

Chapter 7

Le new luxe

‘The interpretation of luxury has become completely individual. No one can define luxury for others any more.’

Aaron Simpson, CEO Quintessentially

A different fashion landscape

The definition of luxury has changed. Although the term ‘luxury’ is a paradox in itself, the concept of fashion that is tagged ‘luxury’ is no longer the same as it was as recently as twenty years ago. In the last several decades, the luxury sector has undergone a significant evolution as a result of several factors, which are carefully examined in this chapter. The analysis provides a portrait of the current luxury environment and acts as a catalyst for strategy development to manage the sector’s present and future.

As indicated in the earlier chapters of this book, luxury fashion has always been a fundamental part of history and society. From the beginning of the nineteenth century when modern luxury fashion began, to the middle of the twentieth century, the luxury fashion market was a small and specific niche consumer sector made up of aristocrats, celebrities and the world’s royals. During this period, fashion sameness was the order of the day and luxury fashion consumers were pleased to dress the same. In the present twenty-first century environment, the story is totally different.

The transformation of the luxury scene has been due to several factors. First, a mass group of wealthy consumers has emerged throughout the world. In the last three decades, a vast amount of wealth has been amassed by individuals due to several economic, social, and technological breakthroughs. This has created a multitude of wealthy people. For example, twenty years ago China had no middle class but, presently, the growth rate of the country’s upper-middle class and young urban professionals is among the highest in the world.

Secondly, the high entry barrier that the luxury sector guarded for centuries has been lowered due to advancement in business and management practices, driven by globalization and the internet. As a result of the lower entry barrier, several luxury and aspirational brands have emerged in the last few decades. In addition, ‘mass’ fashion brands have attuned their business strategies to resemble those of luxury brands and now offer similar goods at

a lower price. These factors have also given luxury consumers more brand choices and variety than ever before, and have contributed to the changing consumer psychology.

Thirdly, the rapid growth of digital, information and communications technology has provided a completely different operational platform for both luxury brands and luxury consumers. The internet presents luxury brands the possibility to attain a global level of brand awareness within a short period of time. It also offers luxury consumers more empowerment to choose among a wide array of products, easier access to view their choices and lower switching costs. This influence has led consumers to be individualistic and experimental in their fashion choices. As a result, consumers have become self-stylists and bold enough to mix luxury and high-street fashion in one outfit; something that their mothers and grandmothers would have considered taboo in the past.

Fourthly, the luxury sector has been undergoing a deconstruction process since the 1990s as a result of changes in the investment and ownership structure of several luxury brands. As from this decade, financial institutions including investment firms, private equity holding companies and other non-luxury companies have realized the high intangible asset benefit of luxury brands. This has resulted in increased investments in the luxury sector through acquisitions, capital investments and brand portfolio development. These 'outside' companies include Italian equity funds company Charme, which owns Scottish cashmere brand Ballantyne; Equinox Holdings, which previously had a majority stake in Jimmy Choo; Starwood Capital, which owns Baccarat Crystal; Bridgepoint Capital, which recently sold Molton Brown to Kao of Japan; W Holdings, which owns Amanda Wakeley; and The Falic Group, among several others. These companies place an emphasis on return on investment and augmentation of shareholder value. As a result there has been increased pressure on luxury brands, for rapid sales and profitability. This has led to the introduction of several mass marketing strategies in the retail and brand management of luxury brands. These strategies have further led to the creation of an ambiguity in the definition of a true luxury brand. As a result, luxury brands have divided into groups of 'true luxury' and 'common luxury' or 'fashionable luxury'. Before this era, the branding and retail strategies of luxury brands were clearly different from mass fashion brands but currently, the line that differentiates strategies applied in the two sectors is a blur.

The effects of the changing environment

The results of the changing definition of luxury and other phenomenal transformations in the luxury sector are several. However, chief among these is clearly described by the frequently used phrase 'the democratization of

luxury'. This expression means that luxury goods or goods that resemble luxury goods are now available to an increased number of consumers. This visible fact is also seen in the current consumer behaviour of 'trading down' in some categories of goods like basic consumer products in order to 'trade up' to acquire luxury goods. This behaviour is more evident among the new wealthy middle class with a higher disposable income than the middle class of the previous centuries. This group of consumers are also called the 'luxury mass class'.

Having seen the causes of the redefinition of luxury and how these are influencing the sector shifts, it is worthwhile to take a look at the effects they have on the market. This examination will act as an indicator of how the challenge of managing a modern luxury brand can be overcome.

Effect 1: the rise of the masses

The brands formerly known as mass fashion brands, like Zara, H&M and Top Shop, have gone through a dramatic change in the last few years. These changes have been rapid and innovative and the brands seem relentless in innovating new retail and branding techniques. For example, while the UK's Top Shop is busy taking fashion retail to the homes of fashionable Brits with its 'Top Shop To-Go' service, France's Naf Naf distributes free postcards to consumers and tourists, with images of gorgeous models in the latest Naf Naf creations; and Dorothy Perkins hosts special customer product discount events in its stores, along with free cocktails served by charismatic sales representatives. Also, low-priced UK fashion brand Primark, which for a long time was regarded as one of the lowest status fashion brands, is now a favourite for those attending the London Fashion Week. Top Shop also currently has catwalk shows at the London Fashion Week, alongside major luxury brands like Burberry.

In addition, Swedish fashion brand H&M showed retail innovation through its co-branding collaborations with luxury fashion designers, Karl Lagerfeld, Stella McCartney and Viktor & Rolf, as well as links with celebrities like Madonna. Also, Zara, which is considered the market leader among the mass fashion brands, is not left out in the fashion marketing innovation. Zara is reputed to have the fashion industry's most effective and responsive operations techniques, which enables the production of new designs approximately every three weeks. As a result, its stores have a high shopping traffic of style-conscious consumers. Although Zara is not a luxury fashion brand, it has achieved great success in several global markets, including France, where more than three quarters of the population are hard-to-please luxury fashion consumers.

On the American frontier, brands that formerly targeted the fashion mass market like Gap, Banana Republic, Wal-Mart and Target, are also elevating

their offerings to include a 'premium' feel. Gap, for example, adopted a different communications strategy through celebrity endorsement advertising with actress Sara Jessica Parker in its 2005 advertising campaigns. This was aimed at revamping the brand's image to reflect a more 'luxe' appeal.

Brands in other categories like sports brands Adidas and Puma are also responding to the mass luxury fashion demand by upgrading their offerings. Others include traditional luggage company Samsonite, whose Creative Director, Quentin Mackay, formerly worked at Tanner Krolle and Loewe. Another example of mass fashion with luxury undertones is the collaboration between Yoji Yamamoto and sportswear brand Adidas, which resulted in the creation of the Y-3 sub-brand. The sub-brand is aimed at representing luxury style in the mass sportswear market and its collections are shown at the New York fashion week, alongside major luxury brands. The objective of these tactics is to infuse 'luxury' qualities into the brands.

The elevation of the status and offerings of mass fashion brands is one of the most visible changes in the luxury fashion arena. Mass fashion brands now have greater relevance because both luxury consumers and the luxury competitive environment have changed. For example, the changing interpretation of luxury fashion by consumers has led to the adoption of mass fashion by the same consumers which has unconsciously formed a pedestal for mass fashion brands to stand side by side with luxury brands. This factor has pushed the mass brands to devise strategies that have enabled them to successfully encroach on the luxury consumer arena. Their success has also changed the way they are defined and perceived. They are no longer considered as only 'mass fashion' brands but are now 'mass premium fashion' brands or 'high-end' brands in some cases. Although they remain focused on a mass market, it is no longer appropriate to consider these brands as low-end or middle-end mass brands.

As a result of the elevation of mass fashion brands from 'mass' to 'premium', these brands have become competitors of luxury brands, for the first time in the history of luxury fashion. Luxury brands, which offered products that were previously based on social status, have always had well-defined territories along which they operate. There had never been any question that they hold the strings in determining the consumers' behaviour until now. However, today, mass fashion brands offer consumers alternatives to their luxury products at better price-value. The mass brands have also found several effective and innovative means to make their offering attractive. Mass fashion brands are capitalizing on the changes in the luxury consumer psychology and their evolution beyond using luxury goods for ego needs satisfaction. For today's luxury consumer, the branded bag or watch is no longer required solely to enable the fulfilment of esteem needs. It is no longer a problem for a young wealthy consumer to combine a \$50 pair of jeans from Zara with a \$2,000 bag from Vuitton and a \$3,000 watch from Chanel. Mass fashion brands are currently exploiting this development in the luxury consumer market.

The most noteworthy strategies that mass fashion brands have developed include the modification of retailing tactics to reflect a 'luxurious' appeal and the manipulation of similar branding and marketing mix strategies as luxury brands. The mass fashion brands have also developed advanced operations techniques to produce new designs within a short time period. The adopted strategies are presented below:

- 1 Fast design turnover, popularly known as 'Fast Fashion', which is a business model that encourages new designs in stores every few weeks instead of every fashion season. This ensures that consumers find something fresh every time they visit the store. Consumers are also encouraged to visit the stores frequently. Another benefit of fast design turnover for the brands is that fast fashion items are hardly placed on 'sales' or 'mark-downs', which means higher revenues for the brands. The fast fashion model is also beneficial to the wider economic environment through outsourcing of production. As a result of the need for frequent change of retail stock, several mass fashion companies presently outsource the production of goods to manufacturers and suppliers closer to their base in Europe instead of in Asia where the labour cost is lower. This creates more employment and gives a boost to the European textile industry. Although this model is prevalent in Europe, American brands have recognized its benefits and are adjusting their business strategies accordingly.
- 2 Limited-edition products, which is a spin-off of fast fashion. Rapid fashion design turnover means that the stores are not overstocked, which makes every product under the fast-fashion model a limited-edition product. Limited-edition products address the consumer need for individualism, customization and independence in style interpretation. Consumers no longer want to look the same but prefer to have a personal style. Limited-edition products ensure that each piece of clothing or accessory is viewed as individual.
- 3 Brand communications, luxe-style, which is exemplified by the high advertisement expenditure in fashion magazines like *Vogue* and *Vanity Fair* by both mass fashion and luxury fashion brands. This advertising medium was previously the sole domain of luxury brands but presently, the communications design, style and message of mass brands reflect a luxury feel. Examples can be seen from the concept, feel and style of the recent advertising campaigns of brands such as Mango and Marks & Spencer in the print media. Brand communications, luxe-style, is a contributing factor to the changing perceptions that consumers have of mass fashion brands and luxury brands. For example, when a consumer sees a similar looking Gap advertisement beside that of Hermès, it undoubtedly does something to their mind.
- 4 Celebrity product and brand endorsement. Several mass fashion brands are using the celebrity association, pioneered by luxury brands, to endorse

