Chapter 9
The luxury fashion business strategy model

'A stand can be made against invasion by an army; no stand can be made against invasion by an idea.'
Victor Hugo, French writer and poet (1802–85)

It is perplexing to find out that when several practitioners in the luxury goods management are questioned about their business strategies or business models, they often look puzzled. The majority of these managers perceive business models and strategy plans as documents drafted by consultants to be filed away and reproduced during the annual reporting exercise. A senior executive of a luxury brand once told me that if I were interested in evaluating their business strategy plan, he would not hesitate to send a copy of the 'Strategy' to me. When I asked him the main features of the strategy plan, he replied, 'How could I know? I am occupied everyday with managing the company, I don't have enough time to read the Strategy Report.' It was my turn to be puzzled. For this manager, the company's strategy, (which by the way is its lifeline), was represented by a pile of papers stored in a drawer to be retrieved when a Consultant visited. This is part of the reality of the state of luxury fashion management.

Despite the luxury industry's aversion to business strategy development and business modelling, the sector direly needs these tools to aid its strategic direction.

The prospect of developing a business strategy model is often perceived as daunting and intellectually tasking. For this reason business modelling seems to be reserved for eyeglasses-wearing nerds who spend their lives behind a computer in smart business consultancy firms. The task of crafting a business model for the fashion industry is even more difficult to envision. This is because of the wide credence that the creative and business development aspects of fashion are incompatible.

This chapter aims to provide a simple view of business strategy development as a complement to fashion designing. The business modelling

process is presented in an easy-to-understand format, even for the most creative minds. If you've enjoyed reading this book so far, you will discover that this chapter will be no less interesting than the rest of the book.

What is a business strategy model?

A Business Strategy Model in simple terms is a graphical representation of the elements, processes, plans, tactics and all the features that make up the direction that a company follows in executing its activities. It comprises features that are identified after the assessment of several factors. These features are also some of the elements that would normally be found in a Business Plan of a start-up company. However, the factors are designed to be useful to both old and new companies. These factors include **external environmental** characteristics such as the consumer and competitive markets, the economic and political climate and the socio-cultural economy among several others.

Additional features shown in the business strategy model could be related to the **microenvironment** of the business. The microenvironment normally addresses issues that affect investors and shareholders, customers and employees as well as alliances, associations, suppliers and distributors. This level also comprises a competitor analysis and an evaluation of the overall sector trends.

An additional analysis required in developing business models is related to the **internal environment.** At this level, a company evaluates its in-house competences and capabilities. This evaluation also involves the assessment of the company's human resource capabilities, its internal business processes, its financial shape and its overall strengths and weaknesses. These factors determine the potential execution viability of the chosen strategies.

Other aspects that are considered in developing business strategy models are the tools and techniques used in the implementation and control of the strategies; and the indicators that will be used to measure the company's performance, post-implementation.

The analysis stage of the business strategy model development forms the first part of the exercise. This is followed by the identification of the strategic issues and challenges bordering on the operations of the business. These issues include problems that the company and/or sector currently face or are likely to face in the future. They could also include sector-wide influences or issues related specifically to the company in question.

Since every company is unique and every sector is different, it is not possible to find two identical business models. The levels of business environments analysed in business strategy modelling are shown in Figure 9.1.

Business models act as guides in the planning and development stages of

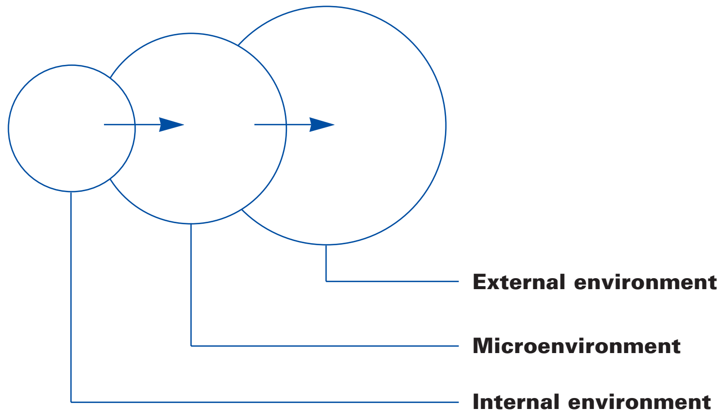


Figure 9.1 *The environmental analysis levels of business modelling*

any business venture, irrespective of sector. They are also useful for companies that intend to expand, restructure or re-align their business approaches to suit changing market needs. A business strategy model can be compared to a road map. When a driver embarks on a new journey, he needs a map to guide him. In some cases, the driver might have travelled down that road in the past but there might also have been several changes and even new routes since his previous trip. This calls for the road map. Without a map, the driver would be likely to get lost or arrive at his destination later than he would have done with the assistance of a map. This scenario is applicable to every business including luxury fashion brands. Without the map, which in this case is the business strategy model, luxury brands would find it tough to advance in the marketplace.

The business strategy modelling process

As indicated earlier, business models are brand-specific because every luxury brand has features that make it unique and different from others. This means that the process of developing a business model for luxury brands and companies in other sectors ought to be flexible in order to accommodate company-specific features and market changes. As a result, the process of crafting a business strategy model for the luxury industry shown in this chapter is not a strict and inflexible magical tool but is aimed at providing a general direction. The identified features in the business model presented are aspects of the luxury goods industry that affect the majority of luxury brands to varying degrees. The business modelling exercise can be applied by both old and new luxury brands.

The recommended procedure for business modelling is as follows:

1. Evaluate and understand the current situation of the brand and the company.
2. Identify and define existing and/or potential problems the company is facing or could face. This is summed up as the Strategic Challenge.
3. Formulate a set of alternative business strategies that could solve the strategic challenge and analyse them. This will lead to the recognition of one of the strategies as a viable alternative.
4. Create a Plan for the implementation of the recommended strategy(ies). This involves checking internal competences and resources.
5. Identify performance measurement indicators to check the progress of the implemented business strategies.

Each of the six identified steps will now be tackled. A unique graphical shape will represent each step.

Level 1: evaluate and understand the current situation

The current situation of a company is the complete overview of the Internal, Micro and External aspects of the business. This includes the features of the **internal organization** such as:

- The company's core competences. They are the distinctive features that only the company possesses, which make it unique and dynamic and create competitive advantage in the long run. These inherent and specific attributes could also include a combination of integrated and applied knowledge, skills and attitudes, which competitors cannot easily copy.
- The company's competitive leverage, i.e. the factors that give the company an edge in the marketplace. This could include size, financial position and market position.
- The company's Key Success Factors (KSF), that is those actions that the company has taken so far that has earned it success and advancement in the market.
- The company's strengths and weaknesses.
- The company's manpower and core capabilities.
- The company's organizational structure, culture and management style.

The current situation leads to an assessment of the **micro environment** of the company. This evaluation should normally include the following features:

- A thorough consumer market analysis, i.e. understanding who the consumers are, what their key characteristics and demographics are, where

they are, what factors influence their buying decisions, what their expectations are and what their future evolution is likely to be.

- An exhaustive analysis of the competitive market, i.e. identifying the company's competitors, where the company stands relative to the competitors, what the strategies of the competitors are and what changes are likely to affect the competitive environment.
- An evaluation of the connected facets of the company such as its manufacturers and suppliers, alliances, partners, associations, trade relations and investors. The factors connected with these groups that will likely affect the business should be identified.

The final assessment aspect of the current situation involves the **external environment**, whose features include the following:

- A comprehensive analysis of the socio-cultural environment and how it currently affects or is likely to affect the business. This involves tracking societal trends and evolutionary factors such as the influence of culture, globalization, advanced technology and international travel on the global consumer society.
- An evaluation of the economies of the markets where the company operates and how the economic performance affects consumer responses to the company's products. The key connecting issues here would be related to the average disposable income of consumers, the gross domestic product (GDP) of the economy, the rate of inflation and deflation and the level of consumer credit, borrowing and expenditure. These features often affect the buoyancy and spending attitudes of consumers towards luxury goods.
- A thorough analysis of the political and legislative climates of the markets where the business operates. This includes the stability of the governmental structure and their influence on consumers and retail activities, through legislation regarding commerce. This factor affects consumer confidence and attitude towards luxury goods.
- An exhaustive analysis of the technological factors, which are likely to affect the company and its business. This includes advanced technology systems of commerce and new communications media such as the internet and digital television.

The identification of the environmental features above ought to be followed by a re-evaluation exercise, which often spots further distinctive elements that affect the business significantly. These are the elements that will be represented on the business strategy model.

Since the business strategy model is represented graphically, a shape has been chosen for each feature of the level of the current situation analysis.

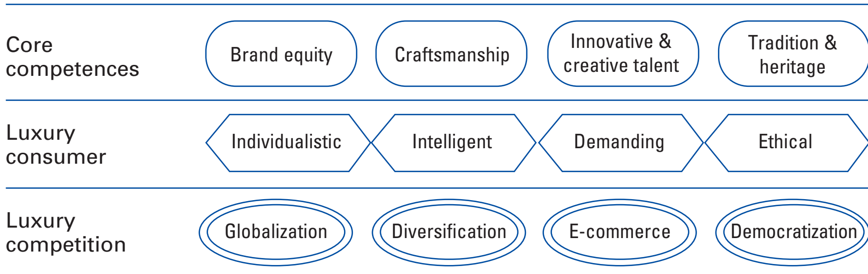


Figure 9.2 *The current situation analysis level of the luxury fashion business model*

Figure 9.2 shows some of the identified features that could appear on this level of the business strategy model of a luxury brand.

Level 2: identify the strategic challenge

This level of analysis features the existing and/or potential problems the company is facing or is likely to face in the future. A luxury company should normally have a set of current business problems or potential problems that act as a challenge. Some of these problems would have been uncovered during the current situation analysis in Level 1. Others might be spotted through identifying what competitors have missed in their strategy development.

In order to spot a luxury company's major strategic challenge, it is wise to list all the identified problems or potential problems and analyse them singularly. This exercise will usually provide an insight into other hidden problems, however minor. It might also lead to the identification of a new set of problems. In this case, the set of problems should be prioritized according to their impact on the business. It usually reveals a major strategic problem with connected features to other minor problems. The major problem is summed up as the Strategic Challenge. For example, a luxury brand might discover that it is losing its market share, while not necessarily declining in sales or profitability. The reason for the loss of market share might be that the brand's competitors have adopted new channels of distribution like e-retail, thereby tapping a new extended market of luxury consumers. In this case, the strategic challenge of the brand would be the adoption of e-commerce.

Figure 9.3 provides a graphical representation of some features of the strategic challenge.

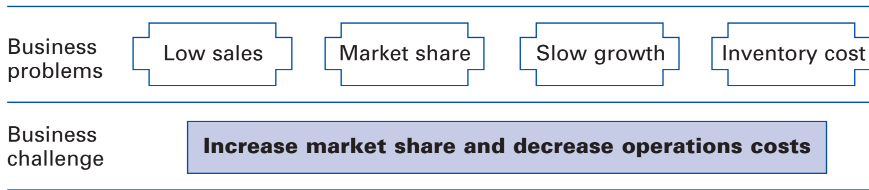
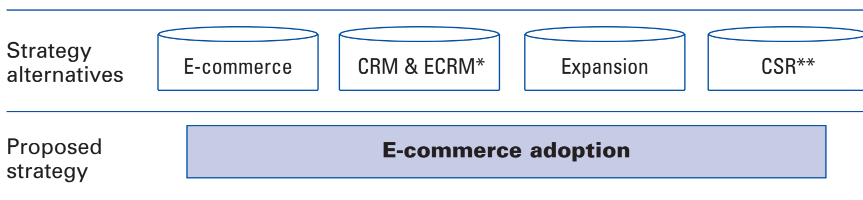


Figure 9.3 *The strategic challenge level of the luxury fashion business model*

Level 3: formulate and analyse the strategy alternatives

The third level of the business modelling process involves identifying the tools to address the already spotted business problems and major business challenge. At this level, a set of realistic options of alternatives should be identified to solve the major business challenge and also address the minor problems. These options should be evaluated, using the pros and cons criteria. The strategy alternatives should also tackle the competitive market factors and provide the luxury company adequate leverage above its competitors. The strategies should also be aligned to provide the best output to fit with the characteristics and expectations of the consumers already identified on Level One. The analysis of the strategic business alternatives will often lead to the recognition of one of the alternatives as the most viable option. The proposed alternative must be justified with a clear statement of reasons for its choice.

