Chapter 2
Evolution of Luxury Fashion Brands

Vincent Quan and Bin Shen

Abstract Luxury connotes a feeling of exclusivity to individuals of a higher social class. However, luxury fashion has evolved gradually. At present, the sector of luxury fashion is about exclusivity, quality, and prestige, but these qualities also appeal to the burgeoning middle class with price points below luxury competitors and a perceived quality quotient, namely, affordable or accessible luxury. In this paper, simple case studies on Hermes, Burberry, Cartier, and Ralph Lauren are conducted. Evidence of successful brand strategies and objectives of luxury fashion brands are reviewed. Many important managerial insights are provided which could help luxury fashion brand managers understand how luxury fashion brands have evolved and what strategies should be adopted.

Keyword Luxury fashion brands · Evolution · Brand strategies · Brand objectives

2.1 Introduction and Related Literature

Luxury in the fashion industry conjures images of models walking the runway while wearing the latest creations from the world's most famous designers. While these images may be accurate, they are not a complete representation of what luxury is all about, or really is. The true meaning of luxury can be found in consumers' perceptions of what they deem to be accessible (Kapferer and Michaut-Denizeau 2014). Luxury connotes a feeling of exclusivity to individuals of a higher social class (Zheng et al. 2012). Thus, luxury goods are items that carry higher price points, are perceived to be

V. Quan (✉)
Fashion Institute of Technology, The State University of New York,
New York, USA
e-mail: vincent_quan@fitnyc.edu

B. Shen
Glorious Sun School of Business and Management, Donghua University,
1882 Yanan West Road, Shanghai 210005, China
e-mail: Binshen@dhu.edu.cn

T.-M. Choi and B. Shen (eds.), *Luxury Fashion Retail Management*,
Springer Series in Fashion Business, DOI 10.1007/978-981-10-2976-9_2

of superior quality, and are exclusive in some way to consumers of a higher means. Since the earliest of times, only the wealthy were afforded the opportunity to own or wear apparel and accessories made from the finest materials. Being scarce, such materials carried higher prices and were accessible only to those who could afford such niceties.

According to the Merriam-Webster Dictionary, fashion can be defined as “social standing or prominence especially as signalized by dress or conduct” or the “prevailing style (as in dress) during a particular time”. While clothing and accessories served a particular function in times past, especially during the Ice Age, luxury fashion has evolved to the point where its users wear such items not necessarily out of function, but for fashion and prestige purposes. As the incomes of consumers rose during the 1800’s, so did the population of mid to upper class individuals who were able to afford luxury fashion goods. In turn, the rising demand created a need for luxury fashion goods catering to a discerning clientele. Luxury fashion attributes included: exclusivity, quality, and prestige. The birth of luxury fashion heralded the arrival of exclusive brands such as: Burberry [1856], Cartier [1857], Chanel [1910], Dior [1947], Gucci [1921], Hermes [1837], and Prada [1913]—to name a few.

The luxury pyramid as depicted in Rambourg’s *Bling Dynasty: Why the Reign of Chinese Luxury Shoppers Has Only Just Begun* depicts the various segments of luxury brands by price point. Discounting everyday luxury as a psychological segment, the luxury pyramid’s lowest segment is “Affordable” luxury. Simply put, the luxury sector can be subdivided within the term luxury.

As consumers aspired to acquire some of the aforementioned brands, the development of another category of product was created, namely affordable or accessible luxury. This sector appealed to the burgeoning middle class with price points below luxury competitors and a perceived quality quotient. Brands such as Brooks Brothers [1818], Coach [1941], Kate Spade [1993], Michael Kors [1978] and Tory Burch [2004] thrived in this sector. These affordable luxury brands implemented a strategy to attract a broader customer base at the middle to upper income levels than the narrower market for luxury (Rambourg 2014).