- their products. Some of these celebrities also endorse luxury brands. For example, Mango has featured supermodel Claudia Schiffer in its print advertising while Sara Jessica Parker and Helena Christensen have both appeared in Gap advertisements. Musician and actress, Madonna has also appeared in H&M's advertisements. Also cosmetics brand L'Oréal features celebrities like Beyoncé, Aishwarya Rai and Eva Longoria, in its advertisements. These highly paid endorsers lend their images to several luxury brands, sometimes in the same periods that they do to mass fashion brands.
- 5 Prestige retail location through stand-alone stores and retail spaces in luxury departmental stores. It is now possible to find the stores of mass-premium brands in prestigious locations in the major fashion cities like Paris, New York, Milan, London, Tokyo, and Los Angeles, among others. They now utilize the same retail location strategies of luxury brands.
 - 6 Co-branding with luxury fashion designers. Mass premium fashion brands presently collaborate with luxury fashion designers, to elevate their brand status. The most famous example of this co-branding tactic is H&M's collaboration with Karl Lagerfeld, Stella McCartney and Viktor & Rolf, in creating limited edition products. Other co-branding initiatives include American supermarket Target and British luxury fashion designer Luella Bartley; Adidas and Yoji Yamamoto; and Seven For All Mankind and Zac Posen. These collaborative efforts would have been unthinkable ten years ago but they have presently created a synergy between the two categories of fashion through acknowledging that they have consumers in the same sectors.

The results of these strategies include the rapid growth and expansion of mass-premium fashion brands spurred by high sales turnover and profitability; a shift in the global supply chain of fashion production from China to closer locations like East Europe for European brands and Mexico for North American Brands; and an ever-growing individual consumer style. Another result is the significant rise of the brand asset value of mass fashion brands. As an indicator, in 2005, Zara featured for the first time on the list of the Top 100 Global Brands Scoreboard by Interbrand/*Businessweek*. It was ranked no. 77, with a brand value higher than luxury brands Tiffany, Hermès, Cartier, Prada, Bvlgari and Armani. In 2006, its position rose to no. 73, with a brand value of \$4.23 billion. The implication is that if these brands were placed on the stock market, the potential value of Zara would be higher than the luxury brands. On the other hand, it can also be argued that consumers have more interaction with Zara than the luxury brands because Zara is a mass brand; therefore the brand value is likely to be higher. However, what remains clear is that mass fashion brands are increasing their brand equity among consumers.

In an attempt to face up to the competition posed by mass-premium fashion brands, luxury brands have developed production and retailing models to

increase the length and breadth of their seasonal products. This tactic guarantees frequent product change and shortens the shelf life of the luxury products in question. Some brands like Dolce & Gabbana, Chanel, Versace and Prada have adopted this strategy through introducing pre-collections, usually launched before the season's main collection. Pre-collections often yield better commercial gains and addresses the consumer need for 'early' and 'fast' products prior to the actual fashion season. As a result, luxury brands are placing less emphasis on runway shows and more attention on pre-collection shows. Other brands like Dior and Gucci have developed a 'capsule collection' and 'cruise collection', launched prior to the seasonal collections, to spur product rotation. This indicates that luxury brands are inclining towards the fast fashion model of mass fashion brands. However, the emphasis on creativity in product development should be the driving force of luxury goods creation, using the fast fashion model. This way, the creativity is ensured to meet consumer needs better.

Effect 2: from fast fashion to throwaway fashion

While fast fashion addresses the fashion consumer's demand for constant design change, a new spin-off trend called 'Throwaway Fashion' has also emerged. Throwaway fashion is directly linked with the disposable nature of the current consumer society towards products. This consumer attitude characterized by frequent disposing of goods has been transferred to luxury fashion from other product categories like basic consumer goods. Consumers presently have a throwaway attitude towards a wide array of goods due to the rapid rate of innovation in almost all categories of goods. This has made them view every purchased product as a temporarily owned item, to be discarded with the arrival of a new and better design. It has also contributed to increased expectations of consumers. As a result, fashion is now viewed as disposable. Fashion brands are also contributing to this attitude by constantly providing new designs. Since Zara, H&M and several mass premium fashion brands release new designs every few weeks, consumers have learnt to dispose of certain items in order to create room for the new ones. While most consumers can afford to adopt this attitude towards mass fashion products which have lower prices, the story is quite different when it comes to luxury brands.

Luxury goods are different because they are premium priced. Certain luxury products like bags and shoes, which fashion consumers purchase to complement their mass-premium fashion products like apparel, have an even higher price difference with mass fashion products. This means that consumers literally cannot afford to adopt the 'throwaway fashion' attitude towards luxury goods. Nonetheless, several solutions have been devised by innovative companies, to address the consumer need of 'throwaway fashion' in the luxury arena.

The most notable of these solutions is the provision of the temporary ownership of luxury goods to consumers. This service includes borrowing, exchanging or trading luxury goods between companies and consumers or among consumers, in order to allow the consumers to maintain fashion trends. Several independent companies in different parts of the world currently provide such services. They have applied the same concept that luxury brands have used for decades when ‘lending’ clothes and accessories to celebrities for special red carpet events like the American Oscar Awards. The difference is that in this case, consumers have to pay a fee to ‘borrow’ the goods. The companies that offer these services have created a platform for one-day borrowing of clothes and accessories to lending products that can be retained for weeks or months. The services also extend to style consultancy and advice. Foremost among the companies offering these services include Seattle-based Bag Borrow or Steal, which operates a designer bag-rental service for a monthly subscription fee, and Albright Inc. which specializes in weekly rentals of products from the top strata of luxury brands. Others are London-based One Night Stand which rents eveningwear, Paris’ Quidam de Revel which operates an appointment-only luxury goods rental service, and Australia’s Mila and Eddie (Figure 7.1), which operates a bag-loaning business based on private membership.

The second solution that luxury consumers have found to throwaway fashion is the purchase of second-hand and vintage luxury goods. Although this practice has been in existence for several decades, its commercial scope has expanded. Accordingly, speciality stores have sprung up all over the world to cater to customers that want authentic fairly-used luxury goods at low prices that are sometimes up to 80 per cent lower than the original prices. For example, several consignment stores on Rue Guisarde at the St Germain des Près district and others in the Ile Saint Louis district of Paris retail second-hand luxury products in excellent condition.

Also, websites that retail second-hand but authentic luxury goods have

Figure 7.1 *Mila and Eddie provides designer bag rental services. This addresses the ‘throwaway fashion’ attitude of consumers (August 2006)*



emerged, notably portero.com, which trades through the ebay portal. These websites have credibility because they operate on a company platform, rather than on an individual hawking position. The fairly-used luxury product trade is highly successful on the internet because it gives shoppers anonymity.

Effect 3: trend watching, trend tracking and luxury services

One of the main reasons that consumers have become marketing experts is their desire to be trendy at all times and in some cases, at all costs. The majority of luxury consumers now follow fashion trends religiously, which has led to their becoming self-fashion stylists. Their fashion knowledge has also led to an ability to interpret hidden branding and marketing messages that are targeted at their subconscious.

The need to be trendy is being fuelled by the mass media, notably fashion magazines and television shows, which hound consumers with fashion articles and features with non-stop lists and images of fashionable people. Also every season, multitudes of new fashion trends emerge, requiring different attitudes, moods and interpretations. Several brands have also developed pre-season collections, which sometimes conflict with the styles of the main collections. In addition, there is a continuous increase in the number of fashion brands around the world, with enticing product and services offerings. These factors have led to consumers being overloaded with fashion information and product choices. Consumers can hardly keep up with the frequent style changes in the fashion market. Consequently they seek a solution through tracking fashion and lifestyle trends. The information they obtain guides them in defining their own individual styles.

Trends information is increasingly found in the mass media and on the internet through fashion e-zines. Fashion magazines are often filled with product features of various luxury fashion brands and advice on how to wear them. Also, numerous websites and online fashion retailers offer free services on fashion styling and coordination. 'Style Advisers' and 'Style Consultants' have also become important roles in the fashion industry as a result of the growing consumer demand for trends services. Also the title of 'Style Icon', given to some celebrities has become as much a career as being an actor or musician. These avenues of trends information all provide consumers with the possibility of becoming stylish.

The need for fashion trends information has also extended from consumers to the luxury brands that provide the trends. This is because the luxury market has become highly competitive and brands are now required to be well-informed in order to stay ahead of the game. The trends information and analysis needs of luxury brands extends from consumer lifestyle trends to consumer attitudes towards fashion. These provide luxury brands with a

framework to assess the consumers' potential interpretation and response to their products.

The demand for trend analysis by luxury brands has led to the emergence of a services sub-sector within the fashion industry, known as the 'Fashion Trend Service'. This service is provided by several companies like online-based Trendwatching.com, which supplies up-to-date information on consumer trends through individual trend scouts all over the world. Other companies like hintmag.com and jcreport.com offer fashion trends information through online magazines available by paid subscription. Yet other e-zines like Daily Candy provide fashion trends and news to the public for free. The fashion trend information service also extends to trend advice provided by the likes of Hong Kong-based Parisexchange.com. Another aspect of the trends service for consumers is Trend Analysis and Intelligence, being pioneered by London-based company, The Future Laboratory and Nice-based company, Style Vision. The utilization of fashion trends companies indicates that assessing consumer response is a key tool for the development of effective branding strategies.