Figure 9.4 provides an indication of some of the features that could be found at this level of the business strategy model of luxury brands.



* Customer relationship management and electronic customer relationship management
** Corporate social responsibility

Figure 9.4 *The strategy formulation level of the luxury fashion business model*

Level 4: implementation plan

Level 4: implementation plan

Implementation criteria

	Risk	Cost	Time	Total
Strategy one	XX	XX	X	XXXXX
Strategy two	XXX	XXX	XX	XXXXXXX

Figure 9.5 *The implementation planning level of the luxury fashion business model*

The fourth level (Figure 9.5) of the business strategy modelling process involves the development of an implementation plan for the chosen strategy option. The plan features connected factors such as a risk assessment, the cost of the strategy plan, the required execution time-frame, the potential success or failure rate and a contingency plan. The implementation plan also includes a thorough assessment of the internal resources and competences for implementing the recommended strategy. The criteria for the implementation plan is not rigid but can be aligned to a luxury company's specific requirements. The chosen criteria must, however, be justified in order to be effective.

Level 5: performance measurement indicators

The final step in the business strategy modelling process is the identification of suitable performance measurement indicators that will be used to check the progress of the implemented business strategies. These indicators are often applied in the weeks and months following the adoption of the business strategy model. Their main objective is to track the progress of the business model and to identify areas of improvement.

The following are three performance measurement frameworks that address the needs of the luxury fashion goods industry (see also Figure 9.6):

1 The Balanced Scorecard
2 The 7-S Framework
3 The Brand Asset Evaluator

The balanced scorecard developed by Kaplan Norton is one of the most efficient tools in clarifying and communicating vision and strategy into action. It works from four perspectives:

(a) The financial perspective, which places an emphasis on the need for financial data as an indicator of the effectiveness of the business strategy. It also provides a means of incorporating risk assessments and cost-benefit data in the strategy implementation process.

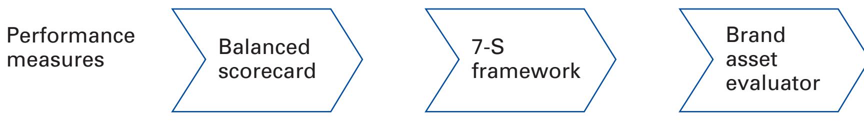


Figure 9.6 *The performance measurement level of the luxury fashion business model*

(b) The customer perspective, which emphasizes the importance of adopting a customer focus and constant customer profile analysis.
(c) The business process perspective, which places emphasis on the efficient running of the internal business process and the development of appropriate metrics for competence.
(d) The learning and growth perspective indicates the importance of employee training and development as well as staff empowerment and the development of a favourable working culture.

The 7-S framework is a model developed by Value Based Management that describes how an organization can effectively manage a change process. It recognizes seven inter-connected factors that often lead to an efficient strategic change process. The factors are the following:

(a) Structure
(b) Systems
(c) Style
(d) Staff
(e) Strategy
(f) Skills
(g) Shared Values

The brand asset evaluator developed by advertising firm, Young & Rubicam is a performance measurement indicator that can be used to gauge brand value through the application of four broad factors; Differentiation, Relevance, Esteem and Knowledge. Since the brand value is a key aspect of the luxury industry, a constant check of the brand vitality and stature through this model is essential.

Connecting loops

The business strategy model provides a clear picture of a luxury brand's complete business direction. This includes an analysis of the internal and external environmental factors as well as strategic challenges and alternative proposals and their implementation tactics. The features highlighted in the

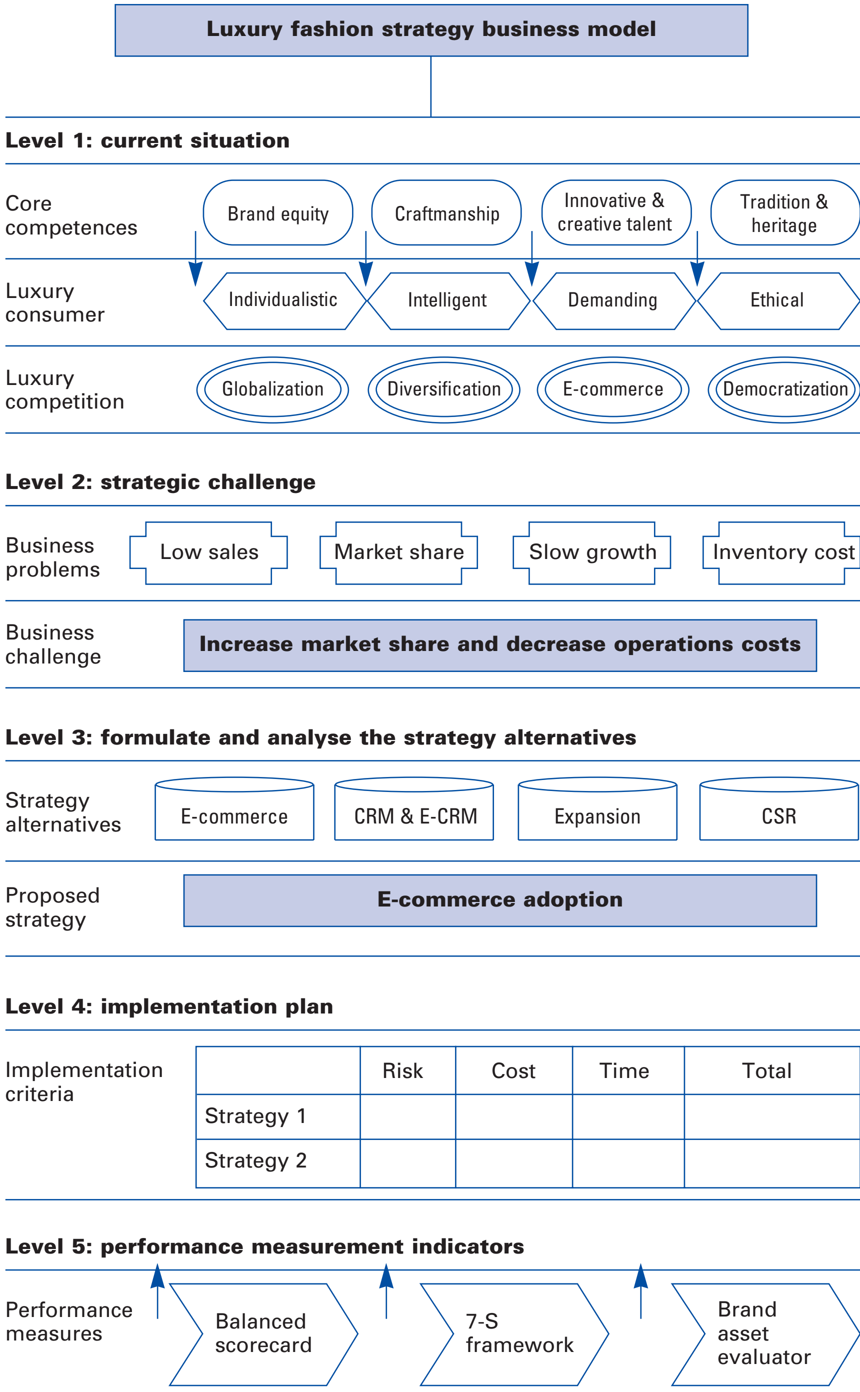


Figure 9.7 *The luxury fashion business model*

business model are not mutually exclusive but are inter-connected and have an organization-wide impact. For example, the proposed strategies should be incorporated with consideration of the current strategies of the company and its competitors as well as the environmental factors. Another crucial element in the strategy modelling process is the relationship between the proposed strategies and the core competences. The core competences directly address the needs of the consumers and are considered the root of the strategy formulation process. Therefore the business strategies should be in congruence with the core competences to ensure feasibility. This guarantees that the proposed strategies are implemented without sacrificing the real values and strengths of the company.

The complete business strategy model for the luxury fashion sector is presented in Figure 9.7. It indicates the inter-relations and inter-connectivity of the different levels and features.

End notes

This chapter has highlighted the steps required in business modelling for the luxury fashion sector. As previously indicated, however, the model is not a magic tool for everlasting business success, but rather a guide that facilitates strategic direction. Its huge potential and positive impact will be most appreciated if it is applied effectively and revised frequently. This includes identifying and applying the features that are intricate to each luxury brand.

The principles of the business strategy model can be applied not only in the luxury fashion sector, but also across several industries.

Chapter 10
Case illustrations

'Tell me your story and I'll tell you your future.'

African proverb

The purpose of this chapter is not to repeat the brand stories that have been written about extensively, like the famous tale of Burberry's brand repositioning or the redefinition of mass premium fashion by Zara. This chapter rather aims to raise questions related to the main issues of luxury fashion management, using relevant brands as illustrations. So, in the following pages, you will not find the interesting history of Louis Vuitton or the great turnaround story of Gucci. You will rather find brand stories that will prod your mind, arouse your creative thinking and appeal to your business aptitude.

The brands presented in this chapter have been carefully selected, not because of their popularity or extraordinary positions but as a result of the strategic business examples they embody and the messages they offer. The analyses are purely external and independent of the brands. The case illustrations presented are the following:

1 The Armani brand extension success story.
2 The boom and bust of boo.com.
3 The effect of licencing on Pierre Cardin's brand equity.
4 Is André Ross the first twenty first century luxury brand?
5 What does Britishness mean in luxury fashion?

Case illustration 1: the Armani brand extension success story

The brand Giorgio Armani is considered to be Italy's most glamorous luxury brand. The founder and designer of the brand, Giorgio Armani, is also widely viewed as one of the most talented fashion designers in the world. He is the source of much of the brand's allure and intrigue. His personality and disposition in addition to his creative talent and business acumen have contributed to establishing the Armani brand as a global fashion empire and one of the most valuable brands in the world. Giorgio Armani is also one of only a handful of fashion designers with full control of their companies. This is

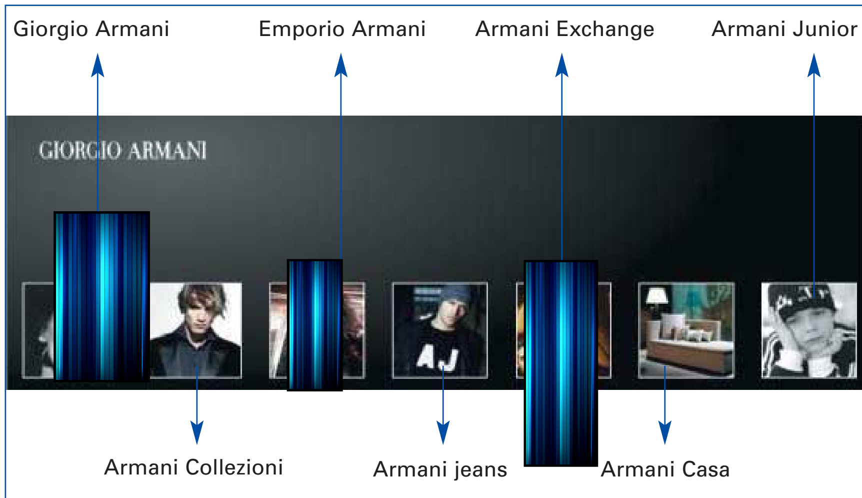


Figure 10.1 *The Armani brand portfolio*

mainly as a result of his successful blending of the delicate combination of creativity and commercial know-how. As a fashion designer and businessman, Giorgio Armani has earned a pristine reputation worldwide. He has been heralded as 'The Indispensable', 'The King of the Catwalk', 'The Fashion Maestro' and 'The Most Fabulous Italian Miracle', by the international press.

The Giorgio Armani brand (Figure 10.1) has retained unparalleled profitable status in the 32 years of its existence. In the first half of 2004, the group sales turnover was €644m, a year-on-year increase of 8 per cent. Its pre-tax profits for the same period was €89m, a year-on-year increase of 23 per cent. Recent financial records of the company shows that it has zero debts. Also, at the end of 2000, which was a boom year for the luxury sector, the company had $300 million in its cash reserves. The brand also made its debut on the annual Interbrand/*Businessweek* Top 100 Global Brands Scoreboard in 2004 with a brand value of US$2.613 billion. This value increased by 2 per cent in 2005, to US$2.677 billion and again by 4 per cent to US$2.783 billion in 2006. The brand value represents the intangible asset worth that the company accrues as a result of its brand. The brand value figure is an intangible asset that is represented minus other company assets. The company operates 300 boutiques worldwide and employs a staff of 4,800 people.