The evolution of luxury fashion brands has been widely examined by extensive academic literature. Lately, Kim and Ko (2012) investigate how social media marketing activities enhance customer equity of luxury fashion brands. They identify the strategy to forecast future purchasing behavior of luxury fashion customers. Li et al. (2012) explore the relationships of perceived value, fashion lifestyle, and willingness to pay for luxury fashion brands in China. They find that for the consumers who have no genuine or counterfeit luxury fashion brand experience, the perceived economic value of luxury fashion brands has a significant influence on their willingness to pay. Miller and Mills (2012) find that uniqueness is an antecedent to brand luxury and unique identity is a product or branding strategy. As a result, they argue that uniqueness can be a strategy to enhance the exclusivity level of luxury brands. Zheng et al. (2012) identifies luxury fashion consumers by classifying them into two consumer groups: fashion leaders and fashion followers, who may influence each other. They derive the optimal advertising strategies for luxury fashion brands and explore the ways to efficiently allocate advertising budgets on luxury fashion brands in terms of two consumer groups. So et al. (2013) develops a theoretical framework to examine customer emotional attachment and brand loyalty in luxury fashion. He demonstrates that customer emotions and brand loyalty should be developed in the most cost-effective way, which is a critical branding strategy for luxury fashion firms. In contrast to previous literature, this text discusses luxury fashion brands' evolution and responsive strategies. The evolution of luxury fashion brands may be related to supply chain strategies. Brun et al. (2008) examines the luxury fashion supply chain by citing multiple case studies in Italy. This study finds that the supply chain configuration and management decisions significantly influence critical success factors such as product quality for luxury fashion companies.

The text is organized as follows. First, case studies of luxury fashion brand evolution are shown in this chapter, where we discuss the luxury fashion brands Hermes, Burberry, Cartier, and Ralph Lauren. Based on the results of case studies, we elaborate on the strategies and objectives of luxury fashion brands in Chap. 3. Chapter 4 concludes the book.

2.2 Case Studies of Luxury Fashion Brand Evolution

Whatever the sector within luxury, the majority of these brands delve on their heritage and storied past while maintaining the brand's DNA and following a consistent business model (Priyawat 2016). In this section, we discuss how Hermes, Burberry, Cartier, and Ralph Lauren evolved as luxury fashion brands. The heritage of a luxury brand forms a unique selling proposition not easily replicated by competitors, leveraging the history of the brand's founders and relationships with royalty and high society creating an air of exclusivity for each brand. The majority of luxury brands were founded in the 19th and 20th centuries. We will focus on these handful of brands to demonstrate their unique characteristics. Our analysis is based on information collected from each firms' website, annual reports, and public consultant reports.

Case 1: Hermes

The history of Hermes began in 1837 when a German French-born bridle and harness-maker by the name of Thierry Hermes launched his eponymous brand in Paris, France. The bridle and harnesses were sold to those wealthy enough to own horse-drawn carriages, which were a primary mode of transportation during the era. As the company's business began to grow, a complementary product category was introduced by the founder's son, Charles-Emile Hermes—the horse saddle. Horse saddles manufactured by the firm then sold throughout the globe to the rich and famous. It was thus natural that the logo adopted by Hermes was a royal horse-drawn carriage to signify its early roots.

Having cornered the luxury market for elite equestrian accessories, the brand was about to embark on a brand extension strategy which introduced handbags and small leather goods to the brand's repertoire. During a visit to America, at the onset of World War I, Emile-Maurice Hermes, one of Charles' two sons, came across an invention that caught his eye. Having the foresight to see that this innovative product could be useful to the brand, Emile "bought the European rights to an American invention—the zipper (Braver 2014)". The zipper was quickly incorporated into handbags and small leather goods, paving the way for future growth. By the end of the 1940s, Hermes had diversified its product offering to include head scarves, perfume, and silk ties, in addition to its stable of equestrian leather goods.

Case 2: Burberry

The Burberry story began in 1856, when it was founded by Thomas Burberry, a former drapers-apprentice in Basingstoke, England. Dissatisfied with the existing stiff and uncomfortable outwear at the time, Thomas started experimenting with fabrics. His solution was the creation of "Gabardine" cloth, which exhibited water-repellant qualities but was also breathable, allowing air to circulate (Ehrlich 2001). Having trademarked his Gabardine fabric, Burberry continued protecting his brand by patenting and trademarking as many of his creations as possible. The Burberry logo is an "Equestrian Knight" that was trademarked in 1909. The armor signifies the protection afforded by the outwear, the chivalry of knighthood reflects the company's own standards of integrity, and the Latin adverb *prorsum* ("forward") which referred to Burberry's innovative fabrics and styles (Ehrlich 2001).

