THE LUXURY STRATEGY

Break the rules of marketing to build luxury brands

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Plan

• The luxury business growth
• A growing market confusion
• The question of luxury definition
• Understanding the specific rules of luxury management
Luxury market is growing

Its highest perspective is in the BRIC countries
Why does this market grow?

There are more very rich people

-Oct. 2009 : 130 Chinese billionaires

-Forbes Feb 2010 : 1000 billionnaires

-The CLEWI index goes up, much more than the regular price index
The gap grows between extraordinary and ordinary people
Why does this market grow?

The democratization of luxury

- Economic growth: middle class feels optimistic, is richer and wants to trade up
- Women work and marry later
- «you are what you wear»
- Access pleasure through shopping malls
Luxury is correlated to GDP growth

Luxury market growth and global GDP growth are tightly correlated

R² = 66%

Source: Altagamma, Global Insight, Bernstein Analysis

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Why does this market grow?

Because the mass wants to own a bit of what symbolizes the better life of the happy few:

- Economic growth makes you go beyond needs and liberates your aspirations.

- Luxury is consumption at its best: it delivers rare intense emotions (love, power, pleasure, pride, reward, social sign).
Why does this market grow?

Because people like luxury
People like luxury

1 to 10; source IPSOS WLT

<table>
<thead>
<tr>
<th>Country</th>
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<td>Japan</td>
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</tbody>
</table>
Why does this market grow?

Why people like luxury

- It elevates them
- It gives them pleasure, beauty, style in life
- It gives them products with meaning, with high quality, out of the ordinary
- With prestigious brands, known as visas of social distinction.
- Saving the face, becoming a person
Luxury is in danger

The middle class growth in many countries is a business opportunity for luxury and also a great danger.

To capture this huge demand, mass brands imitate luxury, mimick its codes.

How will luxury show its difference, and avoid running too after volume?
Confusion in the market

Main Street brands imitate High Street brands, creating confusion between luxury and non luxury

Today, many mainstream brands use the codes of luxury (small series, top models): frontiers seem porous
Unclear frontiers
Unclear frontiers

Chanel’s worldly known designer Karl Lagerfeld partners with H&M
Unclear frontiers
Unclear frontiers
Unclear frontiers

ZARA is a low cost producer but its stores do not look low cost
Confusion in the market

A lot of new terms come out every day adding to the confusion

- new luxury
- mass prestige
- mass luxury
- trading up
- premiumization
New terms add confusion

**Casual Luxury**

cas·u·al lux·u·ry /n, pl. -ries (1892): 1: A style identified and perfected by the lifestyle brand Abercrombie & Fitch. 2: Passion for excellence in fabric, make, and wash. 3: Use of the finest cashmere, pima cottons, and highest quality leather to create the ultimate in casual, classic attire. 4: Clothing created using the most designed, refined, and sophisticated techniques; to be original, comfortable, and above all sexy.
Confusion: luxury or premium?

AS THE RACE SLOWS DOWN, 
AUDI HITS THE GAS

By Jack Ewing

The German carmaker is pouring money into marketing to expand its share of the luxury market and push diesel models in the U.S.

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Key source of confusion

Price

Mass → Brand → Premium → Luxury

Qualities

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Luxury is not “more of premium”
Luxury is specific

Luxury is not more of premium, or beyond premium or more expensive than premium: it is elsewhere,

Luxury is Janus: two indissociable faces

- A sociological face: it represents, and publicly incarnates social stratification
- A psychological face: giving oneself a pleasure and dream of exception

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A turning point

Today, all these porous frontiers recreate a need of clear social markers of the latent vertical social hierarchy…

… especially in so-called open or “classless” societies
A turning point

Stripes and stars are back
Status for everyday life
What is luxury after all?
This is surely not luxury
This is not luxury either
Is this luxury?
Are they all luxury brands?
What is luxury after all?

No commonly agreed definition that clearly separates it from super premium or even mass prestige.
What definition for luxury?