The achievements of the brand are remarkable particularly as it is fully owned by one man, Giorgio Armani. In an industry that has gravitated towards acquisitions and conglomerates, the Armani brand is an exception in leadership and brand style.

History

Giorgio Armani was born in Piacenza, Italy, in 1935. While growing up in this small town he was highly influenced by his mother's great sense of style, which would eventually lure him towards fashion and business.

As a child and student, Giorgio Armani was curious and read widely. After reading the book *The Citadel*, by A.J. Cronin, which was an account of a young doctor's work during the depression years, he decided to study medicine. He lasted three years in medical school before he grew restless. His love for creativity and fashion, which he could no longer suppress, prompted him to leave medical school to pursue a career in fashion.

His first fashion job was as a men's wear designer at Nino Cerrutti. He worked with the house of Cerrutti for eight years before establishing his own design house with his business partner, Sergio Galeotti. Their first collection was presented at a fashion show in 1974 and had an audience of only six people. Today, the brand that was humbly begun by these two men has been translated into a + €3.5 billion business and one of the best success stories in the fashion industry.

Branding strategy

The Giorgio Armani branding strategy is one of the most extensive and yet one of the most meticulously managed in the luxury fashion sector. The brand has skillfully crafted a single umbrella identity, personality and image from which other sub-brands have been developed. This is a delicate and risky venture for a luxury brand but the success that Giorgio Armani has achieved in managing a portfolio of sub-brands under the platform of a single brand is both remarkable and worth emulating.

The Armani branding strategy functions on three different levels, that have been used to craft the brand's identity and personality. It is also the tool that is applied in the projection of the brand's image to its public. The three levels are:

1. The man, Giorgio Armani
2. The parent brand, Armani
3. The sub-brands of Armani

Giorgio Armani has redefined the concept of using the power in a brand name to extend its product and brand categories. When consumers hear the name 'Armani', an image of the designer is likely to pop into their heads, followed by certain linked attributes of the brand. For those that haven't been exposed to an image of Armani (and this is rare), a collection of abstract brand associations forms in their minds. In both cases, perceptions of what the Armani brand represents is immediately developed in the mind. These perceptions are

likely to be influenced by descriptive words like glamour, style, sexiness, expertise, talent, sophistication, trend and precision. These can be described as some of the elements of the Armani brand personality, which the public understands through the brand image.

These elements can also be used to describe the personality of the man Giorgio Armani because the Armani brand personality is an extension of the personality of Giorgio Armani himself. This personality comprises the overall image that consumers associate with the brand or any product or service that has 'Armani' attached to it. This means that Giorgio Armani is the brand and the brand is he. The man Giorgio Armani and everything he represents has been stretched to form the parent brand of Armani, making up the first and second levels of the Armani brand strategy previously listed. The third level of function of the Armani brand, which comprises the sub-brands, is the main essence of the Armani branding strategy.

Armani offers a luxury fashion product portfolio comprising *haute couture*, *prêt-à-porter* and children's apparel, leather goods such as bags and shoes, underwear, jewellery, fragrance, cosmetics and eyewear. The brand has also diversified into non-fashion product ranges such as cafés, restaurants, hotels, nightclubs, flowers and even sweets and chocolates. In addition, the company has varied its offering in different ways. For example, in 2003 Giorgio Armani worked in collaboration with luxury carmaker Mercedes to design a limited edition CLK Mercedes-Benz car.

The Armani brand has been stretched into seven sub-brand categories ranging from high-end to medium priced men's and women's fashion goods, children's fashion and home products. These sub-brands are aptly named the following:

1 Giorgio Armani
2 Armani Collezioni
3 Emporio Armani
4 Armani Jeans
5 Armani Exchange
6 Armani Casa
7 Armani Junior

A look at this list indicates that each of the sub-brands has 'Armani' linked to it. This means that the brand power lies in the name 'Armani' with all its associating attributes already described.

The seven main brand categories have different functions in the overall Armani branding mix. They range from women's and men's wear collections to diffusion lines that target different segments of the luxury market. The first is Giorgio Armani, which represents the most exclusive and highest priced products of the brand. It features goods showcased on the brand's runway fashion shows such as apparel for men and women, accessories, eyewear,

cosmetics and perfumes. The Giorgio Armani brand is the ambassador of the Armani empire and represents its image, heritage, personality, product precision and high quality. It also generates great publicity for the entire Armani group of brands.

Armani Collezioni is the diffusion sub-brand of the Giorgio Armani range. It features products like fine tailored clothing, sportswear and male and female accessories. The product group also includes home furnishings. The Emporio Armani sub-brand is targeted at young modern-minded and fashion oriented consumers. It includes clothing, accessories, eyewear and jewellery. Armani Jeans is the denim sub-brand offering a jeans-based product category. Armani Exchange is the sub-brand for casual wear and accessories with a lower premium-pricing strategy. Armani Casa is the home furnishings and decorations sub-brand, while Armani Junior is the children's products sub-brand.

Although the sub-brands have different products targeting different segments of the luxury consumer market, the product groups however share a common feature of the Armani touch and style, seen through the signature characteristics such as the fit and finish of the clothing, the exquisite materials used for the accessories and the exceptional attention to detail given to each product. The offerings of the brand have also successfully transcended beyond fashion and propelled Armani to a lifestyle brand.

The key to the effective brand extension strategy of Armani is that the brand had an early recognition of the important role of the luxury consumer in a brand's success. While several luxury brands focused on the product as the key selling factor of their brands, Armani concentrated on the consumer and on crafting its brand based on consumer needs and characteristics. This was achieved by identifying the different luxury consumer segments that exist and designing products that would appeal to them. Through understanding the consumer segment structures and their driving needs, Armani adopted the brand extension strategy of sub-brands; and the brand diversification strategy of non-fashion categories. As a result, Armani has successfully created a high-clout brand that has revolutionalized the branding strategy of the luxury goods industry.

Although Armani has been criticised for extending its product category to include ranges that are too mass-market focused to be considered as luxury goods, for example jeans, the Armani brand-extension strategy has been successful. This is because the brand has effectively managed to maintain its superiority and high quality standards across the offerings of all the sub-brands. It has also implemented a uniform marketing mix strategy for all the sub-brands and the same level of expertise and skill to products across every range.

Another factor of the success of the Armani brand is the genius of the brand founder Giorgio Armani, both as a designer and as a businessman. He is one of the few luxury fashion designers that have successfully combined creativity with astute business sense and commercial *savoir-faire*.

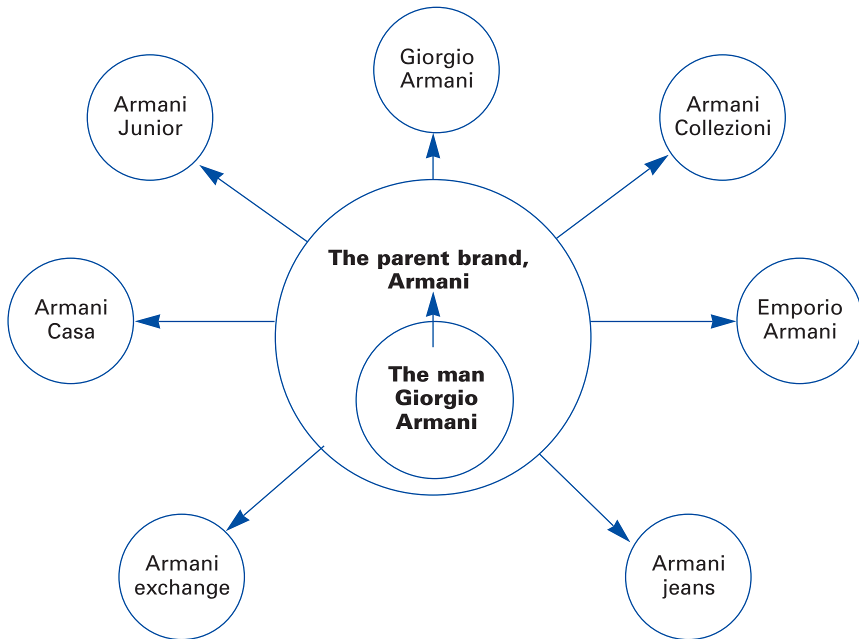


Figure 10.2 *The Armani brand extension model*

The Armani brand extension strategy has also been emulated by other brands. Louis Vuitton and Dior for example have introduced demin and sports accessories collections, although these are not sold under a sub-brand name. Burberry has also extended its brand, *à la* Armani.

The Armani brand-extension model is represented in Figure 10.2.

Marketing strategy

The Armani fashion empire currently employs 4,800 people worldwide, owns 13 factories and has 300 outlets in several countries. This feat was not achieved by accident but through carefully developed business strategies and models that have been effectively implemented. The following is a summary of the main elements of the Armani marketing strategy:

- **Product** The Armani product range is developed under different sub-brand categories to fit with the market requirements and to address different segments of the luxury consumer market. The products however have a single unifying factor in the elements of its development. The same high level of skill, precision, craftsmanship and quality materials is applied in the development of each product, whether it is denim-based, a lamp or a pair of shoes.

- **Pricing** Armani's pricing strategy is the premium-pricing strategy. Some of the sub-brands have products in lower priced categories such as denim but the brand applies the same premium-pricing principle to all product categories in varying degrees.
- **Distribution** Armani goods are retailed through directly owned stores and selected distributors. The company's online boutique also retails selected products in the US market only. Armani also has stores at outlet shopping centers such as the company's own outlet shopping center located in Vertemate, near Como in Italy and Gucci Group-owned 'The Mall' located in Florence, Italy. In addition, Armani products can also be found at several of the Value Retail Outlet Villages such as La Vallée Village, Paris and Wertheim Village, Frankfurt. The brand might need to tighten up its product distribution to generate a higher level of brand equity.
- **Promotion** Giorgio Armani had an early recognition of the relationship between the cinema and luxury goods. He was the pioneer designer to skillfully use film to promote luxury products. The international recognition and subsequent global expansion of Armani began after the brand 'dressed' movie stars in several films. The most notable of these are the characters played by Richard Gere and Lauren Hutton in the famous Hollywood movie *American Gigolo*. This has been cited as the movie that propelled Armani to 'star' status in the fashion world. Armani has also designed clothes for more than 100 films, including *The Untouchables, Goodfellas, Father of the Bride* and *Arriverdeci Grazia*.

  Another entertainment related strategy of Armani is his use of celebrities and movie stars as artists and ambassadors of the brand. Armani hardly features paid celebrities in its print or other mass media advertisements but the brand's creations are often worn by the most talented and notable celebrities at important ceremonies such as the American Oscar Awards. Giorgio Armani also frequently collaborates with celebrities in the creation of special pieces such as apparel and leathergoods. An example is his cooperation with the actress Ziyi Zang, to create a dress for her for the 2006 Academy Awards ceremony.

  Armani's relationship with celebrities and the cinema has resulted in a wonderful chemistry with international stars and has also contributed to creating a fashion empire and turning the designer into an icon. As a pointer, in 2002 and 2003, the New York Guggenheim and the British Royal Academy of Arts put up retrospectives of Armani's work, recognizing him not only as a fashion designer and businessman, but also as an artist.

However, the long-term strategic challenge of the company is the possibility of retaining its profitable status as a one-man business in a sector that is propelled by acquisition and consolidation. Armani is one of a few luxury

brands that is neither owned by a larger group nor traded publicly. This is an enormous achievement but at the same time a challenge. The brand also has the challenge of finding the right successor(s) to the 72-year-old Giorgio Armani, when he eventually retires. Giorgio Armani is a master of his craft and has created both a brand power-name and a power persona. His successor(s) will require not only an equal level of talent but also a double dose of personality to sustain the Armani aura.

Business lessons from Armani

1 It is imperative for a luxury brand that wants to remain competitive in the market to understand everything about its consumers.
2 It is possible to successfully extend a luxury brand into several sub-categories without diluting the brand equity. This strategy however requires meticulous crafting, implementation and management.
3 Brand and product stretching beyond 'traditional' luxury goods categories is a viable strategy but needs effective management and an alignment of all the brand elements across all the offerings.
4 Movie and celebrity endorsement is an effective brand communications and marketing promotions strategy.
5 The Brand Value of a luxury brand is directly linked to the total offerings of the brand and not through the accessibility of the products.

