



TSOLR

The School of  
Luxury Retail

Luxury Business Management Course

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# About the Institute

Sydneham College has initiated The School of Luxury Retail to bring industry-relevant cutting-edge pedagogy along with prominent brands & personalities from the world of luxury retail to give students real life industry experience. Many luxury retail students globally find that exposure in the sector—even if it's just an internship—can be a huge leg up when applying for qualification jobs.

Along those lines, a Bachelor degree or a Masters degree in Luxury Brand Management can lead to a variety of jobs in this sector, including roles like marketing managers, business development consultants, brand managers etc. Some international students are able to leverage their Luxury Bachelors/MBAs qualifications—often offered by European business schools—in emerging luxury markets around the world, including parts of Asia or Latin America.

Also, many students interested in breaking into the luxury sector gravitate to hubs like Paris or Milan, where many of the top firms are based; others go to New York City or London to be at the heart of the action. Many also see a great opportunity in the luxury markets of Asian nations like India/China/South Korea/Indonesia etc. Being near luxury firms can help with networking opportunities.

Hence, with more than 140 crore population in India and 2500\$ per capita income; it is a noteworthy fact that when per capita income in India crosses 4000\$ per capita income; middle class orientation towards spending on luxury goods reaches a different realm.



As observed in China, where there is a massive spend by middle the class population on luxury goods, we foresee a similar trend emerging soon in India.

For most luxury brands hiring the right human resource will be a challenge, so a course like a Bachelor's in Luxury Brand & Retail Management is the need of the hour and who better than a legacy college Sydenham to be a torch bearer in this earnest endeavour.



The School of Luxury Retail



# Vision & Mission

- **Mission:**

To impart not merely Commerce or Economics education but full education i.e. educate the whole person.

- **Vision:**

To continue to excel, provide learning through multifaceted curricular and extracurricular activities and to kindle light of wisdom and humanity so that our students emerge as complete human being and take the society towards new horizons of glorious future.

- **Motto:**

Labour Omnia Vincit (Hardwork Conquers All)



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*“Luxury, unnecessary truly necessary”*

*Voltaire*



# **1. In the beginning there was luxury – An anthropological analysis**



# In the beginning there was luxury

Luxury is a culture, which means, you have to understand it to be able to practice it with flair/style and spontaneity.

If we want to be able to market luxury, we need first to understand what luxury is all about. There is no denying that these days luxury has its own special peculiarities and its new business models, but for all that it still lays claim to be called 'luxury'. In order to be able to deduce the paradigm of luxury with all its coherent and internal rules, we first have to understand its inner dynamics.

Wanting to manage a firm specializing in a luxury line efficiently and finding that tried and tested conventional marketing methods that worked well with standard consumer goods were somehow ineffective – positively harmful even – when applied to luxury products, we needed to find the underlying principle or principles of the mechanics of luxury. The appeal of luxury is so deeply rooted in human nature that we have to look for its origins a long way back in our history – indulge in a little bit of anthropology, in fact luxury is part and parcel of humanity and of life in society.

While some looked upon such things as a pointless extravagance (the lives of peasants were undoubtedly extremely hard), others saw in it a powerful driver of artistic and technical discoveries that gradually spread throughout society and eventually benefited everyone.

The concept of luxury has been the subject of constant hot dispute between the proponents of luxury as an aspirational and improving force in society and those that see luxury as an enemy.





# In the beginning there was luxury

The thing to remember is that luxury is – and always has been – a major sociological issue in any society, because it has to do, at one and the same time, with:

- social stratification
- the notion of practical utility and waste

In other words, the concept of luxury is not a socially neutral one; quite the contrary as, in a manner of speaking, it is society that defines what luxury is. The consequences for luxury of the philosophical and social upheavals of the 18th century started becoming apparent in the 19th century:

- Liberalism (Adam Smith) was very favourable to trade and to luxury as the driver of economic growth, provided the first true economic rationale for luxury as the means to creating wealth for all.
- In parallel with this growing liberalism, English philosophers of the 18<sup>th</sup> century, and especially David Hume (his essay titled Of Luxury was published in 1752) were to separate 'luxury' and 'morality', until then considered mutually irreconcilable in Christian Europe, and would provide a philosophical justification for luxury.
- Following the Industrial Revolution, which brought about a considerable rise in living standards, more and more individuals found themselves with the financial means to afford luxuries.



# In the beginning there was luxury

We have seen that it was the pacifist societies that most readily and completely accepted luxury.

This cause as they had all the combinations which allowed them to not be focused only on surviving with activities like war for its protection or hunting to procure food, they were able to focus more on the development of arts and more in general in improving their lifestyle based on the focus on culture and cultural activities which luxury is a natural consequence of them.



# The drivers of change

## 1. Democratization

A. First, that everyone has access to the world of luxury, which is why the client base has grown exponentially.

B. Second, that historical social stratification is gradually disappearing.

Logically, the democratic process, which favours transparency and levelling out (not so much economic as cultural), should have signalled the death of luxury by bringing about the disappearance of 'transcendent' leading classes. However, paradoxically, the very opposite has happened: luxury, the offspring of the 'transcendent' stratification of society, does not die just because this stratification has disappeared; instead, it has become its creator and driver.

In a democratic society luxury brings, creates the social stratification.



# The drivers of change

## 2. Increase in spending power

This is the most obvious driver of the growth in luxury goods: increased spending power means increased availability of money and time both indispensable to luxury.

## 3. Globalization

In this context, it will no longer be just social stratification but also the roots, a cultural and precise geographic localization in an undifferentiated world, that people are going to look for in a luxury product – it would have to show evidence not only of social stratification, but also of being rooted in a particular culture.

A luxury product is rooted in a culture; in buying Italian or French luxury products (fashion, furniture, cars for example), you are buying not just a piece of material but a little bit of Italy and France as well – a luxury product comes along with a small fragment of its native soil.

This does of course mean that a luxury brand has to stay absolutely true to its roots and be produced in a place that holds some legitimacy for it: by remaining faithful to its origins, the luxury product offers an anchor point in a world of cultural drift.



# The drivers of change

A luxury brand should not yield to the temptation of relocation, which effectively means dislocation: a relocated product is a soulless product (it has lost its identity), even if it is not actually anonymous (it still bears a brand name); it no longer has any business in the world of luxury a product whose production centre has been relocated loses its right to be called a luxury product.

A luxury product, which carries a whole world with it, has to be produced in a place that is consistent with its world. Products by Chanel or Hermès, being manufactured in France, truly are luxury products; products bearing a Dior or Burberry label, on the other hand, being manufactured in countries where labour costs are low and not in France (Dior's place of origin) or in the UK (Burberry's place of origin), are no longer entitled to be called luxury products: this kind of relocation for cost-cutting reasons is proof that these brands do not have (or no longer have) a sufficiently high level of quality or creativity as regards the products concerned, at any rate – to justify a price level that would allow them to continue to be produced in their country of origin. The public outcry that arose when Burberry announced that it was closing down one of its production facilities in the UK and moving it to an area with low labour costs certainly left its mark.



# The drivers of change

## 4. Communications

Luxury business strategy regarding communications has completely different ways and parameters, luxury doesn't need to be advertised and in any case its advertising works in a different ways and strategies which we will analyse later on.



# The non return effect

The 'non-return effect', or 'ratchet effect'

Once people have tasted luxury in whatever area, it is very difficult for them to turn away from it – to come back to earth. When there is a fall in spending power, we witness a symmetrical phenomenon to the one that we identified when spending power was increased: people start cutting their expenditure on every kind of conventional product (for example, they will trade their Alfa Romeo for a smaller and more economic Fiat), but it's a different matter when it comes to luxury products (they will keep their Ferrari, even if it means leaving it in the garage and going by bicycle, on the pretext that it's more ecological).

They will do without almost anything, so long as they can afford the upkeep on their mansion. And there is a point that is worth noting here, one that we shall be returning to time and again: this 'ratchet effect' of luxury affects both the personal aspect of luxury ('I really can't do without the comfort of my cashmere sweater') and its public one ('I drive a Ferrari').





# Luxury, connection between luxury, the individual and society

## Luxury and social stratification

Let us start with what is in our eyes the most fundamental point, one that we have christened ‘the paradigm of luxury’:

Originally, luxury was the visible result – deliberately conspicuous and ostentatious – of hereditary social stratification (kings, priests and the nobility, versus the gentry and commoners).

Eighteenth-century rational thought and Enlightenment philosophy resulted in the gradual disappearance of the founding myths of European society that gave legitimacy to the social structure.

What has not disappeared, on the other hand, is humankind’s need for some form of social stratification, which is vital; without it, a person, a social being by nature, is unable to escape social chaos and imitative disorder born of undifferentiation. We need to know our place in society.

Luxury, then, has a fundamental function of recreating this social stratification. What is more, it does it in a democratic manner, meaning that everyone can recreate (up to a certain point) their layer, status level position, according to their dreams. It is the brand that is laying down its law to the consumer – all quite democratically of course.





# Luxury as a social marker: luxury for others

Clearly luxury is a marker, which is why there is such a need for brands.

What we have here is 'democratic luxury' – a luxury item that extraordinary people would consider ordinary, is at the same time an extraordinary item to ordinary people.

The DNA of luxury, therefore, is the symbolic desire to belong to a superior class, which everyone will have chosen according to their dreams, because anything that can be a social signifier can become a luxury.

The codes of luxury are cultural, in as much as the luxury brand lies at the confluence between culture and social success.

In addition to this key social function, luxury is an access to pleasure: it should have a very strong personal and hedonistic component, otherwise it is no longer a luxury but simple snobbery, and we would quickly fall into the trap of provocation ('I have the biggest automobile in the whole neighbourhood') or the potlatch – a highly complex ritual ceremony practised in Malaysia and among certain indigenous peoples on the Pacific north-west coast of the United States and Canada, especially the Kwakiutl tribe, in which the object of the exercise is to overawe the other person and outdo them by offering them the most luxurious gifts possible, which cannot be



# Luxury as a social marker: luxury for others

reciprocated, placing the person in a position of weakness in a society in which every gift must be followed by a return gift of equal or greater munificence.

But no luxury brand can hope to survive if it relies purely on clients who are only interested in the symbol rather than the substance; these people – the ones who are only interested in symbols – will drift from one symbol to another, from one logo to another.



# Luxury as a social marker: luxury for others

Luxury is qualitative and not quantitative: the number of diamonds in a necklace is an indication of its opulence but says nothing about the taste of the wearer.

When it comes to luxury, hedonism takes precedence over functionality.

The materials used in haute couture that may be very elegant but not always pleasant to wear ('You have to suffer in the name of beauty'), the discomfort and noise of a Ferrari; these are all part and parcel of a luxury product.

Products without any defects and without a soul are for 'those who don't know any better'.

Luxury has to be multisensory: it is not only the appearance of a Porsche that matters but also the sound of it, not only the scent of a perfume but also the beauty of the bottle it comes in. It is multisensory compression.

Luxury for oneself does of course include a strong aesthetic aspect, distinct from its hedonistic component (what we find beautiful does not necessarily have to be pleasant). We shall be coming back to this later (see 'Luxury and art'), but it is worth observing here that aesthetic pleasure is certainly influenced by the social and cultural environment but nevertheless remains highly personal; it contributes significantly to the individual component of the concept of luxury.



