

NOVA School of Business and Economics

Master in Management
CEMS – MIM Program

Business Project: Nuno Gama Brand International Expansion

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Part I: Nuno Gama Brand International Expansion Project

The Client: Nuno Gama is one of the most creative Portuguese fashion designers of menswear, producing pieces with a unique design and a distinct cut, as recognized by industry experts. The designer has been strongly influenced by the Portuguese culture, which is visible in the patterns he uses and details of some pieces, and by his life experiences, in particular the period he lived in Japan, which marked some of his works. The designer already received many fashion and design awards throughout his career and participated in international fairs (e.g. *Nouvel Espace* in Paris, *Gaudi Hombre* in Barcelona) and well-known international events (e.g. *Mode Gitanes* in Louvre Museum, Paris, *Hombres de Fraldas* in Madrid). His fashion shows at *ModaLisboa* are acknowledged by experts and media as the most creative events of the fashion week.

Market overview: Nuno Gama brand (NG) is a niche brand operating in the high-end segment of the fashion industry. Since the project concerned the international expansion of the brand, the Portuguese market was not analysed in depth. Due to the lack of information concerning exclusively the high-segment of fashion, the team used the luxury industry as a proxy and analysed the international context. It is a high-growth industry, with sales being driven by emerging economies and the United States. Tourists doing shopping trips are an important growth factor, namely in regions such as Western Europe where the economic crisis negatively impacted sales. The menswear segment is growing significantly, especially in Asia, and consumers are increasingly looking for products that allow them to differentiate themselves from the masses. Regarding competition, the team considered other niche brands focusing on a similar target audience (e.g. Alexandre Mattiussi (Ami) operating in France).

The current situation: Until 1998, NG was distributed not only in Portugal but also in several international markets. However, a fire that occurred in his atelier during that year led to the destruction of his entire collection and dictated the end of the partnership with his business partner. This event led the designer to focus on the Portuguese market, achieving recognition in this country through numerous collaborations with Portuguese companies and celebrities. However, at the present moment, with a more consolidated experience, Nuno Gama believes it is time to expand in a sustainable way to markets outside Portugal.

The project: The objective of the project consisted in recommending a strategy for the sustainable international expansion of the brand NG and suggesting a detailed implementation plan for the selected regions, taking into consideration the organizational and financial constraints. The project was divided in two distinct phases. The first consisted in assessing possible markets for the expansion taking into consideration the fit with the brand and the

existing constraints and the second phase consisted in the development of an implementation plan for the regions the client selected, coupled with a complementary digital strategy.

The 1st Phase: The initial part of the project required an analysis of the high-end segment of the fashion industry in order to understand its specificities and identify major opportunities and threats. Subsequently, the team proceeded to the diagnosis of the brand, developed in collaboration with other team working for the same client. The analysis comprised the brand identity, awareness and image and the information was acquired through the use of questionnaires (brand awareness), in-depth interviews of 45-60 minutes (brand image) and information obtained during the initial briefing session with the client (brand identity). The final section, which preceded the mid-term meeting with the client, consisted in developing a criteria model to narrow down some expansion locations. The initial research of the industry and the brand diagnostic allowed to eliminate some locations from the start due to lack of fit with the brand or high risk. The first aspect considered was the predominant type of distribution channels. The team developed a model with two sets of variables: the ones connected with the country (such as tax system or ease of doing business); and the ones connected with the market (such as type of customers or fashion environment). The output of this phase was a set of attractive locations for expansion, presented as a bundle (location + recommended distribution channel) to the client that later decided on what regions to focus for the remainder of the project.

The 2nd Phase: This phase consisted in further examining the regions selected by the client and developing retailing, promotion and communication strategies for each, taking in consideration the specificities of the brand and the organizational and financial constraints. A complimentary digital strategy was also considered due to its relevance in this industry. The recommendations were developed considering two distinct groups of customers, a loyal community of clients (I) and a group of persons that admire the brand but to whom the current products do not fit (II).

Conclusions: The final recommendations included: opening a mono-brand store in **Sao Paulo** followed by an expansion to **Miami** through a multi-brand store; opening a concept store in **Paris** and sell also through a department store in case of targeting consumer group II; and entering **e-commerce** through a multi-brand website and mobile commerce.

