

**LUXURY BRANDS AND CRM, MUTUALLY EXCLUSIVE? –
DEVELOPING A CRM STRATEGY FOR PATEK PHILIPPE**

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Abstract in English

Nowadays consumers get more demanding than ever before, marketing moves from the traditional transactional driven paradigm to the new, relational based paradigm. That is why customer relationship management (CRM) gains importance. Conventional brands were the first one's that implement a CRM strategy in order to built strong long-life relationships with the most valuable customers. Luxury brands are just starting to realize the benefits of CRM. Whereas they are reluctant to use the usual and common techniques that have been proven successful for classic consumer goods because it involves the risk for luxury brands to loose its prestige status. Hence, luxury brands are facing the challenge to reconcile CRM and at the same time, keeping their luxury image. This work intents to answer the question if luxury brands and CRM are mutually exclusive or not based on the case study of developing a CRM strategy for the luxury brand watch company Patek Philippe. This case study is not conducted in cooperation with the company Patek Philippe that is why the type of case data used in this work is data available in the Internet, books, magazines or lectures. To answer the work's question, theoretical knowledge gets applied to a real life situation by the reference of the case study of Patek Philippe. After presenting the theoretical knowledge necessary for the case study, an external and internal analysis of Patek Philippe will provide the basis to develop a CRM strategy for it. By means of two implementation models, the developed CRM strategy will be integrated in the business of Patek Philippe together with some real life examples. The evaluation of the CRM strategy will provide first insights and results to answer the work's question if luxury brands and CRM are mutually exclusive or not. Moreover, the work opens a new door for future investigations.

Keywords: CRM, luxury brands, CRM strategy, Patek Philippe

Abstract in Portuguese

Hoje em dia os consumidores estão cada vez mais exigentes. O marketing transacional tem vindo a dar lugar ao marketing relacional ganhando deste modo cada vez maior importância o CRM (Customer Relationship Management).

As primeiras marcas a implementar uma estratégia de CRM foram as mais convencionais visando obter relações duradouras com seus clientes de maior valor. As marcas mais exclusivas (luxuosas) só agora tendem a apreciar os possíveis benefícios que um programa de CRM lhes pode aportar. No entanto, a estas últimas, ainda lhes subsiste a dúvida da aplicabilidade de uma réplica do modelo que tão bem serviu as marcas convencionais dado o receio que têm de perder a sua auréola de exclusividade e prestígio. Deste modo a conciliação entre os programas de CRM e a manutenção da imagem de marca exclusiva torna-se um desafio que merece ser estudado.

Esta tese pretende dar um contributo no sentido de entendermos se os programas de CRM são ou não aplicáveis às marcas de luxo baseado-se para o efeito na aplicação de conceitos de CRM à Patek Philippe.

De referir que todo este estudo foi conduzido de forma completamente autónoma, recorrendo a informação totalmente pública passível de ser encontrada em livros, internet, revistas e documentação académica e não em colaboração com a Patek Philippe direta ou indiretamente. Para responder á questão que o estudo levanta foi aplicado conhecimento teórico a situações quotidianas relacionadas com a realidade da Patek Philippe.

Após a apresentação dos pressupostos teóricos, procedeu-se a uma análise externa e interna da Patek Philippe como base do desenvolvimento de uma estratégia CRM a aplicar. Usando dois modelos de implementação possíveis, foi desenvolvida uma estratégia passível de ser aplicada aos negócios da Patek Philippe complementada com exemplos da vida quotidiana.

A avaliação da estratégia CRM providenciará alguns resultados e soluções para responder à questão posta neste estudo se há ou não compatibilidade na aplicação de CRM às marcas de luxo. Este estudo pretende ainda abrir novas perspectivas para futuras investigações.

Palavras chave: CRM, marcas de luxo, estratégia CRM, Patek Philippe

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Glossary

(Words of the glossary are underlined in the work when appearing the first time)

CEO: Chief Executive Officer; In a company, the CEO is a high position with broad job duties, a large scope of control and a high influence in decision-making (Directors & Boards (1995): 33).

CLC: Customer Life Cycle; In customer relationship management, the customer life cycle describes the different phases a customer goes through during the relationship building process. Customers have different needs in each of these phases that the company has to satisfy (Tamođiūniene, Jasilioniene (2006): 70).

CLV: Customer Lifetime Value; Because not all customers are financially advantageous to the company, the financial resources of the company have to be allocated according to the respective customer's lifetime value. Hence, to measure the customer lifetime value, all revenues and costs relating to the relationship with the respective customer have to be assessed (Stahl et. al. (2003): 268).

CRM: Customer Relationship Management; Also called relationship marketing where the concept is “market to each individual customer”. Therewith, CRM is a one-to-one approach

where the company gathers information about a customer in order to be able to produce the products he wants (Tamošiūniene, Jasilioniene (2006):69).

DEI Worldwide: According to their official website, “DEI Worldwide is an interactive Social Media agency specializing in helping brands build and sustain Social Media relevance by establishing and maintaining a two-way dialogue with their consumers. We develop customized Social Media strategies for brands (...).” (DEI Worldwide (2012)).

“follow”: “ If you "follow" a person, you will get all the tweets of this person (Twitter updates). Twitter lets you see who you follow and also who is following you. Followers are people who receive other people's Twitter updates.” (Small (2011): 141).

„liken“: In order to „like“ something in facebook the user has to click on the „like“ button in facebook. You are able to join „groups“ by clicking on the „like“ button (Industrial Engineer (2010)).

QR codes: QR means Quick Response and links you through scanning from physical products to the digital applications and services such as videos, web pages or text messages. The QR codes change the way the consumer interacts with products (Pupa (2012)).



R&D: Research and Development

ROI: Return on investment; ROI is a measure of financial effectiveness that deals with the returns on capital that get invested in business activities (Watson (2011): 314).

SWOT: Strengths, Weaknesses, Opportunities, Threats; The purpose of a SWOT analysis is to identify the strengths and weaknesses of a company and the opportunities and threat in the environment. Based on the SWOT analysis, strategies can be developed with regard to and built on these “SWOT” dimensions (Dyson (2004): 632).

“tweets”: A “tweet” is the term for a Twitter message (Small (2011): 141).

Web 2.0 technology: The term can be defined as a wide range of different web-based applications with which people can collaboratively build content and communicate together. As the Web 2.0 technologies are used over the Internet, this collaborative “working together” can be realized beyond borders (Sadaf et. al. (2012): 937).

4 P's: 4P stands for Product, Price, Place and Promotion and is also called the marketing mix. The marketing mix concept is one of the basic conceptions in marketing (Waterschoot, Van Den Bulte (1992): 83f).

7 P's: The 7P model is an extension of the marketing mix and refers to services. Due to the fact that services are different from goods, the 7P concept got developed. Hence, the 7P concept includes the 4P's of the marketing mix extended by People (Participants), Process and Physical Evidence (Freeman (2005): 106).

Executive Summary in English

Until recently, companies focused to sell as much products and services as possible without paying attention to who was buying them. Even today, this product-centric view is still spread around many companies (Dyché (2002): 3). The ultimate goal was to increase the overall market share, thus, the quantity of the market share, by using mass marketing and mass advertising to gain the highest number of potential customers (Peppers, Rogers (2004): 4). However, nowadays, the “typical” customer does not exist anymore. Consumers got more demanding, expectant and have more information and choices where to buy than ever before. Furthermore, it is well established that the costs to acquire a new customer are higher than keeping an existing one (Dyché (2002): 3;5). Hence, marketing of today moves from the traditional transactional driven paradigm to the new, relational based paradigm. Customer relationship management gains importance in building strong long-life relationships with the most valuable customers. Conventional brands were the first ones that moved towards this new paradigm while luxury brands are just now starting to recognize the benefits of the so-called “lifelong customer value” approach. The question arises how luxury brands should do this because using the usual and common techniques, that have been proven successful for classic consumer goods, involve the risk for luxury brand to loose its prestige status. CRM has to respect the specificity of luxury management to make sure that luxury brands keep their differences and legitimacy. Luxury brands have to remain what they are, keeping their heritage, their image, the prestige of their names, their high quality level as well as their constant flow of creation (Cailleux et.al. (2008): 406-412). This is the challenge luxury brand companies of today face if they want to use customer relationship management in order to keep up with the times.

Due to these actual problems luxury brand companies are facing, this work creates a case study about a luxury brand company, Patek Philippe, for that a CRM strategy should be developed exemplarily in order to provide first results about the question, if luxury brand companies are also able to benefit from CRM. This case study is not conducted in cooperation with the company Patek Philippe. Patek Philippe acts more as a “guinea pig” in order to answer the work’s question if CRM and luxury brands are mutually exclusive or not. The type of case data used in this work is data available in the Internet, books, magazines or lectures.

The resolution approach of this work is first of all, to provide the theoretical knowledge about brand, luxury brand, CRM and Patek Philippe in order to bring the audience at the same knowledge level. In doing so, the work ensures the comprehension for the core of the work, the development of the CRM strategy for Patek Philippe. Before developing a CRM strategy

for Patek Philippe, the external situation, the type of industry, the market, the competitors and Patek Philippe itself get analysed. Based on this analysis, the CRM strategy gets comprehensively developed for Patek Philippe. To bring the CRM strategy “to life”, real life cases and examples are specified and represent the implementation of the CRM strategy in the “daily” business of Patek Philippe. In the next step, the implementation process and actions get evaluated. Based on these evaluations, the work will draw conclusions about the work’s question if luxury brands can take advantage of the use of CRM, hence, if CRM and luxury brands are mutually exclusive or not.

After all, the work intends to solve a real life problem and to give first proposals for solutions by applying theoretical concepts and frameworks on a real life company that will act as a case study. That is why the type of learning of this work is to apply theoretical knowledge to a real life problem and disclose first “theoretical based” results that should give companies “food for thought” about changing their current real life practices. In doing so, the work creates something new (new insights, results) with an already known theoretical concept and framework.

Executive Summary in Portuguese (Sumário detalhado)

Até há pouco tempo, as companhias procuravam vender a maior quantidade possível dos seus produtos e serviços sem se preocuparem muito com quem os estava a comprar. Ainda hoje, esta atitude centrada no produto é apanágio de muitas companhias (Dyché (2002):3).

O objectivo fundamental era aumentar a quota de mercado, logo, a quantidade de bens, através do aumento do numero de ações de “mass marketing” bem como o numero de ações de publicidade visando angariar o maior numero de potenciais clientes (Peppers, Rogers (2004):4).

Contudo, hoje em dia, o chamado "cliente típico" não existe mais. Os consumidores tornaram-se mais exigentes, têm mais expectativas, estão mais bem informados e possuem um maior numero de possibilidades de escolha onde comprar do que nunca. Para além disso, está provado que o custo de angariação de um novo cliente é superior ao custo de manutenção de um existente (Dyché (2002): 3;5).