By the turn of the 20th century, Burberry extended its brand to include gaiters, hats, and pants. The durability of these products eventually led the British military to adopt the Burberry coat as the military standard for all British officers during World War I. The term "trench coat" was borne out of the method of digging and fighting in trenches during the Great War.

Later, Burberry's quintessential plaid lining became famous in the 1960s which set the stage for introduction of Burberry signature plaid cashmere scarf. It was not until the 1990s that Burberry began to heavily license its brand logo to other manufacturers. By the late twentieth century, the Burberry logo could be found on products such as handbags, women's wear, sunglasses, perfume, and other items (Burberry Annual Report 2015–2016).

Case 3: Cartier

Louis-Francois Cartier founded the House of Cartier in 1847 by taking over the business of his master, Adolphe Picard in Paris. The distinctive feature of Cartier's jewelry was the use of platinum which soon caught the attention of the French aristocracy. The first major purchase was made by the niece of Napoleon I. Louis-Francois' son Alfred and his three grandsons Louis, Pierre, and Jacques all contributed to the success of the brand. The three grandsons embarked on a global travel and expansion plan which took them to Russia, India, the United Kingdom, and America. The notoriety gained by exposure to the tsars of Russia, the maharajahs of India, British royalty, and American industrialists quickly elevated the brand to luxury status (Cartier Website 2016a). By creating the finest works of jewelry and royal tiaras encrusted with precious gemstones for the likes of Princess

Marie Bonaparte, Queen Elizabeth of Belgium, Queen Victoria-Eugenia of Spain, and Queen Elizabeth II, the brand's luxury status was cemented (Cartier Website 2016b).

However, it was the introduction of the wristwatch which quickly catapulted Cartier to a much wider and affluent audience. In 1904 the pilot Alberto Santos-Dumont made aviation history while wearing a wristwatch created by his friend Louis Cartier. Santos-Dumont had once remarked to Cartier that it was difficult to maintain control of his aircraft while fumbling for his pocket watch. The Santos wristwatch was born eventually to be followed by the famous Cartier Tank watch inspired by the fighting machines built during World War I (Reddick 2012). The birth of the Trinity ring followed shortly thereafter. Small leather goods were eventually introduced during the latter half of the twentieth century.

Case 4: Ralph Lauren

Ralph Lauren began his fashion career by selling men's ties to fellow students while still in high school during the early 1950s. Lauren's young and entrepreneurial spirit eventually led to a stint as a neckwear salesperson for Brooks Brothers. In 1967 the Ralph Lauren brand was founded with inspiration from his previous employer, Brooks Brothers, guiding the brand's aesthetic (Ralph Lauren Biography 2016). A full collection of menswear was launched in the early 1970s followed by a womenswear collection, all inspired by Ivy League college preppy looks. Eventually, the brand introduced denim, rugby, and fragrance products amongst others to expand the brand's reach.

2.3 Luxury Fashion Brand Evolution Strategies and Objectives

Research into numerous luxury and affordable-luxury brands indicates that the strategies and objectives implemented by management appear to be similar in many respects. While the product categories may vary and the target market somewhat, there are several consistent patterns amongst the brands. Notably, international growth, distinct channels for building revenue and a focus on a brand's heritage are key strategies highlighted by many of the luxury brands. In this section, we discuss the strategies and objectives that the investigated brands adopted. We construct the luxury fashion brand map in terms of exclusive, different, trendy, and accessible in Fig. 2.1. As shown in Fig. 2.1, Cartier has a higher level of exclusivity than Hermes, but Hermes is trendier than Cartier. Ralph Lauren is quite trendy and accessible because of its fashionable design and reasonable price. Burberry is luxury fashion brand positioned at a slightly lower level of exclusivity with a differentiated rather than trendy product assortment.