# Luxury as a social marker: luxury for others

Luxury being a social phenomenon, and society being composed of human beings, luxury, whether object or service, must have a strong human content, be of human origin the object must be hand-made, the service rendered by a human; we shall be dealing with this specific aspect at greater length later.

It immediately follows from this analysis that if one wants a luxury product or service to be a lasting financial success it absolutely must possess the following two aspects:

- a social aspect (luxury as a social statement in relation to other products or services – connecting luxury, brand status)
- a personal aspect (luxury as an individual pleasure – cocooning luxury, customer experience)

This duality and this ambivalence makes the concept of luxury extremely subjective and variable, both between individuals and between societies; this is the more evident the better-known the brand and the more visible the product.

Let us take the case of Louis Vuitton, for example.



# Duality of luxury: luxury for oneself and luxury for others

It is far and away the world's most valued luxury brand, which does not stop thousands of people – some of them from genuine feeling, but most of them from pure snobbery – considering it to be a vulgar brand that can no longer be counted a luxury brand at all, declaring that they wouldn't dream of buying anything of theirs, let alone be seen with it; yet this doesn't stop the very same people gladly accepting the gift of a product bearing the LV monogram and of using it ostentatiously.

One should therefore never say 'This is luxury and that isn't' without prefacing the remark with 'For me', 'To my way of thinking', or 'In my opinion', just as one should never say 'This is beautiful' or 'This is ugly' without prefacing it with 'I find that' – there again, luxury and art are closely related, and success in both can never be absolute.



# Luxury and ethics

A luxury that is not ethical ends to be a luxury. In this social game of luxury, it is absolutely vital to remain ethical, both with respect to others by avoiding provocation, and with respect to oneself by avoiding addiction; the purpose of luxury as we see it and advocate it is to contribute to social peace and universal happiness, rather than the opposite. This is why the future of luxury will need to incorporate sustainable concerns too, all along the production process.

## **With respect to others**

- The aim of 'positive' luxury – the only kind that interests us here – is to elevate somebody socially by raising one's own esteem in the eyes of others and not by crushing them (see the potlatch example above). 'Luxury by crushing' is nothing but showing off and doesn't make a great deal of sense; it only leads to a totally frustrating constant headlong flight ('We're going to really impress them, just to sicken them').
- Likewise, the aim of this 'positive' luxury is to prevent imitative conflict – everyone at war with everyone else – an inevitable consequence of unstructured societies.



# Luxury and ethics

## With respect to oneself

- ‘Positive’ luxury is there to make one happier; it should not become something that one cannot literally live without or, not going quite so far, it should not lead one to sacrificing one’s true self to appearances. Luxury should be there to boost one’s true self, not stifle it.
- It must of course remain within decent limits, otherwise it’s no longer a question of luxury but of addiction.

Positive luxury is refinement, nuances, culture, flirtation, pleasure, and not brutality; luxury does of course often manifest itself in abundance, but not overabundance, which leads to saturation and revulsion.

Luxury is not excess and excess is not luxury which, in conclusion, is why one should not confuse ‘having a taste for luxury’ with ‘having luxurious tastes’.

The first suggests someone cultivated and discerning, the second acquisitiveness and excess.





# Positioning of luxury in our present-day society

## **Luxury and time**

As we saw earlier, the role of luxury is to recreate social stratification; however, social stratification has a time dimension; consequently luxury, in contrast to fashion, should not be the slave of time but stand aloof from time, or at the very least it should not be dominated by it

## **Luxury and the consumer society**

Luxury is of course part and parcel of our present-day consumer society, in which it has found a highly fertile breeding ground

## **Relationship to the item**

The luxury item is an object loaded with meaning, to which one becomes attached The luxury object is durable and even increases in value with time vintage, like a wine or a piece of Louis Vuitton luggage. It is technically designed to resist wear, uses choice starting materials that time only serves to enhance (the patina of old furniture, Vuitton natural cowhide, vintage-wine grape varieties, etc), and is of a design that also will stand the test of time (like Ferrari)





# Positioning of luxury in our present-day society

## Relationship to people

Conversely, luxury being primarily social in nature, and society being made up of human beings, every luxury product should bear a person's imprint we can cite here the German sociologist Georg Simmel: 'A product has the less soul, the more people participate in its manufacture.'

If the standard consumer product is a product mass-manufactured by machine and sold in self-convenience stores and department stores, through catalogues or on the internet, a luxury product on the other hand is hand-made and sold by one individual to another individual.



# Positioning of luxury in our present-day society

## Relationship to desire

This is the most subtle point and the most difficult to handle on account of the total subjectivity and the lack of lucidity when faced with this subject:

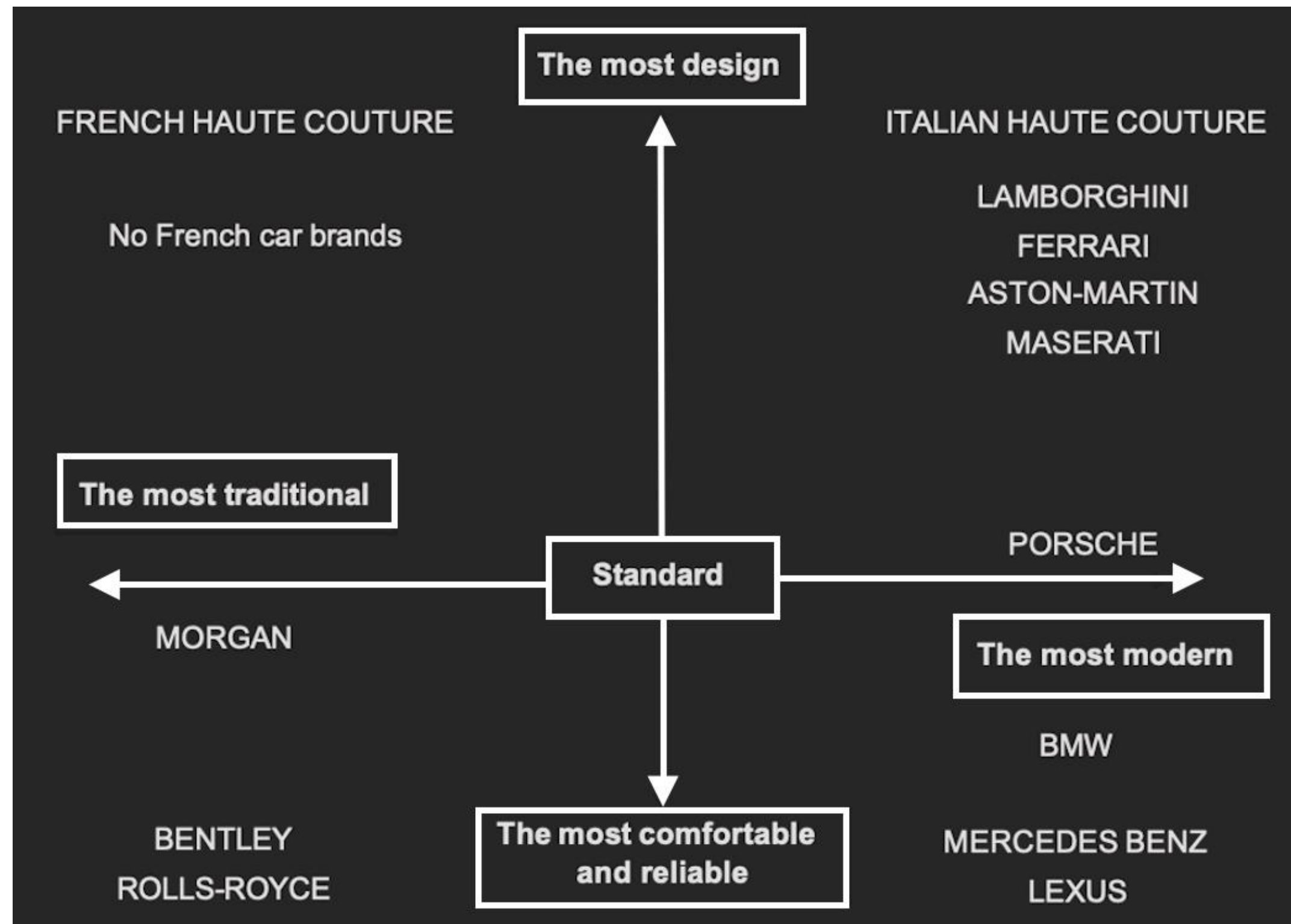
- A. The luxury product corresponds to a deep and (relatively) personal and spontaneous desire, whereas the consumer product is the object of a desire created from start to finish.
- B. The choice of a luxury product is the result of a personal decision
- C. The desire for luxury is based on hedonism and the aesthetic, not on overindulgence leading to saturation and revulsion.
- D. The key word when it comes to luxury is dream, not envy.
- E. Luxury is about being, for oneself and for others, not about having.

There's absolutely not an absolute correlation between luxury and money.

If the word 'luxury' were no more than a synonym for the word 'price', there would have been no reason to look any further, and it would have been sufficient simply to raise the price of one's product.



# Luxury and expressions of national identity



Luxury National identities and luxury cars



## **2. Anti-laws of luxury marketing**



# Anti-laws of luxury marketing

## 1. Forget about 'positioning', luxury is not comparative

Every classic brand has to specify its positioning, and then convey it through its products, its services, its price, its distribution and its communication.

When it comes to luxury, being unique is what counts, not any comparison with a competitor. Luxury is the expression of a taste, of a creative identity, of the intrinsic passion of a creator; luxury makes the bald statement 'this is what I am', not 'that depends' – which is what positioning implies it is identity that gives a brand that particularly powerful feeling of uniqueness, a timelessness, and the necessary authenticity that helps give an impression of permanence. Chanel has an identity, but not a positioning. Identity is not divisible, it is not negotiable – it simply is.

Luxury is 'superlative' and not 'comparative'. It prefers to be faithful to an identity rather than be always worrying about where it stands in relation to a competitor.

What luxury is afraid of is copying, whereas mass-produced brands fear 'undifferentiation', trivialization.



# Anti-laws of luxury marketing

## 2. Does your product have enough flaws/defects?

This is a provocative statement. For most people, luxury is the last word in hand-crafted or craftsman-built products

It is true that in surveys into the perception of luxury, consumers from all over the world were interviewed and the consensus was that 'product excellence' is the primary prerequisite of luxury. It would suffice to imagine a bisecting line between two axes – price and functional quality: at the very top right would be luxury. Now, in our view, nothing could be further from reality.

The aim of an upper-premium brand is to deliver a perfect product, to relentlessly pursue perfection. But it would take a touch of madness for it to be counted a luxury. Functionally, a Seiko watch is superior to many luxury watches – it is more accurate (because it's a quartz watch) and shows the time directly and in a perfectly legible manner (because it is displayed on a digital face). If you were to buy some of the famous brands of a luxury watch, you would probably be warned that it loses two minutes every year. The flaw is not only known, it is assumed – one could say that that is both its charm and its guarantee of authenticity. It is the specific and singular nature of their movement that is responsible for that. For luxury watchmakers like adding complications, indeed seek them out in their endless quest of art for art's sake. This is the 'madness' touch that goes beyond perfection and make people collect them.