Assim sendo, as relações com os consumidores deixaram de ser puramente transacionais para passarem a ser cada vez mais relacionais. Nesse sentido, a gestão do relacionamento entre as empresas e os seus clientes, ganha cada vez maior importância no estabelecimento de relações comerciais fortes e duradouras, sobretudo no que toca aos clientes de maior valor acrescentado.

As marcas mais convencionais foram as primeiras a evoluir para este novo paradigma, enquanto que as marcas de luxo só agora estão a reconhecer os benefícios desta abordagem denominada "valor do ciclo de vida do cliente".

A questão é saber como é que as marcas de luxo devem proceder, uma vez que o uso de técnicas normais e comuns, bem sucedidas para os produtos de consumo clássicos, envolve o risco de perda de prestígio e estatuto para essa mesma marca de luxo. Levando esses aspectos em consideração, o CRM (Customer Relationship Management) tem de conseguir respeitar a especificidade inerente à gestão dos produtos de luxo assegurando que as marcas de luxo mantêm a sua diferenciação, preservando a sua herança, imagem, bem como o prestígio dos seus nomes e o seu alto nível de qualidade, assim como a sua permanente criatividade (Cailleux et.al. (2008): 406-412).

Este é o desafio com que as companhias de marcas de luxo se deparam hoje se quiserem adoptar uma política de CRM no relacionamento com os seus clientes e adaptarem-se aos tempos que correm.

Tendo em conta os problemas reais com que as marcas de luxo se deparam, este trabalho cria um estudo de caso sobre a Patek Philippe em que a estratégia de CRM será amplamente documentada de modo a providenciar os primeiros resultados sobre se as companhias de marcas de luxo também podem beneficiar com a adopção de uma política de CRM. Este estudo não teve a cooperação da Patek Philippe que aqui funciona como " cobaia" de modo a responder à questão que lhe está subjacente: Há ou não compatibilidade na aplicação de CRM às marcas de luxo?

Os dados utilizados neste trabalho são dados disponíveis na internet, em livros, revistas e documentação académica.

O objectivo da abordagem seguida neste estudo é, em primeiro lugar, descrever o que é uma marca, uma marca de luxo, uma política de CRM e a marca Patek Philippe de modo conseguir uma uniformização destes conceitos e facilitar a compreensão da essência deste trabalho: o desenvolvimento de uma estratégia de CRM para a Patek Philippe . Antes de desenvolver essa estratégia analisaremos primeiro a situação externa, o tipo de indústria em questão, o mercado, a concorrência e a própria Patek Philippe. A estratégia CRM é desenvolvida pormenorizadamente com base nessa análise externa. Para integrar a estratégia CRM "na vida real" serão exemplificados casos da vida quotidiana que de algum modo consigam representar a possível implementação dessa mesma estratégia no dia-a-dia dos negócios da Patek Philippe. De seguida faz-se a avaliação do processo de implementado bem como das decisões a tomar.

Com base nessa avaliação, são tiradas conclusões sobre a questão posta neste estudo: se as marcas de luxo podem beneficiar da utilização de uma estratégia de CRM, ou seja, o estudo de se há ou não compatibilidade na aplicação de CRM às marcas de luxo.

Em suma, este trabalho pretende resolver um problema real e oferecer propostas de solução aplicando conceitos e pressupostos teóricos a uma companhia existente.

Destina-se portanto a aplicar o conhecimento teórico a um exemplo real e a revelar resultados teóricos que poderão servir de reflexão às companhias que no futuro equacionarem mudar as suas práticas actuais.

Deste modo, este trabalho pretende oferecer algo de novo (novos conhecimentos, resultados) a partir de um conceito e de pressupostos teóricos existentes.

Case

1. Problem presentation

Luxury brands face new challenges. Competition gets stronger and more complex, premium brands worked on their products and images and created the “new luxury” that intimidate the traditional luxury’s image and legitimacy. In addition customers have changed. They are not as loyal to a brand as in the past. They split their expenses between a growing number of brands. Therewith, image is not sufficient anymore. Luxury brands have to compete for their share-of-wallet by maintaining tighter and stronger relationships with their customers. In addition, as loyal customers become scarce, the importance to retain them through better relationship management increased as well. That is why marketing of today moves from the traditional transactional driven paradigm to the new, relational based paradigm. Hence, customer relationship management gains importance in building strong long-life relationships with the most valuable customers (Cailleux et.al. (2008): 406-412).

Conventional brands were the first ones that move towards this new paradigm while luxury brands are just now starting to recognize the benefits of the so-called “lifelong customer value” approach. The consulting company Bain recommends that luxury brands should follow the new rules and discover their clients shopping patterns, behaviours and needs by using CRM. The question arises how luxury brands should do this because using the usual and common techniques that have been proven successful for classic consumer goods involve the risk for luxury brand to lose its prestige status if they also use the “usual, common” techniques as “regular” brands. Therewith, managers need to have a deep understanding of the luxury brand’s identity as well as the specificities of the luxury world. In addition, CRM has to respect the specificity of luxury management to make sure that luxury brands keep their differences and legitimacy. Luxury brands have to remain what they are, keeping their heritage, their image, the prestige of their names, their high quality level as well as their constant flow of creation. With regard to the financial impact of CRM it is not only a tool to build brand identity, but also to increase brand equity and, therewith, the financial value of the firm. These financial implications of CRM will be advantageous for luxury brand as well (Cailleux et.al. (2008): 406-412).

1.1 The purpose of the work

The purpose of the work is to provide a solution for the challenge of luxury brands to benefit from CRM and at the same time keeping its prestige status and luxury brand image. This solution should be presented in form of a CRM strategy for a luxury brand company.

Therewith, the work will give an answer to the question whether luxury brands and CRM are mutually exclusive or not. This is done by the reference of the case study by Patek Philippe, one of the “big three” companies that manufacture the finest watches in the world (BrittonsWatches (2011)). Therewith, a CRM strategy should be developed for the luxury brand company Patek Philippe that should not only provide Patek Philippe with the benefits of CRM, but also support and strengthen its luxury brand image. Based on the evaluation of the developed CRM strategy for Patek Philippe, the work should provide first answers to the challenge of luxury brands and the question whether luxury brands and CRM are mutually exclusive or not.

1.2 The approach

First of all, because the official information available about Patek Philippe and its current CRM activities are very limited, this work basically takes into consideration that currently no specific CRM strategy exists at Patek Philippe, it just takes into account the few current CRM activities of Patek Philippe that can be found in the Internet.

In order to realize the purpose of the work, a CRM strategy should be developed for Patek Philippe to investigate if it is possible for luxury brands to conduct CRM, benefit from it while keeping their prestige image.

First of all, the work presents the characteristics of a “regular” brand and a luxury brand. In doing so, the differences in their characteristics will become evident. Subsequently, customer relationship management gets introduced by presenting its role, trends, benefits, concepts and the necessary steps to develop a CRM strategy.

At this point, all the basic theoretical knowledge about luxury brands, customer relationship management and a CRM strategy is established. After all of these elements get brought together, the development of a CRM strategy for Patek Philippe can be prefaced.

In doing so, first of all, the company Patek Philippe gets presented and its current situation analysed in order to be able to develop a proper CRM strategy for the company. The analysis of the current situation consists of an external analysis, an industry analysis, a competitor analysis, a 7P's, a CRM tool analysis as well as a SWOT analysis.

Then, a specific CRM strategy for Patek Philippe gets developed applying the concepts and implementations models of CRM presented in the theoretical part. Finally, the developed CRM strategy of Patek Philippe gets evaluated and the conclusion part addresses and assesses the purpose of the work.

2. Literature Review

2.1 The brand

To get an understanding of what a brand is, the term should be defined.

In his dictionary of marketing, Motiwala (2008: 24) defines a brand as “a name, sign, symbol or design, or some combination of these, used to identify a product and to differentiate it from competitors’ products.” As a classic definition of a brand, Kapferer (2008:10) refers that “a brand is a set of mental associations held by the customer which adds to the perceived value of a product or service. These associations should be unique (exclusivity), strong (saliency) and positive (desirable).”

Furthermore, important brand elements are: brand identity, brand positioning, brand image, brand awareness, brand loyalty and brand equity. These expressions will be defined in the following in order to recall the basic knowledge needed for the understanding of this work.

Brand identity stems from the company and is a bundle of brand associations that the company attends to create or maintain. Hence, brand identity represents the total promise of the company to its customers and describes how the company wants its customers to perceive its brand. Whereby, that does not necessarily correspond to how it is actually perceived. In the brand identity communication process, positioning the brand helps to externally expressing the brand to the market (Sääksjärvi, Samiee (2011): 169f).

Dacko (2008: 66f) defines brand positioning as “the distinctive position adopted by a firm’s brand in relation to competing brands.” Therewith, effective brand positioning assists in making a company’s brand distinguishable from competing brands. Effective brand positioning points out elements of superiority and distinguishable dimensions of the brand that are valued by the target group.

Govoni (2003: 23) defines brand image as “the complete set of beliefs and perceptions held by customers toward a particular brand; the particular impression consumers have about a brand.” From that one can infer that the brand image is defined by individuals and not by companies or markets. The difficult thing with the brand’s image is that companies cannot control this process, but they can influence it by communicating the elements and superiorities that differentiate the brand from its competitors (Neumeier (2006): 2). Hereby, brand image is different from brand identity. Brand identity is constructed by the company itself whereas brand image is the collective perceptions each customer has about the brand. If there is no compliance of the brand’s identity and image, the brand appears unclear and distracting, which will result in brand refusal and sales drops. (Sääksjärvi, Samiee (2011): 169f).

Brand awareness is defined by Govoni (2003: 22f) as “the extent to which the customer recognizes and knows the existence of a particular brand”.

Motiwala (2008: 25) defines brand loyalty as “a measure of the degree to which a buyer recognizes, prefers and insists upon a particular brand. Brand loyalty results from continued satisfaction with a product considered important and gives rise to repeat purchases of products with little thought, but with high-involvement.”

The term brand equity is metonymic with the financial value of the brand. For decades, the value of a firm was determined by its tangible assets like plant, building, land and equipment. But the management came to realize that the real value of a company lies in the mind of its customer, its brand. In Merger & Acquisitions, the invisible brand value of a company resembles the value of the paid goodwill for this company, the amount of money that is greater than the net value of its assets. Through the discovery of brand equity, the importance of brands increased. Companies do not want to buy a cloth manufacturer, watch manufacturer or a bag manufacturer anymore, they want to buy Chanel, Patek Philippe or Louis Vuitton. Purchasing companies with brands resembles purchasing positions in the mind of the customers. As known, the value of a company lies in its ability to create future cash flows. From that one can infer that the value of a brand lies in its ability to generate future cash flows. Together with the brand, the acquirer buys brand awareness, image, trust and reputation that are set up over years and ensure future earnings. (Kapferer (1997): 15f).

