

Luxury Management

Lesson 1 Introduction Definitions

TEACHERS

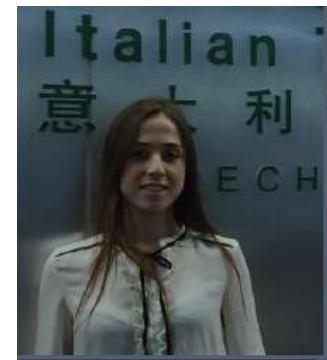
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2024/2025 PROGRAM

LUXURY MANAGEMENT 2023-24 TENTATIVE PROGRAM

LUXURY MANAGEMENT 2024 2025 PROGRAM

<i>Month</i>	<i>Date</i>			<i>Prof.</i>	<i>Topic</i>	<i>Le</i>
September	Friday	13	15.15 - 16.45	Festa Cucco Cignitti	Introduction definitions	1
September	Monday	16	09.30 - 11.00	Festa Cucco Cignitti	Luxury market structure	2
September	Friday	20	15.15 - 16.45	Festa	Luxury market structure	2
September	Monday	23	09.30 - 11.00	Cucco	Key Players	3
September	Friday	27	15.15 - 16.45	Festa	Key players	3
October	Monday	30	09.30 - 11.00	Cignitti	Key players	5
October	Friday	4	15.15 - 16.45	Festa	Dna and Luxury codes	4
October	Monday	7	09.30 - 11.00	Festa Cignitti	Brand management + Project brief	6
October	Friday	11	15.15 - 16.45	Festa Cucco Cignitti	Target groups	7
October	Monday	14	09.30 - 11.00	Cucco	Communication	8
October	Friday	18	15.15 - 16.45	Cucco	Communication 2	8
October	Monday	21	09.30 - 11.00	Festa	Pricing	9
October	Friday	25	15.15 - 16.45	Cignitti	Pricing / Planning	
November	Monday	28	09.30 - 11.00	Festa Cignitti	Project 1 presentation	
November	Friday	1	15.15 - 16.45	Festa Cucco Cignitti	MID TERM TEST	
November	Monday	4	09.30 - 11.00	Festa Cucco Cignitti	Project 1 presentation	10
November	Friday	8	15.15 - 16.45	Festa Cignitti	CRM	11
November	Monday	11	09.30 - 11.00	Festa Cucco Cignitti	Project 1 presentation	12
November	Friday	15	15.15 - 16.45	Festa Cucco Cignitti	Jewellery sector	
November	Monday	18	09.30 - 11.00	Festa Cignitti	Retail management 2 + Project 2 Brief	13
November	Friday	22	15.15 - 16.45	Festa Cucco Cignitti	Retail management 3 + Bain Research Presentation	
November	Monday	25	09.30 - 11.00	Festa Cucco Cignitti	Watch sector	
December	Friday	30	15.15 - 16.45	Festa Cucco Cignitti	Project 2 presentation	15
December	Monday	2	09.30 - 11.00	Festa Cignitti	Guest speaker	
December					FINAL EXAM	

COURSE MATERIAL

1. *Luxury Brand Management: A World of Privilege* Michel Chevalier, Gerald Mazzalovo
2. *The Luxury Strategy* J.N. Kapferer and V. Bastien
3. *Strategic Luxury Management: Value Creation and Creativity for Competitive Advantage* di David Millan Planelles (Autore) Taylor & Francis Ltd, 2021
4. *Course lecture slides (PDF format) **
5. *Altagamma Luxury worldwide market monitor published on the website**
6. *Study and research published on the website*

* Mandatory for the final exam

BAIN ALTAGAMMA CONFERENCE 2024: NOVEMBER 14° MILAN



COURSE EVALUATION / GRADING SCHEME

The course assessment is organized as follows:

1. Individual participation 0 - 1 additional point

The assessment of individual participation will be made based on the quality of each student interaction and attention during the course and project presentations.

2. Course Projects (2) 0 – 3 additional points

The class will be divided in groups and each group will receive 2 assignments during the semester.

Each project will be globally evaluated with the following scale 0 points: insufficient; 1 point: sufficient; 2 points: good; 3 points: excellent.

The final evaluation of this component is the average of the 2 projects

Each of the 2 project will be evaluated on the quality of the analyses, concept(s), project plan and presentations that will be conducted/presented during the course of the semester.

The points acquired with the projects are valid for all the academical year.

3. Final exam 0 -30 points

Written exam of 21 questions. (17 multiple choice closed question, 3 open questions, 1 exercise). All the questions are related to the program and the slides provided with the course. The exam will be closed books with 60 min time.