Case illustration 2: the boom and bust of boo.com

The story of boo.com, the largest global e-commerce company to collapse during the 2000 dotcom crash, is very often told in business circles, especially to highlight a significant investment error. Boo.com was a major mistake; there is no doubt about it. History has also shown that the failure of the company was more than a case of being a casualty of the emerging internet commercial sector.

Boo.com failed as a result of the adoption of several external unfeasible strategies and internal management missteps. These errors led to the misuse of US$130 million of capital investment within the two years of the company's existence. The story of boo.com is sensational, engaging, intriguing and somewhat entertaining. It is also a story that provides invaluable and relevant business lessons.

Boo.com was a pure virtual e-retail company established to retail fashion and sports goods online with an aim to eventually extend beyond an e-retailer to a lifestyle brand. The company was founded by three Swedes, who were thought to be dynamic and innovative. Their professional backgrounds ranged across information technology, poetry criticism and modelling. These are hardly the standard qualifications required in establishing a pioneer

company in an emerging business sector. However, these young entrepreneurs obtained investment backing of more than £80m (approximately US$130m at the time) in cash from investors that included investment banks JP Morgan and Goldman Sachs, LVMH chairman Bernard Arnault, the Benetton family and several Middle Eastern investors.

With strong financial backing, envisaged global operations and a business concept that seemed to be eagerly anticipated by both shareholders and consumers, the three entrepreneurs went about setting up the business that was at the time aiming to be the world's premier e-retailer of high-end fashion goods and an online global brand.

Boo.com was expected to lead a market revolution and to conquer the new business channel provided by the internet. The company was launched during the period of the emergence of several start-up pure-play e-retailers also known as the dotcom companies. Consequently, the sector needed strong influential companies as a blueprint for the business channel. Boo.com aspired to fit the bill. The business community and beyond were enthusiastic about the company which was seen as the next major e-retailer after amazon.com. Prior to the company's launch, boo.com was declared to be one of Europe's coolest companies by American business magazine, *Fortune*. As a result, its stock market worth soared and boosted investor confidence. The aspiration of boo.com was, however, doomed to have a short history.

Boo.com was launched in November 1999 amidst fanfare and anticipated success. The company was headquartered in London but began with simultaneous operations in 18 countries including offices in Paris, New York, Stockholm, Munich and several other locations. Remarkably, six months later, in May 2000, these offices closed down as the story of boo.com ended as dramatically as it started. Boo.com therefore became the first major casualty of the internet era and made the number one spot on the list of the '100 Dumbest Moments in e-Business History'.

It is worth asking how such a company could fail. It is also important to establish whether Boo.com failed as a company or as a result of its activities in e-commerce.

Business concept and strategy

At the time of boo.com's launch, its founders stated the following:

> We believe very strongly that in Boo.com there is a formula for a successful business, and fervently hope that those who are now responsible for dealing with the company will recognize this.

In retrospect, it is evident that boo.com had no clearly defined business concept or strategic plan except the over ambitious plan to make the company both the largest and most sophisticated e-retailer of fashion goods in the

world. Its business formula focused on developing internal expertise in Information Systems as a key success factor. The company strived to develop a complicated system that would support global trade in different currencies through multiple distribution centres from its onset. Boo.com's focal point was also to create an extraordinary web space for customers and usher them through an online shopping experience they had never witnessed. While these objectives were sound, they had no supporting strategies to back up their implementation. The business formula of boo.com was based on shallow assessments and vague strategies.

Boo.com was one of the start-ups in an emerging industry founded on innovation and advanced technology. Therefore at the time of its launch the company had no real competitors or points of reference. However, future competition was anticipated for this sector in the form of local and global e-retailers, but boo.com made no provisions to counter potential competition. There was no evident competitive edge to make the company unique and able to withstand future competition.

The company also lacked a clearly defined consumer market segment as a target. The products were aimed at consumers in the 18–30 year age group, which is a broad consumer group. This meant that the products were designed and priced to appeal to this age group. However, this target consumer segment exhibits differing characteristics in terms of tastes, choices, income and expectations. For example, the disposable income and fashion expectations of 18-year-olds were hardly the same as those of 30-year-olds. Also, the company wasn't clear if its target market was the high net-worth luxury consumers or mass fashion consumers. Boo.com aspired to sell high-end fashion goods and sportswear at premium prices but its shallow business assessment and lack of market definition made this difficult.

The business concept of boo.com and its strategic plan is also not clear in the aspect of e-retail. The e-retail strategic option adopted was that of 'pure-play' e-retail only with no physical store presence. This meant a completely virtual relationship with customers. However, boo.com did not evaluate the interactive needs that selling fashion goods online required. The company designed its online selling strategies like those of consumer products and ended up merchandizing fashion goods like books.

Boo.com had a business concept that was superficial, imprecise and largely focused on marginal aspects of business development and ignored the major facets of business planning. The company was driven by its ambition for short-term gains and ended up starting a business without being ready.

What went wrong?

Boo.com was beset by problems from the start. Its launch date was postponed several times as a result of unready operational systems, and this had monetary and time-cost consequences. When the company eventually commenced

operations, the anticlimax that followed the months of anticipation was inevitable. However, within weeks the business was already being overwhelmed with problems leading to restructuring plans that included frantic efforts at cost-cutting that led to employee dismissals.

The business mistakes that led to the demise of boo.com are discussed in the following sections.

Error no. 1: poor business planning At its time of launching, boo.com was the largest e-retail funded company in Europe, yet the company had a poor business plan and an ill-defined business model. The company also lacked strategic direction and made its future earnings projections based on assumptions that e-retailing was a gold mine with strong growth potentials.

Boo.com was started as an e-retailer that sold fashion goods online. However, as a company it had an unclear corporate image. For example, the company spent millions of dollars on advertisements and promotions in a bid to create market awareness. However it was not clear if the advertising message was to project boo.com as a fashion brand, or boo.com as an online sales channel, or boo.com as a corporate brand or all of the above.

Also, the company had no identified competitive leverage that would have given it an edge in its market. It was unclear whether boo.com was positioned as a niche player with highly differentiated products and services, or whether its competitive strategy would focus on cost advantage, thereby providing ‘value for money’ goods. The competitive strategy of boo.com seemed to be stuck in the middle between high-end differentiation and low-end cost efficiency. The company failed to realize that operating in a virtual environment meant creating a distinct advantage for customers that was better than what could be obtained offline. Boo.com also did not recognize that the internet required more than appealing products and service parity. Online retailing entailed an exceptional positioning and boo.com lacked this element.

In addition, the business model of boo.com featured a poor marketing plan with unfeasible strategies. Aspects of the marketing planning such as consumer segmentation and targeting were ill-defined. The targeted consumer group was identified as young fashion consumers between the ages of 18 and 30. However, no further apparent efforts were made to determine the key characteristics of this group; the influencing factors of their consumption patterns; and their attitudes towards online shopping. The company assumed that since the consumers were young, they would shop online because the internet was a new medium that had a strong appeal to young consumers. Business investment decisions are however not made by assumption but by concrete and viable market indicators.

In addition, boo.com aimed to reach a global consumer market but the lack of the definition of the competitive positioning of boo.com made it difficult to determine if the target market was the global high-end fashion consumers or the mass-market consumers of fashion goods. These two groups of

consumers have starkly different attitudes and characteristics in different global markets.

Also, the products were designed to appeal to young consumers but also lacked distinct product development features. The core differentiated features of the products were neither the type and quality of the materials they were made of nor the style and craftsmanship of their designs and finishing. There were no identified features that would have made the products unique and different from the fashion goods that existed on the high street.

The pricing strategy was also unclear as the fashion goods of boo.com were neither premium-priced nor low-priced. Boo.com aimed at selling high-end fashion goods that would be priced higher than the average high-street fashion brand but within weeks of its operations, the prices of the products were reduced through price discounting in a bid to generate additional revenue.

The business plan of boo.com featured a huge advertising budget that was intended to create market awareness and generate online shopping traffic to its website. However, the promotional tactics of the company backfired as a result of a lack of substance in other aspects of the company's overall offerings. The advertisements represented a beautifully wrapped but empty gift box.

Boo.com also placed a strong emphasis on its distribution channel, an aspect where the company aimed to develop expertise and core efficiency. However, a heightened focus on creating expert internet operational systems led to the neglect of other crucial aspects of e-retail like e-merchandizing and e-CRM and also the overall business strategy.

The company's sales forecast and future earning projections as well as the payback time for its investments were handled almost dismissively. These were all based on the assumption that e-business was the future growth area of global trade and that the return on the invested capital was assured.

Boo.com was unable to develop feasible corporate strategies to ensure the efficient alignment of technological and business development. The company also ignored the importance of using commercial reality and several attributes of physical businesses to check the viability of its business concept and development.

Error no. 2: lack of branding strategy In order to sell fashion goods, a company needs to create a brand. It is unrealistic to try to sell fashion products to savvy consumers at premium prices without first being a fashion brand with a brand message. In order to become a brand, a company needs a clearly defined branding strategy. When fashion goods are sold exclusively online, the efforts of developing a clear brand message ought to be doubled. This is because of the lack of human interface on the internet, which makes achieving high impact and lasting impressions more challenging. Boo.com failed in creating and defining its brand.

It was unclear whether boo.com was a fashion brand or an e-retail distributor selling fashion goods on the Internet. Consumers had no set of brand attributes to allocate to boo.com. The company lacked a brand concept, brand identity, brand personality and brand image. As a result, consumers were left confused and guessing about where to place boo.com and above all what to expect from the company in terms of brand promises. There was no reference point to aid in the brand positioning of boo.com in the minds of the consumers.

Boo.com had the intention of creating a global fashion brand but it was unclear what type of global fashion brand it intended to become. Was it striving for a luxury fashion status, or a high-end premium (but not luxury) fashion brand position or a mass-market brand stance? Which brands did it intend to compete with or view as its associated reference points? What type of qualities and characteristics did boo.com expect its consumers to associate its brand with? Was it a sophisticated and glamorous brand or a cool and classy brand? Or was it not a brand at all but a company that focused on selling fashion, similar to a supermarket? Where did boo.com aim to be positioned in the mind of the consumer?

There were several unanswered questions regarding the branding of boo.com. This was a major oversight because a company that intended to succeed in the fashion manufacturing and retailing business must be a brand.

Error no. 3: weak market assessment Boo.com showed a profound lack of understanding of its consumer and competitive markets. It failed to make an appropriate assessment of its market environment and to determine the factors that could affect its business. In this regard, boo.com made several unfounded assumptions.

The first wrong supposition was that there was a ready online consumer market waiting to shop until they drop. The company also assumed that this supposedly ready online market had continuous internet access and were prepared and sophisticated enough to purchase fashion goods online. The reality was that at the time of the company's launch, the UK, which had the highest internet penetration in Europe, had only 20 per cent of its population with Internet access. Also a large percentage of this population was still using slow dial-up connections that were incompatible with the heavy interactive features on boo.com. The case was the same in the rest of Europe, which was boo.com's principal market. The features on boo.com such as an animated style adviser, Miss Boo, were incompatible with the computer systems of consumers.

In addition, e-retail was still in its introductory phase and consumers were concerned with issues related to online transactions such as credit card security and personal data exchange. Other concerns were connected to intricate sensory aspects of shopping for fashion goods online such as the sensory requirements of touch, feel, look and fit. There were also concerns related to

shipping, returns, refunds and exchanges. Since boo.com was purely a virtual company, consumers were not clear about how customer relations issues could be resolved. The bottom line is that online customers were not as savvy with technology as boo.com presumed. They were also not patient enough to wait for hours for boo.com's interactive features to load or to restart their computers when the features of the website ground their systems to a halt. The consumer market was unready for boo.com.

The second wrong assumption of boo.com was in relation to the competitive environment. Boo.com had huge capital investment backing which gave the company a lot of confidence in its leverage over competitors. However, the company wrongly identified 'supposed' competitors as book retailer amazon.com and travel and tourism business lastminute.com. These companies were channel competitors because they were virtual companies like boo.com. They were however not sector competitors because they did not sell fashion goods. Their selling strategies were different because they sold low-involvement consumer goods and services that didn't require extended evaluations by consumers. Although these companies had an online market, they were able to compete on price and service levels because of their specific sector characteristics. Boo.com measured itself against companies such as these and therefore failed to understand its competitive market.

