Luxury Brand Exclusivity Strategies – An Illustration of a Cultural Collaboration

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Abstract

This paper examines how luxury fashion brands renew themselves in order to balance the exclusivity that is associated with luxury goods and with profit maximization. Using consumers' demand theory it is shown how luxury fashion brands go through different phases to renew the perception of exclusivity. A proposed model for the stages a luxury brand goes through to keep up the perception of exclusivity is provided. The focus is on identifying how luxury fashion brands renew themselves in order to create a perception of exclusivity and scarcity. The limitations of the study is that research has yet to be done on how consumers of luxury fashion goods perceive these efforts put forward by luxury fashion brands. Problems associated with luxury fashion brands, theoretically as well as on a practical level, and the crucial need for a perception of exclusivity and how this perception can be maintained are addressed. This paper contributes to the specific, and still limited knowledge on how luxury brands are dynamic and their need for consistency together with renewal and change.

Keywords: Luxury brand, Fashion, Exclusivity, Scarcity, Brand strategies

1. Introduction

According to Frank (1999) we are in a new wave of luxury fever. Twitchell (2002:29) deems that there has been a democratization of luxury and that this has been "…the single most important marketing phenomenon of modern times". Luxury intrigues and allures and the word is used in every other advertisement, often indicating something positive, something worth striving after, something worth desiring. 'Indulge yourself' is the implicit promise of modern luxury goods. You deserve a break today. You are worth it (Today L'Oreal's slogan). We're here to help you indulge (Twitchell, 2002). Luxury, however seems to imply exclusiveness and the perception of exclusiveness is based on scarcity. If the basis for consumer demand for luxury goods would in fact be scarcity, why would luxury brands strive to increase sales?

With the spectacular growth of the luxury goods market over the past decade, it is not surprising that it has become an area of growing interest to practitioners as well as academics. According to Mintel International Group Ltd., the global luxury goods market was worth an estimated 70.0 billion Euro (US$ 87.5 billion) in 2005, which was an increase with 9.2% from 2004 (Mintel International Group Ltd., 2006). Earlier reports, such as the McKinsey report from 2002, show that the growth rate of the luxury goods market far exceeded that of the world economy and that the only real downturn it experienced was in the months following '9-11'. Previous to this event, the luxury goods market grew, with sales rising from US$20 billion in 1985 to US$68 billion in 2000 (The Economist, 2002). Luxury goods, as well as, luxury services are demanding a larger part of the goods and services industries (c.f. discussions on 'trading up', e.g., Silverstein and Fiske, 2005) and the luxury industry is thus of significant economic interest.

Although a growing interest, the concepts of luxury and luxury brands are still very much undefined as the literature shows inconsistencies in definitions. Coco Chanel described luxury as "the necessity where necessity ends," capturing the irrationality of luxury and luxury items (in Lewenhaupt, 2001:40). How is it possible for luxury brands to keep up the notion of exclusivity and scarcity, while at the same time expanding, opening up more stores in

Europe, the US and last but definitely not least the huge expansion in Asia and also increasing Internet sales? Is it possible to maintain an allure of luxury and exclusivity while at the same time maximizing profits? This papers' focus is on examining how luxury fashion goods create increasing demand for their goods while at the same time maintaining the perception of exclusivity by continually renewing themselves and adding on to the brand personality.

2. The Luxury Brand Paradox – a play on exclusivity

To label an item 'luxury' is in itself a paradox. One the hand retailers want to sell as much of their product as they can while, on the other hand, their very object in proclaiming their product a 'luxury' might seem to imply exclusiveness. Catry (2003:11) argues that the luxury incumbents, like magicians, seek to "perform an illusion where actual scarcity is replaced by a perceived rarity". Berry (1994) argues that the image of the 'exclusive' luxury good is a gambit to increase consumption and, secondly and perhaps less obviously, that neither expense nor rarity are themselves sufficient conditions for a good to be accounted a 'luxury'. He claims that what is required is not that the good is of limited supply but that many desire it when there are only a few in existence. Kapferer (1997:82) points to the same as Berry, saying that for the distinctive sign of a luxury brand to work, it must be known by all and that thus, paradoxically, "…luxury brands must be desired by all but consumed only by the happy few".