COURSE EVALUATION / PROJECTS AND GROUP WORKS 0-3 POINTS

The class will be divided in groups based on alphabetical order and each group will receive 2 assignments during the semester.

PROJECT 1 Brand extension project 50% of project evaluation – Group evaluation

Brand Extension Project, is the study of all the relevant aspects of a Brand (DNA, Codes, Storytelling, economics, product portfolio) with the aim to propose a potential unexploited brand extension.

PROJECT 2 Retail store opening plan 50% of project evaluation – Group evaluation

The objective of this project to allow each student to familiarize themselves with the principles and theories of the retail management in the luxury industry. The students will be requested to present a business and feasibility plan for the opening of a new store choosing among 3 alternatives proposed in the case.

The project simulates the store opening process scheme, used by LVMH and Kering to approve any retail network expansion and will blend financial, managerial and marketing knowledge.

Both projects will be conducted in a team environment on behalf of students; will not foresee an individual evaluation but only a group score. Individual participation to the project is mandatory in order to receive the evaluation.

A final presentation of 20 min. will be organized for each group according to the calendar.

LUXURY DEFINITIONS

THE 3 F OF MADE IN ITALY



FASHION



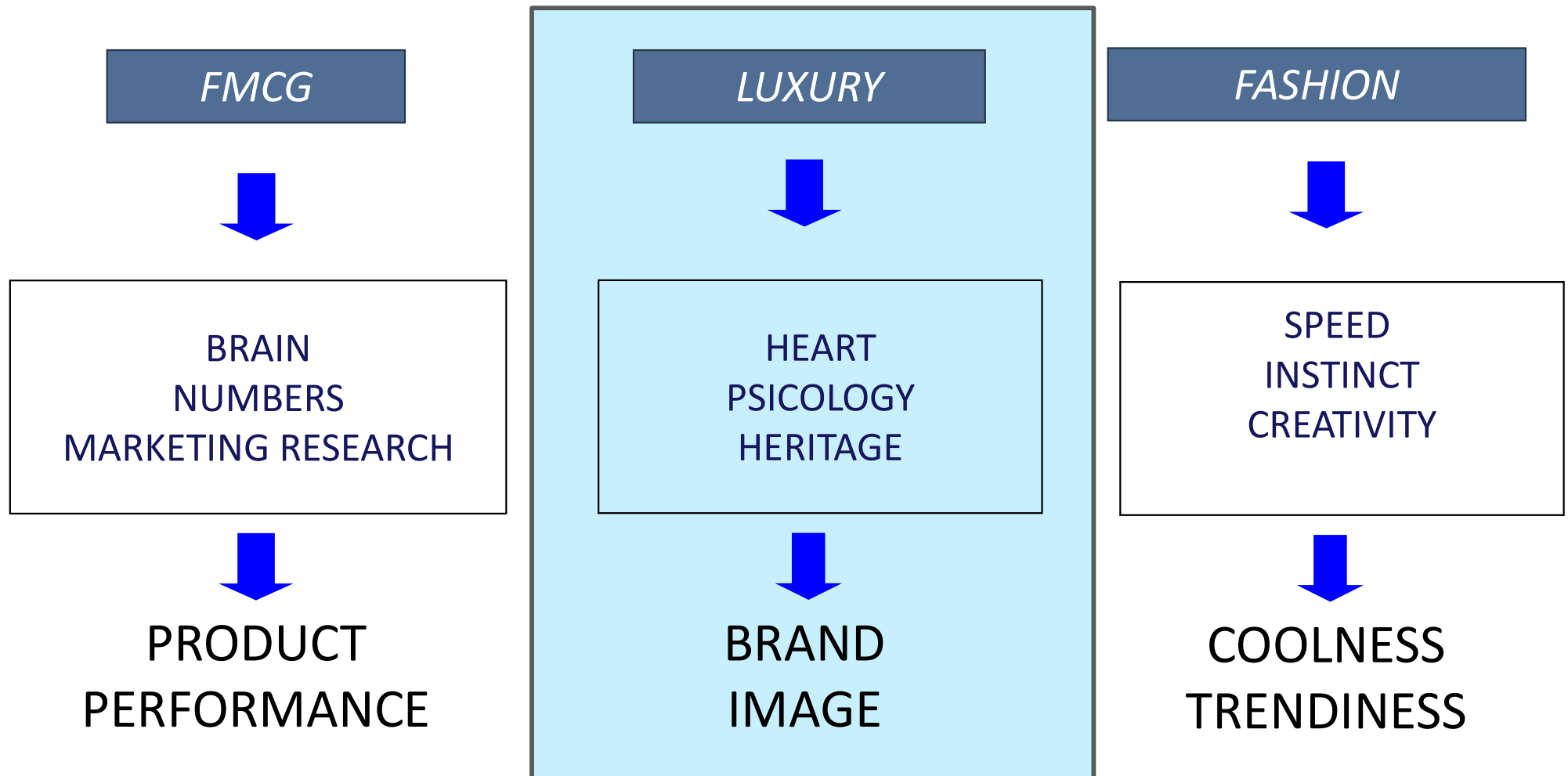
FOOD



FURNITURE

25% OF GLOBAL ITALIAN EXPORT

DIFFERENCIES BETWEEN FMCG-LUXURY-FASHION



LUXURY DEFINITIONS



***« Le luxe n'est pas le contraire de la pauvreté mais le contraire de la vulgarité »
Coco Chanel***

LUXURY DEFINITIONS

The LUXURY comes from latin word LUX which means LIGHT:

The light is helpful for the individual but is also seen by the others.



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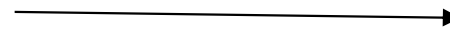
- Luxury has a very strong personal and hedonistic component, otherwise it is no longer a luxury, but simple snobbery

- No luxury brands can rely on clients who are only interested in symbol and not in substance, cause the ones could drift from a symbol to another