Brands serve customers not only as source of information, but also perform other functions for the customer. Table 2.1 summarizes the functions a brand accomplishes for its customers.

Function	Consumer benefit
Identification	To be clearly seen, to make sense of the offer, to quickly identify the sought-after products.
Practicality	To allow savings of time and energy through identical repurchasing and loyalty.
Guarantee	To be sure of finding the same quality no matter where or when you buy the product or service.
Optimisation	To be sure of buying the best product in its category, the best performer for a particular

	purpose.
Characterisation	To have confirmation of your self-image or the image that you present to others.
Continuity	Satisfaction brought about through familiarity and intimacy with the brand that you have been consuming for years.
Hedonistic	Satisfaction linked to the attractiveness of the brand, to its logo, to its communication.
Ethical	Satisfaction linked to the responsible behaviour of the brand in its relationship with society (ecology, employment, citizenship, advertising which does not shock).

Figure 2.1: The functions of the brand for the customer (Kapferer (1997): 23).

Through these functions, brands facilitate the purchasing decision and reduce the risk of customer dissatisfaction. That is because customers associate certain expectations and ideas with a brand before they buy. Therewith, they are able to know exactly what they buy before they buy a certain brand (Kapferer (1997): 29f).

2.2 The luxury brand

A luxury brand is built around a luxury product. The 4 P's of a luxury product can be characterized by the following: A luxury product is the perfect product that is based on the most innovative ideas and done with the most precious material. The packaging enhances the perfection of the product by presenting the prestigious product luxuriously. Concerning the price, expensive products are not necessarily luxury products whereas luxury products are always expensive. The distribution of the luxury product has to be controlled, selective and coherent with the characteristics of the luxury product and the image of the luxury brand. Promotion activities have to be selective as well. Luxury products have to be based on history and tradition (Gautschi (2005)).

Therewith, luxury brands are unique, intriguing and special. They also provide the means for a certain lifestyle that is caused by deep psychological and emotional needs expressed through

an ingenious product. Therewith, when people buy luxury brands they buy a set of intangible benefits that appeal to the emotional, social and psychological levels of their being. Moreover, the luxury good sector is the only one in that the desire for a product increases as the price increases (Okonkwo (2007): 2).

In the debate about the usefulness of luxury there exist two different ways of thinking. Some see luxury as pointless extravagance, others as aspirational, powerful drivers of artistic and technical discoveries that incrementally spread through society and at the end benefits everyone (Kapferer, Bastien (2009): 8). According to this, Gautschi (2005) defines luxury brands as “those whose ratio of functional utility to price is low while the ratio of intangible and situational utility is high.” But one thing is sure, the well-known “non-return” effect of luxury brands: once people taste the flavour of luxury it gets very difficult for them to turn away from them (Kapferer, Bastien (2009): 16). Therewith, luxury brands emit a kind of aura that makes you addicted to them.

In the luxury world, generally, luxury companies are small to medium-sized enterprises, but they are respected, have powerful reputations, strong brand awareness and a prestige image among customers all over the world. Additionally, luxury businesses are very high break-even businesses. The very high break-even results from the fact that in the case of luxury brands, all steps from the production process via sales through to the after-sale services has to be of top quality. Additionally, much cash is needed when opening stores under the luxury brand name because they have to be in famous “luxury shopping streets” such as the Avenue Montaigne in Paris, the Stoleshnikov Lane in Moscow or the New Bond Street in London in order to be and present themselves to the public in line with its luxury brand image (Chevalier, Mazzalovo (2008): 7ff; Lang LaSalle (2011)). Therewith, in the luxury industry, cost-cutting can get very dangerous for the brand because it is impossible to cut all these factors that conduce to the sense of luxury and the individual purchasing experience. Therewith, the necessity of high upfront investments makes it very difficult for a new luxury brand to establish itself and built brand credibility (Chevalier, Mazzalovo (2008): 7ff).

Furthermore, luxury brands cannot outsource their production to low cost countries because there is a relationship between luxury products and local production. That is the difference between a premium and a luxury brand. For premium brand it is legitimate to produce its products in a low cost country as long as quality and service levels keep maintained. Whereas, truly luxury brands have to produce their products in a place that is consistent with their place of origin in order to keep their identity, image and heritage. For example, products of Chanel or Hermès manufactured in France are truly luxury products. That is because the relocation of

the production process into low costs countries is seen as a proof that these brands do no longer provide the sufficient high level of quality and creativity to justify a price level that would allow them to manufacture their products in their country of origin (Kapferer, Bastien (2009): 14).

Furthermore, in the luxury world, launches take more time and investment. To launch a new perfume for example it is required to provide a complete line from extracts via eau de toilette to a “bath line”. Moreover, for each of these items a costly glass bottle and a plastic cap molds have to be designed that can take about 12 month to be made. Therewith, the lead-time of the launch of a luxury brand can be from 18 months up to two years. In the luxury watch industry, in which Patek Philippe operates, timing is crucial as well. The design and production process has to be completed in time before the famous Geneva and Basel watch and jewellery fairs that take place at the end of February or the beginning of March each year. At these fairs, luxury watch brands present their new timepieces within small shows. Hence, if this deadline is missed, the launch will be delayed until the next year (Chevalier, Mazzalovo (2008): 10; Shuster (2005)).

These different characteristics of luxury brands illustrate that luxury brands and non-luxury brands have to manage their brand in a different way and have to pay attention on how they act and communicate to the customers. If such specialties for luxury brands would not exist, they were not able to stand out as much as they do and could not justify their high price levels as well as their status of prestige (Chevalier, Mazzalovo (2008): 10).

Moreover, there exists a paradox in luxury goods marketing that is described below (Fig. 2.2).

The paradox of luxury-goods marketing
• High prices
• High cost
• Craftsmanship
• Limited distribution
• Low promotional activity
• Advertising with no sophisticated copy strategy

Figure 2.2: The paradox of luxury-goods marketing (Chevalier, Mazzalovo (2008): 14).

The paradox outlines that at first sight, high prices, high costs, no manufacturing investment, a limited distribution, low promotional activity and exclusive advertising are not conform to the general known marketing practices. But this approach represents the most important principals and characteristics of luxury brands that enable them to create a well-controlled scarcity. The luxury product must not only be known and visible, it should also convey as being expensive and slightly out of reach. Customers have to find it. This marketing approach can only work when a brand has a strong identity and a reason to exist. In addition, the product has to be easily recognizable, in line with the mood of the time and with specific fashion trends (Chevalier, Mazzalovo (2008): 14).

To sum up, luxury is a very profitable business for those who are successful, whereas it is very easy to go from a very profitable position to major losses. Losses will be present if sales begin to decrease due to the fact that products are no longer be adapted to the customer and for this reason are no longer fashionable (Chevalier, Mazzalovo (2008): 9). Furthermore, by buying luxury brands, people try to stand out from the mass. That is why many luxury brands are reluctant to use any of the classical tools of mass marketing such as customer relationship management.

2.3 Customer Relationship Management

Customer relationship management is also known as integrated marketing communications, real-time marketing, customer intimacy and one-to-one relationship management (Peppers, Rogers (2004): 8). Dyché (2002: 4) defines customer relationship management as “the infrastructure that enables the delineation of and increase in customer value, and the correct means by which to motivate valuable customers to remain loyal – indeed, to buy again.” She further illustrates CRM with the help of a statement from Peppers and Rogers: “...you will not be trying to sell a single product to as many customers as possible. Instead, you’ll be trying to sell a single customer as many products as possible – over a long period of time, and across different product lines. To do this, you will need to concentrate on building unique relationships with individual customers, on a 1:1 basis.” (Dyché (2002): 25).

Until recently, companies focused to sell as much products and services as possible without paying attention who was buying them. Even today, this product-centric view is still spread around many companies (Dyché (2002): 3). That is why businesses coveted to mass-produce products and approaches such as the assembly-line technology, mass media and mass distribution. The ultimate goal was to increase the overall market share, thus, the quantity of the market share, by using mass marketing and mass advertising to gain the highest number of

potential customers. As a consequence, products and services become commoditized and branding gain importance to develop a competitive advantage. Branding got not only the role to differentiate the product from the competitor one's, but also to act as a substitute for the relationships the companies cannot have with the mass of customers (Peppers, Rogers (2004): 4). The figure 2.3 illustrates how marketing evolved over time.

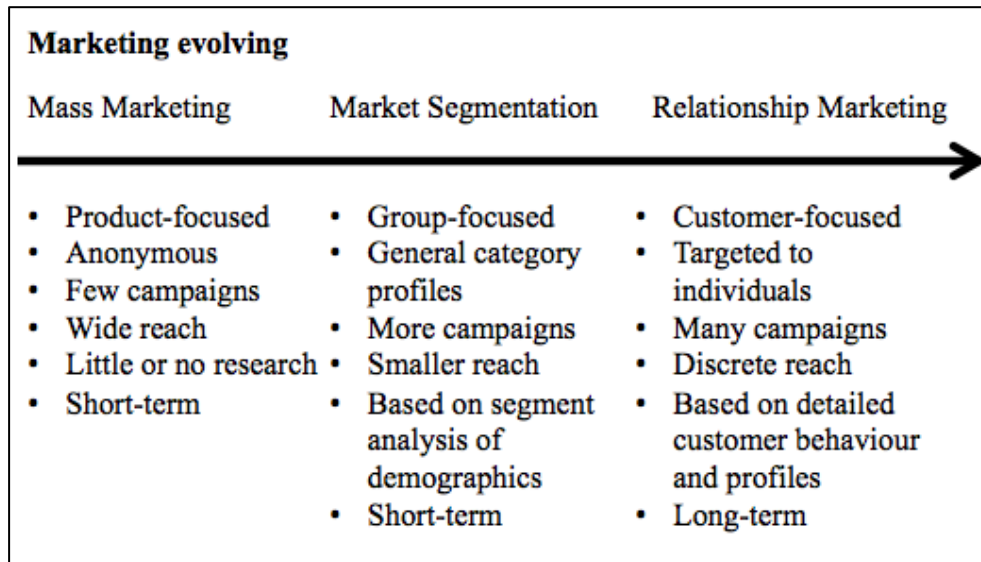


Figure 2.3: Marketing evolving (Dyché (2002): 26)

However, nowadays, the “typical” customer does not exist anymore. Consumers got more demanding, expectant and have more information and choices where to buy than ever before. Furthermore, it is well established that the costs to acquire a new customer are higher than keeping an existing one. Through CRM, companies get to know their customers in such a degree that they recognize the value accompanied to them. Therewith, they can decide which one to keep and which one they should be willing to loose (Dyché (2002): 3;5). Companies have to manage their customer relationships effectively by analysing the information they gather in the social media about their customers in order to remain competitive (Peppers, Rogers (2004): 4). In addition to it, CRM is more than just managing the relationship with the customer and monitoring their behaviour, it is getting to know their customer more intimately by understanding their preferences and adapting their products to their needs. Target marketing, cross-selling and customer loyalty programs evolved. Hence, CRM changes the relationship each customer has with the company. By using CRM, companies do not focus anymore on the quantity of their market share, they begin to increase the quality of their market share, this is the number of their most valuable customers, the loyal one's (Dyché (2002): 4; 25). The more customers are loyal, the higher the return on investment (ROI) on a

CRM strategy. For customer to be loyal, customer satisfaction must increase (Siddiqi et.al. (n.d.): 2). Studies reveal that successful CRM improve revenues, profitability and performance as well (Lassar et.al. (2008)).