# Anti-laws of luxury marketing

## 2. Does your product have enough flaws/defects?

Let us look at some of the watches that Hermès has to offer, where the time is indicated by just four figures: 12, 3, 6 and 9. So you have to guess the time as if knowing the time accurately was somehow unimportant, even pleasure-killing and dehumanizing. They are certainly far removed from those state-of-the-art precision chronograph watches, for luxury brands are not interested in being the leader in utilitarian or functional comparisons – primarily they are hedonistic and symbolic.

In the world of luxury, the models and the products must have character or personality. In the world of automobiles, a Ferrari is anything but a perfect car if you like easy, smooth and silent driving; that is why people would do anything to own one. Every model forces its owner to accept its flaws.

Of course, if a luxury product is not a flawless product, the reverse is not true: adding flaws does not turn a regular product into a luxury product.





# Anti-laws of luxury marketing

## 3. Don't adapt to your customers' wishes

One of the most respected brands in the world is BMW. This ever-growing brand has been successful in creating a cult, a body of owners that are extremely faithful, devoted and committed to their brand. It is in fact, according to the Luxury Institute, one of the 'the most admired car companies in the world'. What are the factors behind BMW's success?

- A clear brand identity, observed to the letter since 1962, summarized in a slogan never challenged since then, translated into every language – 'Sheer driving pleasure'.
- A stable, family shareholding. Since 1959 the brand has been owned by the Quandt family. It believes in letting things take their time and accepts that it may lose clients in the short term to increase the value.
- A very German enterprise culture, characterized by its engineering and its product cult. Moreover, being descended from pioneers of aviation, there is a tremendous pride in this company.

What is less well known, however, is that despite its success, the brand has remained true to itself thanks to its willingness to resist client demands when these did not correspond to the company's very precise vision as to what made for a true BMW. This does not mean the luxury brand should not care about its clients nor listen to them. However, it should do nothing that threatens its identity.





# Anti-laws of luxury marketing

## 3. Don't adapt pander to your customers' wishes

BMW is a good illustration of this principle according to which a luxury brand has to maintain a consistency over time and across its entire range, which guarantees its authenticity, and therefore its attraction, its mystique and its spark. In traditional marketing, the customer is king.

Procter & Gamble's corporate identity relies not on one category of product, but on a methodology that puts the customers' desires at the heart of the business: P&G does it by listening to its customers – listening to what they have to say or are trying to say – then transforming these wishes into global, or at least regional, products that are then sold through mass distribution channels. The luxury brand, on the other hand, comes from the mind of its creator, driven by a long-term vision. There are two ways to go bankrupt: not listening to the client, but also listening to them too much.

Historically, luxury was the creation of a talented craftsman, using the very rarest materials, who accepted commissions from a client or patron. These craftsmen were known in their day, but their fame did not endure. What we were witnessing at that time was a radical reversal of the relationship between omnipotent client and craftsman. No longer was the craftsman prepared to go cap-in-hand to visit the client; instead, people went to them to see their latest collections, their new creations.



# Anti-laws of luxury marketing

## 4. Keep non-enthusiasts out

When it comes to luxury, trying to make a brand more relevant is to dilute its value, because not only does the brand lose some of its unique features, but also its wider availability erodes the dream potential among the elite, among leaders of opinion. BMW is typical of a brand that is able to grow without cutting back on its rugged features, which are in any event highly exclusive. The Bavarian management has calculated that BMW's target accounts for 20 per cent of the premium segment of the population – only one person in five. This means that 80 per cent are not at all attracted by BMW's values.

The brand has preferred to exclude these 80 per cent and base its growth on its true target, those who wholeheartedly share its values. Brand growth is achieved by penetrating new countries, not new customer segments. In order to grow, the BMW Group preferred to buy two other brands which on their own, like BMW, define a segment Mini and Rolls-Royce; having taken good care to keep Rolls-Royce's identity separate from BMW's.



# Anti-laws of luxury marketing

## 5. Don't respond to rising demand – Luxury must be rare

At Ferrari, production is deliberately kept to fewer than 6,000 vehicles a year rarity value sells.

So long, that is, as the customer understands why the product is rare and is prepared to wait. Rarity can be managed just like the relationship with the clientele; so it is not a matter here of poor sales forecasting but of a deliberate strategy of resisting demand in order to be master of it.



# Anti-laws of luxury marketing

## 6. Dominate the client

Luxury is a consequence of meritocracy. Once the exclusive privilege of the aristocracy, luxury today is what restratifies our so-called classless societies, but on the basis of merit, no longer simply on birth. So everyone is looking for ways to haul themselves up – luxury brands are at the same time a reward and a token of gradual elevation. To preserve this status, the brand must always dominate its client. This is not the same as saying don't respect them: parents dominate their children, but that does not mean that they don't respect them; on the other hand, if they treat them as 'best buddies', making themselves out to be their equals, they lose their aura and profoundly disturb their offspring.

Luxury is the domain of culture and taste. Even if many well-off buyers do not actually have the codes themselves, they deduce from the limitless consumption of a luxury brand the fact that it must be coded as a luxury.

The luxury brand should be ready to play this role of advisor, educator and socio- logical guide. On this account it simply has to dominate.



# Anti-laws of luxury marketing

## 7. Make it difficult for clients to buy

The luxury brand is something that has to be earned. The greater the inaccessibility – whether actual or virtual – the greater the desire

Luxury has to know how to set up the necessary obstacles to the straining of desire and keep them in place. People do eventually get to enjoy the luxury after passing through a series of obstacles – financial obstacles, needless to say, but more particularly cultural (they have to know how to appreciate the product, wear it, consume it), logistical (find the shops) and time obstacles (wait two years for a Ferrari or a Mikimoto pearl necklace).

Luxury needs to excel in the practice of distributing rarity, so long as there are no real shortages. It's quite natural: just as actual shortages stand in the way of growth, so the absence of rarity leads to the immediate dissipation of desire, and so to the disappearance of the very waiting time that sustains luxury. To create this obstacle to immediate consumption, it should always be necessary to wait for a luxury product – time is a key dimension of luxury, as with all desire for anything even remotely sophisticated.



# Anti-laws of luxury marketing

## 8. Protect clients from non-clients, the big from the small

Modern luxury works on the open–close principle. Too much ‘open’ is harmful to the brand’s social function . On the other hand, too much ‘closed’ is too confining and leads to financial suffocation.

In practice that meant that the brand became segregationist and forgot all society’s democratic principles



# Anti-laws of luxury marketing

## 9. The role of advertising is not to sell

Nothing is more alien to traditional marketing than this declaration; in traditional marketing the first thing to be done is to come up with a sales proposal, to have a unique selling proposition – the text is there to make the sales pitch. In luxury, the dream comes first.



# Anti-laws of luxury marketing

## 10. Communicate to those whom you are not targeting

Luxury has two value facets – luxury for oneself and luxury for others. To sustain the latter facet it is essential that there should be many more people that are familiar with the brand than those who could possibly afford to buy it for themselves. In traditional marketing, the keyword is efficiency, but over and above efficiency there has to be a return on investment.

In advertising for example, the media plan must concentrate on the target consumers and nothing but the target consumers – every person reached beyond the target is a waste of investment money.

In luxury, if somebody is looking at somebody else and fails to recognize the brand, part of its value is lost.

It is essential to spread brand awareness beyond the target group.





# Anti-laws of luxury marketing

## 11. The presumed price should always seem higher than the actual price

It is a telling fact that advertisements for luxury products often show only the product, without any blurb, and certainly no prices. In the luxury world, price is something not to be mentioned. When you are dining in a top-class restaurant, do you select your dishes on the basis of price? Besides, in many such restaurants the guests' menus do not show prices.

As a general rule, the imagined price should be higher than it really is. It's the opposite in traditional marketing. Renault announced its Logan model as starting at € 5,000, but with the full set of options this would bring it up to € 7,500. Every seller tries to attract with a low price, a so-called introductory price, then tries to persuade the client to go up-range. In luxury, when an imagined price is higher than the actual price, that creates value. This happens:

- When someone is wearing a Cartier Pasha watch, everyone around them more or less knows its price, but tends to overestimate it (on account of its aura of luxury). This increases the wearer's standing.
- When offering someone a luxury gift, the gesture is all the more appreciated for the price being overestimated.
- And lastly, when advertised, the price is that of the top of the range.



# Anti-laws of luxury marketing

## 12. Luxury sets the price, price does not set luxury

Money is not a good way of categorizing objects or of stratifying them unless it has been culturally coded.

This 'anti-law' means that luxury is a what could be called a 'supply-based marketing'. That is why traditional marketing is in a state of confusion here: it is fully 'demand-based'.

In luxury, you first come up with a product, then you see at what price you can sell it; the more it is perceived by the client to be a luxury, the higher the price should be. This is the opposite to what applies in the case of a classic product or trading up, where the marketer tries to find out at what price level there is room for a new product.

There is one key consequence for selling: sales staff in a store help people understand, share the mystery, the spirit of places and objects, and the time invested in each item – which explains the price. Customers will be free to buy later.



# Anti-laws of luxury marketing

## 13. Raise your prices as time goes on in order to increase demand

In the standard market model, when the price falls, demand rises. With luxury, the relationship is reversed.

Anti-law of marketing: when it comes to luxury, price is a mere technical detail. As soon as price becomes an issue again in the classic price–demand relationship, we’re no longer dealing with luxury, even if the product bears the name of a luxury brand. Examples abound in every sector: it is by raising prices – and, of course, by reinvesting these additional profits in quality and in advertising – that a brand can stay in the world of luxury.

To live in luxury you have to be above others, not be ‘reasonable’, in both senses of the word. A reasonable price is a price that appeals to reason, and therefore to comparison. Now, recalling our anti-law no. 1, luxury is ‘superlative’, not ‘comparative’. By increasing prices you lose the bad customers, but now you suddenly become dazzlingly attractive to people who would previously not have given you a second glance.

The final point of this policy of systematically raising prices is that it gives the whole company a sense of responsibility. Price is a decisive factor in bringing about a change in mentality; indeed, we see quite profound internal changes in mentality, as every person in the company in their own way is constantly trying to find new ways of creating more value for the customer. It’s all a matter of living up to the price.



# Anti-laws of luxury marketing

## 14. Keep raising the average price of the product range

A luxury brand must always be seen to be restoring the gap, restratifying, and as such it is acting as a visible agent of meritocracy.

These people are looking for a way to reward themselves (through the products) and for a symbol (being the brand) of their accession to the 'Club', having made sure that it is a closed 'Club' – they wouldn't want to mix too much with the wrong kind of people, after all.

That is why the average price needs to keep going up – while of course at the same time increasing the value element of the product or service.



# Anti-laws of luxury marketing

## 15. Do not try to sell

This will allow you to filter and select your customers, the best and the real ones.

This isn't arrogance, not at all. The luxury strategy is the very opposite of the volume strategy.

If you pursue the strategy of systematically raising all your prices, you have to be prepared to lose sales and to lose customers. Most brands don't dare risk it, or else go running after customers; when you get to that point you're no longer talking luxury but mass consumption – which of course can be extremely profitable as everyone knows.