The Double meaning of Luxury

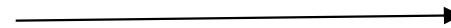
LUX = Light (the Angel)

LUXUS = abundance



LUXATIO = Gap, excess

LUX = Luxuria, bad habit (the **Evil**)



Luxury market is no longer something circumscribed by income levels, personal wealth, or spending budgets....

Luxury consumption is strongly connected with the development of the middle class and upper middle class

MAIN FEATURES OF A LUXURY BRAND

1. Premium image
2. Intangible brand association
3. Alignment with high quality
4. Logos, Symbols, packaging and drivers of brands equity
5. Associations from linked personalities, events, countries
6. High control on distribution services
7. Premium price
8. Really well-structured brand architecture
9. Well-defined competition
10. Legal protection of trademarks

Keller, Kevin Lane (2009), "Managing the growth tradeoff: Challenges and opportunities in luxury branding"

THE LUXURY AND THE INTANGIBILITY

Luxury goods industry is characterized more than any other sector by:

INTANGIBILITY

- *'None of us are in the business of selling necessities; luxury is the business of creating and satisfying desires'* says Belinda Earl of Jaeger
- *'Luxury is something that everybody wants and nobody needs. It's an area of huge comfort. It's the best of the best'* says the jewels maker Theo Fennell
- *'Luxury is about history, authenticity, depth, and being a partner. Buying a luxury product is like a love affair'* according to Christian Hafner, head of branding at Swarovski.
- *'Luxury is a state of mind. It is about how you carry yourself and fulfill yours as well as others desires'* says Paurav Shukla, member of Luxury Society

THE INTANGIBLE VALUE OF A LUXURY BRAND

LOUIS VUITTON

Never full

1700 €

LV



1835

MICHAEL KORS

Voyager

295 €



1981

ZALANDO

Zign

64 €

UNBRANDED



Unknown

**YEAR OF
FOUNDATION**

THE LUXURY AND RETAIL

People think about the luxury business in the wrong way — they think about brands.

But luxury companies are primarily:

RETAILERS

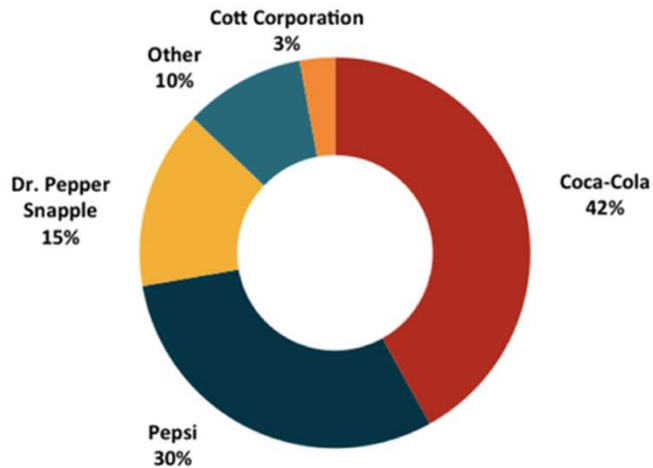
In retailing, the most important thing is execution, and execution is all about management.