Burberry's strategic agenda encompasses four major themes, including Brand First, Customer-Centric, Famous for Products, and Productive and Responsible. These four pillars form the foundation for the brand's global expansion initiatives

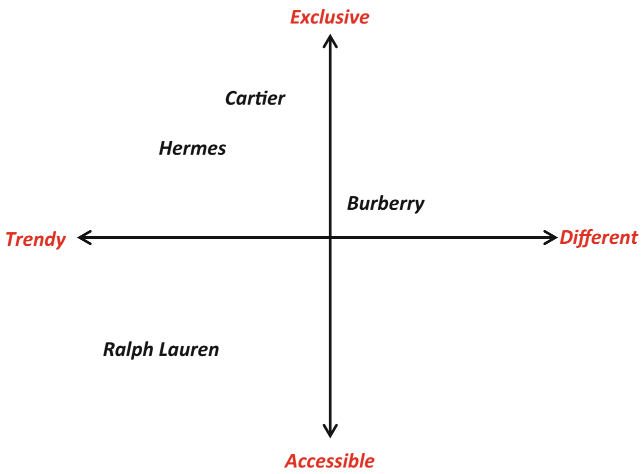

Fig. 2.1 Luxury fashion brand positioning

(Burberry Annual Report 2015–2016). The three-pronged channel mix strategy includes direct to consumer retail through brick and mortar and e-commerce platforms, wholesale distribution, and select licensing agreements. For 2015–2016 the sales by channel mix constituted 73 % in Retail, 25 % in Wholesale, and the remaining 2 % in Licensing (Burberry Annual Report 2015–2016).

The Brand First agenda capitalizes on Burberry's storied past including its rich British heritage and superior craftsmanship. Utilizing its past, the company strives to increase global awareness and engagement through traditional, digital, and social media channels. With a Brand First approach, Burberry re-focuses all efforts on the brand's DNA.

The Customer-Centric approach focuses efforts directed at identifying and localizing customer needs. The omni-channel strategy creates seamless customer interaction with the brand and ongoing improvements in customer engagement.

The Famous for Product agenda concentrates on design innovation and manufacturing of Burberry's products. Re-emphasis on the Burberry Trench coat and iconic scarf sets the stage for growth across all complementary product categories in men's, women's, and children's. Productive and Responsible initiatives to drive efficiencies while being socially responsible lie at the core of this agenda. Teamwork driven with technology ensures maximum productivity.

Ralph Lauren's strategic focus is to manage its "portfolio of lifestyle brands with a direct control model over most of its brands, products, and international territories" (Ralph Lauren Annual Report 2015–2016). By creating a portfolio of lifestyle brands with global distribution, the company aims to capitalize on design and sourcing through global synergies. In addition, the brand utilizes an omni-channel customer outreach strategy which integrates both brick and mortar and digital touch points, thus enhancing the overall customer shopping experience. The company's long term objectives include a concerted push towards international growth through direct to consumer venues. The multiple brands under Ralph Lauren's umbrella include Ralph Lauren Collections, Ralph Lauren Purple Label, Club Monaco, and others. The Ralph Lauren business model encompasses three distinct channels—Retail, Wholesale, and Licensing. For fiscal year 2015 the company's channels respectively contributed 53, 45 and 2 % to the firm's revenue (Ralph Lauren Annual Report 2015–2016). The "direct control" model instituted by the company's executive management clearly indicates that the Retail percentage contribution is expected to grow.

2.4 Conclusions

Playing off of a luxury brand's heritage and craftsmanship creates a competitive advantage for the brand. The roots of a brand create a unique opportunity for it to capitalize on the special nature of the brand's designs and features not easily replicated by competitors. As the brand continues to mature, the evolution of new products through organic development or licensing agreements naturally occurs. Licensing agreements are a strategic solution to add product categories which the brand lacks expertise. Eventually, the brand acquires sufficient, new found knowledge on the licensed products to take the products in-house as the licenses expire. The majority of luxury brands have also indicated in their annual reports that Asia drives a large percentage of the brand's revenue. Revenue growth through international expansion is a consistent strategy for all of the brands mentioned.

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http://www.springer.com/978-981-10-2974-5

Luxury Fashion Retail Management
Choi, T.-M.; Shen, B. (Eds.)
2017, X, 200 p. 29 illus., 18 illus. in color., Hardcover
ISBN: 978-981-10-2974-5