In addition, the socio-cultural environment at the time of boo.com's launch had specific attributes that the company seemingly ignored. During the period of e-retail emergence, the consumer society was still at the stage where it was being transformed by information technology (info-tech). There were therefore several uncertainties regarding info-tech, which could not be clarified as info-tech itself was in its infancy. Unlike today, consumers of that period were not mentally and behaviorally influenced by info-tech. The market therefore needed companies that offered concrete solutions online in an easy and understandable format. Boo.com was unable to fit this requirement.

Error no. 4: over-estimated forecasts Another major mistake made by boo.com is related to unrealistically escalated sales and consumer traffic forecasts. In this regard, boo.com made yet more assumptions that resulted in over-ambitious sales projections.

The main assumption was based on the idea that the trendy products and the savvy technology offered were good enough to attract and retain customers and also boost sales. Although the website attracted an ample number of visitors, the online traffic figures were significantly below the projections of the company. Also, only a small percentage of those that visited the website actually completed their shopping. Boo.com failed to recognize that building online consumer traffic and loyalty required time but could also be destroyed in very little time. Online consumers also exhibit certain attributes that are significantly different from offline consumers and boo.com ignored this apparent fact. For example, online consumers need a high-impact

experience to retain the memory of a website in their subconscious, which would aid future recall and visits to the website. Also they are unlikely to return to a website that they were unsatisfied with and are likely to share unsatisfactory web experiences with others. The technical hitches of boo.com contributed to a more negative than positive online experience for most visitors and eventually led to the decline of consumer traffic.

Boo.com also expected a high sales turnover from inception. This did not happen for several reasons. The first is a lack of a concrete marketing strategy plan and strategic business direction. The second is basing the company's projected profitability on the 'first-mover-advantage' and ignoring other crucial aspects of the business. This unrealistic optimism was however inadequate to generate enough revenues to offset high set-up costs and make profits.

In order to increase its customer base and boost sales revenue, boo.com relied heavily on advertising, promotions and price discounting. This led to higher expenditure, lower profit margin and higher debts. The end result was that the ambitious sales forecasts were never met but led the company to its demise.

Error no. 5: managerial incompetence Boo.com was founded by three young entrepreneurs who were dynamic in their various fields, but showed a lack of strong business skills and understanding. Their backgrounds in information technology, poetry and modelling were hardly the experience fields required to develop a global business in an emerging sector. They lacked a clear understanding of business fundamentals in strategy, marketing, finance, retailing, distribution and operations management, and as a result were unable to develop and implement a sound business strategy, required for the type and scale of operations of boo.com. This was a major problem for a company that aimed to be an avant-garde leader in a new business sector.

The managerial incompetence of the company founders was evident from the lack of focus on key strategic issues related to business planning and execution. The company's management were inexperienced in developing and implementing sound business strategies and managing funds effectively. As a result, they failed to design a business model that would assure a sustainable long-term operation. Their lack of proper business skills is also evident from the way that the initial investment capital and cash flow was handled. The company's expenditure was channelled towards several wrong undertakings, resulting in excessive spending and poor financial management.

The poor management system also permeated to several aspects of the company, leading to a profligate corporate culture that was characterized by excessive spending. Eventually, cost-cutting measures were put in place and the staff was downsized, but by this time boo.com was already on its way down.

Error no. 6: poor budgetary and cost control During the conception stage of Boo.com, the founders estimated start-up costs to be approximately £20 million; the staff strength to comprise approximately 30 people and the operations set-up to be completed within three months. The company ended up exceeding its initial budget by spending more than four times its start-up budget by its launch date. It had also employed 400 people in its eight global offices, against the estimated 30 people. This is a typical example of a project that grew beyond proportion, indicating that the senior management lost control of the situation.

In addition to the loss of size and budget control, the senior management of boo.com also ignored the cost-control mantra that most start-up businesses adopt as a precaution against uncertain terrain. The strong investment back-up seemed to give boo.com's executives an excuse to ignore business common sense and adopt a lavish corporate lifestyle that did not discourage waste and excess. In addition, a huge budget was allocated to promotional methods such as advertising, in an attempt for quick returns and growth. This backfired on the company, as adequate budgetary allocation was not provided for the supporting business aspects of the complete value-chain system.

The lack of cost-consciousness and control by the management of boo.com coupled with the absence of a steady income stream through the projected high sales revenue contributed significantly to the failure of the business. Prior to its final closure, the company executives tried fruitlessly to raise additional funds to keep the business running. They estimated that an additional $30 million would propel the company into a clear path but their efforts were met by an uncooperative investment climate that had realized that the success potential of companies like boo.com were grim.

Boo.com's poor financial management and unrealistic extravagant spending pattern also contributed to an inefficient management of its sales revenue. In the final two months of the company's operations, its sales turnover was a mere £200,000, paltry for a company that was running operations in 18 countries. At the time of its liquidation in May 2000, boo.com had managed to spend £178 million without turning in any profit.

Error no. 7: global size operations Boo.com launched with an ambitious plan to become the world's first and largest e-retailer of fashion goods. As a result, the company started operations simultaneously in 18 countries including its London headquarters, New York, Paris, Stockholm and Munich and several other cities. Its global operational focus meant that it had to develop and implement an international infrastructure that could handle sales in all the different currencies, secure orders and deliver clothes across the world. The company underestimated the potential complications that could arise from multi-country retail operations such as customer relations and logistics problems, taxation issues, legal implications and several other unforeseen daily problems.

The development of the back-end operations system with a platform to handle multiple currencies, different languages, country-specific tax calculation and logistics issues was no easy task. Boo.com was also the first e-retail company to launch in multiple countries from its first day of business operations; therefore it lacked a benchmark in the industry to learn from. Its size, which was intended to be an advantage, ended up being one of the factors that led to the downfall of the company.

Boo.com was in a hurry to create a market leadership position and exploit its 'first mover advantage' status and in the process ignored the important strategic and operational issues that arise from managing a global business.

Error no. 8: technical problems The online boutique sections and indeed complete website of boo.com were full of technical missteps that turned online consumers off. The company employed graphics designers and technical experts to develop the website and these experts created and implemented a highly sophisticated website with the most advanced technology. This unfortunately is not the only requirement for e-retail. The lack of proper strategic e-business planning meant that several crucial aspects such as functionality, usability, navigation and ease of use and interactivity were almost completely compromised in favour of high-tech advanced systems.

On the features level, the website used heavy graphics and flash animations in an avatar-based style. This system required high-speed internet connection, which a large proportion of consumers with internet access at the time lacked. High bandwidth internet connections were largely unavailable at the time, and boo.com's system was too advanced for most computer systems. As a result, several of the website's pages took a long time to load and some of the pages were too heavy, leading to system crash in some cases. Also, the flash-based graphics were not pre-installed in most computers and online shoppers had to download and install the software before gaining access to the web pages. Consumers were indisposed to this as a result of the time cost and also security concerns associated with software downloads. The website would have been more effective had boo.com applied technologies that were widely used and didn't require additional software.

In addition, the website could not be viewed by online consumers using the Macintosh platform. A large proportion of boo.com's supposed consumer group constituted young people that worked in the media, design, art and graphics sectors that were fond of the Mac system. This meant that boo.com lost this consumer group because they couldn't access the website and online boutique.

On the level of functionality and navigation, the website used several pop-up windows and 3-D images that were too many for browsers to maintain track of. Shoppers literally got lost on the website with no clear way to return back to the previous pages or their starting point except closing and restarting the browsers. With new windows popping up at nearly every click, online

shoppers couldn't keep track of their movement on the website and therefore felt out of control. This led to the opposite effect of one of the most important advantages of e-retail, which is to empower consumers.

The apparent confusion created by the directionless website and array of new windows was even magnified by the appearance of a window with Miss Boo, the animated online style adviser and shopping assistant. While Miss Boo commented on the clothes choices being made, four other windows were popping up showing the range of clothes being chosen from, detailed image of an item example with tools to spin and magnify the product, a Boo shopping bag with the current selection and a mannequin dressed in the clothes currently selected. In all of this, the shopper had no apparent control of what was going on. It was too much and left shoppers bewildered and confused, with no obvious direction of how to proceed with the rest of the shopping (that is, if the pages managed to load).

After a few weeks of operations, boo.com identified these problems and redesigned its website, replacing Miss Boo with a printable catalogue and provisions for offline shopping. Other modifications included a simplification of the bandwidth requirement for easy access and navigation and a no-graphics version of the website. However, the majority of the damage had been done by this time and the shoppers that previously had a negative experience with the brand were gone for good and were spreading the bad news in the process.

Although the fashionable range of boo.com's sports-oriented designer clothing was initially appealing to consumers, the difficulty of purchasing them online led consumers to seek other alternatives. The website's failure comes from the fact that the online store was incompatible with both Internet users and their computers.

What could have saved boo.com?

The story of boo.com indicates that the company largely left its performance to fate because of the high confidence and assumption of automatic success in the new e-business sector. This is a major error that indicates a lack of understanding of fundamental business issues.

Boo.com could have supported its business goals with identifying and implementing feasible strategies and including these in a solid business model. The company could also have put in place effective planning, monitoring and control of its budgeting and financial systems and assets. Other supporting aspects of the business such as the internal organizational planning as well as the front-office and back-office systems could have been better integrated and managed.

The e-business plan of boo.com was also poor and unrealistic with a focus on design and advanced technology while ignoring usability and experience enhancing features like e-CRM.

A look at Chapter 6 of this book will provide more insight into the e-retail

strategies boo.com should have implemented. Boo.com would probably still be in existence if it had a strong alignment between technology, business strategy, sound management and an understanding of consumer needs and market key drivers. Its strategies and technologies were in disparity with reality.

Boo.com did not fail as an e-retail company but failed as a company which happened to be in the e-retail business. The classical mistakes made by boo.com would probably also have led to the demise of the company had it been in another business sector.

There have been several reports regarding the relaunch of boo.com. At the time of writing, a short message on the company's homepage indicates that a new website will be launched shortly. Let's keep our fingers crossed for the new boo.com.

Business lessons from boo.com

1 Launching a new business requires a solid business plan and business model. No matter how conversant the business founders are with the sector, the business plan is inevitable.
2 It is important to thoroughly understand the market environment before launching a new business, especially in an emerging sector such as the Internet.
3 Any company that desires to sell fashion goods must first create a BRAND with well-defined dimensions of Brand Concept, Brand Identity, Brand Personality and Brand Image. If a fashion company fails to do this, then they might as well be ready to become a supermarket brand.
4 Selling fashion online requires intricate strategic elements that must be implemented to compensate for the lack of human, sensory and atmospheric features found in offline stores. Chapter 6 of this book provides more insight into this.
5 The management style and leadership of a company makes or breaks the company.

Case illustration 3: the effect of licensing on Pierre Cardin's brand equity

Pierre Cardin, whose name and business has one of the highest global recognition levels in the luxury fashion sector, is not only a fashion design icon, but has also become an institution. At his current age of 85 years, Pierre Cardin has a career in fashion spanning more than 65 years. He continues to preside over a fashion empire that he built from nothing and still owns 100 per cent. He has been described as the godfather of the fashion industry and as an unparalleled revolutionary.

The Pierre Cardin fashion empire currently has 840 factories and employs

more than 200,000 people in over 100 countries. It incorporates diversified fields ranging from fashion and accessories, to cosmetics, fragrance, jewellery and timepieces, restaurants, hotels and museums. Other product divisions include champagne, wines and spirits, sweets and chocolates and other consumer goods such as confectionaries and canned food.

Pierre Cardin was propelled to the global stage of fashion as a result of his high artistic talent and his innovative and often radical nature. He is a visionary who paved the way for several aspects of modern fashion business practices. He was also one of the first designers to take fashion beyond creativity, into the business sphere, through licensing agreements and diversification beyond the range of traditional luxury fashion goods. He also paved the way for the current Premium Fashion revolution led by brands like Zara and H&M, through his early quest to take high fashion to the masses.

The artistic talent and cultural innovation of the man, Pierre Cardin, has been recognized and honoured in fashion and beyond. The French government gave him several awards including the '*Legion d'Honneur*' and membership into the prestigious '*Academie Francaise*', which safeguards the French history, culture and art. Pierre Cardin is also an ambassador of UNESCO and a friend to several presidents, great leaders and innovators of the past and present century. It has famously been said that Pierre Cardin, whose company headquarters is opposite the Palais Elysées, where the French President lives, often exchanges morning greeting waves with the President from his office balcony. His influence stretches from Paris to Tokyo, Las Vegas, Moscow and beyond.

