

## Luxury Products

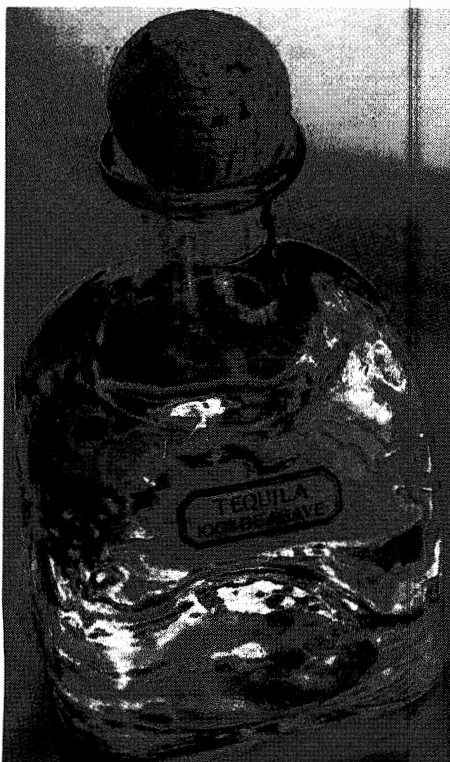
Design is often an important aspect of luxury products, though these products also face some unique issues. They are perhaps one of the purest examples of the role of branding because the brand and its image are often key competitive advantages that create enormous value and wealth. Marketers for luxury brands such as Prada, Gucci, Cartier, and Louis Vuitton manage lucrative franchises that have endured for decades in what some believe is now a \$270 billion industry.<sup>35</sup>

### CHARACTERIZING LUXURY BRANDS

Significantly higher priced than typical items in their categories, luxury brands for years were about social status and who a customer was—or perhaps wanted to be. Times have changed, and especially in the aftermath of a crippling recession, luxury for many has become more about style and substance, combining personal pleasure and self-expression.<sup>36</sup>

A luxury shopper must feel he or she is getting something truly special. Thus the common denominators of luxury brands are quality and uniqueness. A winning formula for many is craftsmanship, heritage, authenticity, and history, often critical to justifying a sometimes extravagant price. Hermès, the French luxury leather-goods maker, sells its classic designs for hundreds or even thousands of dollars, “not because they are in fashion,” as one writer put it, “but [because] they never go out of fashion.”<sup>37</sup> Here is how several luxury brands have become enduring market successes:

- **Sub-Zero refrigerators.** Sub-Zero sells refrigerators that range from \$1,600 for small, under-counter models to \$12,000 for a specialty Pro 48 with a stainless steel interior. The target is customers with high standards of performance and design who cherish their home and what they buy to furnish it. Sub-Zero extensively surveys this group as well as the kitchen designers, architects, and retailers who recommend and sell its products.<sup>38</sup>
- **Patrón tequila.** Cofounded by Paul Mitchell hair care founder John Paul DeJoria, Patrón came about after a 1989 trip to a distillery in the small Mexican state of Jalisco. Named Patrón to convey “the boss, the cool guy,” the smooth agave tequila comes in an elegant hand-blown decanter and is sold in individually numbered bottles for \$45 or more. Essentially creating the high-end tequila market, with more than \$1.1 billion in retail sales, Patrón has surpassed Jose Cuervo to become the world’s largest tequila brand.<sup>39</sup>
- **Montblanc luxury goods.** The goal of Montblanc, whose products now range from pens to watches to leather goods and fragrances, is to be a strong luxury brand to as many classes of luxury customers as possible, while still retaining a prominent public image. The brand promise is that “the product you buy is of highest esteem, based on its timeliness, elegant design and the high quality, which is derived from the excellence of our craftsmen.” The company branched out from its origins in writing instruments into categories such as leather goods and timepieces, where it could “rely on the trust of our customers, who believed in Montblanc as a brand that provides excellence in its core category writing instruments based on its philosophy of manufacturing competence, highest quality, sustainable value and creativity.”<sup>40</sup>



Source: ©David Prutz/Shutterstock

With its unique product formulation and bottle, Patrón pioneered the high end tequila market.

### GROWING LUXURY BRANDS

The recent recession challenged many luxury brands as they tried to justify their value proposition and avoid discounting their products.<sup>41</sup> Those that had already successfully extended their brands vertically across a range of price points were usually the most immune to economic downturns.

The Armani brand has extended from high-end Giorgio Armani and Giorgio Armani Privé to mid-range luxury with Emporio Armani to affordable luxury with Armani Jeans and Armani Exchange. Clear differentiation exists between these brands, minimizing the potential for consumer confusion and brand cannibalization. Each also lives up to the core promise of the parent brand, reducing chances of hurting the parent’s image.

Horizontal extensions into new categories can also be tricky for luxury brands. Even the most loyal consumer might question a \$7,300 Ferragamo watch or an \$85

bottle of Roberto Cavalli vodka. Jewelry maker Bulgari has moved into hotels, fragrances, chocolate, and skin care, prompting some branding experts to deem the brand overstretched.<sup>42</sup> In the past, iconic fashion designers Pierre Cardin and Halston licensed their names to so many ordinary products that the brands were badly tarnished.