The recommendations proposed were based in a qualitative research and no financial figures were presented due to the extreme difficulty in accessing information regarding costs in this industry. The team used primary data collected in interviews with industry experts and consumers and secondary data retrieved from industry reports and papers produced by reliable research companies and news releases.

Part II: Development of a topic

“In order to be successful, a luxury fashion brand should combine substance and symbol. The brand Nuno Gama already provides a high level of substance. What should Nuno Gama do to increase the level of symbol of his brand, mainly outside Portugal?”

At the time of the project development, it was not possible for the group to elaborate recommendations to clearly address the development of the symbol in the international field. Therefore, in this part of the report the brand will be analysed in terms of its substance and symbol and some recommendations will be made to develop the symbol abroad. This section will begin with a brief explanation of the concept of luxury as a starting point for the definition of the concepts of substance and symbol, followed by an analysis of the NG brand in light of the substance and symbol framework, taking into consideration the two possible scenarios defined in the Business Project. Finally, some recommendations will be presented.

Luxury: In order to fully understand the concepts of substance and symbol, it is useful to first have some notions regarding luxury and luxury goods.

Often, the terms premium and luxury are used interchangeably but, in fact, they represent two distinct segments. Premium brands offer high quality, selective distribution and emotional value but they lack other characteristics that only luxury brands have (Kapferer, 2008). Luxury goods and brands are traditionally characterized by excellent quality, very high price, scarcity and uniqueness, aesthetics and polysensuality, ancestral heritage and personal history and superfluosity (Dubois, Laurent, & Czellar, 2001).

Over the years, many academics tried to define the concept of luxury but a consensus has not yet been reached. Kapferer (2008) advocated that luxury expressed the **gap between desire and access**, in a way that the most inaccessible goods would be the most desired ones. Managing a luxury brand would thus entail promoting high visibility while controlling the access to maintain desirability, instead of promoting diffusion through large distribution. However, the intensification of distribution methods by big luxury groups such as LVMH (increasing store openings and e-commerce) that occurred in the 90s, coupled with the transition from craft production to more mechanized methods and a sales strategy more focused in accessories targeting the wider public (Dion & Arnould, 2011), started to challenge this view. Consequently, a new approach emerged that suggested that luxury brands legitimacy was based on an exceptional charismatic persona (Dion & Arnould, 2011). According to this vision, luxury brands expressed the **aura of the creator**, which could be the founder of the brand (e.g. Coco Chanel) or the artistic director (e.g. Karl Lagerfeld), who needed to be periodically legitimized

by the experts in the field to avoid losing their influence (Dion & Arnould, 2011). Hence, according to this view, luxury brands did not respond to market needs but instead reflected the inspiration of the creator. Finally, a more recent approach suggests that luxury is a new **social marker**, creating social stratification in places where it did not exist, and varying between emerging and developed economies (Kapferer & Bastien, 2009).

Nevertheless, despite the several views, researchers agree that luxury items satisfy both psychological needs, such as self-esteem, and traditional functional needs (Barnier, Falcy, & Valette-Florence, 2012). As such, luxury undoubtedly has a **social function** but also a very strong **personal** and hedonistic **component** (Kapferer & Bastien, 2009).

Substance and Symbol: After gaining a better understanding of luxury it is now possible to define the concepts of substance and symbol. **Substance** concerns the **personal function** of luxury goods, *i.e.* their capacity to indulge the individual. **Symbol**, on the other hand, concerns the **social function**, referring to luxury as a social statement. Therefore, substance is intrinsically connected with the quality of the product while symbol is connected to the status the ownership of the good concedes to its owner. Premium brands focus especially on functional characteristics (substance) while luxury brands put much more effort into creating symbolic meaning (Heine, 2012). However, *“no luxury brand can hope to survive if it relies purely on clients who are only interested in the symbol rather than the substance”* (Kapferer & Bastien, 2009). As such, luxury brands need to have both substance and symbol (see Appendix I).