You may have the best designed product, but if you don't get it into the right kind of shop at the right time, you will fail.“

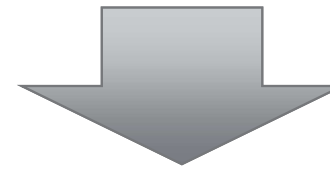
S. de Rosen — luxurygoods analyst at J.P. Morgan

MARKET SHARE IN LUXURY

SOFT DRINK MARKET SHARE



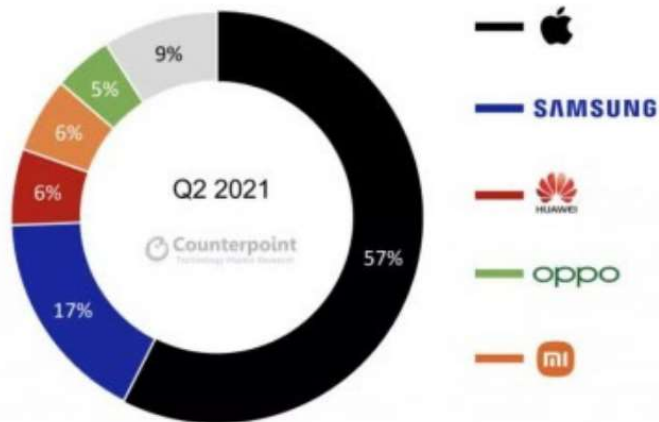
Can a luxury brand achieve a dominant market share?



The answer is no.

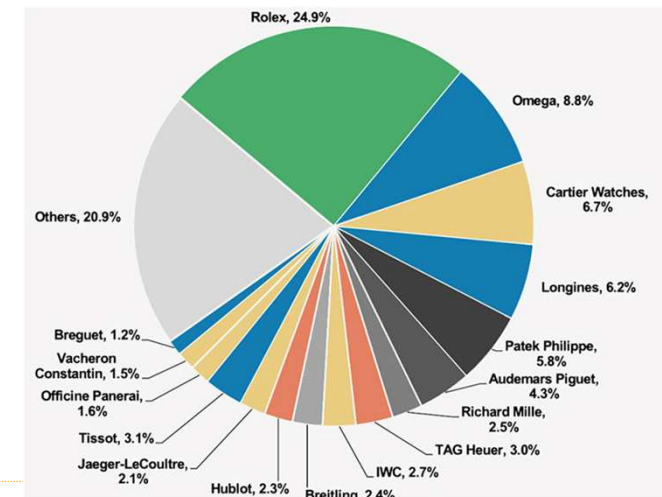
The nature of the business and consumers' motivations for buying prevent this.

SMARTPHONE MARKET SHARE



But there is always an exception!

SWISS WATCH MARKET SHARE



THE PARADOX OF LUXURY

Many think of luxury as something limited to very few people; but the success of the modern concept of luxury is due to the ability of the brands to move in perfect balance, on a double track. The strategy of a luxury brand is always in balance between exclusivity which drives image, prestige and desirability, and accessibility which drives awareness, sales and broadens the consumer base.



“The luxury industry is built on a paradox: the more desirable the brand becomes, the more it sells but the more it sells, the less desirable it becomes!”

THE HERMES PARADOX



Kelly bag made to order: 1160 diamonds and 18-carat rose gold.

1.500.000 €



200.000 €



80.000 €



20.000 €



2.500 €



Terre d'Hermès perfume sold in a discount chain "Acqua & Sapone"