“When it comes to luxury, the best way of reaching the very well-off is to let them come to you.”



# Anti-laws of luxury marketing

## 16. Keep stars out of your advertising

Using stars to promote luxury products is extremely dangerous. A luxury brand is courted by the stars, in the same way as those stars are courted by journalists. As we already mentioned when speaking earlier about the luxury brand's typical relationship with its customers, it must respect them, but it also has to dominate them. Even the most famous ones. Calling on the services of a star is tantamount to saying that the brand needs some of this star's status just to survive and admitting that it has none of its own. For the luxury brand, this is a gross error of strategy, for it turns the relationship on its head. Only brand domination, standing above everything like a god, is acceptable, not simply behaving like any ordinary mortal.

If celebrities are used to promote the luxury product, the status of the latter is reduced to that of a mere accessory. Louis Vuitton advertising with Michael Gorbachev, former USSR President avoids this:

- first, the celebrity is not a fashion symbol but a man who changed the world
- second, his Louis Vuitton is not the hero, but only the witness of an exceptional moment (a strategic negotiation)





# Anti-laws of luxury marketing

## 17. Cultivate closeness to the arts for initiates

In traditional marketing, the brand seeks to appeal and to create an affective relationship. For that it often uses music, music that is as popular as possible, or at least appreciated by its target audience. The brand follows people's tastes. The luxury brand is a promoter of taste, like art. As we saw earlier, it maintains close links with art. But luxury is not a follower: it is creative, it is bold. That is why it is best for luxury to remain close to the unpopular arts – or rather the non-popular arts – those that are emerging and have yet to appeal to the majority, if they ever will. Louis Vuitton has long been sponsoring concerts of contemporary music, for example bringing the pianist Maurizio Pollini to the Abbaye de Royaumont to perform music by the little-known composer Luigi Nono, rather than by a great such as Mozart or Chopin. Similarly, following the pioneering work done by Cartier, the Fondations d'Art Contemporain are now flourishing in all the great luxury groups. In this way they are making themselves patrons of emerging trends, where they are forming symbiotic relationships that serve their purposes – making luxury- brand objects that are themselves works of contemporary art.

That is why it is so important to develop this curiosity about the here and now among those working in the luxury business and to encourage them to visit art galleries, biennales, and exhibitions of modern art.



# Anti-laws of luxury marketing

## 18. Don't relocate your factories

Luxury management does not apply this strategy. When someone buys a luxury item, they are buying a product steeped in a culture or in a country.

Not relocating factories is as much a question of creativity as of production. When you no longer have a manufacturing workshop near you, creativity takes a nose-dive, because you lose the contact with the raw material and the way of working to be able to sublimate it into a luxury product.

Once prêt-à-porter's production facilities were moved abroad, French haute couture gradually went into decline.





### **3. Aspects Facets of luxury today – Developing a luxury brand and products**



# Aspects Facets of luxury today

Everyone knows the keywords of luxury: price, rarity, exclusivity, perfection, history, art, time, dreams, nature of the links that luxury maintains with the notions that are so spontaneously associated with it (label, rarity, exclusivity, relationship with time, tradition, history, handiwork and complexity)

## **Luxury: the product and the brand**

When we think of luxury, the central unit of analysis is the brand. A brand is 'luxury' when it is perceived as such: a pantheon of so-called luxury brands immediately springs to mind, which illustrate the question far better than a lengthy discourse. In turn a product is 'luxury' as long as it bears the seal of a brand that is itself called 'luxury'. As Teil has remarked, this is circular reasoning, since to the question 'What is a luxury brand?' We often reply that it is a brand that makes luxury products. In luxury, since the product precedes the brand, we should clearly begin with the former: what makes it 'luxurious? By what qualification process does a product accede to this status?

There is a tendency, emanating from public relations and advertising agencies, to consider the product as secondary: it is the qualification of the clients themselves that makes a luxury object.



# Aspects Facets of luxury today

Now although luxury forms part of a social process of recreation and signification of social distance, it also presupposes an intimate, intense satisfaction, linked to the object itself and its own imaginary and beauty, bought on its merits and for its merits. This satisfaction distinguishes those who are able to appreciate and savour the product deeply, not simply those who are able to buy it, simple followers of others' tastes: taste is what money can't buy.

Conversely, how many small brands, born of passionate young creators tempted by luxury, wonder why their efforts on quality and perfection were never rewarded? There are is an answer to their question:

Luxury is located beyond quality: it is, to borrow an expression from Rémi Krug, 'that which distinguishes the very good from the emotionally moving'. It is not enough to ceaselessly pursue perfection, in luxury, it is the emotion that must be sought after at the highest level. It is in the details that we must find the germ of madness necessary to surpass the clinical perfection.

That's why it's defined the culture of luxury, culture sensitivity, deep humanity, luxury is same as art so we need same elements and features which we use to understand and appreciate art.

That's why made in Italy is so successful, for the maniacal deep attention to the smallest of the details.



# Aspects Facets of luxury today

The ingredients of the luxury product: complexity and work; a luxury object must be an object of true luxury the real substance of luxury:

- Authenticating it as a true work of luxury.
- To a true luxury clientele, recognized as such, which is therefore able to understand it.

Being extremely wealthy is not enough to be a qualifier of luxury. Luxury is about knowing how to spend, rather than having spending power.

Luxury is not being rich or having money and power of spending; money is not enough on both sides of this qualification.

Second, being extremely wealthy is not enough to be a qualifier of luxury. Luxury is about knowing how to spend, rather than having spending power.

The value of an object derives from three sources: its usage value, its exchange value and its work value. In terms of luxury, only the third is operational, whereas it is practically non-operational for the majority of current products, where in contrast managers seek to minimize it (delocalization) or to suppress it (automation).

The usage value relates the product to its use, and therefore to a group of functionalities.



# Aspects Facets of luxury today

Historically, luxury signals that its purchaser has overcome the constraints of daily life, and has entered into a privileged world where the key to entry is no longer the functional, but the aesthetic, the sensual, the hedonistic, the cultural, the sacred. Luxury is separate, another manifestation of distance. The exchange value deduces the luxury level from the price level.

The work value is therefore all that remains: this derives the luxurious character from a series of processes encasing work that qualifies.

This is why luxury needs an expert and passionate sales force. It is necessary to take the time to explain all these qualification processes so that the incomparable value of the object can be appreciated: a value that does not depend on the client, but exists prior to the client.

The luxury of an object is also demonstrated through the renown and taste of the people who have appreciated it: by qualifying these followers, we also qualify the object of their passion, and at the same cause it to benefit from an additional halo of desirability.

It requires time to explain luxury and to give a value to it and to the experienced qualified work to achieve luxury.



# Aspects Facets of luxury today

## **Superlative, never comparative**

Luxury never compares itself with others; this is one of the reasons also to explain why luxury doesn't requires conventional advertising.

In order to appreciate the object at its true value, it is necessary to know it: otherwise it is just a piece of merchandise.

It is important not to underestimate the 'non-comparative' dimension of luxury: it explains its commercialization and communication. These require it to be placed at a distance from all competition:

- Via exclusive distribution where the brand is 100 per cent in charge of the location and can make its identity felt, organizing the sensory and theatrical staging ('living the brand').
- Via a selective distribution where great care is taken that other comparable brands are not present, side by side.
- Through the need for a discourse on the origins (Where does the product come from? Where does its form of design come from?), which in itself requires an exclusive seller through the filial respect for founding, inherited values, a veritable religion internal to the brand that makes it equal to no other, incomparable, and makes the product almost a communion wafer.
- Via advertising communication that loves the almost-empty double page spread, with the goal of creating empty space around the object.





# Aspects Facets of luxury today

## Luxury and cultural mediation

Money does not buy access to everything many brands did some commercial strategies like Ferrari based on the strategy that they were not selling some special limited cars to everyone but you should respect some non negotiable parameters decided by them.

This is why culture is the biggest explanatory factor in the consumption of luxury goods. This is what makes it easier for clients who are not among the most wealthy to spend so much money. It increases the understanding of uniqueness and rarity.

The CEO of Yves Saint-Laurent, Pierre Bergé, used to say that it was the obligation of luxury to offer objects and not products, to be a space for enjoyment, not consumption. In fact, the object needs to be learned to be appreciated. It therefore distinguishes those able to appreciate it. Haute cuisine exists only because we have at the same time both great chefs and true lovers of food.

Some cultural baggage is therefore necessary to appreciate luxury. In fact, the two individual factors that do most to explain the consumption rate of luxury products are firstly cultural capital, and secondly income.



# Aspects Facets of luxury today

## **Luxury and history**

There can be no luxury brand without roots, without a history to provide the brand with a non-commercial aspect: it constitutes a fabulous treasure through the mythologization that it enables, by creating a sanctum of uniqueness, of non-comparability, while being the origin of an authentic lineage to which each new product can lay claim.

The European brands, born with history, draw great self-confidence from it, a great uniqueness and a cult of inherited values that translate into products that religiously respect these values. If there is no history, it must be invented.

## **Luxury is made by hand**

This handiwork is the sign of a cult: that of attention to detail. It adds a strong impression of rarity and preciousness. A result of excellence, quality, qualified experience and qualified hands, culture and cultural aspects linked to the territory, qualified knowledge.