However, the mention of the name Pierre Cardin in fashion circles today conjures up several images and ideas in people. This is mainly as a result of the brand's multiple licensing strategy. The current perception of the brand Pierre Cardin has been greatly affected by the rampant licensing agreements and excessive diversification of the brand, which are viewed as a compromise to the qualities of a luxury brand. In a period when luxury brands are buying back licensing agreements in a quest to protect the brand's equity and increase its value, Pierre Cardin's licensing endorsements continue to grow beyond 900 products ranging from fashion goods to champagne, olive oil, tableware, floor tiles, toilet seats and even hospital mattresses.

These raise several questions about the extent and dimensions that licensing can be adopted by luxury brands and their potential impact on the brand's long-term equity.

History

Pierre Cardin was born near Venice in Italy in 1922, as Pietro Cardin. He was the youngest of 11 children and his father was a wine merchant who provided a comfortable life for his family. However, during the First World War, the family was forced to migrate to the south of France to escape poverty.

Pierre Cardin was only two years old. Pierre grew up in France and had dreams of becoming an actor and dancer. The Second World War however ended this dream but also brought another opportunity for him to join the Red Cross and help the military effort. There he studied Accounting, which contributed to sharpening the business skills that would guide him throughout his career in fashion.

His interest in arts and fashion led him to become an apprentice tailor in the French towns of Vichy and Saint Etienne. His apprenticeship years heightened his creative sensitivity and fashion taste and he decided to pursue a full career in fashion design. In 1945, he moved to Paris and joined the famous house of Jeanne Paquin, founded in 1891. He later worked for Elsa Schiaparelli and was also one of the first models of artist Jean Cocteau.

The talent of Pierre Cardin got him employment as the Master Tailor at the house of Christian Dior in 1946. He was in charge of producing the famous Christian Dior's 1947 New Look collection. Pierre Cardin, however, left the house of Christian Dior shortly afterwards; his departure prompted by a police investigation into a leak of Christian Dior's designs. Cardin was called in and questioned and, feeling insulted and humiliated, he left to set up his own design label. He was only 28 years old. The success of his design house was immediate. He showed his first *haute-couture* collection in 1953 and his first *prêt-à-porter* collection in 1959. Within a short time, he had a staff of 200 people and his client list included international celebrities such as Rita Hayworth and Argentina's then first lady, Eva Peron. At the height of his fame, he also dressed the famous English music band, The Beatles. He also gained global fame in the 1950s for his 'bubble dress', which led to a style revolution.

Although he trained under Christian Dior who was the couturier of the aristocratic class, Pierre Cardin preferred to lead a world of social and sexual revolutions fuelled by industrial growth and advancement. During the 1960s, Pierre Cardin's work was influenced by an outlook on the future, seen in the materials he used such as jersey, perspex and vinyl; and the styles he adopted such as graphic and geometric shapes and sharp line cuts. His style gained him a prominent leadership position among the French fashion Futurists that included Paco Rabanne and André Courreges. This style also sparked the fashion revival of the 1960s, which continue to influence today's fashion designers.

Pierre Cardin built his fashion business with his personal savings and is one of a handful of fashion designers that never borrowed from banks or investors to develop their businesses. He is known for his strong business principles and financial discipline. These characteristics were also extended to other aspects of his creative work especially the artistic rigour and meticulous attention he paid to his creations. Unlike other fashion designers of the time, Pierre Cardin was not carried away by the fame and fortune that he made in the 1950s and 1960s, when he earned one million French francs

(approximately US$180,000) per fashion show. He reinvested a large proportion of his earnings into his growing business. This financial control led to the rapid growth and expansion of the Pierre Cardin fashion empire.

Today, Pierre Cardin is a multi-millionaire and one of the wealthiest fashion designers and entrepreneurs of all time. He is also one of the wealthiest men in France. He owns several homes including in Paris and Cannes, where he built a Palace with a swimming pool on every level. His riches were largely accumulated from his fashion business dealings and licensing agreements.

Corporate and brand strategy

The Pierre Cardin brand and the man Pierre Cardin have one personality and identity. There have been minimal significant conscious efforts made to separate the personality of the brand Pierre Cardin from the man himself, Pierre Cardin. Although Pierre Cardin is the owner and ambassador of the brand Pierre Cardin, the brand entity has been entwined with the personality of Pierre Cardin, his beliefs, business practices and evolution. It is quite impossible to think about the brand without conjuring up several aspects of Pierre Cardin, the man, such as his multiple licensing deals and other drastic fashion practices. As a result, the brand Pierre Cardin has no separate personality and image. The numerous products in multiple categories, which are produced by both Pierre Cardin and several licensees, also contribute to a confusing perception of the brand and what it stands for. A part of the consumer public perceives the brand as a 'high-end fashion brand', while others see it as 'a low-quality and cheap brand' as a result of the licensed products, even though the brand's own products are well-crafted and premium-priced. These unclear factors make the task of assessing the branding strategy of Pierre Cardin a challenge.

The corporate strategy of Pierre Cardin has been related to innovation and creativity both in fashion design and business approach. Pierre Cardin is a highly talented fashion designer and an astute businessman. He is an innovator who adopted several aspects of the current fashion management early in his career when they were considered as near taboos. His vision and innovative (sometimes radical) approach to fashion has led to numerous fashion revolutions such as the emergence of the premium fashion sector and other fashion retail practices like licensing, global expansion, brand extension and diversification. He was the first fashion designer to adopt several practices discussed in the following points:

- He was the first *haute couture* fashion designer to launch a ready-to-wear collection in 1959, at Au Printemps in Paris. Until then, high fashion had been exclusively for the privileged wealthy few and Pierre Cardin's attempt to take high fashion to the masses had never been heard of in the fashion world. The uproar his ready-to-wear collection created and the

perceived dishonour that it brought to the luxury fashion world, led to his expulsion from the strict French governing body of *haute couturiers*, the '*Chambre Syndicale*'. Today, high fashion for the masses has been adopted by several luxury brands through diffusion lines and also by premium fashion brands like H&M, Zara and Top Shop.

- Pierre Cardin was the first to license his name to products ranging from fashion apparel and accessories to food and furniture. His democratic vision of fashion led to his first licensing agreement for men's shirts and ties. He later extended this outlook outside the fashion category in 1968 with other licences. This launched a new era of luxury fashion brand extension and designer lifestyle goods that have been adopted by luxury brands today. His licensing deals have also extended to consumer goods such as stationery and luggage. However, the licensing partnerships became too rampant and seemingly uncontrolled, leading to a loss of the brand's core equity and value.
- Pierre Cardin was the first luxury fashion designer to embark on global expansion by opening stores all over the world, including Japan, China and Russia. His fashion shows in China in the 1970s was the first by a Western fashion designer. This paved the way for the luxury fashion romance currently existing between luxury brands and the Asian market.
- He was also one of the first designers to adopt expensive and rare materials in product manufacture. For example, he was the first designer to use crocodile skin instead of leather in his accessories creation and also fur in graphic patterns. These practices have since been adopted by several luxury brands.

Licensing methods and results

The major retail strategy adopted by Pierre Cardin is licensing of the brand name to third parties in multiple product categories. The company currently has more than 900 licensing agreements in several product groups like fashion and accessories, wines and spirits, confectionary, toiletries, home decorations, furniture, restaurants and hotels, among several others. These licensing agreements span more than 140 countries. In addition to these, there are several Pierre Cardin stores which retail the designer's own fashion creations at premium prices, in different fashion cities, including his Paris home base. Pierre Cardin also owns a publishing business and the Maxim's sub-brand, which includes a restaurant and hotel chain, boat services and other goods such as champagne, confectionaries, sweets, chocolates, cigars, fruits and florists. He also has a US$20 million private museum 'Espace Cardin', in Paris. These ventures paint an unclear picture of the complete product and services portfolio of the brand and what Pierre Cardin owns and controls and what he doesn't. It also makes it difficult to position the brand and its offerings.

The products of Pierre Cardin are retailed at different price points from low pricing, discount pricing to premium pricing. They can also be found at different retail channels, ranging from exclusive stores to supermarkets, online stores and auction websites like amazon.com. These broad pricing and retailing strategies contribute to an unclear image and positioning of the brand, which has led to the depreciation of the brand's equity.

Pierre Cardin's venture into licensing deals arose from his vision of 'dressing the man and woman on the street with creative and affordable fashion goods'. He has famously said that he wants to work for ordinary people and not only for wealthy people. He also had the vision of creating a mass global luxury fashion market and influencing the lifestyle of this market through his offerings. He could also have embarked on licensing agreements as a result of dissatisfaction with the aristocratic nature of the luxury goods sector. Pierre Cardin justified the rampant licensing of his name with statements relating to his interest in bringing high fashion into the sphere of consumer goods. He also indicated that he would continue to license his name to different products, including toilet paper, because he could dress himself and his house and his lifestyle all in Pierre Cardin-branded goods. This implies that the level of consumer adoption of the brand would follow the path of the following scenario:

> A consumer wakes up in a Pierre Cardin branded bed, takes a shower with Pierre Cardin toiletries, shaves with Pierre Cardin razors, uses Pierre Cardin aftershave or perfume, dresses in Pierre Cardin from the tie to the shirt and trousers or from a dress to shoes, handbags, jewellery and wrist watches. Then he/she has breakfast of Pierre Cardin branded tea and coffee with confectionary served in Pierre Cardin tableware, while also drinking the Pierre Cardin branded bottled water. For lunch, he/she could go to the Pierre Cardin restaurant, Maxim's de Paris, and the evening could be ended with a concert at the Pierre Cardin theatre or a visit to the Pierre Cardin museum.

The reality, however, is that the luxury consumers of the twenty-first century are neither inclined to nor interested in this level of interactivity with one single luxury brand. This disposition is even heightened when it involves a brand that has ill-defined brand characteristics and parameters. Consumers are moving beyond the supposed obsession with logo-embossed products and services towards the accommodation of suitable luxury brands that have substance, to be a part of their lifestyles.

The Pierre Cardin brand image is currently more negative than positive among the luxury consumer population. The extensive licensing, brand extension and product diversification have contributed significantly to the devaluation of the brand's image. These have overshadowed the creative work of Pierre Cardin in *haute couture* and *prêt-à-porter* and relegated his innovative fashion revolutions to the background.

Among the several disadvantages that have impacted the brand image and perception of the Pierre Cardin brand are the following:

1 Loss of brand positioning. This is as a result of an unclear brand identity, increased by a lack of brand control.
2 Loss of quality control of the products, leading to low product quality, which has diminished the brand's image.
3 Multiple and uncontrolled product and services range, which has led to an unclear market positioning and confused consumer expectation of the brand.
4 Undefined pricing strategy from premium pricing for certain products to low-cost pricing and discounting for others. This has led to an unclear brand positioning.
5 Loss of retail channel control. The licensing agreements of Pierre Cardin gave way to multiple retail channels ranging from exclusive stores to supermarkets, airports, newsstands and departmental stores. This has led to the loss of the 'exclusivity' and 'prestigious' attributes that form a part of the core competences of a luxury brand.

Pierre Cardin has focused more on licensing and less on developing the brand and maintaining its luxury aura. Brand building is a long-term investment while licensing provides short-term benefits. The brand seems to have chosen the short-term option. Pierre Cardin earns approximately €6 million annually from licences, but this figure is paltry compared to the financial intangible brand asset value the brand would have accrued had it protected its brand equity in the market.

Although the brand paved the way for several modern business practices of the luxury goods sector, it has exhibited a lack of control of its penchant for licensing, which has badly damaged the intangible asset aspect of the brand. Other brands that have been through periods of rampant licensing, which destroyed their luxury image and positioning, include Gucci and Burberry. These brands, however, regained their 'luxury' status through a carefully managed process of licence buy-backs and brand re-positioning. Pierre Cardin still stands a chance to recover its once glorious 'luxury and prestige' status.

Conclusion

Pierre Cardin has indicated his intention to sell his luxury fashion empire with a price tag of approximately US$500 million. The Maxims brand is also on the market for an undisclosed amount, while other connected product lines totalling about 800 will also be sold for another US$500 million. Not surprisingly, potential buyers are sceptical about the real value of the company in terms of both tangible and intangible assets.

While the debate of the sale of Pierre Cardin continues in the fashion sector, the brand maintains its expansion focus with a recent opening of a seven-storey store in Moscow.

