Guest Editorial

The luxury brand strategy challenge

In the last two decades, luxury brand management has generated much interest and discussions in both academic and business circles. Among business leaders, the debates have been related to the associated challenges and paradoxes that have emerged as a result of the evolution of luxury since it became a consolidated economic sector in the late 1990s, led by the vision of conglomerates such as LVMH, Gucci Group and Richemont.

The unprecedented growth of the luxury sector from a value of US$20 billion in 1985 to its current $180 billion worth has been brought about by globalisation, wealth-creation opportunities, new market segments, digital communications, international travel and culture convergence, and has led to a series of business challenges that luxury practitioners have never known. In addition to these, the expansion of the luxury client base and the subsequent lowering of the entry barriers to the industry have resulted to a rise in both offerings and competition across all luxury categories. Whether it is fashion and accessories, leathergoods, fragrance, skincare, cosmetics, wines, spirits, timepieces, jewellery, automobiles, private jets, hotels, home decoration or concierge services, the supply of luxury is currently incessant. Brands such as Louis Vuitton, with 360 boutiques in 54 countries worldwide, are stretching the boundaries of access to luxury, whereas others such as Rolex and Cartier are leading the penetration of luxury in new regions and markets such as China and Russia. Additionally, issues such as counterfeiting, production outsourcing, country-of-origin effects and the extension of product ranges have all led to a mixed and expanded offering of luxury goods to a wider market, with accompanying complexities and expectations (Figure 1).

In consequence, the expanded base of wealthy clients the world over are undergoing a parallel evolution in attitudes, interests, brand perceptions and overall psychology. They are driving the shift in the 'top-down' relationship that has existed for centuries with luxury brands to a bottom-up affiliation where the client has become as important as the product. An additional shift in power is taking place through the emergence of new luxury markets such as China, Russia, India, the Middle East, Brazil and Mexico. These markets, whose joint revenues in the next decade will surpass those of more established markets in Europe, North America and Japan, will drive the continuous evolution of luxury as the occidental luxury culture imposition gives way to the oriental luxury consumption style. Brands such as Burberry currently have more Russian clients in several UK locations than residents, and these new clients will continue to perceive luxury through different sets of references and parameters. These market dynamics are changing the luxury landscape, and therefore luxury management practices require revisiting and refining to accommodate these paradoxes.

Luxury as a concept is defined within the scope of socio-psychology as a result of its connection to a culture, state of being and lifestyle, whether it is personal or collective. When linked to brands, it is characterised by a recognisable style, strong identity, high awareness, and enhanced emotional and symbolic associations. It evokes uniqueness and exclusivity, and is interpreted in products through high
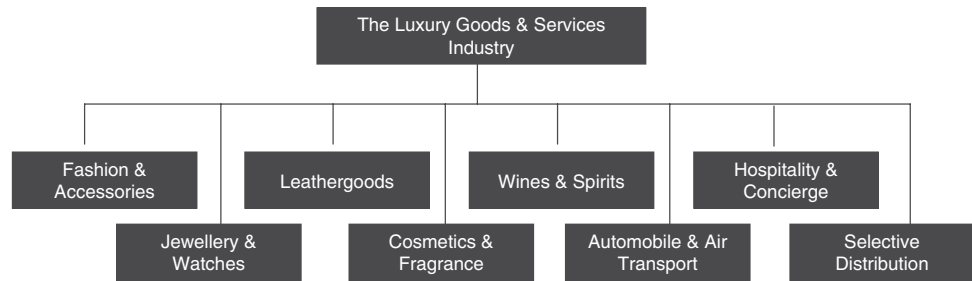
© 2009 Palgrave Macmillan 1350-23IX **Brand Management**   Vol. 16, 5/6, 287–289

www.palgrave-journals.com/bm/

Figure 1: The scope of the luxury goods and services industry.

quality, controlled distribution and premium pricing. These core factors have led to the development of a $180 billion global industry with an uninterrupted growth for over two decades. These elements have also led to the summarisation of luxury as a 'dream', leading to justifiable curiosity and interest.