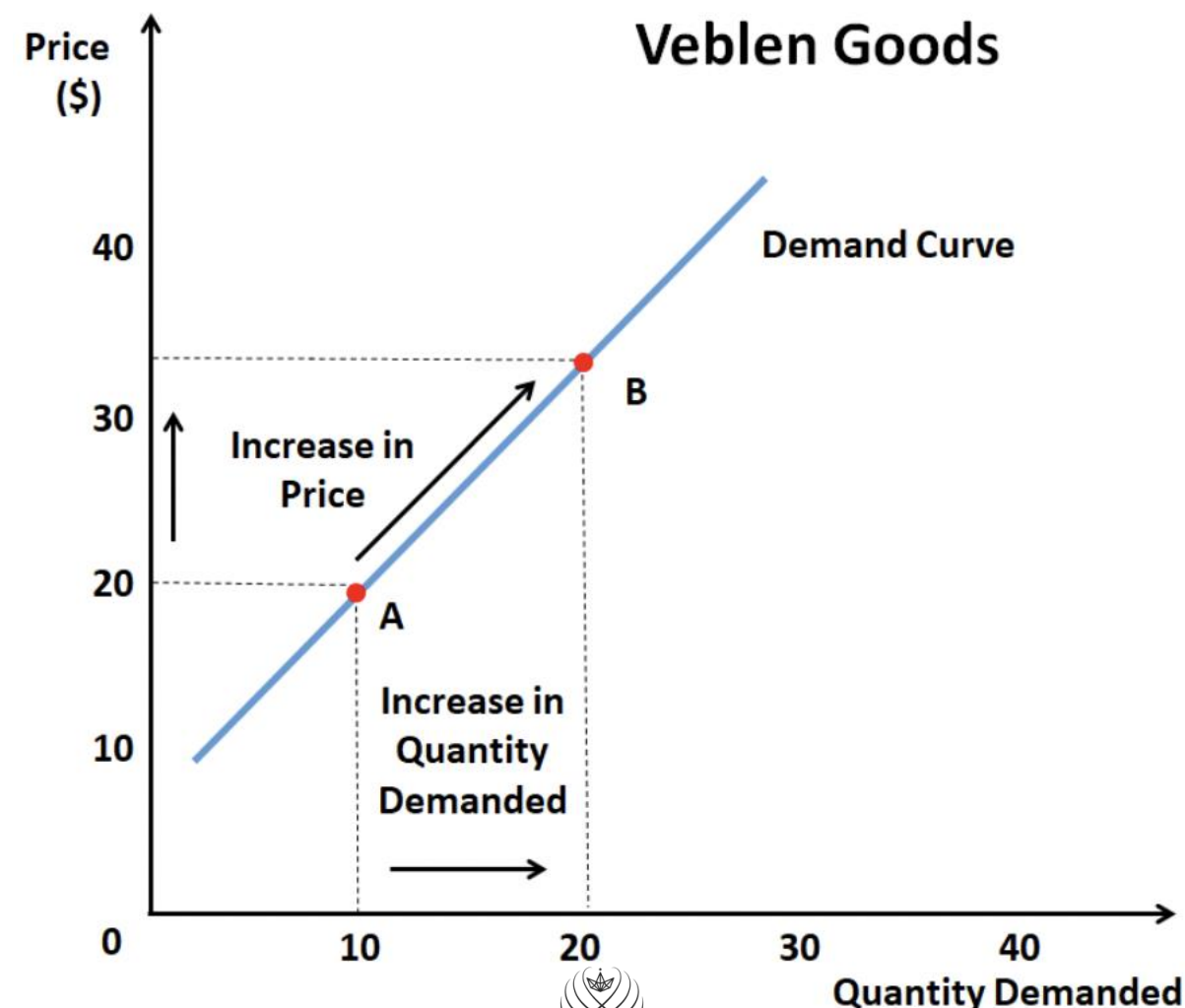


# Aspects Facets of luxury today

## Luxury and exclusivity

The luxury product is exclusive in two ways: 'I am the only person to own one', and 'This excludes the other'. It makes the owner someone special.

For Veblen, the Norwegian economist (1899), luxury is that which is socially most desirable, since it places you at the summit of the hierarchy. This is one of the drivers of what are known as Veblen goods: those for which demand increases as the price increases. What is expensive will as a consequence be even more expensive tomorrow. This is why billionaires like art: the possession of a painting excludes all others.



# Customer attitudes vis-à-vis luxury

Who are today's luxury clients? What characterizes them, at either the socio- professional or sociocultural level? How many types of relationship to luxury are there?

We can see how much the 'modernity' of the individual promotes the acquisition of luxury objects.

Income is the principal explanatory factor of this consumption. The higher your income, the more you buy. The propensity to buy luxury, however, may be strong in people who do not have very high incomes, provided that they are 'modern'. Conversely, very high incomes without this sociocultural mentality give rise to fewer luxury purchases. Level of education is the second explanatory factor: a higher level of study increases the propensity to buy luxury.

There is a cultural dimension to luxury.



# Customer attitudes vis-à-vis luxury

## The four luxury clienteles

- The first type of luxury, according to this international sample of affluent young executives with high purchasing power, is the closest to the average hierarchy emerging from our studies: it gives prominence to the beauty of the object and the excellence and uniqueness of the product, more so than all the other types. The brand most representative of this type of luxury is Rolls-Royce, but it also includes Cartier and Hermès.
- The second concept of luxury exalts creativity, the sensuality of the products; its luxury 'prototype'.
- The third vision of luxury values timelessness and international reputation more than any other facets; its symbols are Porsche, with its immutable design, and Vuitton. These are the institutions of the safe choice, of the certainty of not making a mistake.
- Finally, the fourth type values the feeling of rarity attached to the possession and consumption of the brand: in their eyes, the prototype of the brand purchased by the select few is Bmw or Mercedes, possession of which clearly signifies that you have 'arrived'.



# Customer attitudes vis-à-vis luxury

## **A strong axis of segmentation: relationship with the product or with the logo?**

The four types of clients described above may be situated in relation to one another along a key dimension: one that opposes sensitivity to the logo to sensitivity to the product, the search for emblematic brands rather than that for small masterpieces.

This dimension plays an important role in structuring and differentiating clients, and even countries, regarding the relationship to the logo. It is no accident that luxury brands exhibit their logos. The logo is the semiotic version of 'étiquette', or the code of correct dress at the Royal Court. This external manifestation may vary according to circumstances, from more to less visible, knowing that luxury needs a certain minimal visibility, even if only discreet, to signal that absolute separation to which it bears witness.

The fourth of the above groups is very 'pro-logo': they consume the sign. They need known and recognized badges to distinguish themselves from others, to transmit their success. It is significant that a Mercedes advertisement in 2007 talked about 'the car that has succeeded, like you'.



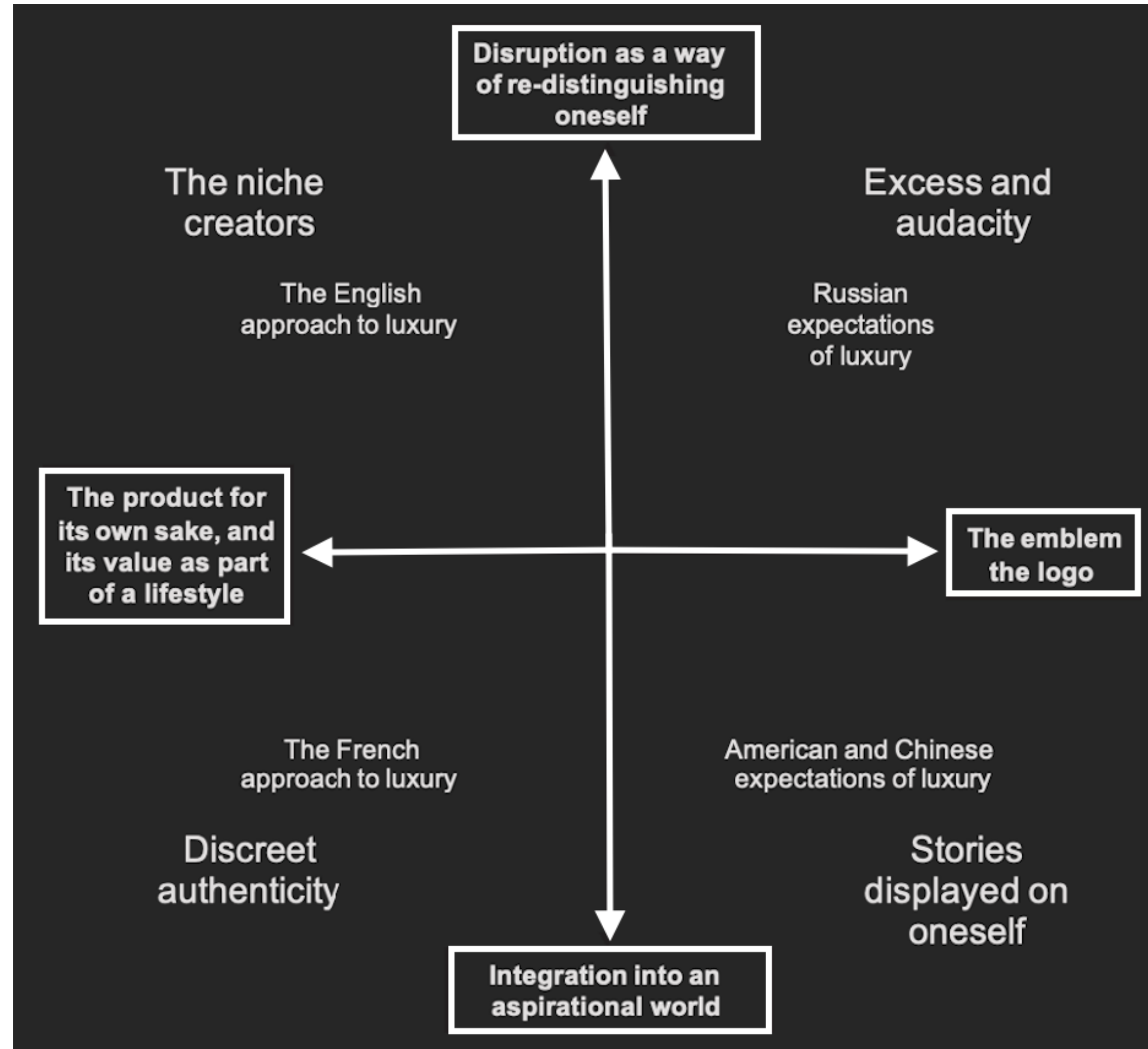
# Customer attitudes vis-à-vis luxury

## **A strong axis of segmentation: relationship with the product or with the logo?**

The third type is also moved by strong signs, visible and recognized logos: they enjoy the magic of the great names and become sure of themselves through these known brands, incontrovertible institutions of luxury worldwide, in the same way that we feel more at ease when we put on a dinner jacket. In contrast, type one clients see themselves as connoisseurs, aesthetes, capable of appreciating what is exceptional in a product: they like the authentic and are sensitive to the intangibles, the intensity of a rare, shared moment. As for type two clients, they are more concerned with showing their individuality, through choices that set them apart, above the rest, through the originality of the creator.



# Customer attitudes vis-à-vis luxury



# Customer attitudes vis-à-vis luxury

An expensive product is not necessarily a luxury product: it requires a cultural transformation to turn it into a vehicle of social distinction and stratification.

In order to appreciate it you need the keys of this culture, and therefore an education.



## **4. Managing the strategies for a luxury brand and products**





# Developing brand equity

1. There is no luxury without brands
2. A luxury brand is a real and living person
3. A luxury brand has roots
4. The luxury brand must radiate
5. No life cycle for the luxury brand
6. There is no such thing as final death
7. A legitimacy created from authority, class and creation, more than from expertise
8. The financial value of luxury brands



# Developing brand equity

## **The core of the luxury brand: its identity**

In luxury, we should not talk about positioning. The luxury brand cultivates its uniqueness; it prefers to be faithful to an identity rather than constantly worry about superiority over an opponent (its competitive advantage).

Even if the client makes the comparison, the brand is not managed by seeking to compare itself to others – like an artist. Do you think that Gauguin sought to compare himself to his contemporaries? Each painted in their own way, according to personal touch.

A brand can only be built through coherence. To achieve this you must know who you are and stick to it. Its dna brand core genes.



# Developing brand equity

## Two modes of luxury brand building

Building a brand, let us remember, is building a unique, strong perception. In luxury, it must also be inspired and aspirational.

The first is based on the creation of value, product quality taken to the extreme, with a cult of the product and heritage.

The second mode is American in origin: lacking such a history of its own, it does not hesitate to invent one.

Luxury is access and achievement of a dream products are not anymore products they are dreams which we buy for us and for others to legitimate our social position or to enjoy them privately.

Luxury is access to a dream.



# Counterfits

## Who are the clients of counterfeits?

It is necessary to separate the client who buys a counterfeit, and the one who wears it, since it is not always the same person.