2.4 Financial implications of CRM

Today, business managers bet on new tools like CRM, customer equity and relationship marketing to focus on the most efficient techniques to serve the most profitable customers. These new tools criticize the old brand concept by arguing that capturing new customers is of no value anymore. It is customer orientation and the brand that mainly contribute to a timeless competitive advantage of a company. Brands provide meaning by adding value to a product through telling a story, giving an experience or transferring an image through immaterial values. Therewith, the value of a brand is influenced by positive experiences a prospect or customer have with the company, its products, its channels, stores, communication and its people. So, it is crucial to manage the contact points of the customer with the brand. In today's world, customers are empowered than never before and have higher expectations so that an average brand is not acceptable anymore (Kapferer (2008): 1ff). Just if the brand fulfils the needs and desires of the customers, customer satisfaction will evolve and result in customer loyalty. Customer satisfaction helps the brand to build long and profitable relationships with their customers and is considered as the most important factor leading toward competitiveness and success. Hence, only those companies that maximize customer satisfaction will survive and be profitable (Hanif et. Al. (2010): 44ff.).

Furthermore, managers rediscover the fact that the best loyalty is brand loyalty, which is customer's loyalty to a brand. Moreover, strong brands are related to a high penetration rate and a high purchase frequency per buyer that can be triggered by customer loyalty. Therewith, brand loyalty, penetration rate and purchasing frequency can be influenced by customer loyalty and will result in higher sales and an increased business performance (Kapferer (2008): 1ff). From this information one can infer that satisfying the customers' needs and transforming them into loyal customers will ensure future cash flows of the company. An effective CRM system vanishes customer dissatisfaction and increases customer satisfaction and loyalty. Therewith, using CRM will increase brand loyalty, brand value, brand equity and will ensure future cash flows that in turn will increase the financial value of the firm. Furthermore, as said before, luxury brands can go from a very profitable situation to major losses if they loose their fashionable character by not continuously adapting to the customer changes. An effective CRM system keeps track of the actual needs of the customers by

permanently gathering actual transactional and behavioural information of each individual customer. In doing so, companies are able to steadily adapt their product and brand to ensure remaining fashionable and relevant for their customers throughout their customer lifecycle. That in turn will ensure satisfied and loyal customers and therewith, future cash flows.

For introducing a CRM system, companies have to abide by the two implementation models, the IDIC Model as well as the Complaint Management Model. In the following, both CRM implementation models are presented.

2.5 The IDIC Model

The appreciation “IDIC” of the IDIC Model stands for Identify, Differentiate, Interact and Customize and refers to the different stages of the methodology. They describe the corresponding action within each stage.

The first stage of the model is “Identify” and refers to the introduction of mechanisms that identify the individual customer. Not just with a product code that identifies what has been bought, but also by a type of “customer code” that identifies each customer. With that, the company is able to identify and focus on each individual customer they are doing business with. (Peppers, Rogers (2004): 69). The identification process can be done for example by something the customers have, such as a customer card, something they know, like a log In password or a code, or by something they are, like their fingerprint. In this stage the company has to be able to recognize each individual customer when he comes in and back to business, be it by phone, online, in person or whatever. The identification of each individual customer is the prerequisite to assign gathered information to each individual and to get to know each customer in as much detail as possible in order to draw conclusions about their habits, preferences, and other characteristics that make the customer unique (Peppers, Rogers (2004): 69).

The gathered information about each individual customer will then increase through the third phase, the interaction phase. The more interactions the company will have with a customer, the more information it is able to obtain from him.

Furthermore, the gathered information can be divided into transactional data and behavioural data. The behavioural data such as preferences, habits and information about the lifestyle can be obtained by requesting or analysing the collected transactional data such as the name, family status, religion, residential area and so on. The more information is collected, the more can be read into the habits and preferences of the customers and the closer the relationship can be managed (Siddiqi et.al. (n.d.): 3).

The second stage of the model is “Differentiate” and refers to the fact that customers represent different levels of value to the company and that they have different needs (Peppers, Rogers (2004): 69). Based on the collected data, the firm has full information on how much each individual customer spent and what they purchased. Through the total amount spent, what products they bought and how many they bought, the firm can draw conclusions about the value of the corresponding customer for the company. Additionally, through the products he bought, the firm can draw conclusions about their individual needs (Siddiqi et.al. (n.d.): 4). Therewith, the customers can be grouped by specified variables. In the customer differentiation process, the company will categorize its customers by their value to the firm and by what needs they have. The customer differentiation stage allows the company to concentrate its resources on the customers that bring in the most value for the company. Additionally, they are able to conduct customer-specific actions to satisfy the different needs of each customer type (Peppers, Rogers (2004): 69). Furthermore, in the differentiation process, the concepts of Customer Life Cycle (CLC) and Customer Lifetime Value (CLV) get considered. These two concepts will be presented separately after this passage.

The third stage is “Interaction”. Customers are being categorized and can now be treated differently. Interactions can be conducted more targeted and more effectively. More effective interactions provide better and deeper insights into a customer’s needs. In differentiating their interactions, the company can give their most valuable customers more benefits as their loyalty is more important to them. Each interaction should take place in the context of the previous interactions with that customer and a conversation has to pick up where the last one ends (Siddiqi et.al. (n.d.): 4; Peppers, Rogers (2004): 69).

The last stage of the IDIC model is “Customization”. Once the customer’s information is analysed, its value determined, interactions specifically conducted and reactions obtained, a full one-to-one service can be offered to the customer through the customization phase (Siddiqi et.al. (n.d.): 4). Customization refers to the fact that the company focus on each individual customer and adapt its behaviour, activities, products and service offerings based on the individual customer’s value and needs. This last step towards a full one-to-one service enables the company to establish a strong long-term relationship with that customer and turn them from a satisfied into a loyal one (Peppers, Rogers (2004): 69).

The IDIC Model can be broken down into two types of activities: analysis and action, that is illustrated in figure 2.4. The first two phases of identifying and differentiating represent the analysis actions that take place “behind the scenes”, out of the sight of the customer. The

latter two phases of interacting and customizing are visible, customer-facing tasks that require participation of each individual customer (Peppers, Rogers (2004): 70).

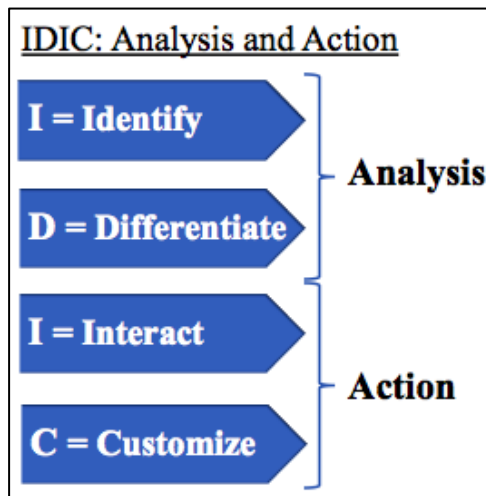


Figure 2.4: IDIC Model: Analysis and Action (Peppers, Rogers (2004): 70)

2.6 Customer Life Cycle and Customer Lifetime Value

The Customer Life Cycle represents the different key stages of a customer’s relationship with a company in form of a cycle. Because every company’s product offering is different, there does not exist the same CLC for every organization. Customer behaviour and needs change over time. That is why customers have different needs in each of these phases that the company has to satisfy. The CLC focuses on creating and delivering lifetime value for the customer and for the company by providing the products their customer needs in their different stages of live. The CLC get used to calculate the Customer Lifetime Value (CLV).

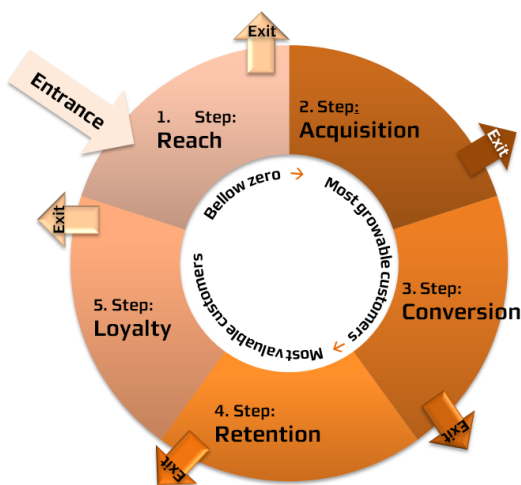


Figure 2.5: The Customer Life Cycle

Hence, to measure the customer lifetime value, all revenues and costs relating to the relationship with the respective customer that goes through the CLC have to be assessed. As not all customers are financially advantageous to the company, the financial resources of the company have to be allocated according to the respective customer’s lifetime value. The figure 2.5 illustrates the steps of the CLC and the corresponding CLV of each stage. A customer

can “enter” the CLC through different ways, for

example the company's website, store, advertising campaign or positive word-of-mouth. If the customer got reached, the company has to evolve the relationship with the customer to bring him through all the steps of the cycle until he gets a loyal customer, the most valuable one. To accomplish this, the company has to manage their relationships to their customers by providing the products they need in each of their live phase. Whereas the company has to keep in mind that in each step there exist exit possibilities where the customer can leave the cycle and the company loses this customer. Such exit possibilities can result from for example bad word-of-mouth, bad experience, when the message of the company did not pass or unsolved dissatisfaction. Therewith, the earlier the company can retain the customer and the longer the company is able to hold the customer in the CLC by providing the products he needs, the higher the CLV of the respective customer. To keep the customer as long as possible in the CLC, the company has to profile and analyse its customers, their characteristics, habits, behaviours and needs in order to know where the customer is in the Life Cycle and to predict and produce the products he wants. That is why it is important for companies to build a relationship and constantly interact with their customers in order to be able to immediately react on changes in needs and behaviours to keep its customers in the CLC. With regard to the concept of CRM, as the CLV of loyal customers is higher than the one of "unloyal" customers, it is very important to use CRM to increase the loyal customer base. And because the Customer Lifetime Value of loyal customers is the highest, they are also called the most valuable customers (Tamođiūniene, Jasilioniene (2006): 70; Stahl et. al. (2003): 268.; Hill (2007): 26ff).