Ralph Lauren, however, has successfully marketed an aspirational luxury brand with wholesome all-American lifestyle imagery across a wide range of products. Besides clothing and fragrances, Lauren boutiques sell linens, candles, beds, couches, dishware, photo albums, and jewelry. Calvin Klein has adopted a similarly successful expansive strategy, though with different lifestyle imagery.

Much of the growth in luxury brands in recent years has been geographical. China has overtaken the United States as the world's largest luxury market; it's forecast that one-third of all high-end goods will be sold there in the coming years. Although initially very "logo-driven" and interested in conspicuous brand signals, Chinese luxury consumers have also become more quality and design conscious, like luxury consumers in other parts of the world.<sup>43</sup>

## MARKETING LUXURY BRANDS

Luxury marketers have learned that luxury is not viewed the same way around the world. In post-communist Russia for a time, as in China, the bigger and gaudier the logo, the better. But in the end, luxury brand marketers have to remember they are often selling a dream, anchored in product quality, status, and prestige.

Just like marketers in less expensive categories, those guiding the fortunes of luxury brands operate in a constantly evolving marketing environment. Globalization, new technologies, financial crises, shifting consumer cultures, and other forces require them to be skillful and adept at their brand stewardship to succeed. Table 13.1 summarizes some key guidelines in marketing luxury brands.

One trend for luxury brands is to wrap personal experiences around the products. Top-end fashion retailers are offering such experiences alongside their wares, expecting that customers who have visited a workshop or met the designer will feel closer to the brand. Gucci is inviting its biggest spenders to fashion shows, equestrian events, and the Cannes Film Festival.<sup>44</sup>

Porsche Sport Driving Schools and Experience Centers in Germany, the United States, and other parts of the world allow Porsche drivers to "train their driving skills and enjoy the all-out pleasure of driving, on-road, off-road, or on snow and ice." The recently opened state-of-the-art facility in Southern California features 45-degree off-road inclines and a simulated ice hill.<sup>45</sup>

TABLE 13.1 Guidelines for Marketing Luxury Brands

1. Maintaining a premium image for luxury brands is crucial; controlling that image is thus a priority.
2. Luxury branding typically includes the creation of many intangible brand associations and an aspirational image.
3. All aspects of the marketing program for luxury brands must be aligned to ensure high-quality products and services and pleasurable purchase and consumption experiences.
4. Besides brand names, other brand elements—logos, symbols, packaging, signage—can be important drivers of brand equity for luxury products.
5. Secondary associations from linked personalities, events, countries, and other entities can boost luxury-brand equity as well.
6. Luxury brands must carefully control distribution via a selective channel strategy.
7. Luxury brands must employ a premium pricing strategy, with strong quality cues and few discounts and markdowns.
8. Brand architecture for luxury brands must be managed carefully.
9. Competition for luxury brands must be defined broadly because it often comes from other categories.
10. Luxury brands must legally protect all trademarks and aggressively combat counterfeits.

Porsche has created driving tracks and schools so its owners can learn and experience more about their vehicles.



Source: © Caro/Alamy

In an increasingly wired world, some luxury marketers have struggled to find the appropriate online selling and communication strategies for their brand.<sup>46</sup> Some fashion brands have begun to go beyond glossy magazine spreads to listening to and communicating with consumers through Facebook, Twitter, Foursquare, and other digital and social media channels. Coach and Tiffany are two luxury brands praised for their Web site and digital operations. E-commerce has also begun to take hold for some luxury brands. Sites such as Gilt Groupe and Ideel now offer new ways for fashion brands to move high-end goods.<sup>47</sup>

Ultimately, luxury marketers are learning that, as for all marketers, success depends on getting the right balance of classic and contemporary imagery and continuity and change in marketing programs and activities.

## Environmental Issues

Environmental issues are also playing an increasingly important role in product design and manufacturing. Many firms are considering ways to reduce the negative environmental consequences of conducting business, and some are changing the manufacture of their products or the ingredients that go into them. "Marketing Memo: A Sip or a Gulp: Environmental Concerns in the Water Industry" considers some of the environmental issues raised by the sale of bottled water.

In a fascinating twist, Levi-Strauss found a highly creative way to address the problem of proliferating plastic bottles.<sup>48</sup>

**LEVI'S WASTE<LESS** If someone said your jeans were "made of garbage," you might be insulted, but not if they were made by Levi-Strauss. Levi's new "Waste<Less" jeans and jackets carry a clothing tag that says exactly that—because they are! Twenty percent of the material in the denim comes from plastic bottles and black food trays recycled from municipal sites, including about eight 12- to 20-ounce bottles per pair. Much research and development went into creating the Waste<Less line, for which the plastic is cleaned, sorted, shredded into flakes, and made into a polyester fiber that's then blended with cotton. The resulting fabric looks and feels like traditional denim except for the color of the underside, which varies according to the hue of the plastic. The jeans retail for \$69 to \$128. Levi's is not a newcomer to the market for environmentally friendly products; sustainability is a company-wide priority. "Water<Less" jeans helped farmers grow cotton with less water, let Levi's manufacture with less water, and educated consumers about cleaning and disposing of the garments with less water. Both lines have made a tangible difference: The Water<Less line saved more than 360 million liters of water in its first full year, while the Waste<Less line recycled 3.5 million bottles and trays in its first full year.