The Nuno Gama Brand: In order to assess the level of substance and symbol, it is important to first understand some specificities of the brand. According to the Graveyard Model (Y&R Europe), NG is considered to be a **niche brand** since it has low overall recognition but high recall among a small community of customers (see Appendix II). The fact that the brand is unknown for a substantial group of customers is not a negative indicator since inside the community of customers that knows it, it has high levels of recall. Hence, there is low market penetration but high frequency of purchase, which can be partially explained by the fact that NG products have a particular type of design that is made to enhance the body curves, therefore, fitting only a very group of customers with a specific body type. As such, it was possible to conclude that NG has a community of customers that have this particular body type, to whom the clothes fit perfectly and that are loyal to the brand, as suggested by the industry experts interviewed. However, there is another group of consumers that recognize the quality of the brand but that do not purchase it because they do not have the specific body type that the product's design “requires”. Therefore, the BP group, at the time of the project development,

decided to separate these two groups of consumers, the loyal ones (group I) and the ones that appreciate the brand but do not buy it (group II) and build to distinct scenarios.

The two scenarios: In Scenario I, the brand targets only consumers that are part of the community of loyal customers (I), which would naturally require the recreation of these communities in areas selected for expansion where they are still inexistent. The idea of targeting a community of loyal customers was based in a new consumer behaviour model proposed by McKinsey and Company, entitled the “**Consumer Decision Journey**” (Court, Elzinga, Mulder, & Vetvik, 2009). The model suggests that the consumer decision process is circular and constituted by four main stages (see Appendix III). The initial stage starts with the consideration of an initial set of brands based on brand perceptions and exposure to recent touch points (e.g. advertising) and as the consumer moves to the subsequent stage and considers his needs not only he eliminates some brands but also adds new ones. Posteriorly, the consumer finally makes the decision of purchase and, in the post-purchase stage, he experiences the product and builds expectations that he will consider in the next decision journey. Sometimes, when the consumer is extremely satisfied he enters the **loyalty loop**, which means that from the start of the decision process he immediately considers a specific brand for purchase (Court, Elzinga, Mulder, & Vetvik, 2009). This is easily illustrated by Apple consumers that when in need, for instance, of a new smartphone, immediately look for the latest iPhone. Thus, brands seek to include consumers in the loyalty loop and, in this respect, NG is in a favourable situation since it already has a group of customers in this loyalty loop that needs to be maintained. However, a sole focus on this group limits the growth of the brand, which is why scenario II was conceived.

In scenario II, NG targets not only the loyal group of customers (I) but also the group of consumers that recognize the high quality of the brand but that do not buy it (II) by offering other products that could serve their needs, either through increasing the product line depth or breath. Increase the depth would consist in offering apparel products with a design that could fit other types of bodies, while maintaining the special attributes of the brand, and an increase in breath would consist in offering products from a different category such as home design or fragrances. This scenario would allow the brand to expand by increasing the customer base, although not exponentially. Moreover, scenario II was also developed as a way to make the brand more attractive for retailers, since it would target a greater number of customers. In fact, from an apparel retailer perspective, the NG brand is not very attractive to commercialize since it only serves a limited amount of clients while retailers would prefer to serve a greater number of customers and not only the small group to whom the clothes fit. As such, scenario II would enable the brand to achieve higher growth.

Substance and symbol of the NG brand: Bearing in mind the two customer groups presented above, it is now possible to evaluate the existence of substance and symbol in the NG brand. For the group of loyal customers (group I), the NG brand possesses both substance and symbol. It has substance due to the high quality of the fabrics used, the unique design, the experienced cut and the good quality craftsmanship work, and it has symbol because inside that community of customers the brand is recognized and has a positive social impact, thus providing **status**. However, for the other group of consumers (group II), the brand has substance but no symbol. It has substance for the same reasons presented above since the quality of the products remains unaltered, but it lacks symbol since the brand do not confer social status. Therefore, if the client chooses to pursue the second scenario and target both groups of costumers (I+II), it needs to develop the symbol of the brand in international markets.