We can distinguish three categories of client:

- Those who desire the brand in order to be part of the 'club', but do not want to pay the price, either because they cannot afford it (fake Vuitton), or because they think that the price is not justified by quality (Vuitton bag considered as just a plastic bag with a logo), or finally because they believe that nobody will see that they are wearing a fake (Rolex with a quartz mechanism and weighed down with lead).
- Those who buy as a present, thinking to deceive the recipient. It even happens that a man buys two products: a fake for the wife and a genuine article for the lover.
- Those who buy a fake believing that it is genuine. Such a case, much more frequent than we might think, is generally the consequence of poorly controlled distribution.



# Counterfits

The key point, for a brand, is not to treat the wearer or carrier of a fake automatically as an enemy, but as a potential customer: if they are wearing the counterfeited product, it is because they like the brand, and maybe believes that it is a real one (especially if it is a gift).

Another point: for economical reasons, many consumers of fakes could not buy genuine products now, but may be good customer later, when they become more affluent. Finally, if the tangible added value of a product is too weak (a simple T-shirt with a logo), counterfeiting merely penalizes this abuse.



# Counterfits

## **Counterfeiting as a way to diagnose the health of the strategy of the brand**

In addition to the fact that the existence of fakes proves the strength of the dream for the brand, it is also a way to check the quality of the strategy of the brand, in production and in distribution.

### **The distribution network is too selective**

The existence of counterfeits is often a sign indicating that distribution is too selective, and that it is necessary to open up more points of sale: the clients that do not have easy access to the real product cannot differentiate between genuine and fake, and/or the value (monetary or symbolic) of the product is not enough to justify the journey to the existing shops.

In contrast, the complete absence of counterfeiting in a country may signify the complete absence of desire for the brand, and the futility of opening a sales point: first it is necessary to create desire by investing in communication.

### **The distribution is too large or uncontrolled**

In this case, it happens that fakes are sold with real products. Some years ago, Louis Vuitton discovered in Japan a subtle strategy, linked to counterfeiting. Through 'tourists', local Japanese retailers were buying genuine products in Paris and displayed them in the shop, but sold fakes without the client realizing: the retailer explained that they could not sell the product shown in the window, since it has been damaged by the light, and brought out another (this one fake) from stock.



# Counterfits

## **Counterfeiting as a way to diagnose the health of the strategy of the brand**

### **The production is poorly controlled**

If a luxury brand subcontracts part of its production, the temptation for the subcontractor to produce more and to discreetly sell off merchandise is very strong. The product may be a real one, but sold outside the brand's circuits, in which case only the brand is the loser, or a product of inferior quality, but presenting all the external appearances of the genuine article, in which case both the client and the brand are hurt.



# Qualifying a product as luxury

## **In luxury, everything begins with the product - No product without service**

In luxury, the 'product' always comprises one (or more) objects and a service; a luxury service should become material in an object . this means that a luxury product becomes a complete, holistic 'experience', lived in a multi-sensory manner over time by the client.

Holistic means dealing with or treating the whole of something or someone and not just a part.

The relative importance of these two components, object and service, may vary widely according to the market (essentially object in personal accessories, essentially service in leisure, both to the same degree in a restaurant), but the point of commonality is that it is this object–service pairing that is the luxury 'product' that the client pays for in a clear and perfectly conscious manner; the other components of the marketing mix are an environment that is not accounted for as such.

Another key aspect: the product must be strongly humanized, that is, the object must have been made 'by hand', the service must be rendered by a human being, and the client must have a genuine interlocutor.





# Qualifying a product as luxury

## The luxury product and the dream

The most discriminating aspect of the luxury product is its relation to the dream:

- The basic product corresponds to a need. The need must be met as quickly as possible. The role of the basic product is to do this at the lowest cost compatible with a minimal quality level: a glass of tap water or a common transport vehicle will do the job. Once the need is met, the product is abandoned (you turn off the tap, you step off the bus).
- The branded product corresponds to a desire, a wish. We are thirsty, and we desire a Leffe beer, preferably on tap; we wish to own a car, and desire a BMW. Desire is artificial and does not need to be immediately sated (in emergencies we drink water or take the bus). It lasts for a while, but not too long (we give up the idea of buying a car, since it costs too much) and is substitutable (we buy a Renault Logan, since it is cheaper than a Polo). It must therefore be systematically maintained, and this is the role of advertising, which simultaneously maintains the desire for the product (beer) and for a brand (Leffe).



# Qualifying a product as luxury

## **The luxury product and the dream**

The luxury product corresponds to a dream.

Dreams are an integral part of human beings: 'We are such stuff as dreams are made on', said Shakespeare.

They do not necessarily need to be satisfied: sometimes, their existence alone makes us happy. They are outside time, and often last forever (the dream of travel is not extinguished by taking this or that journey).

Dreams are beyond need or desire; the role of the luxury product is to respond not to the individual's needs or desires, but to their dreams.



# Qualifying a product as luxury

## **The luxury product is not a perfect product, but an affecting product**

There is often a contradiction between the functional aspect of the product and what makes it luxury: think of the discomfort, noise and the wasted potential speed of a Ferrari, or the extreme difficulty of maintaining certain luxury fabrics. These practical faults are in fact qualities in the eyes of their true clients (the pleasure of stopping at every dip in the road to see if the Ferrari will be able to make it across) and is an integral part of their dream ('you have to suffer for beauty').

For many luxury niches, in particular that of luxury cars, hedonism takes precedence over functionality, in contrast to the upper range or premium.

Another very important aspect of the luxury product is its holistic nature. The functional part may be sensually one-dimensional, but the dream part must satisfy all the senses; in a great restaurant, the food must be excellent, but the plates must be beautiful, as must the table and the room as a whole, the tablecloth must be agreeable to the touch and the ambient noise must be pleasant.



# Qualifying a product as luxury

**The luxury product is not a perfect product, but an affecting product**

Now let us turn to the more concrete aspects of product management.

The product must be a concentrate of inspiration beauty extreme keen and attention to the detail with a care aspect to the environment and sustainability, we don't buy a luxury product to throw it away one day the luxury good purchase is indeed a sustainable purchase, De Beers a diamond is forever.



# Qualifying a product as luxury

## **Luxury product and time - Lasting a lifetime and beyond**

When a product is durable, the answer is simple: you must seek out the longest possible lifespan. The ideal is eternity (for haute joaillierie), but a century for a Louis Vuitton case or 20 years (at least) for a Hermès or Louis Vuitton handbag are impressive lifespans, which in themselves justify the price.

This imposes constraints on the materials, but also, and much more so, on the style, which must have a touch of timelessness about it. More specifically, the luxury product must remain both current and be timeless.

How can we resolve this difficulty? Through two aspects: painstaking design and materials that age well. In fact, a luxury product sees its value increase over time, like a great wine.

Fashion is perishable, but haute couture models are displayed in museums and exhibitions. There is a genuine market for second-hand Chanel dresses.



# Qualifying a product as luxury

## **Luxury product and time - Lasting a lifetime and beyond**

### **Enjoying the wait**

Management of the 'before' is more complex to manage via the product. The client must be able to buy it, but put off consumption for as long as possible, while enjoying possession of it.

The most classic case is that of great wines, which are allowed to age in the cellar, always putting off the moment of consumption (they are 'improving'). Another, similar case is that of great cognacs lovingly transported home by Japanese travelers, which will never be drunk but will sit enthroned in the living-room; in this case the aesthetics of the bottle are more important than the quality of the cognac, since the luxury is not in drinking it, but in contemplating it while telling themselves that they can drink it if they wish to.



# Qualifying a product as luxury

## **Luxury location - Production must not be outsourced, much less relocated**

This is the second condition for maintaining the dream:

- Outsourcing means losing control and familiarity with the production process. It cuts the connection, which is fundamental to luxury, between the artisan, or group of artisans, who manufactured the product and the client: the company that carries the brand becomes a simple intermediary, and the creative teams lose contact with the terrain where the product will be created.
- Relocation means denying one of the fundamentals of luxury: cultural specificity. This is one of the major points of divergence at the product level between luxury and premium: a luxury product is linked to a history, a territory (physical or cultural) from which it cannot be extracted without losing its aura; a premium product is linked to a strict set of technical specifications, and it must be manufactured where it makes greatest economic sense, always provided that there is strict respect for quality.





# Qualifying a product as luxury

## **The opposition between luxury and relocation**

The 'dream aspect' that characterizes the luxury product transcends the product itself, and all the components of this dream aspect must be preserved, since they form a whole (luxury is holistic). The manufacturing of a product by an artisan is an integral part of the dream and is a major component of it from the very beginning; and this artisan is not just any artisan, but someone who knows the product well, who belongs to the same cultural universe. A French artisan will not work in the same way as an Italian artisan, or like a Japanese artisan, since they do not see the shapes, colours, details or balance of a product in the same way. For example, and caricaturing somewhat, the Italian will seek originality at the expense of rigour, and a German will seek rigour at the expense of originality; a Japanese will purify the shapes to the extreme, whereas a Russian will complicate details to the extreme. Nobody is at ease when not working in a familiar cultural context, and not only will globalization not change anything about these cultural specificities, but it will in fact encourage each one to exaggerate them, if only in rebellion.

The place of production, even more than the shop since it is much less physically accessible and is closed to the public, is a kind of temple where the mythical alchemy of the product takes place, where the brand myth is born, where the cult is celebrated.



# Qualifying a product as luxury

## **The opposition between luxury and relocation**

It is important for the brand substance that this place may be visited, like the Asnières workshop for Vuitton or the Maranello factory for Ferrari; this visit must be accompanied by great ceremony.

To insist further on this point of cultural specificity, not only should production be located strictly within a culture, but most of the time the geographic location of production itself is part of the product. It may be a specific place (Le Puy lace), a defined region (Champagne, or Caspian Sea caviar).



# Pricing luxury

## **What about price elasticity?**

Let us now look at the famous price elasticity, the foundation of all classic economics: when the price rises, demand falls.