2.7 The Complaint Management Model

First of all, according to Barlow and Moller (2008: 22) complaints are "statements about expectations that have not been met." In the following, consequences and impacts of complaints are presented based on statistical researches outlining the importance of dealing with and reacting on complaints.

Statistical researches reveal that, on average, a satisfied customer tells approximately three people about a positive experience, whereas dissatisfied customers spread negative word-of-mouth to about 11 people. About 25% of the time, customers are dissatisfied with their purchases, but only about 5% of them complain. Whereas half of these dissatisfied customers complain to a front-line person, the person in direct contact with the customer. 95% of the dissatisfied customers do not complain instead they just stop buying. They do not complain because the either feel that there is no use in complaining or they do not know how and to

whom to complain. Of the 5% that complained only about 50% declare satisfactory problem resolution. Of the dissatisfied customers whose complaints are resolved satisfactory only between 54% and 70% will do business with the organisation again. This number goes up to 95% if the customer feels that the complaint was solved very quickly. However, each year the average firm loses about 10% of its customers through dissatisfaction. Furthermore, statistical research shows that only a 5% reduction of the customer dissatisfaction rate can increase profits by 25% up to 85%, depending on the industry (Vaughan (2009)). Therewith, loyal customers are difficult to build, disloyal ones not. Statistics reveal that if complaints were welcome and responded to, customers will be more likely to repurchase (Barlow, Moller (2008): 41ff). In order to transmit to the outside that complaints are welcome, the company has to transmit this attitude to the inside as well. The company has to develop a corporate culture that promotes complaints and creates an atmosphere that welcome complaints to improve its products and services (Barlow, Moller (2008): 44).

It is known that in the people's minds, complaints are something negative and about blame because they represent something that customers do not like about the company. But companies have to see complaints as a gift. Complaints represent the most accurate indicator of how well the company meets their clients' needs. The growing expectations of customers as well as the increasing variety and complexity of the products and services of today make complaints more and more probable. For companies, complaints represent opportunities to reconnect with its dissatisfied customers by repairing the product or service failure (Barlow, Moller (2008): 22ff).

The following presents how companies should deal with complaints.

First, the company should listen to the customer's complaint in an attentive manner. Then, the company has to determine whether the complaint is justified or not. In the third step, the company should identify the problem that causes the complaint to understand the nature of the complaint. Next, the company should be honest to the customer and assure him that the company will promptly take the appropriate action and will prevent future failures of this kind. The most important thing is to solve the customer's problem as soon and quick as possible to keep your customer informed in a clear and positive manner about the steps taken to solve the problem. The last step is to monitor the solutions that have been implemented and introduce the correct changes to ensure that no further problems occur (Michelsen Jr. (1999): 6ff). Furthermore, because most people complaint to the front-line employees, the front-line staff's ability to respond effectively and efficiently to customer complaint is crucial for complaint management success. Complaints tell the company how to improve its products

and services. Furthermore, they give the company insights and the opportunity to resolve the problem that might dissatisfy other customers. Hence, managing customer complaints effectively is crucial for a company's ability to remain competitive, to keep their market share, customers' loyalty and integrity (Barlow, Moller (2008): 22ff; Michelsen Jr. (1999): 6ff)

In the Complaint Management Model, the concept of the Golden Triangle can be applied to see how a company deals with complaints. The three corners of the Golden Triangle consist of the Culture of the company, the Processes and Technologies. The Culture refers to the corporate culture and its attitude toward complaints. Either the culture sees complaints as a gift and promotes complaints to learn from them or complaints are seen as negative critique. The culture defines how the company deals with complaints, hence, what processes they implement to deal with complaints, for example: How many ways they provide for the customer to complaint, just in writing or also online and at the front line? How much power they give their front liners to solve complaints right a way? Technologies refer to what technologies the company use within the established processes to solve a complaint. Do they register complaints to solve them the fastest way as possible and to learn from them in the long turn or don't they use technology at all to speed up the problem solving process? (Content and knowledge of the CRM lecture of Mr. Eduardo Correia) To sum up, a complaint management model is crucial for the success of a CRM strategy. The model comprises defined principles on how to deal with complaints and how to measure dissatisfaction.

Pedagogical Note

3. Pedagogical objectives

The pedagogical objective of this work is to apply and adapt the CRM concept to a luxury brand company and its "special" circumstances as this "combination" is very rare in reality. Hence, by applying the CRM concepts on luxury brand companies, the work provides first insights about the impact of CRM on luxury brand businesses if CRM supports the image and business of luxury brand companies in a positive or negative way. By any results, the work gives luxury brand companies something to think about that might change the way luxury brand companies operate and therewith, influence the economic markets of today.

4. Patek Philippe

4.1 The company

Patek Philippe is an independent family owned Swiss luxury watch manufacturer located in Geneva since 1839. In 1839, two Polish immigrants, the businessman Antoni Patek and the watchmaker Franciszek Czapek founded the company in Geneva. In 1932, Charles and Jean Stern, two brothers and owners of a fine dial manufacturer in Geneva, bought the company and since then, “Patek Philippe S.A.” remains a family owned company. In 2009, the company presidency was officially transmitted from Mr. Philippe Stern, the 3rd generation who became honorary president, to Mr. Thierry Stern, the 4th generation, who became president.

Patek Philippe’s headquarter and main workshops are in Plan-les-Ouates, Geneva, the case and bracelet workshops in Perly, Geneva, and the Patek Philippe Museum in Plainpalais, Geneva as well, that held an exhibition of watches previously owned by royalties. Patek Philippe possesses more than 70 patents due to its enormous experience in the luxury watch business. Due to the fact that Patek Philippe is an independent family owned company, there are no shareholders that pressure for profit. So, Patek Philippe can let out total creativity and has the freedom to design, product and assemble what Patek Philippe experts coincide to the finest timepieces in the world. No battery is plugged in Patek Philippe watches. Patek Philippe is the only manufacture that crafts all its mechanical movements in compliance with the strict specifications of the Geneva Seal. The Geneva Seal was created in 1886 to identify timepieces built according to Geneva’s traditional watchmaking standards. It can only bear on locally crafted mechanical movements that fulfil the highest quality criteria. The Geneva Seal is presumably the strictest rule for any manufactured product that is ever established (Patek Philippe (2011); Raconteur Media (2011)).

Furthermore, Patek Philippe always designs its watches with regard to a perfect balance between classicism and modernity so that the outcome will be timeless. In doing so the luxury brand creates watches of the latest-generation combined with traditional watchmaking know-how that are marked by its preciousness, timelessness and elegance (Patek Philippe (2011); Raconteur Media (2011)). In the research and development department, a team of qualified engineers, technicians and draftsmen create for example new calibre, functionalities and enhance movement reliability. In the watch exterior R&D department they create new watch cases, bracelets, clasps and develop prototypes, methods and processes for production. Over the last 2 years, Patek Philippe has developed two revolutionary concepts. The silicon escape wheel, a silicon-based technology, for a Swiss lever escapement and the patented invention

Spiromax, made of silicon-based material that improves the isochronism of mechanical watches. At the end of the traditional fine watchmaking manufacturing process, strict and systematic inspections ensure the extremely high standards by guaranteeing exceptional quality and reliability of each Patek Philippe watch (Patek Philippe (2011)).

Concerning the financial data of Patek Philippe, free accessible resources are difficult to find as Patek Philippe is a non-listed, but private company. Around 1500 employees work for Patek Philippe, its revenue in 2004 was estimated to be 530 million U.S. dollar and the “basic” Patek Philippe watch costs about 17.000 € without the company’s renowned “complications”, far beyond even the fanciest Rolex (Hoover’s (2011); Raconteur Media (2011)). “Complications” represents any additional horological function to the display of hours, minutes and seconds. “Grand complications” are watches with astronomical indications (Patek Philippe (2011)). Patek Philippe’s independence is the essential condition of the brand’s success. Only their independence guarantees total creative autonomy and ensure a unique brand image of exclusivity and true value (Alex G. (2003)). The CEOs of most brands are concerned about their shareholders, but at Patek Philippe the CEO is an expert on the product as it is an independent family business. Customers appreciate this fact and share Patek Philippe’s passion about passing their watches on to the next generation, keeping it in the family as a heritage and tradition (Raconteur Media (2011)).

4.2 The brand

The brand values of Patek Philippe reflect Mr. Philippe Stern’s vision for the company. The value proposition is based on respect for the past and fascination for the future. Patek Philippe’s actions are based on 10 values: *independence* that enables Patek Philippe to pursue its long-term objectives; *tradition* that should always command respect; *innovation*; *quality and workmanship* that involves commitment to an ideal; *rarity* as the essence of a piece of art; *value*, material and emotional; *aesthetic* perfection; *service* maintained throughout the life of the watch; *emotion* as Patek Philippe reveals something about the customer and *heritage* that gives Patek Philippe all the skills and ideals to continue its success (Patek Philippe (2011)).

As mentioned before, the brand identity stems from the company and is a bundle of emotional and functional associations with the brand that should provide familiarity and differentiation to the customer. Hence, Patek Philippe’s brand identity is defined by how they see their brand. Patek Philippe associates its brand with tradition, family, innovation, exclusiveness and an investment. To have a strong brand identity, the brand image has to be in line with it. To bring the brand’s identity and its image in line, the brand has to be positioned in the minds

of the customers in a way that convey with the brand's identity. The positioning of a brand is achieved through the brand values that in turn lead their actions as well as through a distinguishable slogan. Therewith, Patek Philippe's brand identity of tradition, family, innovation, exclusiveness and investment is based on its brand values of tradition, innovation, technical and aesthetic qualities, exclusivity and timeless designs that make the brand unique (Patek Philippe (2011)).

These values guide their actions. Not only these values and actions support Patek Philippe in positioning their brand in accordance with their brand identity, also their slogan makes a huge contribution: "You never actually own a Patek Philippe. You merely take care of it for the next generation". This slogan reveals that buying a Patek Philippe product is based on tradition, family and sees it as an investment that will last for years. Furthermore, the slogan points out the exclusivity and timeless appeal of Patek Philippe as innovative and exclusive timepieces those are worth to be kept and given to your family that additionally emphasising the emotional factors of the brand (Alex G. (2003)).

As mentioned before, a brand's image is the complete set of beliefs and perceptions held by customers toward a particular brand and the particular impression consumers have about a brand. Customers see Patek Philippe as a "family" in which tradition, high complications and innovation are important to offer exclusive timeless products for connoisseurs and families that appreciate their timepieces. As the purchase of Patek Philippe is most often well through, well informed and has the intention to keep it over centuries, customers know that the purchase has to be considered as an investment. Moreover, the world record prices reached at auctions for Patek Philippe timepieces appeal very positive to the brand's image as it reinforces the trust of customers in Patek Philippe's handcraft (Alex G. (2003)).

