interactive features such as animations are also important usability tools which are highly valued by luxury consumers. It is imperative to retain a focus on the characteristics of online consumers and to design the website in accordance with their expectations. However, interactive features should be implemented in moderation and with a relentless focus on the brand's aura and long-term equity. Several brands are often carried away by incorporating high interactivity features on their websites without considering their brand personality and the requirements of their target audience which is quite wrong.

The usability and functionality choices made for the website should reflect the core strengths and purposes of the brand and add value to the online shopper's web experience. For instance, if customers expect reliable and fast service, it will be unwise to load up the website with interactive flash videos, and force the browser to wait for long downloads. This adds little value to the customer's experience and damages the brand image. On the other hand, if the website visitors expect a high-impact experience from a website, they will probably be more attuned to waiting for an interactive flash video to load. Website visitors should, however, not be forced to watch interactive animations against their desire. The choice of skipping the animation should be provided through control tools.

Other important tools that enhance usability are the following:

- Providing the current date and time on the web pages.
- The option of returning to the homepage from any of the successive pages.
- Placing arrows with links at strategic points on the website.
- Placing the navigational menu on the left side or the top of the web page. This enables clicking on page links in the same direction as reading.

There is, however, no standard criterion for the page placement of usability tools such as the navigation menu. Placing the navigational menu on the left hand side of the screen provides ease-of-use for the online consumer because the choice for clicking is in the natural direction of reading (from left to right). On the other hand, placing the menu on the right side of the screen is practical as most website visitors are right-handed. Also, with the menu on the right of the screen, the user will be forced to read the text and view the images on the page before clicking on the links, since their eyes move from left to right.

Consumers could also be given the ability to change the background colour of web pages and the font sizes of texts. These tools contribute to interactivity and are also beneficial to visually impaired consumers. In general, the application of the appropriate functionality tools aid in enhancing brand affiliation.

E-merchandizing

E-merchandizing involves product presentation and online selling techniques. These feature several methods that have been directly transferred from offline retailing and modified accordingly. They include the e-store layout and the product presentation style. Other tools of merchandizing like atmosphere enhancing features, ought to be implemented in the e-store to enhance the brand aura. For example Gucci.com, Vuitton.com and Dior.com utilize tools like zoom and alternate product view options to enhance the e-store, while Chanel.com uses these tools in product presentation although the brand has no e-retail activity. Other brands like Hermès and Ralph Lauren provide basic e-store layout and minimal e-merchandizing interactivity through their product presentation.

Interestingly, private luxury e-retailers such as Yoox.com and Net-A-Porter.com have implemented e-merchandizing techniques that are more feasible than those of the majority of luxury brands. Yoox.com enhances usability through an excellent product presentation featuring multiple view options of a single product mostly on a human mannequin. The website has other interactive tools like icons showcasing the previously viewed products, on the same page, a choice to view related items and save preferred products and viral marketing options. This gives a sense of shopping assistance and compensates for the lack of human presence online. There is also a viral marketing option tool that enables forwarding web pages to others. Yoox.com also shows customers the front and back view of products like apparel. This feature boosts the shopping experience through enhanced functionality and atmosphere.

Another fashion apparel e-retailer with impressive e-merchandizing and interactive tactics is US casual wear brand, Lands' End. Landsend.com enhances online customer interactivity through a virtual model called, '*My Virtual Model*™'. The model can be customized by online customers according to their height, weight and size dimensions and other features like facial characteristics, skin tone, hair style and hair colour. The customized Virtual Model wears and displays the outfits selected by the customer. The clothes can also be viewed on the model from a 360° angle point. The customized model can be stored for future visits and can also be forwarded through an e-mail form. This interactive feature significantly boosts the online customer experience and leads to memory recall, repeat visits and eventually customer loyalty.

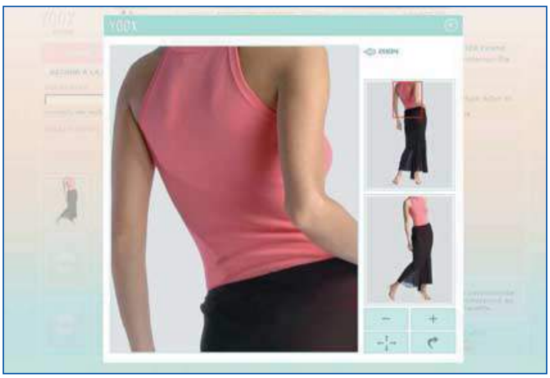

Figure 6.23 *Yoox.com's interactive and multiple product view presentation and online CRM enhances the web shopping experience through boosting usability and atmosphere and compensating for the absence of a human presence. The features also contribute to effective e-merchandizing (August 2006)*

However, Landsend.com has a limited e-retail strategy of sales only in the US market.

The e-retail of luxury goods ought to be approached from a global distribution perspective rather than the widely practiced restricted sales to a few markets. This is because limiting e-retail by geography affects a luxury brand's perception as a global brand. For example, at the time of writing, the website of highly respected luxury brand Hermès had e-retail for only the US and French markets with a highly limited product range. The e-retail practice of a global luxury brand such as Hermès ought to be extended to other geographical markets.

Final notes

The major features of the website and e-store design are summarized in Table 6.3. These tips, while not conclusive, provide a guideline to developing a highly luxurious and functional luxury website and e-boutique.

Table 6.3 Dos and don'ts of website design

Dos	Don'ts
1. Have a great homepage	1. Avoid saving the best pages for last
2. Provide multiple language choices in addition to multiple location contents	2. Avoid multiple sequential click-through pages in the same section
3. Apply a clear colour management plan	3. Avoid cluttering pages with excessive information
4. Align website design to brand image	4. Avoid graphics that require long downloads
5. Apply 3-clicks to buy	5. Do not for any reason close down a website during reconstruction or launch an unfinished or a 'coming soon' website
6. Provide the browser with 'bread-crumbs' as a tracking device	6. Maintain a consistent Marketing Mix strategy and brand exclusivity both online and offline
7. Use clear, concise and consistent language	7. Do not retail luxury goods on non-luxury e-retail malls
8. Provide expert and updated information	8. Do not write long-winded text in tiny illegible font size
9. Provide short-cut navigation tools	9. Do not under-estimate or take the online consumer for granted
10. Provide homepage link on all pages	10. Dot Com companies failed for offering free and cheap products, managerial incompetence, mismanaged logistics, under-utilized customer database, and misunderstanding the e-retail market. Do not make the same mistakes!
11. Provide e-CRM link on all pages	
12. Enhance the web atmosphere through videos, sound and animations	
13. Apply quick downloads	
14. Provide control tools for videos, sound and animations	
15. Provide multiple product views	
16. Apply Viral Marketing, Permission Marketing and Collaborative Filtering tools	
17. Apply Micro Marketing tools like pop-up and banners moderately	
18. Leave some background 'white space'	

The luxury e-retail death wish list

If after reading this chapter you still subscribe to the primeval and unrealistic viewpoint that the internet and luxury goods are incompatible, then the e-retail death wish list below provides some guidelines for you. Good luck, you'll need it!

1 Do not have a website!
2 Have a website with only one page!
3 Have a website but do not sell your products online. Only provide your global consumers with product images and tell them to travel to your store in Paris to buy them!
4 Allow your products to be sold rampantly on the web at unauthorized websites.
5 Continue to maintain the viewpoint that luxury fashion and the internet are not compatible!