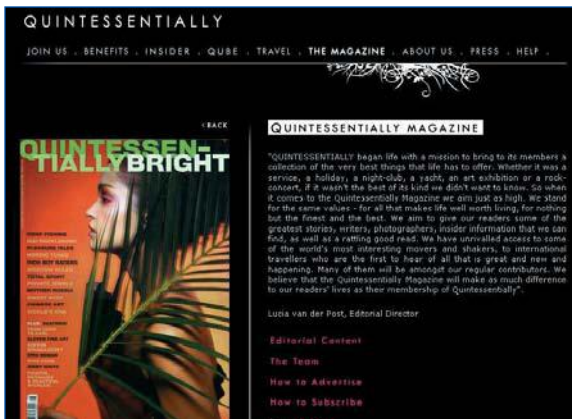
Figure 7.2 *The luxury industry's leading information source, Luxury Briefing Journal, is available only by subscription through www.luxury-briefing.com. It addresses the luxury sector's need for relevant market information and analysis.*

Photography by Jonathan Glyn Smith





Figure 7.3
Quintessentially, the world's leading private members club and concierge service provides luxury consumers with up-to-date luxury fashion and lifestyle information through the Quintessentially magazine. This addresses the consumer need to be in the know about new trends.



In addition to trends tracking, several luxury services companies have emerged to provide services ranging from market information for both brands and consumers to concierge services for consumers. The information provided includes marketing intelligence, analysis and consumer lifestyle insights. Notable among these information sources are the pioneer luxury industry journal, *Luxury Briefing* (Figure 7.2), published by Atlantic Publishers, UK and available only by subscription; and High Net-Worth magazine, produced by London-based Ledbury Research.

Also, the world's leading private members' club and concierge service company, Quintessentially (Figure 7.3) provides a combination of private club and concierge services in addition to its magazine, *Quintessentially*, which is circulated among celebrities and the world's wealthy but is also available to the wider public by subscription.

Trend tracking is not a new concept in the fashion industry, as it has been practised as a part of marketing research for a long time. However, the current strong focus on trailing the rapid changes in the fashion sector by both

consumers and brands has never been seen in the history of fashion. This is one of the effects of the new attitudes to luxury.

Effect 4: the new luxury brands

The entry barrier of the luxury fashion sector has been lowered, as pointed out earlier in this chapter. In the past, several decades were required for a new luxury brand to build its credibility and awareness among consumers. Today, however, the timeline has reduced substantially. The main factors that have contributed to this are the internet which provides rapid and uniform information to consumers worldwide making the creation of brand awareness easier; and the globalization of fashion tastes. Also, the increasing flexibility and experimental nature of luxury consumers increases the success potential of new luxury brands.

However, only a handful of the hundreds of brands launched annually are successful. The exceptional brands that have succeeded in establishing global awareness and credibility in the last two decades include British luxury leather-goods brand, Jimmy Choo; French luxury brand Paul & Joe; and British brand Ozwald Boateng. Also British brand Stella McCartney was launched in 2001, and in little over five years has achieved a global consumer following. Italian brand Piazza Sempione, launched in 1990, is also growing rapidly globally. Also highly successful Dolce & Gabbana is only 21 years old while Versace is a brand that is young at 28 years. These brands can be considered as being in their infancy when compared to brands like Hermès, which has a 168 years history, and Louis Vuitton which celebrated its 150 years in 2005. Despite the young age of the new brands, their level of success is immense, proving the point of the high success potential of new luxury brands.

Also in the current twenty-first century, two newly launched luxury brands currently apply strategies that make them brands-to-watch in the coming years. They are French leather-goods brand André Ross and the self-named brand of American fashion design icon Tom Ford. André Ross is based on the brand heritage of bespoke French craftsmanship, which is currently used to create products for a broader luxury consumer base. Tom Ford on the other hand has adopted a reverse positioning strategy of launching with lower-priced products like make-up, eyewear and fragrance rather than apparel and leather-goods collection.

Several other aspirational brands that have been launched in recent decades abound, all trying to create brand awareness and occupy a strong brand positioning in the market. Some of these brands will become successful while others will fail as a result of mistakes and unfeasible business strategies. However, the fact remains that adequate room has now been created for new brands to be launched in the current luxury fashion market without the

back-up of a long history. Also new luxury brands currently have a high success potential with the application of appropriate strategies.

Effect 5: accessible luxury

Another important effect of the changing luxury scene is the increased accessibility of luxury fashion. Luxury fashion goods are now available to more consumers as a result of two major factors. First, the luxury consumer market has expanded and there are more people that can afford luxury goods, all over the world. Secondly, the product portfolio of luxury brands has undergone a modification as several products that previously had the ‘exclusivity’ attribute have been diffused to include lower-priced versions. Also, luxury brands have extended their product ranges to include lower-priced items like cosmetics, fragrance, eyewear and other accessories. These goods are designed to act as the brand’s introductory points for new consumers and the retentive points for old consumers. Perfumes in particular play an important role in consumer relationship with the brand. It is considered the easiest point-of-entry product into the luxury market and has the fastest growth rate. It also generates high publicity, does not consume high capital, is a source of fast profits and has a long shelf-life and rapid stock turnover. Other aspects of the product extension include goods that reflect a ‘lifestyle’ such as furniture, interior decoration, restaurants and hotels. This product extension has broadened the scope of interaction between luxury brands and consumers. Consequently, there are now three distinct product groups in the luxury product portfolio:

- (a) Lower-priced luxury products such as make-up, cosmetics, fragrance and writing materials.
- (b) Medium-priced luxury products, such as restaurants, exclusive clubs, eyewear and in some cases wristwatches.
- (c) Expensive luxury products such as leather-goods, apparel, jewellery, wristwatches, special edition products, hotels and spas.

Luxury brands usually launch their product range with expensive goods like leather products, which stamp their status of luxury. However, in order to access new consumers, both old and new brands now segment their offerings to include entry-level products like cosmetics, in addition to expensive products. An example of a brand that was launched with accessible luxury products such as eyewear is American brand, Tom Ford, which also has a co-branded cosmetics range with Estee Lauder. This product launch method is known as the reverse positioning strategy. Although it is an innovative way of launching a new brand and of entering new markets, it also raises the question of its suitability for the luxury goods sector.

Accessible luxury is also being spurred by specialist stores emerging all

over the world, notably in New York, Paris and London. These stores would have been considered as junk stores twenty years ago but they are currently treasure islands for luxury consumers. They stock goods ranging from vintage apparel and accessories to designer home decoration pieces and other rare knick-knacks. Some of the stores have branded themselves as 'lifestyle concept' stores. An example is Collette located on Paris' Rue Saint Honoré, which stocks goods ranging from luxury branded clothes, accessories, make-up and cosmetics, books, CDs, DVDs and other funky lifestyle 'stuff'. The store has become both an institution and a tourist attraction. It also has an underground Water Bar that serves as a fashionable meeting point for savvy consumers. Stores like Collette provide an avenue for consumers to interact with luxury brands without the intimidation that is sometimes felt in the luxury brands' own stores.

Effect 6: intangible luxury

When the question, 'What is luxury?' was posed to several people, including professionals in the branding and luxury goods fields, their answers included intangible qualities such as time, family, health and well-being, rest, travel, peace, essence, desire and substance. Others say that luxury is a dream and this dream mainly comprises of intangible qualities that are lacking in consumers' lives. Yet others insist that luxury is now a question of personal perspective. These answers reflect two things. The first is that there is a change in the definition of what constitutes luxury for several consumers. The second is that the interpretation of luxury is now completely individual. The reasons for these changing definitions of luxury are fairly obvious.

The first reason is that consumers of the present generation have access to more wealth. They are much more likely to attain career success and wealth at early ages compared to their counterparts of previous generations. This is mainly as a result of the expansion of the corporate and business sectors due to global economic and technological advancement, which have created wealth acquisition avenues. The same group of consumers are also working more as a result of increased responsibilities. The implications include stress, chaos, lack of time, health problems and all the negative associations that come with being busy all the time. These effects are most evident among the group of consumers known as Young Urban Professionals (YUPs), High Net-Worth Individuals and Career Women with families. These groups of consumers desire an escape route from their chaotic lifestyles. As a result, they have come to perceive luxury as the intangible substances that they wish to have in their lives, such as simplicity, time, well-being, de-stressing services, freedom, space and peace of mind. Other notions of luxury by this group are elements that add true meaning, value and happiness to their lives, such as family, friends, community and charity work. These intangible qualities have

become aspirations in the same manner that physical luxury goods remain aspirational goods for a large segment of the consumer population.

At the same time, luxury consumers desire innovative and inspiring luxury products to enable them to feel dynamic and alive. They view luxury as not necessarily the most expensive or the most lavish products, but the best that suits each individual and their outlook on life. Some wealthy luxury consumers also view luxury products like fine jewellery, well-crafted timepieces and fast cars as conspicuous wastes. However, in general, the current luxury consumers use luxury products and services as sentimental and expressive tools. Consequently the luxury brand offering should offer an appropriate balance between the need levels of tangible and intangible benefits.

In addition to the intangible qualities that consumers currently relate to luxury, ethical and socially responsible practices are now linked with luxury brands. Current luxury fashion consumers have become morally conscious in addition to being intelligent and socially aware. These consumers are extending associated ethical practices to every aspect of their lifestyles, from the consumption of organic food, to the use of carbon-neutral products. They now read the labels on their clothes and are interested in the sources of the materials of luxury products and also the conditions under which they were manufactured. They expect the luxury brands that they endorse to show visible ethical practices and social responsibility. This factor has become an important strategic requirement for competitive advantage in the luxury market. For example, in 2005 the musician Bono, his wife Ali Hewson and New York designer Rogan Gregory, launched a socially conscious apparel brand called Edun. This fashion brand is based on the concept of fair trade and employment. The clothes are manufactured with only organic materials. Another fashion designer following this concept is Linda Loudermilk, who has an 'ecoluxury' apparel line made from organic and sustainable fabrics. The impressive consumer responses to these products and brands imply the high ethical value of luxury consumers.

One of the ways of effectively addressing the need of consumers for intangible qualities like purity and serenity is through extending a luxury brand's offering to include luxury services like hotels, restaurants and exclusive clubs. Luxury brands are reputed with appealing product attributes and these can be transferred to the service experience they offer consumers. For example, a consumer staying at the Palazzo Versace ought to experience an exceptional and rare service to fulfil their intangible needs.