What is luxury?

Traditionally the word luxury applies to tangible goods, suggesting superior materials and designs sold in an upscale retail environment.

Bain & co.
What definition for luxury?

What is luxury?

« Exclusivity, premium prices, image and status which combine to make them more desirable for reasons other than function »

T. Jackson
What is luxury after all?

What is luxury?

Another definition

« Expensive rare objects with an image of good taste »
What is luxury after all?

Need to distinguish

« Luxury » (absolute meaning) from the happy few to the man in the street

« A Luxury » (relative meaning) for a specific group trading up for more quality and prestige, not the happy few

« My Luxury » (purely individual)
What is luxury after all?

« Absolute luxury »: a consensus

Categories and famous brands held in the world as symbols of luxury
What is luxury after all?

« A Luxury » is a relative statement

For some consumers, Coach is « a luxury », it gives them a feeling of extra quality, of prestige, above that of ordinary bags. Same for Lancel, …

But the « happy few » disagree.
"A Luxury" is relative

In India « a luxury » is drinkable water for a majority of people but golden taps for a minority

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What is luxury after all?

« My Luxury » is very private

« My luxury » is not « your luxury »

What is rare and priceless for me may not be the same for you. « My luxury » does not imply social comparison: it is intimate and does not create a market.
Understanding luxury

HOW ECONOMISTS DEFINE LUXURY
Understanding luxury

HOW ECONOMISTS DEFINE LUXURY

PRICE

FUNCTIONAL BENEFITS

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Understanding luxury

HOW ECONOMISTS DEFINE LUXURY

PRICE

FUNCTIONAL BENEFITS

Premium
Understanding luxury

HOW ECONOMISTS DEFINE LUXURY

PRICE

FUNCTIONAL BENEFITS

Luxury

Premium
Understanding luxury

HOW ECONOMISTS DEFINE LUXURY

PRICE

Art

Luxury

Premium

Fashion

FUNCTIONAL BENEFITS

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Go beyond function

art for art ?
Luxury is close to art
Luxury cultivates the arts

Every season Tod's presents the new collection in a unique setting. After the collaboration with Danilo Ferretti (who designed a dream-like setting in "Piazza D'Italia", a breath taking Renaissance Garden in "Il Giardino del Sogni" and recreated the sets of six classic films in "A Quality Movie"), Michael Roberts (the New Yorker fashion artist, known for his cartoon collages), interview, Warhol's magazine, (the exposition of the magazine's major covers in "The World of Pop") this season Tod's presents "Tod's Magic" (a fair-like installation where products are suspended between dream and reality).

Art, luxury, craftsmanship, this is Tod's heritage.
Understanding luxury

What does Etymology say about the essence of luxury?
Understanding luxury

What does Etymology say about the essence of luxury?

LUXUS

Latin word « luxatio », result of going apart, making a leap, a big gap
What chinese etymology says

Big people / Lot of people
What Indian etymology says

Sanskrit: vitasar

To dazzle, to impress
Understanding luxury

What History says

The business of luxury goods has been created by the collapse of the aristocratic societies where strict rules prohibited the diffusion of luxury signs and goods (etiquette)
Understanding luxury

What History says

By making it accessible, luxury business has grown on the basis of the drive for social imitation and the democratic right to happiness and hedonism.
Understanding luxury

What is new today?

This evolution has stimulated the consumption of luxury products, but the central sociological function (signaling the social stratification) has been lost.
### Why luxury?

A clear marker of a social gap

<table>
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<th>Today</th>
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<tr>
<td>Etiquette</td>
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RECREATING THE GAP

Principles of luxury management
Luxury : re-create the gap

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Luxury, fashion, premium

Luxury

Social elevation
Timeless
Self distinction

Priceless
Hedonism
Superlative
Gift

Dream

Tribal differentiation
Imitation
Ephemeral

Performances / Price
Rational Investment
Comparative

Seduction
Frivolous

Realism
Seriousness

Fashion

Premium

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