According to Philippe Stern, developing Patek Philippe by purchasing competitor brands or creating a more "affordable" brand is not part of Patek Philippe's strategy. Patek Philippe wishes to reinforce its image of exclusivity and to keep a homogenous brand perception at an international level as an "haute horlogerie" leader, having equilibrium of the feminine and masculine image of the brand (Alex G. (2003)).

4.3 The procedure

Regarding the purpose of the work, a CRM strategy should be developed for Patek Philippe as a case study example. Anderson and Kerr ((2002): 48) define a strategy as "a large-scale plan for achieving a goal". Therewith, a CRM strategy is "a large-scale plan for achieving the goal of creating, maintaining, and expanding mutually beneficial customer relationships."

(Anderson and Kerr (2002): 48f). In fact, CRM is a business strategy as adopting CRM means a change in strategy and that in turn means changing the measures for success (Lombardo (2003):103f).

The aim of a CRM strategy is to find ways to maximize the value to and of the customer. This work aims to develop a CRM strategy for the luxury watch company Patek Philippe as case study example. This CRM strategy has the aim to increase the value of the customer base and at the same time, strengthen their image of luxury and exclusiveness.

In the following, the steps to develop a CRM strategy for Patek Philippe will be presented.

The first step in developing a CRM strategy for Patek Philippe is the analysis process. During this step, emerging market trends will be presented; an industry and a market analysis will be conducted whereas the latter includes an analysis of Patek Philippe's competitors. After this step, an analysis of the 7 P's and the current CRM tools in use of Patek Philippe itself and its competitors will be presented followed by an internal SWOT analysis of Patek Philippe.

After the analysis process, the CRM mission, vision and values get formulated for Patek Philippe that represent the base of the CRM strategy (Kaplan et.al. (2008): 3ff). Next, CRM objectives have to be established.

In the third step, metrics have to be defined to monitor and evolve the objectives of the CRM strategy (Kirkby (2001)). These metrics have to function as variables to measure the main CRM indicators customer satisfaction, dissatisfaction or customer loyalty.

In the fourth step, the CRM strategy of Patek Philippe will be outlined by the two implementation models, the IDIC Model as well as the Complaint Management Model. These methodologies serve as bridge between the developed CRM strategy and its technical implementations, outlining the steps the company must employ in order to realize its "perfect" CRM situation (Siddiqi et.al. (n.d.): 3).

5. Solution – data analysis

5.1 Emerging Trends

5.1.1 Social CRM

Social CRM takes the CRM concept and adds the new communication channels of social media enabled by the Web 2.0 technology with the goal of creating improved relationships to customers and turning the most valuable one into loyal customers. Through the emerge of social media, new, current as well as potential customers can talk with each other more easily. The more they talk, the more they get influenced by the others' experiences, built impressions and spread positive and negative word of mouth. Furthermore, the level of control companies

have over the sales, marketing and service of their products declined. A recent study of DEI Worldwide revealed that 70% of customers use social media to inform themselves about a product, company or a brand. Additionally, a report of The Conference Board figures out that 77% of the adult Internet users consider blogs as a good way to search for information about a product, company or a brand. These studies mirror the shift from the traditionally prevalent “company to customer” dialogue to the “customer to customer” dialogue through the emerge of social media. Furthermore, the information seeking, fast changing preferences, needs and behaviours of the customers of today, their increased expectations and aspirations together with the new online possibilities through social media represents a huge challenge for companies. On the other side, social media has changed the way in which companies interact with their customers as well. With its use, real-time customer service can be made possible. Furthermore, social media leads to earlier, deeper and more opportunities to build a relationship with prospects and customers. Companies can join conversations and engage with customers to gain insights in what they are thinking and feeling in order to influence their choices. That is why it is heavily important for companies to track the social media about what is being said about them, who is saying what, to review feedback, to properly and quickly react on criticism in order to avoid potential damage to the brand or the company as a whole. Furthermore, companies can uncover customer needs that have not been met yet. By adapting their products on these unmet needs, companies can realize increases in revenue, profit and sustained competitive advantage. A social CRM strategy proactively takes advantage of the new communication channels that comes along with social media. It helps the company not only to get in contact with customers at many more points and earlier in the purchasing process than before, but also enables the companies to build more tightly relationships in a way that provide differentiation from competitors at a lower cost than traditional marketing (Green, Hanna (n.d.); Wagner, Hughes (2010): 2,3,8,12; DEI Worldwide (2012)).

The work of Michel Phan (2011) brings social media and luxury brands together and deals with the question if social media enhance brand perceptions and purchase intention of the consumers of luxury brands. The research shows that although luxury brands invested in social media and offer for example iPhone applications, they did not communicate their social media involvement. Therewith, they invest in social media, but it seems that they are ashamed of proclaiming that they engage in social media. That is why from the customer side, there exists a very low awareness of luxury brands activity in social media and a very low usage of them. The findings showed that there is no impact of social media investments on consumer’s

perception and purchase intention of luxury brands. Instead, there was found a strong relation between liking and purchase intention. The most would buy the brand they like. In conclusion, investments in social media alone are not sufficient to increase brand perception and purchase intention (Phan (2011): 81-84). This conclusion can be taken as indicator that other tools are needed to increase brand awareness, perception, customer satisfaction and purchase intentions. The tool that usually increases customer satisfaction, loyalty and hence “the like” of the brand, is customer relationship management.

5.1.2 Mobile CRM

Mobile CRM means using the mobile channel for customer relationship management and represents an innovative concept of interaction. Customers of today are more demanding than ever before. They want to be treated individually and seek value through personalized products and services. That is why companies have to use new tools for communication with their customers in order to provide timely, relevant, and highly personalized communication, feedback and services that maximizes the value for each individual customer (Mobile CRM (2011)). Furthermore, with the growing use of smartphones, mobile CRM increases in importance to realize real-time and interactive connection to the customer (CRM-Reviews (2010); Mobile CRM (2011)). Companies can use mobile phone applications and services to engage in dialogue with their customers. They can use mobile CRM to influence brand loyalty by personalizing their brand communication messages. In the course of this it is crucial that companies recognize that mobile phones are perceived as inherently personal and that communication and interaction with the customer through their mobile phones have to be based on the customers’ permission to receive messages of the company. Otherwise the customers will feel its privacy in danger and will refuse to build a relationship with the company.

In conclusion, mobile CRM realizes the unique aspects of mobility: mobile communication, expediency, real-time interactivity and independence of location, meaning building customer relationship anywhere anytime. Using mobile CRM, companies have to focus on creating positive experiences for the customer, deliver value and interactive, personalized and real-time communication and building strong relationship with the brand’s most loyal customers. Companies can create for example mobile portals just for the most loyal customers. In doing so, this mobile portal has to reflect and support the brand identity, gather information of the customers in order to personalize the messages and offers given to him.

Furthermore, the future of mobile CRM is promising. This is due to the fact that mobile devices will become more advanced offering better interactivity features, higher data processing power, faster connections and better access to the Internet. With that mobile CRM activities can be designed incorporating voice, moving pictures with colour and interactive features like games as well as instant messages. The improving user experience of mobile devices together with its features, the effect of mobile CRM can be fully deployed. However, as more companies will start to use mobile CRM, the novelty value for consumers will decline and it will become more difficult for companies to engage them in a dialogue and to differentiate their brand and CRM practices from the competition (Mobile CRM (2011)).

5.2 Industry Analysis – Porter’s Five Forces

To conduct an industry analysis of the luxury watchmaking industry, Porter’s Five Forces Model will be used that pictures the industry influenced by five forces: The threat of new entrants, the bargaining power of buyers, the bargaining power of suppliers, the threat of substitute products and the rivalry among existing firms. The model outlines the dynamics of the competitive structure and the profitability of the respective industry.

Threat of new entrants

This force depends on how easy it is for new players to enter in the market and the capabilities of actual players to retort. High profits of an industry attract new entrants. These profits will be driven down over time if many new players enter the industry. Then, the attractiveness of the industry declines. The presence of certain barriers of entry can minimize this threat. Barriers can be of technical, financial, strategic or legal nature.

The luxury watchmaking industry has several barriers of entry that make it difficult for new players to enter the industry. A technological barrier is the know-how of traditional fine watchmaking that can just properly be firmly established if the company’s roots of business trace back centuries and the knowledge and know-how is given from generation to generation. Financial barriers are the not existing economies of scales in the luxury watch industry and the high initial investment costs of establishing a luxury brand. Furthermore, strategic barriers are present in form of extremely high costs of building a luxury brand as all elements of the marketing mix have to be “exclusive and qualitative”. Hence, it is difficult to bring up the high brand capital needed for establishing a luxury brand. The dangerous point is that these costs are unrecoverable if new entrants fail to conquer the market. The last barrier is the

severity to be distributed in top retail stores that also have an image of luxury (Referring to Gautschi (2005)).

The bargaining power of buyers

This force depends on how strong the position of the buyers is in the market. High bargaining power can enable the buyers to call for price reduction or service enhancement. Buyers possess high power if they work together to buy multitudes, if there are a lot of different sellers or a lot of substitute products, if the product is standardized and if they are well informed or knowledgeable about the market.

In the luxury watchmaking industry, the main buyers are the jewellers even if more and more companies tend to open their own shops. Luxury watch brands want to be presented in the stores of top jewellers all over the world whereas in turn, the jewellers also need to present top brands in their stores. Fact is, jewellers are able to influence the customer's purchasing process, as he is the person in contact with the final customer. That is why the level of the bargaining power of buyers depends on whether the luxury brand is an established one or a new still unknown brand.

If the brand is unknown, but a hit, the retailer can realize big profits on its sales. As the jeweller represents the brand to some degree, the brands know that the better the image of the stores, the better the impression and evaluation of the final customers about their "new" luxury brands. Additionally, as the luxury brands fear that the retailers discount their products, staining the brand's image, companies prefer honest and trustful relationships to the buyers. In case of a still unknown luxury brand, the main bargaining power lies on the side of the retailers. Hence in this case, the bargaining power of the buyers is high.

On the other side, if the luxury brand is famous, well known and successful, the distributor will have no difficulty to sell the products. The marketing and communication efforts of the brand will attract customers into the jewellers' shops. Furthermore, established brands can put pressure on retailers to hinder them to distribute products of new entrants. Additionally, because the number of top brands in the luxury watchmaking industry is limited, retailers cannot easily switch from one brand to another. Moreover, as margins are generally very high in the luxury watchmaking industry and as long as the products are successful, there is no reason for the jewellers to stop the distribution of the established brands. That is why in case of an established luxury brand, the bargaining power of the buyers is low as they profit from the brands image and the high margins. Hence in case of a well-known luxury brand, the bargaining power of the buyers is low (Referring to Gautschi (2005)).