In satisfying the intangible desires of consumers, it is important for luxury brands to emphasize their brand essence and integrity, irrespective of the product or service being offered. Also luxury brands need to readjust their practices to reflect the new luxury environment. This might include relinquishing certain old practices in favour of modern strategies that hold relevance for consumers. The new luxury requires creating the unexpected rather than the expected.

Effect 7: a borderline identity

As has been extensively discussed, the change in the luxury scene raises several questions about the real meaning of luxury. It also queries the criteria for defining the brands that can currently be tagged as authentic luxury brands and what they represent for luxury consumers.

In the previous luxury market scene, luxury brands were meant for a specific niche consumer group and there were only a handful of brands that could immediately be identified as luxury brands. This was the era when a three-tier pyramid could easily be drawn with luxury and prestige brands placed at the top-end, aspirational fashion brands placed at the middle level and mass market and supermarket brands placed at the lower level, as shown in Figure 7.4. Each of the levels addressed a specific social class in the consumer society. However, today the picture has changed.

In the current luxury environment, the market structure has been diluted so much that the pyramid is no longer relevant. For example, it would be difficult to place high-end brands with lower-priced diffusion lines or brands that collaborate with mass-market brands on the pyramid. Also, it would be inappropriate to categorize premium-mass fashion brands like Zara, Topshop and Gap as ‘supermarket brands’. Also, sophisticated premium brands like Furla and Longchamp would be lost on the pyramid. Despite the current irrelevancy of the luxury pyramid structure, the following crucial questions remain unanswered:

- 1 Have luxury brands become mass brands as a result of increased availability and access to luxury goods?
- 2 Are fashion brands becoming luxury brands through elevating their branding and marketing strategies to reflect premium appeal?

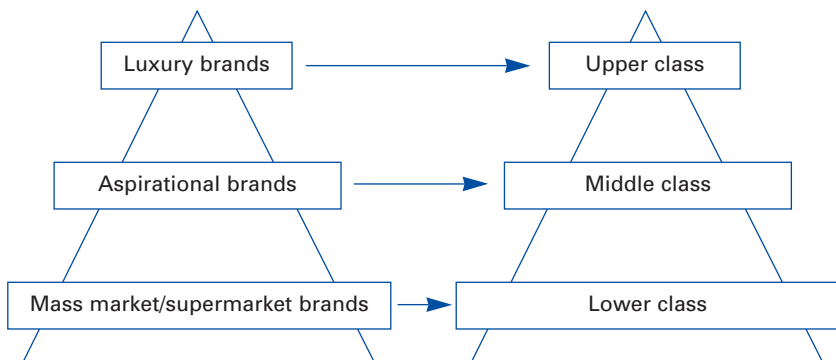


Figure 7.4 *The previous market hierarchy structure of the luxury goods sector in relation to customer strata in the society. This hierarchy has lost its relevance in the current market environment.*

3 Where can the lines between luxury, prestige, aspirational, premium and mass fashion brands be drawn?

There are no black and white answers to these questions. However, to lessen the confusion, some definitions will be given.

Luxury and prestige brands represent the highest form of craftsmanship and product quality and command a staunch consumer loyalty base that is not affected by trends. These brands create and set the seasonal fashion trends and have the ability to retail an item for €20,000 and another for €300 to different consumer groups. They are the epitome of prestige and are capable of pulling all of their consumers with them wherever they are located. Brands in this group include Bvlgari and Hermès, among others. True luxury and prestige brands do not utilize mass-market strategies in order to become mass-market brands. Rather, they have recognized the changes in the luxury marketplace and are attuning their strategies accordingly, without sacrificing their core heritage and brand essence.

Premium brands are those brands that aspire to become luxury and prestige brands but their marketing mix strategies are more attuned to a mass market, albeit a luxury mass market. The brands in this group are also sometimes referred to as **mass-premium** brands, **aspirational** brands, **mass-luxury** brands, **designer** brands or simply **high-end** brands. The group of premium brands has a broad scope, which makes narrowing them down challenging. Several of the brands in this group also have different levels of operations. Consequently they have been categorized as follows:

- (a) High premium brands, such as Calvin Klein, Tommy Hilfiger and Longchamp, among numerous others.
- (b) Medium premium brands like Lacoste, Furla and Lanvin, among several others.
- (c) Low premium brands are brands like Zara, H&M and Gap, among others. This group can no longer be considered as merely fashion brands, in the same sphere as supermarket brands such as Wal-Mart and Tesco, as a result of the elevation of their offerings and strategies. The brands in this group are playing a key role in the ‘trading-down’ phenomenon of luxury consumers.

There are also several ‘luxury’ brands that have adopted strategies utilized by premium brands including licensing and end-of-season sales. However, this factor doesn’t make them premium brands as their overall corporate strategies reflect luxury and prestige status. At the same time, implementing mass-focused strategies without effective control could lead to the eventual loss of the brand cachet.

The premium fashion brands segment has arguably witnessed the greatest changes in the consumer market. They are also facing aggressive competition from the higher-priced luxury and prestige brands and the lower priced mass-fashion brands.

Mass-fashion brands on the other hand are those that dress the masses. A recent evolution brought about by competition has also created a significant change in the way this category is viewed. Although brands in this group include supermarket ranges such as Wal Mart, Carrefour, Tesco and Asda; and other brands like the U.K.'s Primark and France's Tati, these brands are effectively implementing differentiation and are currently developing strategies to elevate their offerings.

The difference between luxury brands and fashion brands is not only in the marketing mix aspects of product quality and pricing. It also applies to availability and exclusivity of the products. Fashion brands are for the mass market, whether the products are of high quality or not. Luxury brands remain for a distinct market although this market has broadened. They are defined by high quality, differentiation and precision in product design and manufacture.

A brand is either a luxury brand or it is not. There is no in-between. If a brand does not set out to target the high-end market, then it would be difficult for it to become a luxury brand as a result of all the factors identified so far in this chapter.

So who are the true luxury brands?

The traditional view of luxury has been affected by the recent changes in the luxury market. Despite this, the true luxury and prestige brands remain, unwavering and uncompromising of their core values and continuously influence their consumers' thinking. These brands have also benefited from long histories, as heritage and tradition have always played a vital role in the luxury goods sector. New brands that have devised strategies that enable them act as old brands also fall within this group.

Luxury brands that desire to succeed in the marketplace must develop strategies that address the difficult paradox of the combination of exclusivity and availability and an appeal to many while appearing to be right for only a special few. They must remain relevant to the consumer population even as the market continues to change.

While I am not going to provide you with the easy solution of listing the true luxury brands, I can suggest a simple test that can be applied to ascertain whether a brand is a true luxury and prestige brand or not:

If you move the Louis Vuitton boutique 30km away from its flagship store on Avenue des Champs Elysées, will the consumer be ready to follow the brand to the

new location? If you also move the H&M boutique on rue de Rivoli 30km away, will the consumer go an extra 30km for a pair of H&M trousers or will they find an alternative?

The answers you give to these two questions will help you define luxury and non-luxury brands.

How the future looks

In as little time as the next decade, the luxury marketplace will definitely be different from what it currently is. The causes and effects of the changes that have been evaluated so far are proof of the changing environment.

The current luxury environment requires a shift away from the product-focus strategy to the adoption of the consumer-focus strategy. This means making consumer needs the central point of brand strategy development. It also means that the future will be difficult for brands that are relaxed about innovation and understanding consumer needs. The future will also be less about tradition and sameness; and more about substance, originality and relevance, through continuous innovation. Consumers will expect to be taken through a seamless experience of everything that encompasses a luxury brand and not just its products and services. There will also be a level of brand attachment that will go beyond the current lifestyle scope, to a cultural phenomenon that will separate itself from commerce and lavishness. Therefore less will mean more and consumer emotion will replace product quantity and cost. Consumers will also continue to seek abstract forms of freedom and expression in fashion and will reject brands that seem apparently wealth and profit-driven and lacking in substance. This means that only the brands that show deeper meanings and foster simplicity in creativity will thrive.

Chris Sanderson, Creative Director of The Future Laboratory sums it up in his statement in an interview granted to *Luxury Briefing*:

Nu-luxury invests much of its values and worth in brand intangibles – the magic of its offers, the experience of its brands, the uniqueness of its narrative and the emotional and psychological impact all these have on our senses. (*Luxury Briefing*, October 2005)

In the near future, the consumer society will place more value on ethical and moral issues including environmental protection concerns. They will respect the luxury brands that ‘give back’ to the society and support ethical production. This outlook will also be directly transferred to the feelings that consumers will have regarding their expenditure towards luxury purchases. Consumers will seek an honest justification for the lavish purchases of luxury goods. The recognition of moral and ethical values will affect all high net-worth consumers

including those that still need to assess their affordability of luxury goods. This means that in addition to a brand's offerings, consumers will need a concrete and morally right 'background story' to endorse a brand.

In addition to the consumer outlook towards luxury goods, the way consumers will shop in the future will be different. Internet and communications technology will enhance online shopping, trading and borrowing of luxury goods. Mobile shopping, which is already a high growth retail business in Japan, will also see significant growth in other parts of the world, notably the US. This will result in an increased pace of retail and commerce, leading consumers to expect and demand more from luxury brands.

Personal service and attention to consumer needs will become a key success factor for brands that pay attention to consumers. Also consumers will want to see real value and essence in the luxury brands that they endorse and will desire products that have enduring value. Consumers will not have the patience to decode unclear brand messages and will move on to the next choice if confused. This will make them seek the brands that hold true meaning in terms of luxury and prestige. The brands that will feel the impact most are those that are 'stuck in the middle' without appropriate positioning as neither luxury nor premium brands. Luxury, premium and mass fashion brands need to work harder to maintain their competitive position.

The list below provides a quick overview of what to expect from the fashion market in the near future:

- 1 Second-hand luxury goods will become more fashionable and more purchased.
- 2 Specialist stores with rare products will become more successful.
- 3 Online retailing and trading between luxury brands and consumers and among consumers themselves will thrive.
- 4 Consumers will recognize and patronize indigenous designers especially in Britain, China and Japan.
- 5 Consumers will demand more of personal shopping and a total immersion experience with luxury brands.
- 6 Customized and bespoke goods will become the order of the day.
- 7 Uniquely handcrafted products will continue to remain popular among consumers.
- 8 Environmental awareness will drive consumers to seek knowledge of the materials used for their products and to support brands with visible ethical practices.
- 9 The fusion of luxury fashion with art, travel and lifestyle will be more attractive to consumers.
- 10 Luxury brands that ignore the intangible needs of consumers will lose loyalty.
- 11 The Chinese market will have a great positive impact on the sales of goods from Western luxury brands in the short term, but in the long term

China will promote and support native creative talent both acquired locally and abroad like Barney Cheng and Jimmy Lam. The country's size and vigorous nature are ingredients for the success of local talent.