30 €

EXCLUSIVITY

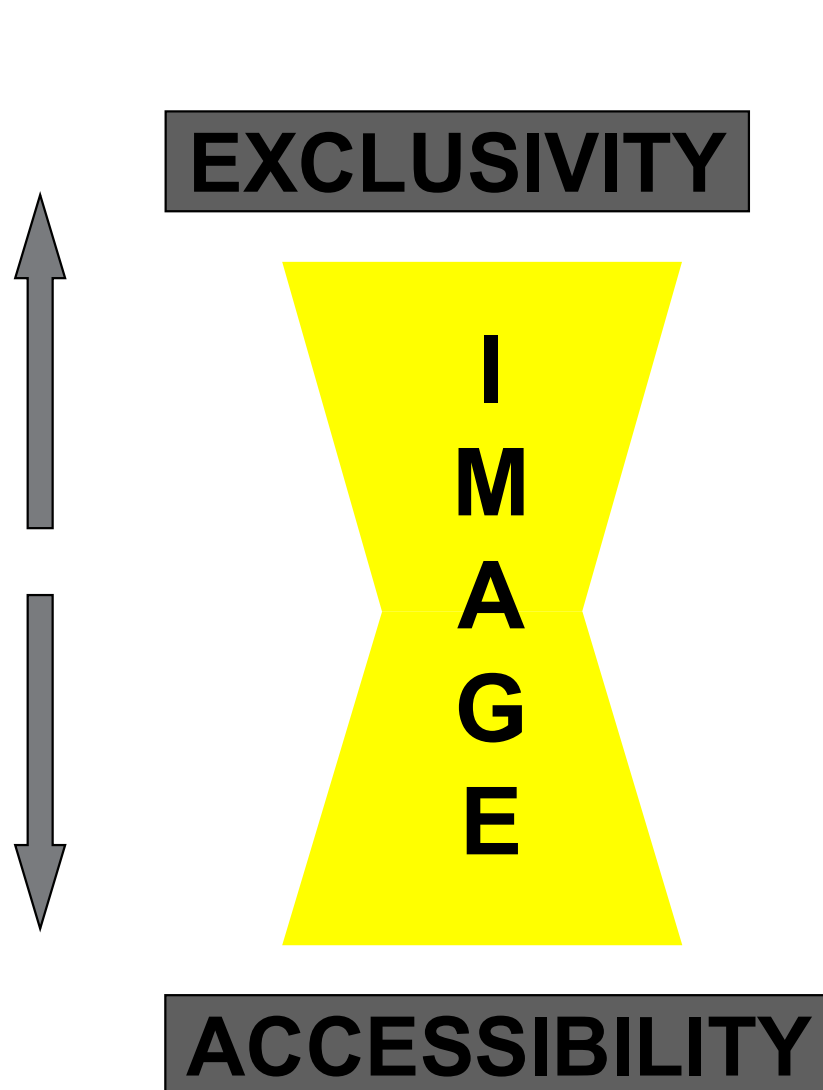
BRAND



STRATEGY

ACCESSIBILITY

THE BRAND IMAGE PARADOX



- Drive the dream of the brand
- Allow premium price
- Define the brand style

- Support P&L
- Enlarge customer base
- Optimize productivity

LUXURY AND FASHION

Luxury:

high entry barriers due to know how, to experience, to culture, to investments, to market appreciation, to high level distribution, to high cash flow.

Company size: generally over 100 mls euro income, but sometimes craftsmen. High brand value.

The real market awareness is achieved over time.

Key points: quality in line with what customers want.

Mostly international or worldwide companies.

High prices.

Fashion:

low entry barriers, many small competitors, high turnover in and out of business.

The real market awareness is achieved with strong communication.

Key points: compliance to trends.

Mostly local companies.

Low prices.

LUXURY AND FASHION

Luxury: the core is the product development.

The time from creation to delivery is long (months).

The production means (suppliers, contractors) are few and often located in districts.

The main skill is to improve the product standard.

The product life is long, even years.

SALES AND THEN PRODUCTION

Fashion : the core is the speed.

The time from creation to delivery is fast (weeks).

The production means (suppliers, contractors) are all over.

The main skill is to be flexible and able to turn from a product to another.

The product life is short, even weeks.