The bargaining power of suppliers

This force depends on how strong the position of the suppliers is in the market. High bargaining power can enable the suppliers to increase the buying price and as a consequence the selling price. The bargaining power of suppliers is higher if the market is denoted by a lot of buyers, but few supplies, if the product is differentiated and if they integrate forward. The level of bargaining power of the suppliers depends on the level of autonomy of the companies. If a company needs to be supplied with many components, the bargaining power of the suppliers is high. Whereas if the company is fully autonomous and able to manufacture every single piece, the bargaining power of suppliers is low as the company does not depend on the supplier's products. In the luxury watch industry, the most companies manufacture their watches according to the traditional watchmaking practices and manufacture their watch pieces themselves. In this case, the bargaining power of the suppliers is low (Referring to Gautschi (2005)).

Threat of substitute products

This force depends on how easy the product can be substituted, on the willingness of the customer to substitute, the relative price, the quality of the substitutes and the switching costs. In the luxury watchmaking industry, a substitute can be either a counterfeit of the brand or another luxury product that is considered as a substitute.

The Federation of the Swiss watch industry reveals that counterfeits causes a loss of 800 billions for the Swiss watchmakers. However, as the business is very lucrative and profitable, more and more counterfeiters get attracted. That is why the threat of counterfeit substitute products is high.

Concerning the threat of substitute products of another luxury brand, it has to be mentioned that in the luxury world, the utilitarian aspect is not important. In the case of luxury products the fashionable aspect and the image of the brand is the most important. An object just showing the time is not considered as a proper substitute in the luxury watchmaking industry. As each luxury brand is dedicated to differentiate itself, the threat of substitute is low. Just if the substitute luxury brand and the other luxury brand resemble in their image, quality, price and if the customer does not feel connected to the luxury brand, a company faces a high threat of substitute products. That is why the overall threat of substitute products in the luxury watchmaking industry is medium (Referring to Gautschi (2005)).

The intensity of rivalry among existing competitors

This force depends on how strong the competition between the existing players is. If the rivalry in an industry increases, its profits and attractiveness decrease. The competition in an industry gets more intense if the barriers to enter are low, the barriers to exit are high, market growth is the goal, if the players have the same size and are numerous.

In the luxury watchmaking industry, the barriers to enter are high and the barriers to exit are low as unsuccessful companies just leave the market. That would speak for a low rivalry among competitors. On the other hand, the industry is very profitable due to its high margins and the most players are alike. They are family owned businesses, have the same size and are numerous as the luxury watch market is characterized by a high concentration of many small-to medium sized companies. These facts increase the rivalry (Referring to Gautschi (2005)). That is why the intensity of rivalry among existing competitors in the luxury watchmaking industry is medium.

Conclusion

In conclusion, the luxury watchmaking industry is very profitable, but its nature makes it very difficult for new entrants to be successful in the market. Established luxury brands that create all the pieces of their watches by themselves and have a sustainable customer base have the best position in the market, as the threat of new entrants is low, the bargaining power of buyers and suppliers are low and the threat of substitutes is low as well. Therewith, if you are not one of the luxury brands that have established and “grow” in that industry, it is almost impossible to succeed in this industry.

5.3 Market Analysis**5.3.1 Competitors**

Patek Philippe, Audemars Piguet and Vacheron Constantin are denominated from sellers as the “big three” of the finest watches in the world. That is why these two companies are considered as direct competitors of Patek Philippe.

Audemars Piguet

Audemars Piguet is a Swiss luxury watch manufacturer based in Le Brassus, Switzerland. Since 1882, Audemars Piguet is run by members of the Audemars and Piguet families. The history of the brand Audemars Piguet can be traced back until 1875 when Jules-Louis Audemars and Edward-Auguste Piguet met. Having a passion for fine watchmaking in

common, they start its company. Over the years, the company specialised in the art of chiming watches. 1889, the company Audemars Piguet was officially founded based in Switzerland. After some difficulties because of the World War I, the company's success was rising. Even Tiffany&Co, Cartier and Bulgari became customers of Audemars Piguet that rebrand and sold the watches under their own house names. Today, these watches can only be identified as Audemars Piguet products by their serial numbers. At the same time, distribution gets improved through an established network of agents. Audemars Piguet continues to produce watches with complex mechanisms while taking into account the spirit of the time in its designs. In 1925, Audemars Piguet created the world's thinnest pocket watch at 1.32 millimeters and the first skeleton watch. With this, the company got successful internationally as well. By creating the first high-end sports watch made of steel, the Royal Oak, a revolution in the fine watchmaking industry, Audemars Piguet turned fine watchmaking codes upside down. Due to all these creations, the brand is known for combining tradition and innovations, almost as Patek Philippe whereas Patek Philippe emphasizes the "heritage" and the emotionally side of tradition by "giving its timepieces from generations to generations". In 1986, Audemars Piguet introduced the first self-winding ultra thin wristwatch and the first wristwatch with a second time zone (Audemars Piguet (2011); Winderz (2011)). Today, Audemars Piguet is one of the most prestigious fine watchmakers in the world and produces around 26.000 timepieces per year. Every watch is made by hand in the old way of traditional watchmaking (Winderz (2011)).

Vacheron Constantin

Vacheron Constantin is the oldest watchmaking company in the world in continuous activity founded in 1755 and based in Geneva, Switzerland. Different from the other companies presented, in 1996 the Richemont group bought the entire share capital of Vacheron Constantin. That is why Vacheron Constantin operates as a subsidiary of Financiere Richemont S.A. (Vacheron Constantin (2011)). It expects to produce around 18.000 pieces in 2011 and almost 20.000 to 30.000 pieces next year (Holmes (2011)).

The history of Vacheron Constantin began in 1755 in Geneva where Jean-Marc Vacheron opened his own watch-making workshop. In 1810 the grandson Jaques-Barthélemy took over the business and initiated the first exports to France and Italy. 9 years later he created together with François Constantin the company "Vacheron et Constantin". 1955 due to its creative verve and technical brilliancy, Vacheron Constantin designed one of the thinnest watches ever produced with a calibre 1.64 millimetre deep. In 1972, the brand got awarded with the desired

Paris award “Diplôme du Prestige de la France” for its wristwatch with an astonishingly novel appearance, a daring design for this period. Only in 2003, Constantin Vacheron launched its first collection for women “Egérie”.

The brand creates a scarcity of its products that emphasizes Vacheron Constantin as a luxury brand. The Tour de l’Ile watch, the most complicated double-faced wristwatch in the world with a unique combination of 16 complications and astronomical dials and bearing the prestigious Hallmark of Geneva, got only produced nine times. As well as for example the new 2250 calibre with four barrels that extend the power reserve to 250 hours that got only produced fifty-five times.

The values of Vacheron Constantin are technology, design and finishing. These values lead to the creation of distinctive sophisticated timepieces through the combination of century-old craftsmanship, horological technology and aesthetical excellence. Furthermore, they enable complex constructions like perpetual calendars, chronographs, moon-phase and jumping hours. The value “finishing” refers to the minute care and attention for the details that transform Vacheron Constantin timepieces to unique, original and horological art (Vacheron Constantin (2011)).

5.3.2 Positioning

To position the brands Patek Philippe, Audemars Piguet and Vacheron Constantin the dimensions of the positioning map have to be defined.

As mentioned before, Patek Philippe positions its brand as traditional, family oriented, exclusive and innovative as well as an investment. To ensure a clear positioning of the brands, the position map is limited to a functional and an emotional dimension. The functional dimension is the type of watchmaking, mechanical and complications vs. quartz. This dimension comprises the brand’s positioning as traditional and exclusive because “mechanical and complications” refers to traditional watchmaking and exclusiveness through the handcrafting of grand complications. The emotional dimension is the type of attitude towards the family, family oriented vs. self-centered. This dimension comprises the emotional element of the brand’s positioning, the family orientation. The following figure 5.1 illustrates the positioning map.

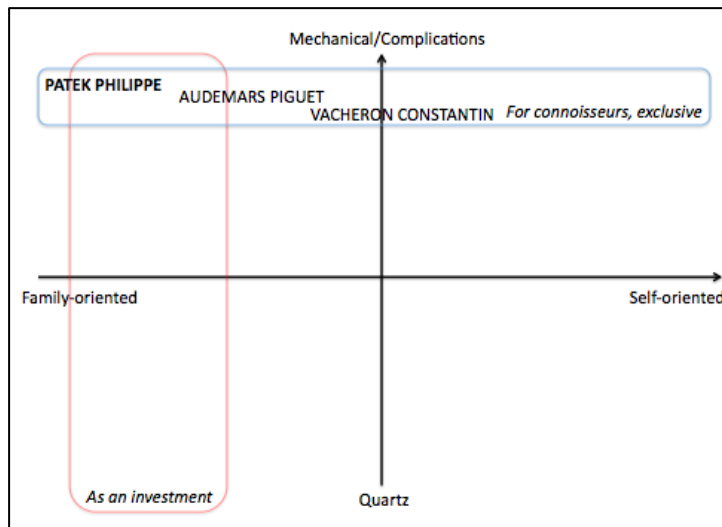


Figure 5.1: Positioning Map

In the map, the red area categorizes the brand as an investment. It is characterized in the map by a high degree of family orientation that causes to see the brand as an investment because there is the intention to inherit it to the next generations.

The blue area categorizes the brand as for connoisseurs and as exclusive. It is characterized in the map by a high level of mechanical watchmaking and complications that make the brand special, thus exclusive. Connoisseurs appreciate and care about the traditional way of watchmaking handcraft.

Patek Philippe is positioned as the most family-oriented brand with the highest level of assembly and importance of the traditional watchmaking handcraft and complications.

With regard to this, Patek Philippe's competitor Audemars Piguet is the one positioned the closest to Patek Philippe, thus representing its most "dangerous" competitor. Audemars Piguet is positioned as a traditional watchmaking brand because it also focuses on manufacturing its products using mechanics and complications. Furthermore, the brand Audemars Piguet is family-oriented because it is still an independent family owned company that indicates that family is important for them whereas Patek Philippe stronger emphasizes the "heritage" and the emotional side of tradition, recognizable through its communication strategy of giving Patek Philippe from one generation to another.

Vacheron Constantin is positioned as a traditional watchmaking brand, but to a lesser degree than Patek Philippe and Audemars Piguet, although it is the oldest company, because they emphasize the design of their products to a higher degree than its competitors, not the mechanical handcraft and complications itself. The brand shifts slightly away from being family-oriented with a tendency to self-orientation. This position is based on the fact that

Vacheron Constantin is not an independent family-owned company anymore, instead they got purchased by the Richemont group. The fact that they got purchased and give up family tradition to be part of the Richemont group that is influenced by its shareholders positions Vacheron Constantin as less family-oriented and more self-oriented than Patek Philippe and Audemars Piguet.