Business lessons from Pierre Cardin

1 In luxury fashion, brand image is imperative and cannot be compromised.
2 A brand that aspires to attain or maintain a luxury status must have a clear Brand Concept and Brand Identity in order to create the appropriate Brand Positioning in the mind of consumers. Without these, a brand is going nowhere.
3 Licensing is always bad news for luxury brands. In a case where it is inevitable such as expansion in strictly governed markets, it should be kept to a minimum and all aspects of its agreement such as production, distribution and pricing should be tightly controlled.
4 Brand extension and product diversification are important tools in the elevation of luxury brands into lifestyle brands. However, these strategies require meticulous monitoring and careful management in order to retain and enhance the equity of the brand.

Case illustration 4: is André Ross the first twenty-first century luxury brand?

There is a general perception in the luxury goods sector that it is difficult to develop a luxury brand in the current luxury business context. Several industry insiders have also acceded that a luxury brand needs a minimum of thirty years to assume luxury status. There are numerous reasons for these assumptions. The first is the notion that history and heritage makes a brand prestigious. A second reason is the massive initial capital investment required to introduce a new luxury brand in a global market. An additional reason is that the luxury goods sector is a closed sector that doesn't easily admit newcomers.

Some of these reasons are realistic while others are unfounded. For example, a brand's history is undisputedly important and also amplifies its communication power through providing a background story that consumers are particularly attracted to. As a communications tool, history and heritage also reinforces a brand's identity and appeal. Examples of a recent emphasis on history by luxury brands include Bally's inclusion of the tag-line '*Since 1851*', to its print advertisements and products, and Lacoste's use of a picture of its founder Renée Lacoste taken in 1927, in its print advertisements. Also words like 'timeless', 'classic', 'craftsmanship' and 'genius' evoke the notion of a long history. However crucial history and heritage are in enhancing luxury brands, they are not the sole ingredients in the development of a modern luxury fashion brand.

Although history and heritage are critical in developing a luxury brand, it is time to ask if these elements are still imperative in launching a luxury brand. In other words, can history be substituted in the current luxury market?

Do consumers really care to know when Louis Vuitton was born or if Chanel died in 1991 instead of in 1971? The answer to the first question is yes, history does matter in crafting a luxury brand although in a continuously decreasing degree. The answer to the second question is no, the current consumers' interest in the launch dates and milestones of a luxury brand is declining. Consumers are more interested in a brand's relevance to them. At the same time, they appreciate other 'background stories' of the brand which increases the brand's appeal level. These stories could include a brand's association with the environment, arts, culture and entertainment. The current luxury consumer is also interested in brand stories related to ethics, morality, corporate social responsibility and other ways that the brand provides substance. These stories are however most effective when complemented with those related to skill, craft and history.

The second reason for the credence that it is nearly impossible to develop a luxury brand in the twenty-first century is the need for a high level of initial capital investment, which might be a constraint to several designers. This factor previously contributed to the existence of a high entry barrier in the sector although this has been lowered. Other reasons are the increasingly high failure rate of new brand launches, which currently surpasses 60 per cent, and the saturation of the fashion market with products found in both the luxury goods and mass fashion categories.

However, the luxury goods market has undergone several changes that dispel these traditional beliefs related to the development of new luxury brands. The most notable is the lowering of the previously high entry barrier into luxury fashion, which existed for centuries. Although high capital investment is still required to set up a luxury brand, notably in product development, manufacture and retailing, several communications and technological breakthroughs such as the Internet have contributed to decreasing the costs of entry and distribution. The Internet and other communications tools have also shortened the time requirement for a new brand to gain market awareness through providing instant and uniform information to a global market. Also, advanced operations system techniques and product manufacturing outsourcing have immense impact on cost reduction.

As a result, several luxury brands have emerged in the last decade among the multitudes of fashion brands that are launched annually. However only a small percentage of them make it as recognized luxury brands. Among the successful new luxury brands launched in the last fifteen years are British brands Jimmy Choo and Stella McCartney and French brand Paul & Joe. This decade has also witnessed the launch of several luxury brands and the subsequent failures and disappearances of a large portion of them. The difficulties these new brands face include a high level of competition and miscomprehension of the evolving luxury consumer and modern market structure. In addition, the emergence of large conglomerates with growing power, influence and independence in the sector poses a problem for independent brands.

Other factors are high media advertising costs and the application of feasible business strategies. Also new product failure rates are dramatically rising and product life cycles have become shorter, making operations management more challenging.

In the face of all these factors, it might seem that new luxury brands are doomed to fail. However, new luxury brands have a high success potential if they apply suitable business strategies. The most important tool a new luxury brand currently requires is a crisp clear Brand Concept and a well-defined Brand Positioning as the platform for developing the other aspects of its business strategy. A new brand which possesses these qualities and stands out from the rest is French brand André Ross. The brand has a potentially successful future as a result of its relentless focus on integrating high creativity and advanced business techniques.

History

André Ross is a French luxury fashion accessories brand that produces and retails highly crafted luxury leather goods. It is considered to be the first truly French luxury brand of the twenty-first century and is also one of only two true luxury brands that have emerged from France in the last ten years. The brand's origin is France and its foundation is built on the specialized fashion savoir-faire of the artisans on Paris' Rue Saint Honoré, where the company is based.

The brand was formed to design, produce and retail exclusive luxury fashion accessories made by skilled artisans with a distinction in rigorous high standards, contemporary designs and exquisite craftsmanship. The brand name is taken from that of its Founder and Creative Director and is a mixture of the French forename (André) and American surname (Ross).

Figure 10.3 *André Ross spring/summer 2005 product collection and autumn/winter 2005/2006 advertisements*
Photography by Sara White Wilson

The idea of creating luxury and prestige fashion accessories for a broad consumer group, which André Ross provides today, was sowed in 1998 when Ross recognized the growing market potential and need for fine bespoke luxury accessories. He teamed up with a business partner and set up an atelier in Paris manufacturing only made-to-order goods for a highly select clientele. As their orders and waiting lists grew, their business inevitably expanded. This prompted the skilled craftsmen to review their business practices and strategies and the result was the expansion of their bespoke luxury accessories business to accommodate a larger proportion of the luxury consumer market. They launched this new business as André Ross in 2004.

Brand concept

The André Ross brand has its foundation in designing and producing highly-crafted bespoke products for a highly sophisticated clientele. This bespoke heritage base has been transferred to the production of a range of accessories for a broader luxury consumer group. This simple proposition that bespoke luxury accessories can be made available to a wider luxury market forms the essence of the brand.

This brand core was developed from the recognition that the world's fashionable women invest in stylish accessories that combine fine materials with intricately crafted hardware. For this reason, André Ross' products are made using luxurious leather and fine materials, accompanied by hardware coated in high-quality solid 23-carat gold.

André Ross has also made its brand synonymous with product customization through providing bespoke goods for a broad customer base. This brand strategy is highly relevant in the current global luxury market as it is an effective means to addressing the luxury consumers' increased demand for individualism and recognition.

Despite its relatively young existence, the products of André Ross are sought-after and collected by luxury connoisseurs and an elite consumer group. The brand's consumers are also known for their devotion and loyalty. These results are from a well-defined brand concept and positioning; and an effectively managed brand strategy. André Ross recognizes branding as one of its core competences and therefore makes branding the springboard of all its strategies.

Products and retail

André Ross also places great emphasis on its product development as one of its key success factors. The products are designed through internal creative talent and external consultants and designers with outstanding experience. In some aspects, such as hardware production, the brand also partners with

ateliers and matelliers with proven *savoir-faire*. This production flexibility provides the brand with the ability to easily adapt to changing consumer needs.

The workmanship reflects handcrafted traditional know-how as each André Ross product is assembled by hand. Several products in the range have also remained under the bespoke collection. For example, the Luxury Fur bag collection of autumn/winter 2005 was a limited edition of 40 pieces.

The brand uses materials that possess the greatest possible strength and reflect a perfect fusion of traditional leather-making and technical triumph. Each of the products is made with hand-selected materials and completed with lavish fittings. The products also feature the distinctive André Ross logo with the signature 23-carat gold plated hardware on the exterior and butter soft lambskin lining on the interior. The individualized bespoke bags often come in solid 18-carat yellow or white gold hardware.

Other product features of the *prêt-à-porter* range indicate distinctive qualities such as a soft suede lining that can be pulled out for cleaning, a turn lock for extra security, screwed down buckles for longer wear, individual serial numbers and a lifetime guarantee. The brand is also the pioneer of the Haute Couture Index Item code (HDII) which is a mark of quality and authenticity for each product.

The retail strategy of André Ross is both innovative and revolutionary. The brand adopted the Reverse Positioning strategy in its retail development, as a result of its understanding of the nature of the global luxury market. This strategy features an implementation of strategies that are often contrary to the structural techniques of an industrial sector. Luxury brands have traditionally followed the technique of opening up stores in the major fashion capitals like Paris, Milan, New York and London and then expanding the retail network afterwards. André Ross, however, adopted a strategy contrary to this by launching its first retail store in the lucrative Asian market, Hong Kong, and then expanding its global retail network from there. Although the brand maintains its bespoke ateliers and overall product development in France, it used the Asian market as a launch-pad for its extended global retail network. This strategy is highly feasible in the current luxury market context as the Asian market has the potential of becoming the world's largest luxury market.

Companies often adopt the reverse positioning strategy in markets that are either currently undergoing an evolution or those that require new practices. The strategy is often a challenging and sometimes risky venture. The key to the success of the strategy is timing, as this strategy only works if implemented at the right time to a ready consumer market. In the case of André Ross, the strategic implication of this tactic is the use French *savoir-faire* and heritage to tap into the high-yielding Asian market.

An additional viable retail strategy that André Ross has adopted is e-retail through its website, andreross.com. The brand is one of only a few luxury

brands that have effectively implemented e-retailing for a global luxury market. Unlike several luxury brands that currently feature limited products that are distributed to a few markets, André Ross retails its complete product range to a global market. The brand maintains and protects its brand aura online through a website that is highly functional, aesthetically pleasing and exudes a luxurious atmosphere. The products are also retailed through exclusive boutiques in Paris and New York, with planned expansion in other key markets.

Conclusion

André Ross is one of the few new luxury brands that is neither owned nor funded by a large conglomerate or other corporate investors. It is also one of a handful of luxury brands that is completely and privately owned by a single person. The brand's founder and owner, André Ross Blencowe, is both a visionary businessman and a talented craftsman. This combination of skills is one of the core potential success factors of André Ross.

Although the brand has set off on the right footing and headed in the direction of success, its longevity will depend on its continued adoption of viable strategies that can sail it through the rife luxury business environment. Only time will tell if André Ross will maintain its position as the first true luxury brand of the twenty-first century.

Business lessons from André Ross

1 It is possible to launch a new and successful luxury brand in the twenty-first century, without a long history and despite the high failure rate of new brands. This is as a result of several factors including the lowering of the high entry barrier into the luxury sector and info-tech. The cost of success, however, comes high, as the brand not only needs exquisite products but also a solid business and branding management system.
2 New luxury brands must highlight their brand core and use this as their key selling points and success factors. André Ross' brand core is its *savoir-faire* in designing and manufacturing bespoke goods, which is featured in every product and every communications about the brand.
3 New luxury brands must have extremely high quality, well-crafted and desirable products with differentiating factors that should set them apart from the old brands.
4 The key to a successful new luxury brand is to act like an old and new brand at the same time. This means implementing all the strategies used by old luxury brands such as tightly controlled distribution and directly owned stores; and at the same time, adopting modern business techniques like e-retail and brand equity management.

Case illustration 5: what does 'Britishness' mean in luxury fashion?

There has always been a silent credence that the traditional luxury fashion arena belongs to France and Italy. This is perhaps because of the special affinity these two countries have had with fashion as an intricate part of their cultures for centuries. This fact is apparent from the host of the current major global luxury fashion brands originating from France such as Louis Vuitton, Chanel, Yves Saint Laurent, Christian Dior, Chloé, Hermès and so on; and from Italy such as Prada, Gucci, Armani, Versace, Dolce & Gabbana, Bvlgari, Valentino and so on. In the same way, the major influential global fashion capitals have often been regarded to be Paris, Milan, New York, London (in this order) and recently Tokyo, once again indicating the prominent positions of the French and Italian cities. As a fashion city, London has been viewed for a long time more as an important luxury retailing centre, than as a city that influences fashion. However, the current luxury market context challenges these preconceptions as Britain is continuously playing a significant role in the development of the modern luxury fashion goods industry.