Companies today as for example Chanel, Gucci, Christian Dior, Yves Saint Laurent, and Louis Vuitton have to tackle the problem of being out of reach for mass consumption and at the same time increasing profits. Due to a first entrance barrier to luxury goods, in the form of high prices, these goods will always be out of reach for mass consumption, but since the second barrier, selective distribution, today is not so selective and restrictive as it used to be, luxury brands to keep their status as 'luxury' have to be widely desired and perceived as exclusive and scarce. It is said that beauty lies in the eyes of the beholder. In the same way it could be said that the perception of a good being a luxury lies in the consumers perception of the good or the brand being such. If the consumer perceives the good or brand to be luxurious, for this consumer it is a luxury. This perception however, has to be maintained and when luxury brands face increased competition from brands offering, what they call 'equal', goods with lower prices that perform the same function the luxury brands have to add to the value of a luxury brand.

2.1 Defining a luxury brand

As seen in the discussion of the luxury brand paradox the term luxury rests upon or exploits certain assumed connotations. Nueno and Quelch (1998) define luxury brands as: "…those whose ration of functional utility to price is low while the ratio of intangible and situational utility to price is high". Phau and Prendergast (2000) point out that while 'luxury' is a subjective concept: "… luxury brands compete on the ability to evoke exclusivity, a well-known brand identity, […] brand awareness and perceived quality". A concept closely related to luxury brands is the 'rarity principle': meaning that the prestige of the brand gets eroded, if too many people own it (Dubois & Paternault, 1995). This creates the paradox stated in the introduction of the paper: the company needs to maximise its profits but can never sell or standardise too much. Luxury brands organisations have to maintain a fragile equilibrium between high exposure and awareness but a controlled level of sales (Roux and Floch, 1996 in Dall'Olmo Riley & Lacroix, 2003). Kapferer identifies the problem with the word 'luxury' being that it is "at once a concept (a category), a subjective impression and a polemic term, often subject to criticism" (Kapferer, 1997). Luxury objects, in economic terms, are those whose price/quality relationship is the highest on the market, 'quality' to the economists being something that they know how to measure, i.e. tangible functions. A McKinsey (from 1990) report defined luxury brands as those which "have constantly been able to justify a high price, i.e. significantly higher than the price of products with comparable tangible functions" (in Kapferer, 1997). For luxury brands it is necessary to create a distance or distinction between consumers and non-consumers. This distance is created through high prices and selective and even exclusive distribution. Kapferer (1997) points out that also the aesthetic dimension of the products is used as an entrance barrier and that taste does indeed segment In terminology current in the late nineteenth century France, it is conceptually impossible to 'democratize' luxury and luxuries are by definition always out of reach of mass consumption (Berry, 1994). Gofffman (1951) pointed out that, symbols of class status have to be worn by the 'right' people, otherwise the conspicuous consumption (see Veblen, 1899) turns in to suspicious consumption and thus not indicating social status but a mere wish of social status. According to Bourdieu (1984) once the bandwagon rolls so that 'luxury goods' become widely attainable they no longer mark out 'distance'. This discussion leads us into the problem with the concept of 'luxury fashion'.

Berry (1994) categorizes luxury into four groups (1) sustenance, i.e. Food and drink, (2) shelter, (3) clothing or apparel, with the various accessories like jewellery and also with a somewhat more tenuous link – perfume, and (4) leisure, various entertainment and sporting goods falls under this category. The focus here is the third category, namely clothing, apparel and accessories and is termed 'luxury fashion'. While luxury seems to imply something unchangeable, solid that can stand the test of time, fashion implies change. While fashion inevitably trickles down the ladder (see e.g. Simmel, 1904), luxury must not. This tension leads to the problems that luxury fashion brands are facing; to give an illusion of lasting exclusivity and scarcity while at the same time catering to the needs for renewal, change and modernity, inherent in the concept of fashion. Luxury fashion brands in their strive for profit maximization have sometimes extended their brand to a great deal of ordinary products, such as underwear and accessories in the form of sunglasses, baseball caps etc. Kapferer (1997) points out that in doing so, the luxury brand becomes not only democratized but also commoditized. Luxury fashion should never by too practical or to accessible but if not practical it can become obsolete. Luxury brands, according to Kapferer (1997) cannot ignore the threat of basic brands, which are strictly focused on practicality: by constantly improving the quality of their products, the latter are indeed continually redefining the ever-increasing standards of 'basic' quality. Because of the threat from basic fashion brands, luxury fashion brands have to allude to what is their 'core', the perception of exclusivity.