Development of the symbol: For a brand to develop its symbol it needs to convey its value and prestige through adequate communication and promotion strategies that create awareness. The public needs to be able to recognize the brand, irrespective if they use it or not. There should be many more people knowing the brand than the ones that can actually buy it (Kapferer & Bastien, 2009). In fact, for symbol purposes, the recognition by the non-users is even more relevant because they desire the products and aspire at reaching the same benefit as users, which validates the social function of luxury. The communication of the brand image, which is full of symbolic value is often carried out via **non-paid media channels** and **interpersonal influences** of various kinds (Keller, 2009).

While for the development of substance the focus should be in the product, for symbol it should be on the brand, and in the particular case of luxury, the foundation of the brand strategy is the brand identity (what the creator would like the brand to be and what the brand stands for). The brand identity needs to be conveyed through the brand elements, marketing and communication in order to develop the image (how consumers perceive the brand). In the specific case of NG brand, it is necessary not only to communicate the brand identity and create a prestige image but also to **enrich the brand** in a way that it can appeal to a greater number of consumers. Presently, the brand is targeting a community of customers that are very aware of their body image and that seek to have a very healthy and fit physical appearance, thus being too restrictive. In order to target the customers in group II, it is necessary to build an image that does not link the brand exclusively to the community of customers it has now by adding associations to the brand image or soften restrictive perceptions (Aaker, 1995).

Finally, before proposing clear recommendations on how to develop symbol, it is important to take into consideration that the traditional marketing laws cannot be directly applied to luxury brands since they are in essence different from all the other categories of brands (Kapferer & Bastien, 2009) (see Appendix IV for the anti-laws of Marketing).

Recommendations: As mentioned in the previous section, a brand needs to be recognized to be desired by consumers. However, awareness *per se* is not enough, it is necessary to build a dream around the brand, make it desired and ultimately, the desirability of the non-users towards the brand will validate the status of the few fortunate users. As such, there are many strategies that promote awareness and that convey a prestigious image of the brand that will lead, in the end, to the development of symbol.

In the particular case of the fashion industry, where the NG brand is operating, Fashion Shows are crucial to legitimize the aura of the creator (Dion & Arnould, 2011). Similarly, Fashion Editors can determine the success or the failure of fashion designers and their collections because the general public recognizes their authority in the field (e.g Anna Wintour, chief-editor of Vogue USA). Therefore, NG should participate in events such as the **Fashion Shows** since they give visibility to the brand, and showcase the collections in **showrooms** for important clients and experts in the industry that can generate **word-of-mouth**. The use of word-of-mouth is *“most effective when implemented through opinion leaders and experts in the luxury field and the fashion world”* (Okonkwo, 2007). Also, NG should try to gain membership in **recognized luxury brand associations** (e.g. Altgamma in Italy, Comité Colbert in France) in locations where it is present to prove the status and expertise of the brand (Heine, 2012).

Another way to gain symbol is through the use of **brand ambassadors**. An ambassador is someone that represents the brand and that communicate its identity and features to others. Ambassadors *“are used by luxury brands in a peculiar way to promote the brand through ‘giving it a face’”* (Okonkwo, 2007, p. 165). Thus, NG should use very loyal customers to be ambassadors of the brand since they are deeply satisfied with it, thus promoting it with pleasure. Moreover, NG should link the brand to famous personalities that already have their own positive associations to help to reinforce those of the luxury brand (Keller, 2009; Fionda & Moore, 2009). Associating the brand with some personalities can help to enrich the brand image and target customers outside the community that values a healthy and fit body.

Moreover, NG should organize **promotional events**, where influent personalities from the fashion industry as well as the media and potential customers are invited, and organize **runway events**, where models can walk around, displaying the brand clothes and showing the overall

look. These events are important to have the visual effect that is extremely relevant in the fashion industry and are a valuable tool to communicate the brand prestige and dream value (Heine, 2012). In this events NG signature pieces (blazers, jackets and trench coats) should be given particular emphasis since they are the ones that convey the “brand DNA” thus, transmitting the creator’s personality and values (Fionda & Moore, 2009).