The increased interest in luxury brand management among research and academic scholars in the last few years has been as a result of the aforementioned evolutionary factors. As a segment that was formerly linked purely to design and creativity, production and retail, luxury previously garnered minimal interest among researchers because of the general consensus that its impact on the academic and business worlds lacked adequate significance to merit consideration as a business domain or discipline. As the luxury segment evolved into an economic sector with the creation of LVMH and Richemont in the late 1990s and the subsequent consolidation of the Gucci Group in the early 2000s, several management issues linked to product design and strategic management, production, marketing, retail and above all branding emerged. Other organisational issues linked to resource management including people, material and finance also surfaced. This period also gave rise to the inclusion of client relationship management, which has led to the experiential marketing that is today a core aspect of luxury management. In parallel, branding as a business discipline also evolved in the

1990s, particularly with investigations into the measurement methods of brand equity as an intangible asset generator; and brand valuation as a core branding concept. Companies that invested substantially in brand building were shown to have a stronger competitive positioning than those whose core values were linked more to products and services than to branding. This evolution of branding influenced the introduction of assessments of several aspects of luxury products and services management.

As a consequence, several scholars from a wide range of business areas have published research papers in branding and marketing mainly linked to consumer behavioural science and corporate and consumer-based brand equity. Other research works have been in the areas of the intricate specificities of luxury management linked to branding, marketing and client relationship management. For a long time, however, research in luxury as a managerial science remained sparse in all exploratory, empirical, conceptual and strategic marketing aspects. This apparent gap prompted the publication of my book *Luxury Fashion Branding: Trends, Tactics, Techniques* (2007, Palgrave Macmillan), which today serves as a reference for both academics and business practitioners in the luxury field. The need to make a further contribution of knowledge in luxury management has also led to other recent publications in the field by notable scholars and business leaders including the forthcoming, *Luxury Online*

(2009, Palgrave Macmillan), which focuses on the challenges of adopting advanced Internet and digital strategies in luxury management. *Luxury Brand Management* (2008, Wiley); and *Luxury Strategy* (2008, Kogan Page).

In addition to these publications, several higher educational institutions, particularly business schools in France, Italy and beyond, have introduced research initiatives and academic programmes at both under-graduate and post-graduate levels, specialised in luxury management. The expansion of luxury management as a domain also led to the creation of the first research centre dedicated to the luxury domain, *The Luxury Centre* at ESC Rennes School of Business, France. Additionally, other scholars have recently enriched the luxury management research arena through their contributions, which have not only inspired and provoked our thinking, but have also led to further interest in the field. This is evidenced by the level of attention this Special Issue on luxury brand management has attracted, and the wide range of topics which submitted papers have covered on the central theme of luxury. Initially designed as a single issue, the high number of submitted papers has led to the double issue that has been produced. This has ensured that the objective of this Special Issue, which is to present the latest management thinking and approaches to luxury brand management as a contribution to the widening of knowledge in the business of luxury.

The papers in this edition of the *Journal of Brand Management* have been authored by both academics and luxury business practitioners, whose diverse backgrounds have led them to identify and examine the extensive range of challenging areas that the luxury sector is currently facing as a result of its current significant evolution. The subjects range from presentations of luxury management dynamics, the luxury fashion segment's branding dimensions,

marketing specificities of luxury, evaluations of luxury brand perception models, online luxury challenges, luxury marketing environmental scanning, luxury client relationship management, experiential marketing in the luxury context, counterfeit goods effects on luxury brand equity and county-specific management aspects such as the impact of country-of-origin production on brand perceptions and the effects of country perception as the provenance of counterfeit luxury goods. Other areas are related to new dimensions of modern luxury marketing such as the place of the Internet and digital technology in the luxury sector, as well as an examination of the new mass luxury movement, and much more.

It has been a highly stimulating exercise to edit this first Special Issue on luxury brand management. The extensive subject ranges in the content and the diverse geographical representations of both the academics and practitioners who contributed to this issue have ensured a truly rich edition. I would like to thank all who submitted papers, and will add that as an active and passionate luxury advocate, I would have been only too glad to recommend the publication of all entries but due to feedback from reviewers and space limitations, we were only able to produce so much.

Special thanks also to Brenda Rouse, the managing editor of this Journal, whose diligence ensured that the quality of this Special Issue on luxury brand management matches luxury perceptions.

We hope that you will find this Special Issue dedicated to luxury, both enriching and thought-provoking and that the insights provided in the collection of research materials will inspire further interest and attention to luxury brand management.

Uché Okonkwo,
E-mail: author@luxuryfashionbranding.com