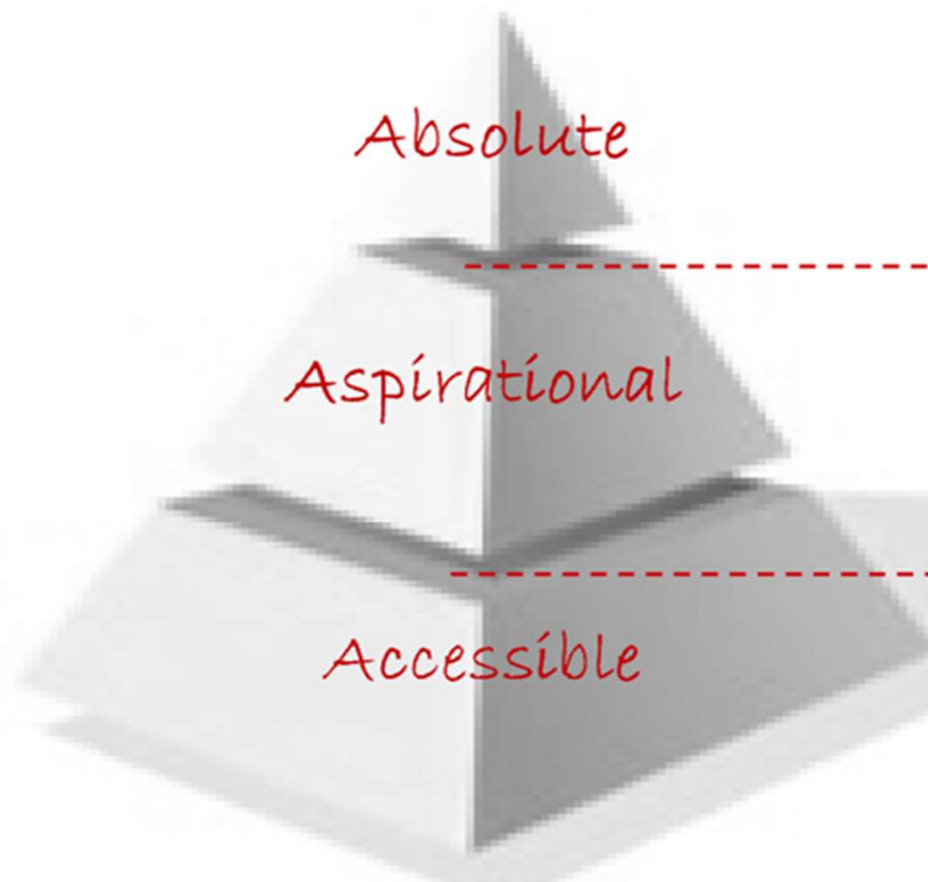
PRODUCTION AND THEN SALES

THE LUXURY MARKET SEGMENTS

Luxury and Premium

LUXURY PYRAMID

POSITIONING FEATURES



Elitism
Icon
Heritage
Uniqueness

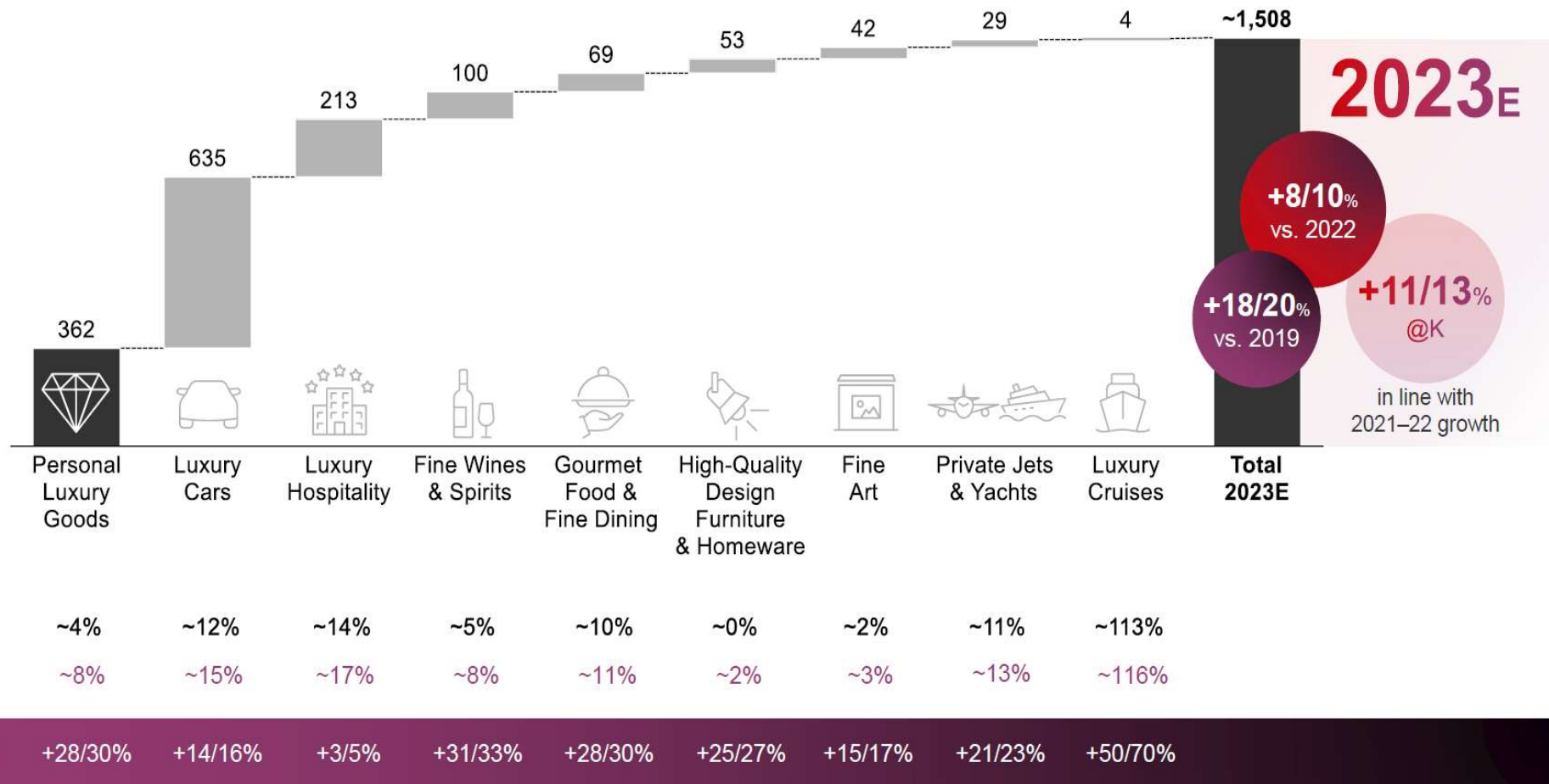
Aspiration
Recognition
Distinctiveness

Affordability
Membership
Status

THE LUXURY MARKET

A new record year for luxury markets, with consumption expanding beyond products to re-engage with experiences