2.2 The demand for luxury goods

The basis for luxury branding is that there are individuals who are willing to pay a higher price for the same or sometimes even lower utility, as a generic brand. The phenomenon of non-functional demand has been recognised by sociologists as well as economists (see for example Veblen, 1899, Mason, 1984) and there is ample evidence that individuals are prepared to sacrifice consumption of supposedly 'basic needs' in order to maintain social status. The view of a consumer as economic and that of a luxury consumer are on opposite sides of the spectrum. Luxury consumption per definition is a non-functional demand and can thus not be seen as economic. Leibenstein (1950) identified three aspects of non-functional demand; (1) the 'Bandwagon effect', where demand increases due to the fact that others are consuming the product as, for example, in the case of what is fashionable; (2) the 'Snob effect' where demand decreases due to the fact that others are consuming a particular product, and (3) the 'Veblen effect' where demand increases when the price is higher rather than lower. Applying Leibenstein's analysis to the luxury brand paradox shows that one aim of the rhetoric of luxury in advertising is to attempt to stimulate a bandwagon effect and yet, Berry (1994) argues, the transient quality of the status 'luxury' necessarily means that a particular 'luxury good' will move to the snob effect. According to Berry (1994:27) this means that: "self-styled purveyors of luxury goods must always be on their guard to maintain the cachet of 'exclusiveness'".

Luxury retailers also try to stimulate the third aspect, the 'Veblen effect', where they hold high prices as entrance barriers to increase the demand for the products but not increase sales too much not to fall into the 'Snob effect'. The next section will show how luxury fashion goods try, not only to maintain, but to renew the perception of 'exclusivity'.

3. Creating perception of exclusivity – The 'Murakami'-illustration

Known as the 'Murakami bags' Louis Vuitton's hit bags rendered profits of over 300 million dollars in just the first year. Louis Vuitton belongs to one of the biggest luxury retailer groups in the world, Möet Hennessy Louis Vuitton (LVMH), which includes brands such as Christian Dior, Yves Saint Laurent, Givenchy, Fendi, among many others. In 2004 Louis Vuitton celebrated 150 years.

The beginning of the 'Murakami bags' came in 2003 when American designer Marc Jacobs (artistic director for Louis Vuitton since 1998) teamed up with Japanese designer Takashi Murakami. The result was the 'Murakami bags' consisting of the first released limited edition 'Cherry Blossom' bags where they took the well known, since 1896 brown logo of LV and covered it with pink happy smiley flowers. The flowers resembled Manga cartoons and the story behind the print was that the smiley cute flowers (called kawaii in Japanese, meaning cute) were to represent Japanese Sakura, the cherry blossom flowers blooming all over Japan in early spring. This very rare limited edition was released world-wide in early spring 2003 and waiting lists were thousands of people long in basically every Louis Vuitton store.

This was not the end of the collaboration between Marc Jacobs and Takashi Murakami. After the limited edition of the 'Cherry Blossom bags' the 'Multicolore' line was released. A new line in the Vuitton family, but this one not a limited edition. The bags here, still using the well-known LV print, but this time with 33 colours on a black or white base. It was said that Takashi Murakami had been very much inspired by Damien Hirst's painting 'Argininosuccinic Acid' from 1995 consisting of circles in 33 different colours on a white base.

4. Discussion

The limited edition 'Cherry Blossom' bags seem to serve to Kapferer's point on luxury brands, that they should be "desired by all but consumed only by the happy few". The bags were extremely sought after all over the world and the edition was quickly sold out and many found themselves without one. The story on what the flowers on the limited edition 'Cherry Blossom' bags represented made the bags even more desired. The selling of the bags with a story, focusing very much on the designer and his inspiration and toning down the brand of Louis Vuitton, shows a very distinct move from the 'logo-culture' of the 90-ties to a more artistic view of the goods. Although limited, the bags rendered Louis Vuitton earnings not only from sales of the limited edition, but also the classical LV-logo bags. Working in a sense as a promotional technique used by any company (and especially by fashion and luxury fashion brands), someone having seen the limited edition bag wanting to purchase it, being told that it is all sold out and instead purchasing one of the classic bags and being told that the 'Multicolore' line was soon to be released.

The 'Multicolore' bags took even on step further in appealing to the consumer, now appealing to also the "artistic" side of the consumer. Although not limited, Louis Vuitton tries to keep the sale of these bags somewhat restricted by upping the entrance barrier of price, the 'Multicolore' bags being approximately 60% more expensive than the classic logo-bags. The bags were also released in very few examples at a time to keep up anticipation and creating a desire for them. Also here long waiting lists were created with consumers wanting to be the 'first' to have one.

5. Conclusions – Phases of Luxury Fashion Brands

The release of the 'Murakami bags' shows how Louis Vuitton is trying to make the move from a logo-culture to a designer-culture, playing on the logo and brand recognition but with the addition of a new dimension.