- 12 Mobile shopping will grow in different parts of the world.
- 13 Innovative brands will advance marketing and Customer Relations techniques through technology such as Neuromarketing.

The strategic challenge luxury brands face in the light of these factors is that it is time to get rid of the old strategy where the product was king that drove the company forward. New luxury is less about the brand's tangible attributes such as the product design and packaging and store location. Instead, the New Luxe embodies intangible brand associations like the complete magic of each consumer's experience and the unique impact of the brand on the consumer's emotions and subconscious.

Finally, luxury brands also ought to recognize that mass fashion brands have created an escalated portfolio of offerings that sometimes represent a more justifiable value to consumers than those of luxury brands. Mass brands have also fine-tuned their strategies, which sometimes surpass the standards that were previously set by luxury brands. In order to maintain their luxury status however, luxury brands must sustain a distance from mass fashion brands to avoid becoming commonplace. At the same time, luxury brands should visibly embrace the mass fashion brands as both partners and collaborators because mass products now complement luxury products creating a co-existence between the two product categories.

Chapter 8

Customize me!

‘The one word definition of true luxury in the 21st century will be “bespoke”.’

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

Henry Ford, the man who founded the Ford Motors Group and brought automobile ownership to the masses, famously made a statement in the early twentieth century about the colour and design choices that his customers could have of the Ford Model T car. He said:

‘The customer can have any colour as long as it is black.’

His unenthusiastic comment about providing customers with multiple colour choices of the Ford Model T (all the cars were black) was made mainly from a technical and manufacturing viewpoint. This is because, at the time, production flexibility in terms of multiple colours, designs, styles and other forms of customization had very high time and monetary costs that would have increased the prices of the cars substantially. However, Ford’s competitor, General Motors, came along and by the middle of the 1920s was able to offer customers multiple colours and annual model changes at no additional cost. Through this method of product variety, they encroached on the market share of Ford and soon surpassed Ford in popularity and sales.

Fast forward 90 years to 2006 and, quite startlingly, several business practitioners still think like Henry Ford did in the 1910s, despite the enormous advancement in technology. It is not uncommon to find executives in the luxury goods sector that still believe that standardized goods are manufactured at low cost while customized goods are manufactured at high cost. The same perception is widespread in other sectors.

Now, fast forward again to 2050 and think of what the consumer society would feel like if we were all treated like the character Tom Cruise played in the futuristic American movie *Minority Report*. When he visited a shopping centre, he was greeted with his first name by digital screens. Computerized customer services teams were also at his constant service, and while he strolled around the stores, he was asked if he would like the same product as the ones he had previously purchased? This implies that a record of his personal tastes, preferences and shopping habits was kept and consulted for his benefit. It also shows that the stores understood his needs and applied

them in their offerings to him. He was recognized, respected and appreciated as a customer. This scenario would be a consumer's dream world and should be the luxury brand manager's ideal world.

The reality we currently live in is perhaps decades or even centuries away from the techno-savvy world portrayed in *Minority Report*. However, the global marketplace has evolved from the production-based Henry Ford era to that which utilizes advanced technology in several facets of commerce, especially in streamlining products and services according to individual tastes. This includes the customization of products and services on a broad level for an extensive consumer base.

The concept of customization currently exists in several business sectors on different levels. For example, several companies in the computer sector such as Dell provide customized products to consumers through the internet. This type of customization is on a broad level because it addresses a mass consumer base. In the luxury goods industry, customized products are currently provided on a narrow level to a small and select segment of consumers. The industry is yet to adopt customization on a broad base.

Customization of products and services is one of the key requirements of current luxury consumers. The previous chapters of this book have repeatedly emphasized the importance of understating the luxury customer and designing products and services to exceed their expectations. This is because luxury consumers are the biggest opportunity luxury brands have to gain competitive edge. This cannot be said often enough. The luxury consumer desires an exceptional and exclusive total experience with luxury brands and this can be achieved through products and services customization. Luxury consumers are also becoming more individual in their fashion tastes and increasingly seeking customization as an outlet to their fashion creativity.

Customization ensures that consumers are ushered into an exclusive experience area where their individual preferences are addressed on a broad and equal level. It provides them with the empowerment to apply their imagination and desire to be in control of their choices. It also enhances their satisfaction and creates a deeper relationship with the brands, paving the way for brand loyalty. Customization also provides luxury brands with the opportunity to tap into the intellectual capital of their consumers and to understand their design expectations better.

The luxury fashion goods sector is yet to make customization a core aspect of the corporate strategy. Currently, several luxury brands offer bespoke products and services but this service is often reserved to a narrow client base of very important personalities (VIPs) or very important clients (VICs). The reality is that every luxury fashion consumer has become a VIP and desires to be treated as one. Consumers perceive the offerings of luxury brands to be exceptional, and they desire to be treated as exceptional people by luxury brands. One of the ways of treating all customers as exceptional and endearing them to a brand is through offering an exceptional experience through

customization. Also customized products can now be manufactured en masse as advanced technology has made their production cheaper. Although this strategy is now feasible for luxury goods, several luxury brands seem reluctant to adopt mass customization and determined to remain in Henry Ford's world of mass production. It is now past the time to rethink this stance.

The history of the luxury goods sector shows a strong link to customization, although mass production later overtook this. It is interesting to note that the majority of the successful luxury brands of today were started by skilled artisans and craftsmen who produced made-to-fit goods mainly by hand, with the assistance of a limited number of machines. This process was rewarding but also time-consuming, expensive and labour intensive. As time progressed and innovative manufacturing techniques were developed, luxury brands adopted the use of machines that produced more goods at less costs without compromising the product qualities and style. This however led to the standardization and uniformity of goods. Several brands, however, retained a limited range of products that continued to be manufactured by hand. These products are currently classified as 'bespoke' or 'made-to-order'. They usually have a high price cost (approximately €5,000 for a Hermès bespoke Birkin bag); and high time cost (six to eighteen months waiting period for a Hermès bespoke Birkin bag and approximately four months for a Gucci made-to-order men's shoe).

However, the current provisions of technology have made it possible to produce more personalized goods using mass production techniques without substantial additional costs. Companies that manufacture goods in other categories, including mass fashion brands, effectively utilize these techniques to optimize production and sales. Luxury brands are, however, yet to apply advanced systems in the production of customized goods for a mass client base.

The view of some luxury practitioners regarding mass customization is that it is at odds with the need to retain the 'exclusivity' attribute of luxury brands. It has been argued that if customers are provided with the tools to customize their products, the products might lose their 'superiority' appeal. This rationale is however negligible as luxury goods are currently purchased by a mass group of consumers globally and luxury brands have increased their production capacities to welcome this 'mass' consumer base. It is, however, purely logical to streamline the operations approaches of mass production to include one of the major needs of this mass consumer group, which is customization. Satisfying the needs of consumers has nothing to do with diminishing a brand's attributes but everything to do with enhancing the image and equity of the brand.

Previously, the product design and manufacturing process of luxury brands was driven by standardized products and services, parallel markets and long product lifecycles. Today, the situation is the reverse and the consumer has become the strongest market force in the luxury market. These consumers

exhibit several strong attributes including the need for personal attention through the products and services they're offered. Luxury brands have to wake up to the real consumer world. The rules of the game have changed.

The consumer market has evolved from a mass-production based one to a market where products and services need to be streamlined according to individual consumer needs. To assume that the luxury marketplace is still a global homogeneous scene will be to live in bygone fiction. The days of uniformity and sameness are over. Individual consumer tastes have risen above semblance. These consumer tastes are also no longer predictable. A European City Mayor has the same likelihood of riding around the city on a bicycle or in the public underground train as a blue-collar worker has of using his/her earnings to shop at Chanel. Customers must be thought of as individuals with varying needs and not continuously grouped together as a bunch of 'luxury brand loyalists'. Today, the key to success in the luxury business is to understand the consumer and the market. This however is easier said than done.

What is customization?

Customization is simply the adaptation of goods and services according to individual consumer needs. It is the tailoring of the offerings of a company to provide multiple choices and variety in such a way that every consumer finds exactly what they are looking for. Customization is not the same as product variety, neither is it the same as personalization. Creating customized goods from the existing product portfolio is different from launching multiple or seasonal product designs. Also, customization is different from personalization. While personalization involves the adaptation of either existing or yet-to-be-produced goods to particular individual demands, such as name inscription on products or bespoke goods commission; customization involves goods adaptation that can be done en masse. Personalization is, however, a part of the customization process.

Mass customization is the production and sale of highly individual products and services on a bulk scale, to a mass market. In other words, it is the provision of customized products and services to every consumer who desires so. It involves using mass production techniques and economies of scale processes to manufacture a larger variety of products at lower costs and capture more personal style needs of customers. Writer and notable proponent of mass customization, B. Joseph Pine calls this 'Economies of Scope' in his book, *Mass Customization: The New Frontier in Business Competition*. Economies of scope involve companies saving money on a wide range of possibilities in products and services offerings, in the same way that mass production saves costs through economies of scale.

Although it might seem that customization cannot be applied to a mass market and at a similar low cost level as mass production, it is possible for

companies, including luxury brands, to achieve the benefits associated with mass production through applying mass customization techniques. This can be done through resource sharing and allocation on standard components, which can further be utilized to create variety in the end product.

Customization works on three levels. First, a wide variety of product designs, styles, colours and materials that appeal to a broad taste level should be available to the consumer public. Secondly, this range of goods should be easily modified and adapted according to specific consumer requirements such as providing multiple leather and hardware choices for a particular leather goods range. Thirdly, customers should also be able to add personalized features to their chosen products such as their names or short messages on specific product parts. These services or features could be provided at either no cost or with an additional small fee. This is one of the ways to guarantee that the customer receives the optimum satisfaction, which should be the target of luxury brands.