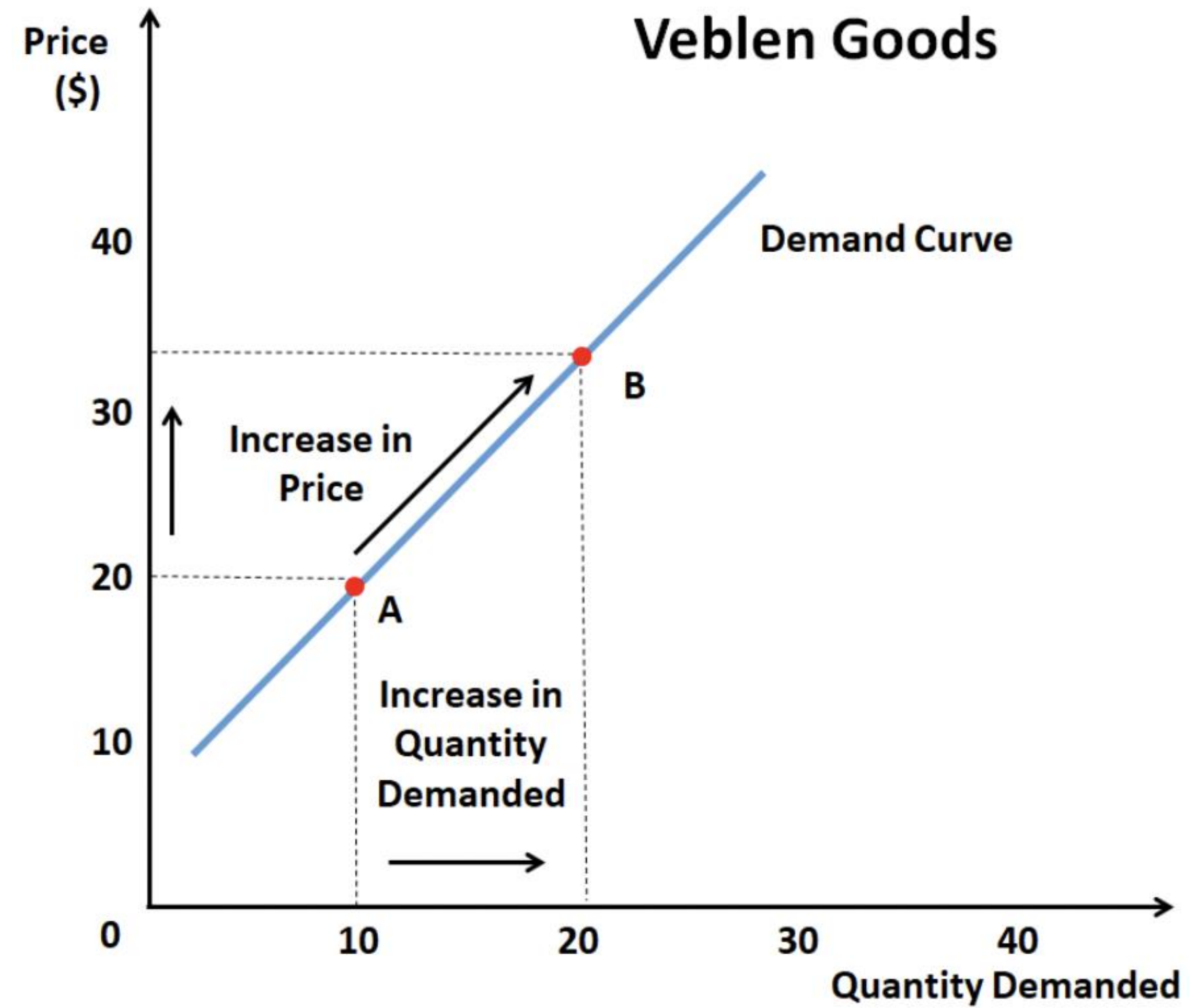
In fact, the price–volume relationship is a key factor in a traditional marketing strategy, and it is essential to understand and to measure it, through the classic means of elasticity coefficients, about which there is an abundant literature. This classic concept of elasticity in price, however, does not apply well, if at all, to luxury.

## **The coefficient may be positive**

Objects or services for which demand increases along with the price are called ‘Veblen goods’, after the Norwegian Veblen, a theoretician of the ‘leisured class’ at the beginning of the 19th century. This behaviour of ‘Veblen goods’ is very frequent in luxury and is somewhat counterintuitive, particularly as it is in flagrant contradiction of what occurs with ordinary products.



# Veblen Goods Graph



# Pricing luxury

## **Increase the price to increase demand and recreate the distance**

In general, a luxury brand must cause its average price to grow continually: its client development dynamic is not the increase in the number of clients through the lowering of the access price, which devalues the brand, but through the increase in the number of clients who are willing to pay to access the brand. Social stratification is visible once more.



# Pricing luxury

## No sales in luxury

The sales, a significant and public reduction in price whose aim is to sell off unsold or poorly-selling products, are the total opposite of luxury. The price, and therefore the value, of a luxury product should increase over time, and not suddenly crumble, showing that ordinary clients have been robbed:

1. A luxury product should be timeless, not quickly become obsolete.
2. The purchase of luxury is a deliberate, considered act, not an impulse; sales play on the mimesis of appropriation, an acquisitive fever, not on dreams.
3. The price should be in the background in luxury, and not in the fore-ground as it is in sales – a gift from the sales is a depreciated gift: in the sales, you buy the price, not the product.

For example, a house such as Louis Vuitton, which sometimes sells 'fashion' bags, will destroy the unsold stock at the end of the season rather than sell it at a discount: this apparently anti-economical action is in fact the consequence of the strict application of a luxury strategy in goods, and the benefits to its image of this rigour.



# Pricing luxury

## **You sell to someone before you sell something**

During the sale, a personal, almost affective relationship must be created between the brand and the client. This relationship is vital in luxury: at its roots, a luxury product is remitted (rather than sold) by a given person to a given person. This 'one-to-one' relationship is an integral part of the DNA and universe of luxury.

You sell to someone before you sell something: this relationship has an affective side that is very important from the beginning (even a king places himself in the hands of his suppliers) and persists in today's world (you put your trust in 'your' salesperson).

Both in its 'social stratification' aspect and its 'for yourself' aspect, luxury has a strong human, purely relational dimension. Its role is also to offer human warmth in an aggressive and impersonal world. Contrary to too popular belief, the salesperson in luxury should certainly not be distant, but on the contrary warm and friendly.

They do not know who tomorrow's good clients are: these future clients will walk in like anyone else into one of the brand's boutiques, and will also judge the brand on how it welcomes an anonymous shopper.





# Pricing luxury

## **You sell to someone before you sell something**

The client often enters the boutique without any idea of what they will buy, particularly when looking for a gift; they often trust entirely in the sales- person's opinion, and will prefer someone they already know: the 'personal advice' aspect of the sale is very important in luxury. Hence the importance of stability of the staff in boutiques and the continual training of sales personnel and the greater importance of their feeling of belonging to the house.

As a consequence, distribution must be done in such a way that the client buys in calm (no forced sales, no pressure from the salespeople) and security (the true product at the true price). In fact, you are not selling the product to the client, but it is the client who buys the product giving rise to the following apparent paradox.



# Pricing luxury

## **The price is not publicly advertised**

This is the consequence of the price logic in luxury. Advertising for a luxury product never mentions its price, or indicates it very discreetly, but it is also necessary to avoid mentioning it in the shop, and particularly in the shop window; if legal constraints make it necessary, it should be done as discreetly as possible.

The ideal strategy is summed up in two points:

- The price level is known to all, and if possible overestimated.
- Only the person who pays knows the exact price.

The best example is a luxury restaurant: menus without prices for the guests, a menu with prices for the person who pays the bill (discreetly identified), or a prepaid bill, or a bill sent later. In any case, the intimate relation between luxury and gifts should be management's guide to the way in which prices are communicated.



# Pricing luxury

## **The price must be sold**

Here is the key aspect: price is often the only thing that there is to sell at the shop level, since a luxury product is not sold – it is bought by the client; in any case, it is the last thing to be sold, and sometimes not sold at all: the blank cheque, the person who signs the bill apparently without even looking.

The salesperson's role is key in this process: it is to explain to the client the entire symbolic value of the product, explain in detail the refinement of its raw materials, all the work that the object embodies, which more than justify the price. The client must understand that, for the quality and the prestige that are obtained, the product is in fact quite cheap: this is very important in the rationalization and reassurance after purchase that always takes place.

The price must retain some mystery. Consequently, all communication must make an effort to position the product at the highest possible, still credible, price, all without ever mentioning it directly.



# Pricing luxury

## **It is the price, not the product, that is sold to the client**

In fact, salespeople in the store are not there to sell, but to make you understand, to share the mystery, the spirit of the place, of the objects, and the time embodied in each object.

When the client discovers the price, in the end they will find it not that high for the quality of product that they are buying.

Our anti-law, 'Luxury sets the price', is applied to the letter here: the role of the store and the sales personnel is indeed to make the potential purchaser understand all the refinements of a product, all those aspects that make it a luxury product. This leads us to a conclusion that is surprising for classic marketing: the true role of the salesperson is not to sell the product it is to sell the price.

The price is even often the only thing that the store really has to sell: the product the client desires is often on allocation or on a waiting list. If the product, nevertheless, requires selling, since the client is undecided (a common case with gifts), the price still needs to be sold.



# Pricing luxury

## **It is the price, not the product, that is sold to the client**

Sometimes, there is no need even to sell the price (the blank cheque, the person who signs the bill apparently without even looking).

In this case, the role of the store and the sales personnel appears in its purest form: sell the luxury of the product. This has a fundamental consequence: the sales personnel should never earn direct sales commission.



# Pricing luxury

**It is the price, not the product, that is sold to the client - The sales personnel should never earn direct sales commission**

This is logical, since their role is not to sell the product. If the salesperson does their work well, but doesn't close the sale, the client will buy later on; often, the client comes back within the hour to make the purchase, having needed the additional time to finalize the decision.

If the person who has done the long work of selling has gone to lunch, and another salesperson closes the sale, often in this case in just a few minutes, an individual percentage bonus on the sale would be unfair.

Moreover, sales commission induces aggressive behaviour among sales people (this is, after all, its purpose): they rush at the client, or even fight among themselves. In such conditions they are far from showing respect for the client's desire and the creation of the dream.



## **5. Communicating luxury**





# Communicating luxury

Luxury and communication are consubstantial, since one of luxury's two fundamental roles, that of recreating social stratification, is pure communication. Moreover, luxury is a transmitter of taste. It must therefore be active at a cultural level.

Given that this aspect of luxury is strongly original and differentiates it from the universe of classic consumption goods, it results in a completely different use of communication from the habitual function of 'making sales'. In luxury, you communicate in order to create the dream and to recharge the brand's value, not in order to sell.

Luxury brand communication is situated far upstream of the purchase; the product and the brand universe are spoken of in a dreamlike way. It must also be sufficiently vague that many people can identify with it and find their personal share of the dream.

This implies refined and artistic communication, highly coded (luxury creates social codes) without being too dated, never direct, highly allusive. The practical consequences of this approach are that you can never judge the effectiveness of luxury communication by measuring its impact on a sales campaign.



# Communicating luxury

Its qualitative impact is measured using classic tests, but also, most importantly, by asking existing clients, who are always delighted and flattered to be consulted, whether during a visit to the boutique, through a mailing to their home. This point is very important: a communication campaign aims at least as much to comfort existing clients, who will make another purchase or convince others to do so through 'word of mouth', as to conquer new clients:

- A. The value of a luxury brand depends on the quality of its image, much more than on its recognition.
- B. It is better not to communicate at all than to communicate in a mediocre way.
- C. A good campaign should be pursued for a long time, despite the often contrary opinion of the creative directors within advertising agencies.

The 'weariness' of advertisers, who live in a world of immediacy and fashion, is not that of clients, and the time of luxury is not that of fashion.



# Communicating luxury

## **You don't talk about money**

1. Not talking about the price of a product in communication, and if you are legally obliged to do so, it should be in small, hard-to-read characters.
2. Talking about discounts or savings even less: we recognize an ordinary car from its advertising, which states the price in large type, and then in much smaller writing that this price relates to the basic, bare-bones model.
3. Never talking about financial results, which are the acme of materiality.



# Communicating luxury

## **You communicate, you don't advertise - Luxury seeks participation and active membership from the client**

Since the role of communication in luxury is different from its role in classic markets, it is therefore hardly surprising that luxury's communication methods should be fundamentally different from the usual methods. At the mass market level, media advertising plays a key role, with the stores being promoted. The closer you get to highest level, the less of a key role advertising plays; in luxury, it is secondary.