In order to convey the status of the brand, the distribution should also be controlled through a **selective channel strategy** to ensure exclusivity and prestige (Keller, 2009), which is easier by selling through a wholly-owned store (Fionda & Moore, 2009). Thus, whenever the financial constraints do not prevent that, NG should try to sell through its own store or at least establish a partnership with a specialized retailer. Furthermore, an important tool in generating symbol is the **sales staff**. Luxury consumers have high expectations regarding consumption experiences, which is why it is fundamental to deliver flawless value at every moment (Keller, 2009). Thus, the sales staff is responsible for creating a unique experience for the consumer, which asserts the status that should come from the consumption of luxury goods (Heine, 2012). Furthermore, the sales team is in a good position to transmit the identity of the brand and to promote it since they know the values and the story of the brand.

Also, NG should use **social media** to develop symbol. Nowadays, social media is very important since it is a platform that links brands and consumers. Through a website, a Facebook profile or a Pinterest page, brands can pass a message to the consumer and show their values. Moreover, since internet is present in a high percentage of affluent households it allows to create awareness and loyalty. Also, **consumer-generated marketing**, that include comments, reviews and experiences shared by consumers in the social media, has become a significant marketing force (Kotler & Armstrong, 2014).

Furthermore, to convey the value of the brand, it is important to use the **brand elements** (e.g. name, logo, symbols, packaging) since they facilitate brand awareness and can signal the prestige of the brand to the customers and to others whose opinions are important for the customers (Keller, 2009). For NG, the NG cross is an important symbol that should be often displayed to promote recognition. Also, since the symbol has a story behind it, the designer should share that story with the customers to convey the authenticity of the brand.

Regarding the **price strategy**, discounts or price cuts should be made with high reserves since they can send a message of lower value and impact the symbol of the brand (Keller, 2009).

Finally, NG should have a **business partner** that can oversee all the complex aspects of managing a luxury brand that, as explained before, requires the use of different strategies than the dictated by the traditional marketing principles.

Part III: Reflection on Learning

Knowledge used and acquired: Throughout my Master, the fields that I considered more interesting were Marketing and Strategy since the concepts and frameworks learned could be applied in real life situations, thus having a very high practical value. As such, I chose the Nuno Gama International Expansion project since it would allow me to use knowledge from those fields and, simultaneously, gain insights of an industry where I would like to work.

The knowledge that I acquired during my Masters, namely the one concerning the development of an entire marketing plan, such as analysis of the market, segmentation, targeting and positioning and the marketing mix (Product, Placement, Promotion and Price), with particular emphasis in promotion and placement (distribution channels), was of the utmost importance for the development of the project. The idea that all the components of the marketing mix should be aligned to create a successful marketing strategy and the many alternatives that can be followed in terms of promotion and distribution strategies were the pillars for the project's development. Moreover, the concepts of segmentation, targeting and positioning were crucial to elaborate the strategies aimed at the two different consumers' groups defined. However, the specificities of luxury goods regarding the use of the traditional marketing laws was something I only started developing with the project.

I acquired some new knowledge concerning the management of luxury brands, where the goal is not to increase sales volume and customer base but to restrain accessibility to maintain the high level of desirability. I also learned some new concepts concerning brand analysis (brand image, awareness and identity) that were extremely useful to understand the brand, in particular to assess what it represented for the creator and the consumers. Furthermore, the brand analysis enabled the group to have a better idea of the characteristics and potential of the brand (niche brand with high awareness in the Portuguese market but low in the international field). Finally, I also learned a new consumer behaviour model proposed by McKinsey and Company, the "Consumer Decision Journey", explained in more detail in Part II of this Report that was useful to understand the importance of gaining customer loyalty.

Personal experience and development: In what concerns personal development, I believe the project was an enriching experience due to its complexity. It enabled me to recognize some areas for improvement and to realize some of my key strengths. One of the aspects I considered that I could improve was critical thinking and the capacity to separate what is fundamental from the surplus. Being very eager to show all the information and valuable insights that were taken

from the research the group did, at first I was not being selective in what to include in the final report. As such, this was one of the weaknesses I detected and started to improve (see Appendix V). Also, another weakness I identified was the lack of method in the way I initially did research, since I often started with one topic and easily moved on to others if I found something interesting, this way using too much time. With this project, however, due to the extensive amount of research that it encompassed, I was forced to develop a more organized process to collect data (see Appendix V). Thus, I was able to significantly improve this weakness. Nevertheless, the project also helped me to identify some strengths. My good capacity to work in a team and contribute to a good working environment was evident. Also, often I took the initiative regarding the organization of the several stages of the project, assuming an active role and participating in the decision making process. Finally, I was very organized in terms of time management being able to perform all the tasks according to the initial deadlines established by the team.