A simple illustration of customized versus standardized service is the customer services letter that often accompanies the delivery of ordered luxury products. I once made an order from a major luxury brand which arrived two weeks late, accompanied by a letter of appreciation from the Customer Services Manager. The letter was obviously a standard letter that is sent to all customers addressing them as ‘Dear Customer’, instead of with the customer’s name as would be expected from a luxury brand. Had this letter addressed me as ‘Dear Uche’, instead of ‘Dear Customer’, it could have been elevated from the status of ‘toneless’ and ‘drab’ to appreciation for recognizing me as a valuable customer. This simple action would have incurred the brand no additional costs in terms of time, paper and ink. This attitude of customer generalization is prevalent among several luxury brands, despite the availability of advanced business systems that aid customization.

Who wants to be customized?

If you ask a randomly selected manager from a luxury brand to name one of the most prominent traits shown by the current luxury consumers, they’re likely to tell you that it is individualism and independence of choice. It is absurd that several luxury brands are aware of this need and yet continuously ignore it. It seems like something that is read in journals and newspapers and discarded, only to be dug out of the brain when required to give smart answers to delicate questions.

Customization and personalization of products, services and also web pages rank highest among the yearnings of the current luxury consumer. Consumers seem to be going around screaming, ‘*I want personal attention!*’ and luxury brands seem not to be listening. Although some luxury

brands offer bespoke services (even though much of these need to be seriously upgraded and updated!) but they either forget to tell their consumers about this service or they guard it like a treasure reserved for two clients in a year. Consumers want to be treated as important through the provision of choices in product and service offerings. They want to feel special. They want to be provided with the opportunity to show their high knowledge level and *savoir-faire* in fashion. They want to be given the power to request and choose what appeals precisely to their individual tastes. They want courtesy and uncompromised product and service quality. These are all achievable through product customization and majority of luxury consumers are not getting this service from luxury brands. It is also important to note that the same group of consumers are getting customized services in other product categories such as in information technology (with Dell and Apple), sportswear (with Levi's and Nike), fast food (with Subway), cars (BMW) and services like telecommunications and banking. These benefits have increased their expectation of customized goods from luxury brands.

The current strongly defined customer tastes have been aided by the digital revolution, which has exposed consumers to style options and propelled their thinking and expectations to a fast lane. This is more apparent with the steady growth of the size of the online luxury consumer market. This factor has made customization an important strategic tool for competitive leverage and a key feature in product and brand development.

The luxury consumer need for recognition and appreciation, which has become more apparent in the last decade, has been recognized by independent companies who have created parallel services. A notable example is the French company, Soirée de Star, which offers consumers a package of customized celebrity 'frills' such as limousine rides to staged 'red carpet' events, complete with photographers and fans. Although these customized offerings are illusive in nature and expensive in cost, they provide evidence of the consumer need to be courted and treated as special collaborators. Luxury consumers have evolved from using luxury goods as a platform of defining themselves, to accommodating luxury products in their independent styles. This emphasizes the need for customization.

An example of a fashion brand that has responded to the consumer need of customization in an efficient manner, which luxury brands ought to emulate, is denim brand Levi's. The brand provides customers with an option to customize denim trousers before purchase on its website, through the 'Jeanfinder' feature (Figure 8.1). The tools that aid this service include colour selection, size, style, fit preference, cut preference and leg style options. Levi's also encourages customers to be creative in styling their jeans and sharing their creativity ideas with other consumers on the website. The innovation of Levi's in product customization is an excellent strategy that enhances brand affiliation with consumers.



Figure 8.1 Denim brand Levi's provides mass customized product services through its innovative 'Jeanfinder' feature on its website (May 2006)

What are the benefits of customization?

Mass customization brings multiple benefits to companies and to consumers. The most prominent of these are increased customer satisfaction and lower total production costs and time. Increased customer satisfaction is achieved through empowering customers with the tools to choose their products and services the way they precisely want them. This is one of the quickest routes to brand loyalty, repeat purchases and increased sales. Customization also reduces the risks of comparative shopping with competing brands; and paves the way for production flexibility and quick responsiveness for companies. Mass customization focuses on customer satisfaction at low costs, while mass production focuses on lowering operations costs and increasing efficiency and volume. They both guarantee the same results: increased sales!

Other benefits of customization are shown in the following list:

- 1 Closer relationships with consumers.
- 2 Reduced waste or complete waste elimination of materials.
- 3 Production of optimum quality goods.
- 4 Increased labour productivity.
- 5 Higher labour flexibility.
- 6 Improved production processes.
- 7 Lower overhead costs.
- 8 Integration of innovation and production.
- 9 Shorter product cycles.
- 10 Higher sales turnover.

- 11 Greater profitability.
- 12 Higher success potential of New Product Development projects.

How can luxury brands customize goods and services?

The luxury industry has several misconceptions regarding mass customization of goods and services. The most prominent of these misleading ideas is that mass customization increases operations costs. Another misapprehension is that the ‘supposed’ high costs incurred through customization will automatically be transferred to the price tags of the end products, making the products more expensive for consumers. There is also the doubt that luxury consumers will be willing to pay more for customized goods.

The first assumption, which is that customization equals higher operations expenditure, is wrong. This is because advanced interactive technologies such as the internet can be used to identify specific product requirements and to manufacture them using automated systems. This system applies similar economies of scale advantage of mass production. So instead of higher costs, mass customization actually lowers production costs in the long run!

The second assumption, which is that the ‘supposed’ higher operations expenditure incurred through customization will automatically mean an increase in the price of the end products, is also wrong. This is because the same systems that are used in mass production can be adjusted to produce the standard or basic components that are required for mass customization. The question of higher product prices does not arise.

The final assumption, which is that consumers might not be willing to pay more for customized luxury goods, is wrong as well. This is because customization is highly dependent on choice and selection and not an option imposed on consumers like standardized goods. A consumer who opts for customization knows exactly what appeals to them. This means that choice would rank above cost for the consumer, making customization a strong selling factor. When consumers choose customized products, their level of expectation is higher than that of the consumer that chooses mass-produced goods. This higher expectation is also accompanied by an envisaged higher price. The price difference between customized and standardized goods should however be minimal.

The mass customization formula can be applied to luxury goods at little cost difference from the current cost of mass production. This naturally should not affect the prices that consumers would pay for the goods, although luxury consumers are willing to pay more for mass customized goods, if required. For example if a consumer can purchase a handbag for \$2,000, they will likely be willing to pay an additional \$50 to have their component choices or personalized message embossed on the bag!

As previously highlighted, advanced computer-aided technologies

currently provide companies with the opportunity to customize virtually any product. Technology also creates the possibility of producing higher quality goods; therefore luxury brands will not compromise their quality standards by adopting mass customization techniques. In addition, mass customization allows the manufacture of products in smaller batches without substantial cost difference. This is an advantage for luxury brands as they can maintain a fast design turnover while customizing goods.

The model of mass customization of luxury goods has also been recognized by several consumer and business analysts, academics and practitioners. Amsterdam-based Trends and Consumer Research company, Trendwatching.com termed the concept 'Massclusivity' which is a combination of the words 'Mass' and 'Exclusivity'. London-based Trend Information and Consumer Insight company, The Future Laboratory, calls it 'Masstige', which combines the words 'Mass' and 'Prestige'. These two companies recognize two underlying factors, which are the existence of a mass consumer base and the need to feed these mass consumers with special goods and services; that is exclusive and prestigious offerings through customization.

According to Trendwatchers, *massclusivity* simply means 'exclusivity for the masses'. This is mainly achieved through understanding the driving force behind the mass consumer need for exclusive products. As earlier indicated, the major factor driving this need is the immense consumer desire for respect, privilege and choices. This partly arises from the increased access that luxury consumers have to customized products and enhanced customer services in other categories of goods. Since the same consumers are already exposed to customization, they transfer the same expectation to the luxury goods category.

The Future Laboratory defines *Masstige* as offering prestigious goods and services to a mass consumer base. One of the ways of providing this is through bespoke services in the form of personalized and customized goods, without compromising the design and quality features. Consumers desire recognition and evidence that their needs are important to luxury brands. They increasingly look for these qualities in the offerings of luxury brands.

Several luxury brands currently offer customized product services to a select clientele but, often, customers are required to wait for several weeks or months for delivery of the goods. More importantly, a large proportion of the mass consumer population who are yearning for this service are unaware of its existence at luxury brands. This is because the concept of mass customization has not been fully introduced by luxury brands. The majority of the luxury brands that offer customization services continue to adopt the outdated bespoke made-to-order approach for a limited client group rather than the mass customization model for a mass client base. It's no wonder that the mass luxury consumer population feels that the qualities of recognition and respect are scarce among luxury brands.

The need that consumers have expressed for customization is also being

exploited and addressed by companies in the new extended segments of luxury goods and services such as hotels and spas. A noteworthy example is the customized package offered by two London hotels, The Metropolitan and The Halkin, which provides guests with in-house appointments to order bespoke goods from a host of luxury brands, including Mulberry and Philip Treacy. Also luxury brand Ermenegildo Zegna is reputed to be obsessed with tracking customer preferences through CRM technology and providing products and services to suit their needs. This has led to a reinforced emphasis on customized and bespoke services to a broad consumer base as a part of the brand's core offering. Also, new luxury brand André Ross was launched on the core concept of bringing bespoke quality goods to a broad consumer base. Ralph Lauren and Tommy Hilfiger also provide all consumers with tools to customize a range of their products through their websites. The features include the inscription of customer-chosen monograms on the polo shirts for men, women, children and babies.

There are different ways that luxury products can be customized by luxury brands. As previously mentioned, several luxury brands currently provide bespoke products and services of varying scales to a select clientele. These services, however, come at very high time and monetary costs, which are often out of reach or unavailable to all the luxury consumers that desire them. Luxury brands can make product customization accessible to a broader client base through adapting the product development, manufacturing, marketing and delivery systems. A few recommended methods of customization are provided in the following sections.

Method 1 customizing standardized products

The product portfolio of luxury brands features goods found in the permanent or seasonal collections. These products, although differing in colour, style and design, form a part of the standardized goods that luxury brands provide to their mass consumers. They are purchased off the counter and the choices that consumers have regarding these products are restricted to colour, size and sometimes cost.