Luxury fashion brands should per definition as 'luxury' not trickled down the ladder, however, since they are in fact also 'fashion' the trickling down would seem inevitable. Luxury goods have always offered craftsmanship and designer names. However today's market demands even more sophisticated goods, goods appealing to the consumer with more than mere brand name and logo. The logo-goods today stand for a very large part of the luxury retailers' profits, but if the edge of being a luxury fashion brand is to be maintained, they need to keep creating 'desire' for their goods and this desire is partly created on the basis of exclusivity by instigating desire within many and at the same time raising entry barriers on some of the brand's goods.

If the classic logo-bags by for example Louis Vuitton (which is the example in this paper, but also Gucci, Yves Saint Laurent, Fendi, Christian Dior and many others have signature logo-goods) are today consumed by larger masses of people the luxury brands have to use other ways than mere brand recognition to attract buyers. One way is to use the designer as brand identity. The luxury goods retailers have recognized the need to move from only being a brand (even if it is a strong luxury brand) to being a brand with also a strong designer culture. When Tom Ford came to Gucci he became somewhat synonymous with Gucci. The brand was no longer only 'Gucci' for the public but 'Tom Ford for Gucci'. In the same way Marc Jacobs and Takashi Murakami (during a specific time period) have become somewhat synonymous with Louis Vuitton.

The luxury brands today take advantage of the phenomenon of non-functional demand, that was mentioned earlier, but are at the same time in fear of trickling down. If Leibenstein's (1950) analysis would be thought of as circular, starting with wanting to obtain a 'Bandwagon effect', demand increasing due to the fact that others are consuming the product, the luxury retailer could stay at a sort of equilibrium at this stage, where demand is increasing due to the fact that other's are consuming the good. In reality though, it is the increasing consumption of the good that will inevitably move it to the next phase, the 'Snob effect' where demand decreases due to the fact that others are consuming a particular product. The luxury retailers than have to release new goods, often at a higher price to reach the phase of the 'Veblen effect' where demand increases when the price is higher rather than lower.

The luxury brand will then again move to the first stage of the 'Bandwagon effect'. Important to point out is that not all luxury brands can handle these three phases as a circular movement and are unable to move from the phase of the 'Snob effect' where demand decreases and the luxury brand will fall down the brand scale presented by Kapferer (1997) and become an upper-range brand and not being able to move up again to being a luxury brand. Those luxury brands that are able to move between the phases are following a pattern where they continually try to add value to the brand as well as the goods. Although, instead of leaving something behind, the luxury brands manage to take with them their 'old' values adding new ones continually. Once again using the illustration of Louis Vuitton and the release of the 'Murakami' bags; the brand was strong, very much centered round the logo, taking these strong values with them and adding the dimension of personalization (this was done before the release of the 'Murakami' bags). The personalization is a possibility to personalize your luxury merchandise by adding your name or exchanging some details for others. This era was very influential in the 80-ties and 90-ties. Merely a few years ago the luxury brands started to 'show' their designers more and more in their marketing communication, building the designer culture that we can se today. Closely connected with the designer culture are myths and stories. In the case of the 'Murakami bags' we saw that the bags were marketed with a story behind them and the print. Gucci is another example of a luxury fashion brand that has used the dimension of 'myths and stories' with their classic bags named after Jackie Kennedy Onassis and Brigitte Bardot, also Hérmés has done this with their classic 'Birkin' bag, made for and named after actress Jane Birkin. The other famous Hérmés bag, named after Grace Kelly, also comes with a story, the story of how Grace Kelly stepping out of a car tried to hide her pregnancy from paparazzi photographers. True, or not, myth or actual history, these little bits of 'history' help in keeping up the notion of luxury and exclusivity.

The last dimension, which is 'investor culture' has yet to be used, but could be a possible way to create perception of exclusivity when the other dimensions have outrun their usefulness. The 'investor culture' would also have a very high entrance barrier, making the feeling of exclusivity more tangible, tying luxury fashion consumers even closer to the brand and making them loyal to their 'own' brand. The 'investment' could be financial, but also of another nature, such as participating in a charity event sponsored by the company. Having an emotional and even financial stake in a brand could instigate more 'tangible' feelings of belonging to a certain brand, but also the exclusivity of being a real part of it.

With the illustration of Louis Vuitton's 'Murakami bags' this has been one way of trying to map out how luxury fashion brands handle the paradox of creating a feeling and perception of exclusivity while maximizing profits. It has been shown that the balance between exclusivity and profit is very hard to maintain for luxury fashion brands, but even the more necessary. Theoretically this paper has pointed to the difficulty with the concept of 'luxury fashion' and it has also empirically shown the difficulty with the implication of history and the inherent need for change.

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