Global luxury markets (€B | 2023E)



WHY FRENCH AND ITALIANS ARE STRONG IN LUXURY?

History & heritage: brands with a long story. (F/I)

Creativity: strong artistic background (I/F)

Flexibility: in production of small series (I)

History & heritage: haute couture and prêt à porter were born in France.

Coherence: brands with a deep and unchanging imprinting (F/I)

Culture: deeply rooted in the management. Not held just by the founder (F/I)

Organization: companies free to work without a central power (F)

Strong know how in retailing (F)

Few long-studied and long-lasting items, not many seasonal products (F/I)

Selective distribution not pushed by short term returns (F/I)

THEORETICAL FRAMEWORK KAPFERER AND BASTIEN (2009)

Characteristic of luxury goods

- ***Luxury is qualitative, not quantitative.*** Luxury is about understanding how to spend with respect the spending power. Luxury leverage the emotional area and for this reason, luxury is bought for the values it represents, for the heritage of the brand and not only the technical characteristics.
- ***Luxury prefers hedonism over functionality.*** This is about the unicity of luxury that does not have necessarily to do with perfection and functionality.
- ***Luxury involves all the senses.*** Luxury involves all the senses, and this could be communicated through the experience of the brand.
- ***Luxury as a social phenomenon.*** Luxury needs to be associated with a strong human component, which usually is encoded in the founder. Luxury also is part of society and the values it embodies are those that consumers want to communicate to their community.
- ***Luxury needs a history.*** Luxury brands need a story to tell and storytelling is a core element of the brand image as it communicates its unicity and stimulates emotions.

Characteristic of luxury goods

- **Outstanding quality.** *Luxury products are associated with superior quality in raw materials employed in the production process and the craftsmanship. These two aspects need to be considered as they grant reliability and durability of the products, which affect consumers loyalty and trust.*
- **Expensive.** *The second aspect that is identified is the luxury price point which needs to be exceptionally high on absolute and comparative basis. The superior price point should be justified by the higher perceived quality of materials and craftsmanship, but also by the products' longevity which comes from it.*
- **Scarcity and uniqueness.** *The concept of scarcity is related to three key aspects. First the nature of offering which is highly linked with the unique characteristics of the luxury elements and extremely skilled labour which guarantees luxury products superiority and that makes impossible to be industrialized. Second, scarcity is related to the availability. Indeed, luxury brands adopt a strategy of limited distribution of goods. Third, usage. The shopping experience, comprehensive of the post-purchase phase, needs to be exceptional and must deliver higher value. Notice that scarcity is also related to the consumer dimension as the less people is able to access it the more it is luxurious.*
- **Aesthetics.** *This feature is related to the hedonistic and sensitive experience which needs to be found in luxury. This experience should involve all the sense, identifying luxury as a source of pleasure.*
- **Heritage and history.** *It is now clear that heritage becomes fundamental when dealing with luxury. Indeed, brand history provides an aura of uniqueness and mystic halo. Heritage links with the values represented by the brands, as the anchoring the past and the identification with the brand roots result in a vow of scarcity and longevity. Finally, heritage needs to be followed by a strong an aesthetic code that has been handed down across decades and trends.*
- **Superfluous.** *Luxury products do not need to satisfy functional needs, but rather their first scope is to stimulate emotions and fit desires.*

