

COVER STORY



LUXURY FASHION BRANDING: TRENDS, TACTICS, TECHNIQUES



by Uche Okonkwo

The luxury fashion industry is a global multi-billion dollar sector comprising of a multitude of brands with high relevance. Among these are brands like Louis Vuitton, Hermes and Gucci. They are also among the most valuable and influential brands in the world. Despite the large size and income generation of the global luxury fashion industry, the sector has witnessed a slow growth in its strategic business direction.

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This is because for a long time luxury brands were managed through traditional business methods where decisions were made based on intuition and sometimes on a trial basis. These traditional methods also featured a strong focus on product development and publicity generation through conventional advertising methods. However, the rapid development and complexity of the global business environment currently requires modern and sophisticated business practices in luxury goods management.

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

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

The different evolutionary stages of luxury market in several parts of the world also create a challenge for luxury fashion brand management. For example, the Europe luxury scene is in its mature stage and consumers in this market approach luxury and fashion as concepts that can be adapted to their lifestyles. This contrasts with US consumers who view luxury as a means to lifestyle because the US luxury market is still in its growth phase.

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

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

Further changes in the luxury fashion industry include rapid market expansion and competition as a result of easier entry into the industry. Brands can now be launched and achieve global awareness and credibility within a short timeline of five

years. Also the increase in wealth and mobility of luxury consumers and emergence of new luxury markets is fuelling the sector's expansion. This has led to a shift in the focus of the luxury market from 'products' to 'consumers' and the 'competitor'. The rife competitive business environment calls for strong concentration on developing cutting-edge strategies through relentless innovation. This time has come for new brands to act like old brands; for consumers to be reached through new media like Internet Shopping and Mobile Shopping; and for luxury brands to represent something substantial and valuable to customers through their brands' offerings.

The branding aspect of luxury goods management is integral to a luxury brand's sustainability. The brand is the reason that consumers associate themselves with a luxury company. It is what creates and sustains the attraction and desire for products. The strong attachment that luxury consumers have to brands, which often defies logic, is the result of branding.

Brands are not products and should not be managed like products. Brands are a complete package that provides a source of identity for products. This identity becomes a springboard for the associations and perceptions eventually developed in the minds of consumers. This is what draws consumers to luxury brands and remain their source of satisfaction.

Although Brand Management is the most influential business aspect, the concept remains in its introductory phase in the luxury goods sector, despite the fact that the 'brand' is the core competence of the industry.

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

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Usha will be conducting a talk on *Luxury Fashion Branding* and will also autograph copies of her book at the Marketing Institute located at 99D Anson Street, Singapore 049929 on 25 January 2008. This is the first in the series of *Marketing Guru Talk* that the Marketing Institute will be organising. Places are limited so sign up early to avoid disappointment. For more information please refer to page 27 or contact Isabelle Ng at 6377 7392 or isabelle@mlis.org.sg.