Benefit of hindsight: Since the beginning, the NG project presented different challenges than the remaining ones. First, since the client was not a typical company but instead a creative designer, it was harder for him to clearly define from the start what he expected regarding the outputs of the project. Furthermore, the timing was a challenge since it partially overlapped with the most stressful period for the designer, the weeks that precede the fashion show, making it very difficult to contact him at that time. Finally, the brand, being in a premium/luxury segment required a different approach than the defined by the traditional marketing principles. Nevertheless, it were the challenges that made the project so interesting because the team was motivated to present something more than an academic exercise, and provide some practical recommendations that could, in fact, create value for the client.

The success of the project rested on the ability of the group members to work as a team, sharing tasks and responsibilities. In this respect, it was crucial the establishment of a work plan with defined deadlines for the beginning and conclusion of the several tasks. However, in terms of the second phase of the project, the deadlines established by the group for the delivery of results should have been anticipated, giving more time for the sole preparation of the final report.

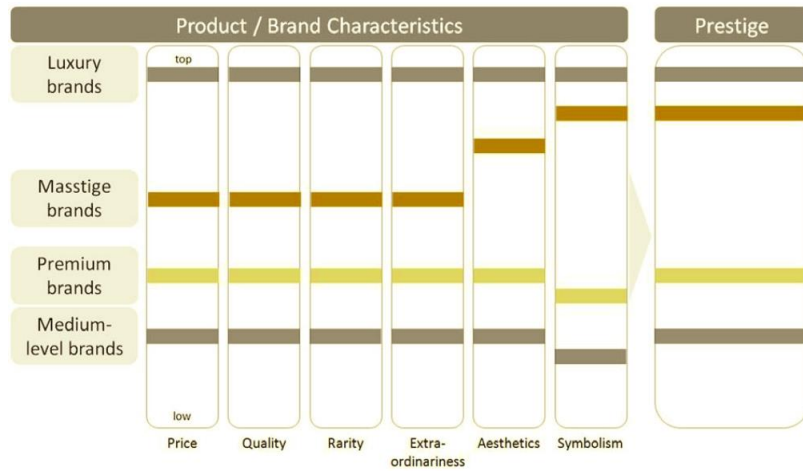
The engagement and dedication of the members enabled fruitful discussions that in the end led to the development of creative and practical recommendations for the client.

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Appendix

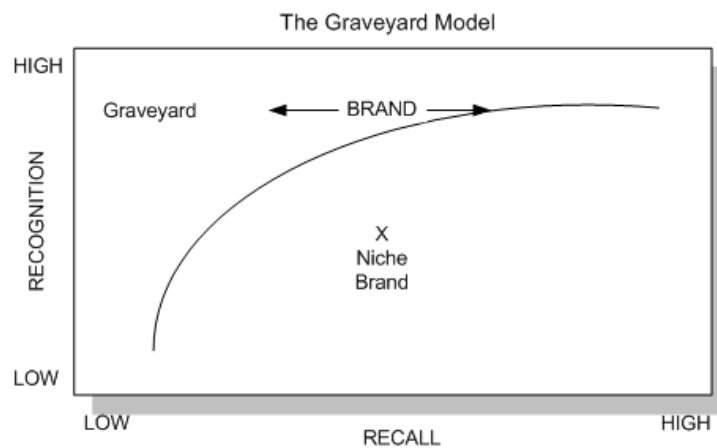
Appendix I – Luxury vs. Premium vs. Masstige⁽¹⁾ Brands



Source: Heine, K. (2012) The Concept of Luxury Brands. *Luxury Brand Management*, no. 1, ed. 2, ISSN: 2193-1208, (retrieved from www.conceptofluxurybrands.com on 19th May)

⁽¹⁾Masstige brands convey the idea of offering prestige to the masses (Heine, 2012). Some authors also employ the terms “new luxury” or “mass luxury” (Kapferer & Bastien, 2009).