THE LUXURY ASSOCIATIONS

 <p>Fondazione Altgamma</p>	<p><u>Acqua Di Parma, Agnona, Agrimontana, Albereta, Alberta Ferretti, Alessi, Alias, Andana, Artemide, Aurora, B&B Italia, Baratti & Milano, Bellavista, Biondi Santi, Bisazza, Boffi, Bottega Veneta, Brioni, Brunello Cucinelli, Bvlgari, Ca' Del Bosco, Caffarel, Crn, Danese, Domori, Driade, Emilio Pucci, Ermenegildo Zegna, Etro, Fendi, Ferrari, Ferrari F.Lli Lunelli, Ferretti Yachts, Flos, Flou, Frette, Gianfranco Ferré, Gianmaria Buccellati, Gucci, Hotel Bauer, Hotel Bellevue Syrene, Hotel Capri Palace And Spa, Hotel De Russie, Hotel Le Sirenuse, Hotel Lungarno, Hotel Principe Di Savoia, Hotel Seven Stars Galleria, Hotel Splendido, Hotel Villa D'este, Illycaffè, Isaia, Kartell, La Perla, Loro Piana, Maserati, Masseria San Domenico, Max Mara, Missoni, Moroso, Omas, Persol, Pomellato, Riva, Rubelli, Salvatore Ferragamo, Sanlorenzo Yachts, Sanpellegrino, Stone Island, Technogym, Tod's, Valentino, Venini, Versace, Vhernier, Zanotta</u></p>
<p>COMITÉ COLBERT</p> 	<p>Baccarat 1764, Berluti 1895, Bernardaud 1863, Champagne Bollinger 1829, Boucheron 1858, Breguet 1775, Bussière 1924, Caron 1904, Cartier 1847, Celine 1945, Chanel 1912, Parfums Chanel 1924, Château Cheval Blanc 1832, Château Lafite-Rothschild 1855, Château D'yquem 1593, Chloé, Christian Dior Couture 1947, Parfums Christian Dior 1948, Christian Liaigre 1985, Christofle 1830, D. Porthault 1924, Dalloyau 1802, Delisle 1895, Diane De Selliers Editeur 1992, Ercuis 1867, Eres 1968, Faïencerie De Gien 1821, Flammarion Beaux Livres 1875, Editions De Parfums Frederic Malle 2000, George V 1928, Givenchy 1952, Parfums Givenchy 1957, Guerlain 1828, Hédiard 1854, Hermès 1837, Parfums Hermès 1948, Hôtel Le Bristol 1924, Hôtel Du Palais 1893, Hôtel Plaza Athénée 1911, Hôtel Ritz 1898, Jean Patou Paris 1925, Jeanne Lanvin 1889, John Lobb 1899, Champagne Krug 1843, Lacoste 1933, Lancôme 1935, Le Meurice 1835, Lenôtre 1957, Leonard 1943, Longchamp 1948, Lorenz Bäumer Joaillier 1992, Louis Vuitton 1854, La Maison Du Chocolat 1977, Martell 1715, Mellerio Dits Meller 1613, Oustau De Baumanière 1945, Perrier-Jouët 1811, Pierre Balmain 1945, Pierre Frey 1935, Pierre Hardy 1999, Pierre Hermé Paris 1996, Potel Et Chabot 1820, Puiforcat 1820, Pullman Orient Express 1876, Cognac Rémy Martin 1724, Robert Haviland & C. Parlon 1924, Rochas 1925, Saint-Louis 1586, S.T. Dupont 1872, Tallevent 1946, Van Cleef & Arpels 1906, Champagne Veuve Clicquot Ponsardin 1772, Yves Delorme 1845, Yves Saint Laurent 1962, Yves Saint Laurent Parfums 1962</p>
 <p>WALPOLE BRITISH LUXURY</p>	<p>Alfred Dunhill, Asprey, Backes & Strauss London, Bill Amberg, Boodles, Bovey Castle, British Airways First, Brown's Hotel, Bruce Oldfield, Burberry, Candy & Candy, Charbonnel et Walker, Chewton Glen, Chivas Brothers, Christie's, Church's English Shoes, Clive Christian, Cole & Son, DAKS, Daphne's, Dege & Skinner, Edmiston and Company, Ettinger, Financial Times, Fortnum & Mason, Gieves & Hawkes, Gleneagles, Goodwood, Guards Polo Club, Hackett London, Halcyon Days, Hamilton & Inches, Harper's Bazaar, Harrods, Henry Poole & Company, Hildon, Holland & Holland, Home House, J Sheekey, Jimmy Choo, Johnstons of Elgin, Le Caprice, Lewis Moberly, Liberty, Links of London, Lucknam Park, Maybourne, Hotel Group, Myla, Oliver Sweeney, Orient-Express, Purdey, Quintessentially, Reserve Brands Group, Royal Automobile Club, Royal Doulton, Savoir Beds, Scott's, Silverlining, Smythson, Soane, Sotheby's, Temperley London, The Balmoral Edinburgh, The Club at The Ivy, The Dorchester, The Economist, The Goring, The Ivy, The Lanesborough, The Rug Company, The Savoy, Theo Fennell, Thomas Pink, Urban Caprice, Vertu, W Nagel, Walkers Shortbread, Wedgwood, Wentworth Club, William Grant & Sons</p>