Historically, designers from France and Italy ruled the global luxury fashion scene for a long time, while the rest of the world silently obeyed their creative outputs and have also been in awe of the products of their highly artistic machinations. The art of 'high-fashion' branding belonged to these two countries, just as Switzerland has been the home of the craft of watchmaking for centuries. However, the American fashion branding uprising from the 1960s to the 1980s brought a change to the luxury fashion scene with the emergence of brands like Donna Karan, Ralph Lauren and Calvin Klein. Although several American brands have yet to attain the 'luxury' landmark according to European definitions, a distinct place has been created for the Americans in the global luxury fashion arena. Just as the American brands strive to make a mark in the global fashion scene, several British brands have also embarked on a luxury fashion branding revolution.

The British traditional fashion style is characterized as conservative and ceremonial while from a modern perspective, it can be described as quintessential and elegant. Somehow, the rest of the world does not naturally ascribe the attributes of fashion creativity, sophistication, chic and *art de vivre* to Britain. This perception could perhaps be historically justified (or not) but the current global luxury fashion-branding scene indicates the high influence of Britain in defining luxury fashion style, design and business direction.

Britain has always used fashion as a platform to express different aspects of its society through the styles and attitudes of its consumer public. This was exemplified by Mary Quant, Biba and Ossie Clark during the pop culture revolution in the 1960s and the punk uprising of the 1980s. The current sophisticated consumer culture also amplifies this fact. Today, the popular street culture and several aspects of art, literature, history and entertainment

including music, blend to result in a style that can only be described as quintessentially British. This style has been given several names including 'Boho', 'Bohemia' and 'Vintage' and all point to the existence of a fashion manner that originates in Britain.

In addition to the consumer style, Britain also has an enormous amount of creative fashion design talent. Several of these designers wield unmistakable high influence on the global luxury fashion scene. They include the talented men's tailors of London's Saville Row, who established a fashion tradition at the beginning of the twentieth century; and the highly prominent designers of major global luxury brands. Notable among these are John Galliano at Christian Dior, Ozwald Boateng at Givenchy, Matthew Williamson at Pucci, Christopher Bailey at Burberry and Phoebe Philo who was the Creative Director of Chloé until 2006. The influence of the British fashion talent has never been more apparent in the history of luxury fashion as now. This is hardly a surprise, after all, the first inventor of *haute couture* and first fashion entrepreneur, Charles Frederick Worth, was an Englishman.

The British fashion influence has been propelled by globalization and convergence of consumer lifestyles through increased mobility and communications. This has blended the tastes of fashion consumers worldwide, leading to the creation of channels of inspiration for fashion designers and entrepreneurs. This evolution has resulted in the emergence of new British luxury fashion brands such as Alice Temperley, Stella McCartney and Anya Hindmarch; the re-emergence of old luxury brands like Burberry and Mulberry; the reinforcement of established brands like Vivienne Westwood and Nicole Farhi; and more interestingly, the appearance of luxury-fashion entrepreneurs such as Tamara Mellon, the founder of Jimmy Choo. Just as America did, Britain has also embarked on a luxury fashion branding revolution.

British luxury brands have shaped a unique place for themselves in global luxury fashion, through an understanding of the requirement of both high imagination and creativity in product design and a solid entrepreneurial flair in retail and brand management. This is one of the keys to their successful re-entrance into the luxury-fashion arena of the twenty-first century.

As a country with a deep root in education, Britain has some of the best fashion schools in the world. Notable among these are Central Saint Martin School of Fashion, London, which has produced talented designers, including John Galliano, Alexander McQueen, Stella McCartney and Zac Posen. In the past however, the talented graduates of the British fashion schools were often forced to find their fortune abroad, notably in France and the United States, as a result of minimal funding and support at home. Examples of these designers are Norman Hartnell who was the dressmaker to the Queen of England, and Zandra Rhodes who dressed the English royal family and the stars of the 1970s and 1980s. These designers were tremendously talented yet they never made any real money in Britain. This is because at their time, the British culture did not promote fashion as serious business, despite its great

textiles companies, which supplied apparel to the major global fashion brands.

Today, however, the story is changing and bountiful examples attest to this; Stella McCartney left Chloé Paris to launch her very own successful brand; Alexander McQueen has a flourishing luxury brand; Ozwald Boateng's brand was already thriving before he joined Givenchy as the head of the men's wear design team. Also, Matthew Williamson's own design label is prosperous, while John Galliano's *haute couture* designs continue to be sought after by celebrities and the world's wealthy. Jimmy Choo is another notable British brand that has achieved a global cult following in a decade of existence. Other notable British designers include Alice Temperley, Hussein Chalayan, L.K. Bennett, Philip Treacy and Stephen Jones. Among the rising British designers are Osman Yousefzada, Clare Tough, Christopher Kane, Richard Nicoll and Roksanda Ilincic, Marios Schwab, among many others. Several of these emerging designers are now able to receive financial support and funding to launch their fashion brands from institutions like The British Luxury Council. This shows a change of attitude towards fashion. Consequently Britain is today known as not only a country of history, tradition, literature and education but also one that nurtures fashion talent.

These talented individuals represent a revolution that is taking place in the luxury fashion scene, which has its underlying strength in understanding the current consumer market needs and aggressively striving to fulfill them. The majority of the designers also have a rare combination of creativity and entrepreneurship, which is lacking in high doses in the fashion business. The rise of the British fashion designers has also significantly contributed to the lowering of the previously high entry barrier of the luxury goods sector. Also, British brands represent more than 70 per cent of the new luxury brands launched in the last fifteen years. Through this, the British luxury brands have defied the popular belief held by several luxury practitioners that it takes a minimum of thirty years to build a successful global luxury brand. The achievements of British luxury fashion brands lead to the following question:

> Are there branding lessons to be learnt from the British fashion brands?

The following brand fundamentals form a part of the key success factors of the British fashion brands and should serve as directional tools for both young and new luxury fashion brands.

1 Innovative brand development strategies in product design and communications. For example, Jimmy Choo adopted celebrity endorsement as a core brand-awareness and appeal-development tool.
2 Product and services personalization and customization, which contributes to customer empowerment and satisfaction, brand loyalty and enhanced

relationships. For example, Anya Hindmarch used product customization as a launch pad for the luxury accessories brand.

3 First-Mover-Advantage through recognizing a gap in the luxury fashion sector and moving swiftly to fill it. For example, net-a-porter.com launched one of the first successful luxury fashion e-retailing businesses.
4 Luxury Fashion Intelligence through the provision of market information and sector analysis. For example, the pioneer industry Journal Publication dedicated to the practitioners in the luxury sector is British-owned '*Luxury Briefing*', which major luxury brands subscribe to. The journal, which was created by James Ogilvy in 1996, when the management aspect of the luxury goods sector was directionless, serves as the background brain of the industry. *Luxury Briefing* also organizes several events where management ideas are exchanged and these events are among the most important in the luxury goods sector.
5 A vibrant, ever-growing and highly creative luxury-retailing arena. For example, luxury departmental store Harvey Nichols has expanded beyond the shores of Britain; Harrod's remains a luxury retail institution; and several other luxury retail departmental stores like Selfridges and House of Fraser continue to exercise great innovation in their retail and selling strategies.
6 Personal branding of talented fashion designers and entrepreneurs as a tool to elevate the fashion label. For example, the name and personality of Tamara Mellon has become synonymous with Jimmy Choo in the same way that Alexander McQueen, John Galliano and Stella McCartney have been with their brands.

Other key success factors have also contributed to the rise of Britain as an important associate of the luxury fashion arena. The first factor is the British luxury consumer, who can be described as trendy, affluent and has a deep appreciation for luxury goods. As a result, brand consciousness is a part of the consumer society. The fashion consumer market is also larger than most European luxury consumer markets. There are 2.4 million individuals in the United Kingdom that make up the 'affluent' target market for luxury retailers and suppliers. These consumers have annual family incomes in excess of £60,000 and live in properties valued on average at over £220,000.

Also, the UK's economy is the most vibrant and stable in Europe, resulting in high consumer confidence. The positive economic climate has also created a buoyancy of consumer credit. In addition to this, immigrants from India, Pakistan, Africa and the Caribbean have contributed to shaping the British national culture and identity. Their influences have affected the styles, tastes and product preferences of the entire country. This setting has created a prolific atmosphere for old brands to flourish and for new luxury brands to emerge. Several of the newly emerged luxury brands have prospered because they deliver a sense of exoticness to luxury consumers.

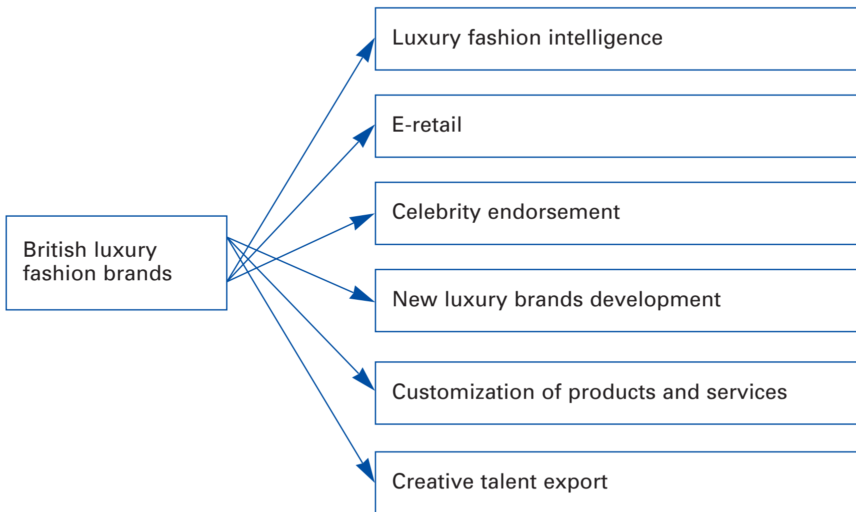


Figure 10.4 *Some of the key factors of the British luxury fashion revolution*

The British luxury market is also thriving as a high retail revenue generator of famous brands from other countries. As a result, the country lives up to its reputation as 'a nation of shopkeepers' and has emerged as the European leaders in fashion retail. Luxury retailers like Harrod's, Selfridge's, Harvey Nichols, John Lewis, Debenham's and House of Fraser hold a large share of the European luxury retail market.

Another key success factor of the British fashion revolution is the utilization of the power of marketing intelligence and intellect in branding. Anyone who is conversant with branding knows that branding is a powerful concept that resides in the mind of the consumer and not on a piece of company document. The leading luxury goods industry journal, *Luxury Briefing*, which originates from Britain, provides relevant and highly specialized market information and analysis on key issues in the sector. Another notable publication is the *High Net-Worth* magazine produced by Ledbury Research, London. The business approach of these companies provides an innovative contribution to luxury fashion branding and intelligence.

Figure 10.4 indicates the key factors that British luxury fashion brands utilize as a strategic guide and leverage to outperform competitors.

Conclusion

While the French brands have maintained an outlook on fashion as an art form that must be guarded and treasured, British brands view fashion as a business venture that is sustained by artistic talent and business innovation. The British brands therefore develop and apply their corporate strategies

accordingly, while recognizing the core competences of the sector such as creativity, skill and brand development. These varying approaches raise an important question.

What is the current luxury consumer and competitor market requirement?

The current extremely competitive luxury marketplace calls for the highest form of innovation in brand management strategies and in product creation and development. This implies aggressive effective business strategies, a relentless focus on satisfying consumers and an unparalleled level of creativity in product design. A balanced combination of these factors contributed to the immense success of the world's first fashion entrepreneur, Charles Frederick Worth, who was British. There are several business lessons to be learnt from his story, detailed in Chapter 2 of this book.

Although British brands may lack the long history of luxury brands like Hermès and Prada, and fashion may not be a part of the British heritage, and the British government may not support the fashion industry as the French and Italians do, a definite place has been carved for Britain in the modern luxury fashion scene. As a pointer, the Metropolitan Museum of Art, New York, recognized this and organized an exhibition devoted to the creative contributions of Britain to the world of fashion in 2006.

Business lessons from the Brits

1. The previously high entry barrier of the luxury sector has been lowered and it is now possible to launch a successful global luxury brand within a short time period.
2. A new brand doesn't need a long history of fashion and cultural assimilation to conquer the twenty-first century fashion market.
3. The role of country of origin in the luxury fashion is declining.
4. Modern fashion management requires constant innovation in product design and business management systems.
5. There is power in sector knowledge and this power can be used as a core aspect of the strategy formulation process and competitive leverage.