Customizing standardized products could be exploited in two ways. The first approach is to develop products that can be easily customized. In this case, products are manufactured with the intention of making component adjustments or modifications possible in a short time space. The second technique is to provide customization for already existing products. As an illustration, we will use the Louis Vuitton 'Passy' ladies bag (Figure 8.2). As at the time of writing, the bag existed in one leather type (the Epi), two size choices (large and small), two colour choices (red and black) and two price points (€800 and €950). This provides the consumer with three choice options of the bag (size, colour and price). The choice variety could however be made



Figure 8.2 *The Louis Vuitton Passy bag exists in one material and two-colour, size and price choices, limiting consumers to a standardized product. Some of the alternative material choices that could be used by consumers to customize and modify whole or parts of the bag include the monogram canvas and other materials used by Louis Vuitton. This strategy could also be applied to other products.*

multiple if consumers are provided with the opportunity to modify this bag using other materials existing in the product range, such as the Monogram Multicolore, the Suhali leather, the Monogram canvas, the Damier canvas and so on. There could also be the possibility of combining several materials and components to customize this bag. This might compose of using different body materials, hardware materials and attachments such as logo-ed hardware parts. The possibilities for customization are endless.

The processes of customizing standardized products and developing customizable products are not limited to design, production and sales. This process affects the complete value chain of a luxury brand, from product development and manufacture to marketing, retailing and delivery. The value chain is a business analytical framework, developed by notable business expert Michael Porter. It aids in the evaluation of specific aspects of a

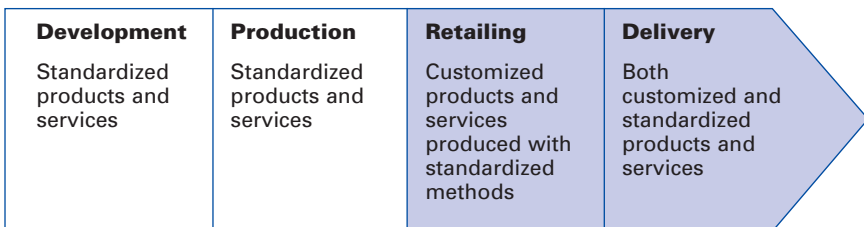


Figure 8.3 *The changes that occur in the value chain during the customization of standardized products and services*

Source: Adapted from B. Joseph Pine II (1997) *Mass Customization: The New Frontier for Business Competition*.

Note: Coloured areas indicate changes.



Figure 8.4 *The changes that occur in the value chain during the creation of customizable products and services*

Source: As Figure 8.3.

Note: Coloured areas indicate changes.

company's internal processes and activities that contribute to the creation of value to customers and competitive advantage to the company.

The impact of the method of customizing standardized products and producing customizable products on the value chain of the average luxury brand is illustrated in Figures 8.3 and 8.4.

Method 2 point of delivery customization

Products and services can also be customized at the point of sale or delivery. This can be done in the physical retail store or through the online boutique. This method is most efficient through rapid and quick modification of products and services. Examples include personalized packaging choices, printing and delivery of personalized 'thank-you' notes to customers at the payment point and the already cited Customer Relations letter, which could be personalized instead of the classical mistake of addressing consumers as 'Dear Customer'.

On the product level, goods can be modified according to individual tastes at the time of ordering, the point of payment and the point of delivery. In this case, the products are manufactured with the view of possible alteration during the 'fast' customization process. These products would normally have a feature that can easily be modified to turn them into customized finished products. The feature could be an aspect of apparel such as attachments like buttons, sequins, pockets and message prints; an accessory such as eyeglasses lenses; external attachments to leather goods such as straps and logo-ed hardware; timepiece straps; charms for bracelets and pendants (Figure 8.6) and earring attachments, among many others.

A noteworthy example of the effective application of point-of-delivery customization is not surprisingly outside the luxury fashion sector. Computer technology software company Apple provides online customers with the

possibility of customizing their Apple iPod with a short message at no additional cost (Figure 8.5). After selecting the desired product in the e-store, the customer is given a choice of customizing their iPod before payment. If this option is selected, the customer is provided with a tool to provide a personalized message of up to 54 characters over two lines on the reverse of their chosen iPod. A preview tool is also provided to the customer to glimpse the customized end-product. This customization service is made possible through the application of laser embossing inscription technology on the standardized iPod. Although opting for this feature increases the delivery time from 24 hours to 1–2 business days, the short time cost becomes almost irrelevant for consumers because the option of personalization compensates for this. Apple might not be a luxury fashion brand, but the level of customized service

offered to its customers is worthy of emulation by luxury brands.

The Apple online store provides the online shopper with the tools to customize their iPod with personal messages. There are also ideas and suggested topics and phrases for the personalized messages, categorized according to subject and occasion.

Point-of-delivery customization affects a company's value chain on the levels of product

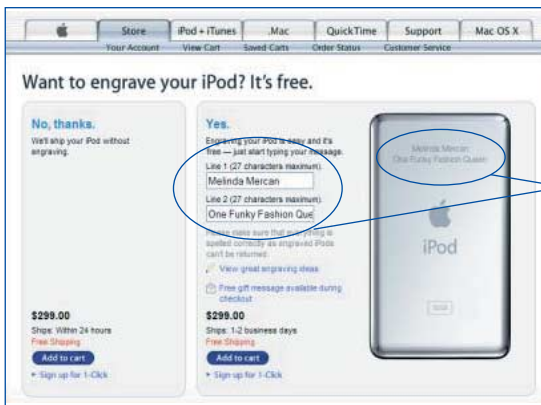


Figure 8.5 Apple provides point-of-sale customization through an online tool to personalize the iPod before purchase from its website, www.apple.com (June 2006). Image courtesy of Apple Source www.apple.com



Figure 8.6 The individual charms on certain products such as Louis Vuitton jewellery are easily customizable by consumers at the point of sale or delivery to add a special touch to customer experience.



Figure 8.7 *The value chain changes in the point-of-sale customization of products and services*

Source: Adapted from B. Joseph Pine II (1997) *Mass Customization: The New Frontier for Business Competition*.

Note: Coloured areas indicate changes.

retailing and delivery. The customized service can be provided within the hour of purchase or within a few days after the purchase, in which case the product should be delivered straight to the consumer to maintain the seamless luxury experience. The impact of point-of-sale customization on the value chain is shown in Figure 8.7.

Method 3 customizing the retail shopping experience

Retail shopping forms an intricate part of the luxury consumer's total experience with the brand, and the shopping experience can be customized according to customer preferences. Consumers have become increasingly individual in their tastes and inclinations and have differing and changing needs during shopping. These needs are now too varied and unpredictable. The apparent common consumer indicators such as age or gender are no longer adequate for grouping or measuring consumer retail needs. For example, logic might tell a sales representative in a luxury store that a 70-year-old consumer would require shopping assistance and a 27-year-old might not. However, the reality could easily be that the 70-year-old might have a crisply clear idea of her taste as a result of years of experience in luxury shopping. She could also have preferences for her shopping style such as a penchant for trunk shows. On the other hand, the 27-year-old consumer might prefer style advice from a shopping assistant in the store. It is risky to assume that shopping styles can be predetermined.

The most effective manner of discovering consumer preferences is to question them directly or to provide an opportunity for customers to indicate them. One method of implementing this is to provide a wide range of shopping options for a broad customer base including trunk shows, pre-collection previews, exclusive customer events and home shopping. The second method is to ask customers their preferences for shopping and to allow them to



Figure 8.8 *Changes in the value chain during the creation of customizable products and services*

Source: Adapted from B. Joseph Pine II (1997) *Mass Customization: The New Frontier for Business Competition*.

Note: Coloured areas indicate changes.

customize their shopping style according to these preferences. This information could be registered in a customer database and retrieved when necessary. Innovative airlines have utilized this system for decades in streamlining their services to customers. Airline passengers are often asked to select their in-flight meal and seat preferences during flight reservations or registration for frequent flier programmes. This information is stored in the customer database and each time the customer purchases a ticket from the airline, their customized preferences are automatically recognized and applied in the services that are offered to them. Some luxury brands such as Burberry provide a variety of shopping choices including trunk shows for a broad customer base although this feature is yet to be applied in customized shopping.

Customizing the shopping experience has an impact on a company's value chain, as shown in Figure 8.8.

Method 4 producing bespoke goods

French luxury cosmetics and fragrance brand Guerlain has been creating exclusive bespoke fragrances for more than two centuries and continues to do so at the Maison Guerlain on Paris' Avenue des Champs Élysées. The process of creating personalized fragrance involves close collaboration with the client to identify their personality, scent preferences and scent memories. This information is used to create the final product, packaged and presented in a Baccarat bottle. The process takes approximately three months and costs an average of €15,000. Needless to say, it is out of the reach of numerous luxury consumers. Guerlain also provides its fragrance made-to-order services to the masses through its mass customization service called the '*Speed Perfumery*' service. In this case, customers choose customized perfumes from six already made scents, which are packaged for them. This is a typical example of the stage of bespoke product provision at most luxury brands.

Bespoke services are also provided by other luxury brands. Gucci has a renowned custom-built service for its leather goods collection, available to both male and female customers; Ermenegildo Zegna provides excellent made-to-measure product services to a wide clientele; and the list goes on to include Louis Vuitton, Prada and Armani, among many others. At the same time, several other luxury brands have shunned bespoke services as a result of the inkling that it is a declining retail service that is on the verge of disappearance. This wrong view could have a negative impact on luxury brands that intend to erase bespoke services from their offerings.

Made-to-measure goods have been a core aspect of luxury branding for a long time. However, as previously highlighted, the current level of bespoke services available from the majority of luxury brands is exclusive and restricted. While exclusivity is important in maintaining the prestige aura of the brand, retaining a limited bespoke service without providing a parallel service to a broader consumer base spells of old-fashioned aristocracy. This element is contrary to the attributes that modern luxury consumers seek to identify with.