What matters, however, are press relations and public relations. From this point of view, everything the brand does should be 'PR-able'.

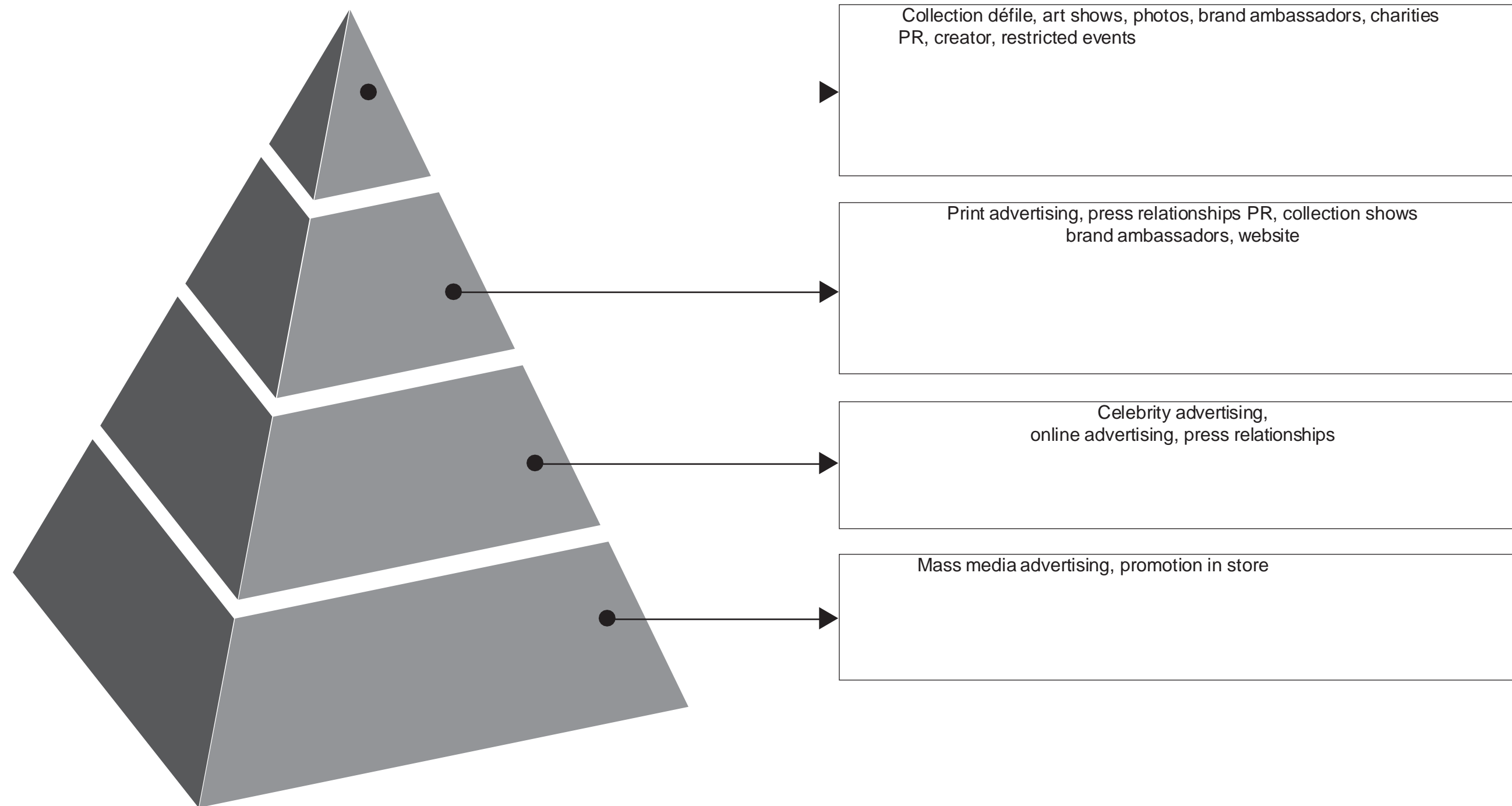
A brand that is not spoken about, that is not quoted, mentioned, whether in films or on television, or carried by a celebrity who is then caught on camera during her arrival at the Oscars ceremony – is that really a brand that counts? The brand is a transmitter of taste: as such it should be a sign of 'good taste'. It should be present in the high places of taste, living culture, and fashion and art as well.

Let us examine this luxury communication in detail.



# Communicating luxury

**You communicate, you don't advertise - Luxury seeks participation and active membership from the client**



**Layers of luxury communication**



# Communicating luxury

**You communicate, you don't advertise - Luxury seeks participation and active membership from the client**

## **A great deal of event PR and corporate patronage**

At an event, you invite a physical person and can therefore take care of them: you can initiate a new client into the brand universe in a very personalized manner, or treat a very good client in the appropriate manner. Moreover, it is very easy to direct every detail of an event, and therefore ensure its coherence with the brand. The quality of the invitees reinforces the stratification.

Sponsorship and patronage are both equally legitimate for a luxury brand, always provided that they are coherent with the brand – which is not always easy, nor as obvious as in the case of the Lalique trophy for figure skating: everyone immediately makes the link between ice, elegance and a luxury crystal glass brand; on the other hand, apart from Hermès, very few luxury houses have their roots in the world of horses. Under these conditions, sponsoring the Grand Prix de Paris, as Louis Vuitton once did makes no sense.



# Communicating luxury

**You communicate, you don't advertise - Luxury seeks participation and active membership from the client**

## **A great deal of event PR and corporate patronage**

You need to sponsor an event – since you can then control all its parameters but not a competitor (Louis Vuitton sponsors the LV Cup, not a boat; Hermès sponsors the Grand Prix de Diane, not a horse); you must choose, an event that is coherent with the universe of the brand's core, its roots (Hermès and horses; Louis Vuitton and travel, therefore boats), and to concentrate on the most prestigious events.





# Communicating luxury

## **You communicate, you don't advertise - Luxury seeks participation and active membership from the client**

Having said this, you need to be pragmatic, and know how to seize unexpected opportunities. Shaking a bottle of champagne and spraying the crowd is part of the winner's ritual at a Formula One race. This ritual is surprising, however, since champagne is a luxury beverage and not a shower product, and the Champagne region has no indigenous racing-car constructors. Where, then, does this custom spring from? In 1950, the year that the F1 World Championship was formed, the French Grand Prix took place at Reims, in the heart of the Champagne region. Paul Chandon Moët and Frédéric Chandon de Brailles, who were great fans of motor racing, offered a Jeroboam (the equivalent of four bottles) of Moët et Chandon to the winner, Juan- Manuel Fangio. This gesture was appreciated, and was subsequently generalized to other prestigious motoring events. In 1966 the champagne offered to the winner of the Le Mans 24 Hour Race, Jo Siffert, was warm; the cork flew out and the wine sprayed out, showering the crowd around the foot of the podium. In 1967, the winner, Dan Gurney, voluntarily shook the bottle and sprayed the crowd.

A tradition was born.

One last point: the luxury brand should not disperse itself across multiple events in multiple sectors but concentrate fully on a single universe, in which you can develop a very strong image by devoting all your available means to it.





# Communicating luxury

**You communicate, you don't advertise - Luxury seeks participation and active membership from the client**

**Permanently encourage word of mouth**

One of the key consequences of these events is the fact that the media will relay it. It must be talked about. Rumour, as we know, is fed on marvels. Such events assume an attention to detail that will give rise to word of mouth. Thus, people still talk about the party organized by one of the world's richest men, Lakshmi Mittal, for his daughter's marriage in 2006: 1,000 people around the world were invited to a party that lasted for five days at the famous Chateau of Vaux le Vicomte in France. The buzz talked particularly about the invitation, 20 silk pages, in a silver casket, delivered in person to each invitee, wherever they were.

Everything the brand does should be made use of in press relations. A brand that the press does not talk about does not exist in this world. It is therefore necessary to feed the media constantly with news, stories, events, facts, etc, which weave the tale of the adventure of its products from conception to use. The brand must be 'mediactive', constantly generating content, whether through a press trip, press releases, leaks, etc.

To borrow Danziger's expression (2005), the luxury brand should not be only expensive but expansive, that is, ever-present in selective media and locales.



# Communicating luxury

**You communicate, you don't advertise - Luxury seeks participation and active membership from the client**

## **The codes of luxury communication**

The luxury brand is a universe, not a promise. The luxury brand is experiential first and foremost. Its language is mostly non-verbal: it is primarily visual, and sensory cause these two elements awake emotions which are the driving forces of luxury. It is more its way of doing things, its referents, its aesthetic, its modes of expression that will weave the emotional relationship with its audiences than the words themselves.



# Communicating luxury

**You communicate, you don't advertise - Luxury seeks participation and active membership from the client**

**Making the brand denser through tales, stories and rumours**

The traditional brand wants to be a landmark: it has therefore developed tools that reduce it to a promise (the famous 'positioning'). This is the consequence of the economy of hyperchoice: each brand is summed up in a simple proposition ('I am the best for something'). Here you can recognize the famous USP (unique selling proposition). The luxury brand does not obey these pressures: on the contrary.

Far from being reduced to a promise, it offers its universe.

It is not subject to a comparative logic and its communication is first and foremost about word of mouth. Its distinction is based not on its advertising budget but on what clients say about it among themselves.

This is why the luxury brand should be thought of like a story: there is no luxury brand without storytelling.

As all studies on the diffusion of rumours and urban legends show, we like to tell stories that are perceived as authentic, somewhat secret, and capable of transmitting an implicit message, loaded with collective values.



# Communicating luxury

**You communicate, you don't advertise - Luxury seeks participation and active membership from the client**

**Making the brand denser through tales, stories and rumours**

This is why the luxury brand should reveal its story, both in the historic and the mythical dimension: they give it status and at the same time feed the word of mouth.

This is an ongoing task: everything is suitable for becoming the object of word of mouth, from the search for the rarest raw materials, to the number of silkworm cocoons necessary to create a single Hermès scarf, the manufacturing methods at Ferrari's Maranello home, the creator's life.

Everything is useful for feeding the myth, the cult through the communication of a luxury brand.

Note that recent brands have invented their myths from scratch: countless books have been published by the Ralph Lauren House about Ralph Lauren himself (in reality Ralph Lifschitz), a man become a legendary personality in his lifetime, and presented throughout these books or magazine reports among his collection of old Jaguars, or at his timeless ranch.



# Luxury and ethics

Luxury is ethical or not depending on how societies read it, but it is neutral in itself. Our statement is clear: if something is addictive (as fashion was for Emma Bovary in *Madame Bovary*), it is no longer luxury, and if it is pure flaunting (the fancy yacht at St Tropez or Portofino), it is no longer luxury.

For us, therefore, luxury is refinement and not ostentation, communication and not proclamation. It therefore moves away from the domain of 'having' (possession, accumulation, slavery to the object) towards the domain of 'being', both for yourself (dreams) and for others (recognition, esteem).

A society where luxury is democratized is a society that is pacified.



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# Thank You

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The School of Luxury Retail