Appendix II – The Graveyard Model



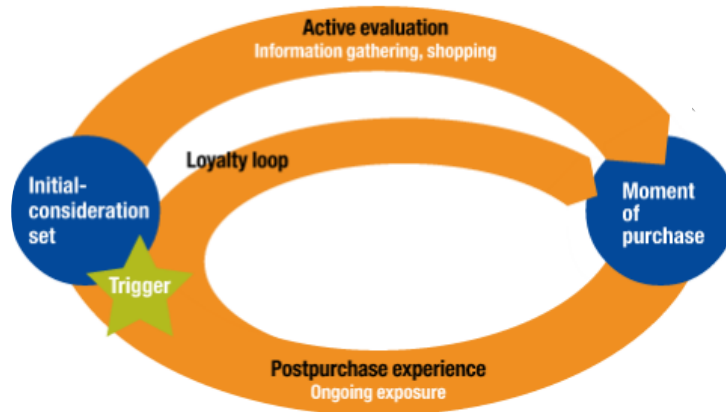
Developed by Young and Rubicam Europe, under the guidance of JimWilliams

Source: Aaker, D. A. (1995). *Building Strong Brands*. Free Press.

Recognition: Recognizing a brand involves remembering the brand and its associations when exposed to that brand or a similar brand, for example, through print advertisement (Okonkwo, 2007).

Recall: Recalling a brand from memory occurs when consumers relate a brand directly to its goods category without prior exposure to or direct interaction with the brand (Okonkwo, 2007).

Appendix III – The Consumer Decision Journey (McKinsey & Company)



Source: Court, D., Elzinga, D., Mulder, S., & Vetvik, O. (2009, June). The consumer decision journey. *McKinsey Quarterly*.

Appendix IV – The anti-laws of Marketing

According to Kapferer and Bastien (2009), luxury brands are different from the remaining and have a different set of principles, the *anti-laws of marketing*, that apply to them, as follows:

- “Luxury is the expression of a taste, of a creative identity, of the intrinsic passion of a creator” and, consequently, unique. Thus, luxury brands are not directly comparable and the positioning is different than the traditional since there is no comparison and no point of difference in the unique selling proposition;
- Luxury brands should not try to respond to customer demand but instead remain true and authentic to their core values and vision of what the products should be;
- Luxury brands should not accommodate to the market, they are the ones that set the future trends;
- Luxury brands should not try to seek as many clients as possible by offering products that dilute its value or by making the brand accessible to many since it will undermine the feeling of exclusivity and, consequently, its level of desirability;
- If demand is rising, luxury brands should make an effort to maintain sales below a certain threshold, otherwise the “illusion” of rarity will fade;
- Luxury brands should make it difficult for clients to buy since the greater the inaccessibility, the greater the desire;
- Luxury brands should protect their clients from others by creating exclusive spaces in-store just for them;
- Advertising for luxury brands should not be made to sell but instead to communicate the dream and maintain it alive;

- Luxury brands should never cut prices but instead raise them since luxury goods are typically Veblen goods, items for which people's preference for buying them increase with their price, as greater price confers greater status.

Source: Kapferer, J., & Bastien, V. (2009). *The Luxury Strategy: Break the rules of marketing to build luxury brands*. Kogan Page.

Appendix V – Plan for improvement of recognized weaknesses

Area of improvement	Actions
Selection of relevant information and exclusion of surplus or redundant data	Being more critic: I believe it is useful to first consider the person(s) that will read the report and try to put ourselves in that person’s place to evaluate what we would consider relevant or accessory
Research method	Develop a more organized process to do research: Instead of searching for several information from the beginning, I believe it is useful to start by separating the research in parts, and focus on a single topic at a time. Also, I consider it would be valuable to start the research by going to the general and reliable sources such as Euromonitor International database or OECD statistics and then move on to more specialized sources, such as reputable websites (Business of Fashion, Bloomberg Business Week) and lastly to news releases.