A luxury brand that has struck a balance between providing exclusive bespoke services and taking customization to the masses, is British leather goods brand, Anya Hindmarch (Figure 8.9). The brand provides a package that addresses the customization yearning of the new luxury consumer and at the same time appeals to the bespoke nostalgia of the old luxury consumer. The brand, which was launched in 1993, offers customized services through two main categories in its product portfolio. The first is the bespoke range called 'Be a Bag', which provides customers with the opportunity to trans- pose their personal photographs onto a bag, made of different materials. This

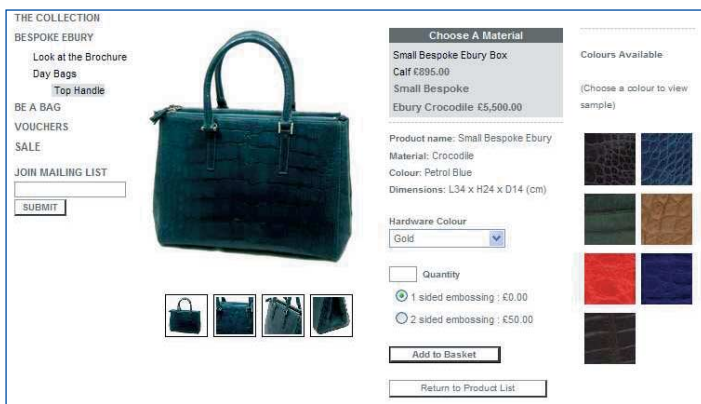


Figure 8.9 Anya Hindmarch provides one of the most efficient bespoke services in the luxury sector, through the *Bespoke Ebury* (above) and the *Be A Bag* (not shown) collections. The brand has effectively combined the innovation of product customization and personalization provided through its website, to enhance customer satisfaction (May 2006).



Figure 8.10 *The changes in the value chain during the provision of bespoke products and services*

Source: Adapted from B. Joseph Pine II (1997) *Mass Customization: The New Frontier for Business Competition*.

Note: Coloured areas indicate changes.

product costs an average of £200 with a waiting period of approximately three working days. This bespoke service is targeted at a broad consumer group.

The second bespoke range is the more exclusive ‘*Bespoke Ebury*’. It offers customers the opportunity to provide a message that is discreetly embossed onto the leather of a bag, in silver or gold, in the buyer’s own handwriting. If the bag is intended as a gift, the name of the person it has been made for is also embossed on the bag. A wide variety of materials, colours and hardware choices are provided for this. Each bag has a unique number with a record of the maker and the batch of skin it was made from. This bespoke collection is premium-priced, ranging from £800 to above £6,000, depending on the materials used. There is also a waiting time of four months for delivery of the Bespoke Ebury. Although the high cost of the Bespoke Ebury narrows its market, the bespoke services of the brand are available to all consumers and can be ordered through a few clicks of the mouse on the brand’s website.

The provision of bespoke services affects the company’s value chain on the levels of product development, manufacturing and retailing (Figure 8.10). This is sometimes extended to the delivery of the products, but since bespoke products already utilize a complete customized process they are often delivered using standardized methods.

Method 5 customizing the online experience

One of the most efficient and cost-effective ways of providing customized products and services to customers and creating a special relationship in the process is through the web. The internet is a medium that provides endless opportunities in product development, production streamlining and online retailing. It is also an excellent means of tracking consumer preferences and storing information that could be used for the future development of products and services.

The online experience that a customer has with a brand is significantly different from the offline experience mainly as a result of the lack of human presence and other sensory elements online. The lack of human contact gives an impression of a more negative rather than positive experience. However, several tools can be used to compensate for this and enhance the web experience as well as improve shopping interactivity. The same tools can also be applied in the online customization of different aspects of the brand's package.

Online customization can be done in different ways. The first is through providing customers with tools to personalize or customize whole or parts of a product. The example of the Apple iPod shown earlier in this chapter highlights this point. Another method is through providing tools for online consumers to manipulate product components such as pendants and charms of jewellery and straps of wristwatches. Other online customization means could be related to the web experience such as the choice of music type, web page background and web contents according to preferences. Currently, the online customization offerings of luxury brands are limited, mainly because the internet and e-business strategy of the luxury fashion sector is still in the introductory phase.

One of the few luxury brands that exhibit an understanding of experience customization through the internet is Italian luxury fashion brand, Roberto Cavalli. Online visitors to robertocavalli.com are ushered into a virtual space where they can choose the pages that they view according to their mood. Choices are also provided for customizable screen backgrounds and background music. Although the variety is limited to less than five choices for each category, the impact on the total web experience is high. This is a first example of how luxury brands can extend the customization of experiences online.

On the value chain, the online customization of products and services is significantly experienced in the development and retailing levels as shown in Figure 8.11.

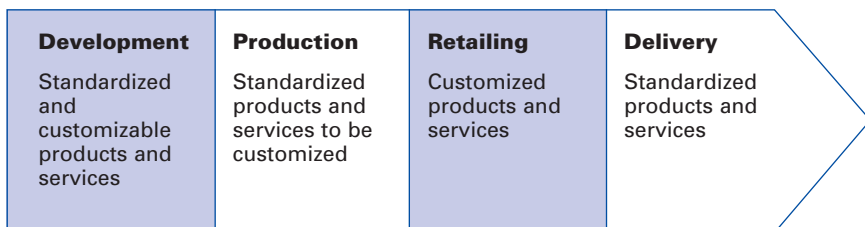


Figure 8.11 *The changes in the value chain during the online experience customization of products and services*

Source: Adapted from B. Joseph Pine II (1997) *Mass Customization: The New Frontier for Business Competition*.

Note: Coloured areas indicate changes.

Method 6 allowing the consumer to customize the process

This method of customization involves close collaboration with consumers both during the product development and final assemblage stages and the retailing and delivery stages. Allowing the customer to participate in the customization process provides a total experience on every facet of the offerings of a brand. The consumer is invited to be a co-creator and an in-house collaborator and adviser in the process of designing and providing their desired products and services. This gives the customer control in the customization process and is crucial in optimizing customer satisfaction. This method also provides a deeper insight into the exact likes and dislikes of customers.

Consumer customization can be approached through providing customers with the components with which to create their end products or through proposing a choice of materials from which the product components will be created from scratch. For example, a product design could be created by the in-house design team and presented to customers through the company's website with a variety of suggested materials for whole or component parts of the products. Customers can then be allowed to 'build' the product based on the materials they have at hand. This process can be aided by interactive tools that allow customers to view the progress and eventual end product.

The shift of the product development and manufacturing process to the customer is a challenge that requires careful management. This is because it is easier to manage customers in the customization process of services than in the production process. However, the major advantage of this method is that customers that choose a total customization process have a high satisfaction rate, are likely to be loyal to the brand and contribute positively to the profitability potential of the brand.

On the service level, customers can also be allowed to make suggestions regarding how they will like to be served by luxury brands throughout their interaction with the brands. For example, sales assistants in a retail store could be trained to question customers regarding particular preferences of services that could potentially be customized.

Consumer customization requires innovation within the company as it affects every aspect of the value chain. This means a total integration of the different process aspects of the value chain, to provide a seamless customization experience. This integration could involve maintaining a high inventory of raw materials or the standardized components that would be used by customers in the customization process. It could also involve centralizing the customization process for products, services or both. The impact of consumer customization on the value chain is illustrated in Figure 8.12.

Customization must have a high quick response and production rate in order to be successful. Providing customization to the luxury mass market without making it an efficient, flawless and high-impact experience for every



Figure 8.12 *The changes in the value chain during the consumer customization of products and services*

Source: Adapted from B. Joseph Pine II (1997) *Mass Customization: The New Frontier for Business Competition*.

customer would be defeating the purpose of customization. Dell's customized personal computers are delivered within three days of ordering and Apple delivers the personalized iPod within two days of ordering. Luxury brands should however strive to exceed the pace of customization of these consumer goods because their consumers have high expectations. Customization is, however, not restricted to products as is mistakenly supposed by several brands, but can also be extended to services. Therefore quick response should also form a part of the service aspect of customization.

What are the challenges of customization?

The prospect of customizing products and services to a wide audience constituting of millions of global consumers is a task that holds several challenges for luxury brands.

The first major challenge of mass customization is the transformation and integration of the complete internal organization for mass customization. This is a challenging task as it involves a complete change of operations systems and processes as well as the reorientation of the employees to be receptive to customization. It also involves the absorption of the different functional units involved in the customization process and the separation of specialized resources and dynamic boundaries. The luxury brands that seek to implement a successful mass customization strategy must first launch an internal change process that involves every employee, department, unit, function and process being attuned towards a relentless focus on the individual customer and their personal needs. This is no easy task.

The second major challenge that luxury brands could encounter in the process of mass customization is the issue of ethics in retail marketing. This is related to customer data collection methods and use. Mass customization involves interaction with consumers on an individual level, with an implication of the exchange of vital personal information such as name, age, contact

details, marital status and other key personal data. The information is often stored in a database with the aim of being retrieved when required, to track the customer's shopping habits and preferences. It can further be used to tailor products and services to the customer.

The key ethical issues related to sensitive personal data are the methods of collection and the methods of execution. Several luxury brands wrongly collect and store consumer data without informing or obtaining permission from the consumer. There are numerous cited cases when customers have been surprised to find their personal details being retrieved from the database at a luxury store's counter. Although luxury brands recognize and respect the personal data protection act, this does not justify the storage of the personal data of consumers in an internal database without permission. It is both unethical and goes against the laws of permission marketing. Consumers should choose to have their personal information stored in a company's system and not have it imposed on them. Also the relationship with the brand is strengthened when consumers willingly make their personal data available to luxury brands.

Ethical marketing also extends to the ways that consumer personal data are used. In most cases, the information is retained in-house and used to design products and services that would appeal to customers. In some other cases, the information is passed onto third parties that often partner with luxury brands in consumer data exchange and tracking. In this case, the luxury consumer sometimes receives unsolicited marketing messages from different companies. This is both tacky and a complete consumer turn-off. It also diminishes the image of the luxury brand.

The strategic objective of customization, whether offered to a narrow luxury market or to a mass luxury consumer base, is to increase customer satisfaction, improve brand loyalty, foster stronger customer relations and increase sales and profitability. Therefore mass customization and bespoke services should form an important part of every luxury brand's strategy, package and communications. If offered in a timely and uncomplicated way, customization has the potential of being an asset to luxury brands.