5.3.3. Target Group

During the global financial crisis, the indicators of wealth have to be ever more considered than before. In times of global economic downturns, many felt the “bling” luxury no longer appropriate, making the taste more relevant. This new area of discrete luxury has a huge effect on high-end watches as they are a discrete indicator of status and wealth. The shift in consumer trend, from the “bling” to less pompous luxury designs, brings discrete luxury in demand. For example, the demand for rare vintage watch models is at the moment higher than ever before. Clients ask for lighter and purer designs that are more “down to earth” than wearing a heavy and complex product. According to Lux (n.d.), for men, watches are intimate and revealing symbols of who they are and what they have achieved. So, it is important to wear the “right” watch (Lux (n.d.)).

Patek Philippe

Patek Philippe customers, be it men or women, have in common that they are well informed about what they buy, that the purchase is well thought and a personal decision. They are active and cultivated people who appreciate and share the brand’s values. Furthermore, Patek Philippe’s customers share the common interest in technology and aesthetic. These common interests are often transmitted from one generation to the other, resulting in the importance of tradition and innovation, the philosophy of Patek Philippe. Therewith, for the customers of Patek Philippe, family and tradition is more important than their own success. By investing in a Patek Philippe they intend to share their success with their family, bequest their watches. These similar characteristics of Patek Philippe’s customers result in the fact that their expectations and tastes are quite similar as well. Differences can arise from the horological culture that vary in the different parts of the world. The main portion of the target group of Patek Philippe is men, as more men have the need to wear items that indicate a certain status. The age of these men lies between 35 and 60 because in this age, business men usually are on the top of their success, earning and saving enough money to afford a Patek Philippe. Furthermore, as “head of the family” men focus more on family tradition, especially in the

older age when their children and grandchildren are supposed to follow their roles, leading the family in the next generation. That is also why Patek Philippe is a masculine brand and women do not feel very attracted to wear a masculine brand (Alex G. (2003)).

Audemars Piguet

As Audemars Piguet is positioned almost like Patek Philippe, the target group of Audemars Piguet resemble the one of Patek Philippe's with some exceptions. One exception is that their target group does not emphasize tradition as much as Patek Philippe one's. For Audemars Piguet's target group, the quality of fine watchmaking is more important than the tradition behind. Furthermore, because the importance of family tradition is lower than at Patek Philippe, the brand is not as masculine as Patek Philippe. Consequently, women might feel more attracted to Audemars Piguet than Patek Philippe.

Vacheron Constantin

Based on its positioning, Vacheron Constantin's target market are connoisseurs that appreciate traditional watchmaking because of the fact that Vacheron Constantin is the oldest brand in this industry. Additionally, businessmen purchase the brand because they value the quality of traditional watchmaking and want to indulge in such a high-end exclusive watch. The main portion of the target group is men in the age of 35 to 60 at the top of their career able to afford the watches. Based on the fact that Vacheron Constantin is positioned more self-oriented and less traditional than Patek Philippe and Audemars Piguet one can infer that the men in the age around 35 are the "core" target group because at that age, career might be more important than family. Furthermore, as tradition is important for the head of the family, most often the men, and Vacheron Constantin focuses more on emphasizing the quality of traditional watchmaking than family tradition as well as that it is "exclusive" for oneself one can assume that women feel the most attracted by Vacheron Constantin than Patek Philippe or Audemars Piguet because women want to indulge oneself.

5.4 7 P's Analysis

5.4.1. Product

Patek Philippe

The demand for Patek Philippe's luxury products is strong because the brand offers real value for money and timeless appeal. A characteristic that appears in every Patek Philippe creation is the remarkable precision. Patek Philippe's most representative model is the Calatrava. The

original artistic touch makes the Calatrava watch unique. That is why Calatrava models are designed extra thin with changing faces as well as hobnail patterns or wide polished bezels. Calatrava watches distinctly show the real Patek Philippe style, being the brand's signature model and for serious watch enthusiasts a "must have" (Lux (n.d.); interwatches (n.d.)).

With the production of exceptional complications, Patek Philippe tries to reinforce its position in the creation of milestone pieces marked by true technical challenge such as the Star Caliber and the Sky Moon Tourbillon. Parallel to the exceptional complicated timepieces, Patek Philippe created in the past decade new, more affordable complications, for example the Annual Calendar, the World Time or the Travel Time. By offering technical timepieces that are in line with the today's needs Patek Philippe addresses a larger audience and successfully appeals new clients and the more traditional ones. To reinforce Patek Philippe's market share in ladies watches it introduces the Twenty-4 to reach the modern active women segment. The launch of the Twenty-4 was a huge success as the men's vs. ladies model ration increased from 70%/30% to 55%/45% within one year. For Patek Philippe, the market for women's timepieces has a strong development potential (Alex G. (2003)).

To sup up, Patek Philippe currently offers eight watch collections for men, the Calatrava, Golden Ellipse, Gondolo, Aquanaut, Nautilus, Complicated Watches, Grand Complications and Exceptional Watches. Furthermore, seven of these watch collections they offer for women in a feminine style. Additionally, Patek Philippe launched two collections of pocket watches, Lepine and Hunter. Last but not least it also sells jewellery for men and women. Six cuff collections for men and five collections of rings and two collections of earrings for women. Furthermore, Patek Philippe offers customer services, for example chargeable maintenance and repair services, to ensure that the watches last for generations. Customers should conduct the watch maintenance service every three to five years depending on the watch complications. The maintenance service consists of dismantling the watch, the control of all components, cleaning and replacement of basic movement parts if necessary, oiling and adjustment, replacement of the crown, replacement of bezel joints or the case back joints if necessary and general quality control (Patek Philippe (2011)).

Audemars Piguet

Audemars Piguet offers three watch collections for men, the Prestige Sports Collection, the Classic Collection and the Contemporary Collection. For the ladies, the watch collections are the same just adapted to a feminine style. Additionally, Audemars Piguet sells jewellery. It has 4 jewellery collections with ring, earring and necklace models. Furthermore, Audemars

Piguet offers customer services. The brand provides chargeable maintenance and repair services such as periodic, water-resistance battery-change and watch exterior refurbishing services. Additionally, it gives a two to three years warranty for the watch components and the maintenance work (Audemars Piguet (2011)).

Vacheron Constantin

Vacheron Constantin categorizes its products after watch collections, categories, materials, type of movements and indications and functions. Furthermore, it offers engravings, enamelled watches and lacquer. As Vacheron Constantin watches require regular maintenance to ensure their legendary quality and longevity, the brand provides chargeable exclusive repair, overhaul and restoration services for every watch issued from 1755 to the present day. Depending on the watches complications, complete maintenance service is advised to be done every 3 to 5 years by an authorized Vacheron Constantin repair center (Vacheron Constantin (2011)).

To sum up, with regard to customer relationship management, Patek Philippe offers different types of timepieces for customers with different demands. Through the complications, it intends to “customize” its products to individual needs. Furthermore, Patek Phillippe offers “generation-long support” in form of high quality customer service in order to bond with its customers in the long-term. Audemars Piguet offers less and Vacheron Constantin offers the same variety of different products with different characteristics like Patek Philippe. From that one can infer that Patek Philippe and Vacheron Constantin are more able to satisfy the different needs of the customers than Audemars Piguet.

5.4.2. Price

When assessing the price of a product, the interrelationship of the paid, the perceived and the expected value has to be considered. Only if the expected and perceived value of the product is higher than the paid value, customer satisfaction and loyalty will evolve. On the other hand, if the expected and perceived value is lower than the paid value, customer dissatisfaction is the result and the customer gets lost. In case the expected and perceived value is equal the paid value, the expected and perceived value should be increased in order to cause customer satisfaction.

Patek Philippe

In the case of Patek Philippe, the paid value is between \$15.000 and several \$100.000 depending on the complications and model. The expected and perceived value is high-level luxury, excellence, high quality, timelessness of its pieces and family tradition. Therewith, Patek Philippe's expected and perceived value justify the paid value. With this, Patek Philippe has the potential to increase customer satisfaction and loyalty.

Furthermore, Patek Philippe is known for reaching record prices at auction with its watches. Patek Philippe's "exceptionally complicated" watches reach almost unaffordable prices. Patek Philippe's "Supercomplication" pocket watch for example is the third most expensive watch in the world costing \$11million. Its "Platinum World Time", costing \$4million, is the fifth most expensive watch and Patek Philippe's "Sky Moon Tourbillon", costing \$1.3million, is the ninth most expensive watch. That is why in Patek Philippe's collection watches can cost up to several million dollars (listspress (2011); patekphilippeprice (2011)). In the Internet, Patek Philippe watches are sometimes on sale or sold as second hand for lower prices (patekphilippeprices (2011)).

Patek Philippe's service costs range from \$160 without tax for battery exchange to \$1310 until \$1910 for complete standard routine service depending on the type of watch. Be it a quartz, mechanical, automatic, a complication I or complication II watch (Patek Philippe (2011)).

Audemars Piguet and Vacheron Constantin

The prices for Audemars Piguet's and Vacheron Constantin's "regular" watches start at \$12.000 up to several \$100.000 depending on the complications and model as well. These brands have also very expensive watches in their repertory, but not with such "record prices" like Patek Philippe. Audemars Piguet's most famous and expensive watch is the "Royal Oak Offshore Baguette" that is listed at \$1,371 million (swissluxury (2011)). Audemars Piguet's Jules Audemars Grande Complication watch is the 15th most expensive watch in the world costing \$780,600 (listspress (2011)).

Vacheron Constantin's watch the "Tour de l'Ile" for example costs \$1,5 million. Vacheron Constantin's "Malte Tourbillon Regulator" is with \$700.000 the 19th most expensive watch in the world (listspress (2011)).

Concerning the service costs of Audemars Piguet and Vacheron Constantin no exact information can be found in the Internet. At Vacheron Constantin's homepage it is stated that

once the watch is received, an expert will describe the services needed together with a cost estimate for these services (Vacheron Constantin (2011)).

To sum up, with regard to customer relationship management, Patek Philippe's timepieces are listed with higher prices than its competitors' products. With a higher paid value, Patek Philippe has to establish a higher expected and perceived value than its competitors in order to increase customer satisfaction and therewith, customer loyalty. Patek Philippe can influence the expected and perceived value of their products not only with the quality of their timepieces but also with CRM activities that increase the value of the customer-company relationship and establish trust in meeting the customer's expectations.

5.4.3. Place

Patek Philippe

Patek Philippe's market presence is characterized by a traditional distribution network with about 600 points of sale selected in over 70 countries. There exist two salons under the own name in Geneva and Paris. Furthermore, selected dealers such as Tiffany, Tourneau and Henri Stern sell Patek Philippe watches worldwide. In Europe, Patek Philippe records 45% sales, in the USA 20%, in Asia 30% and in the other markets 5% (Alex G. (2003); Hoover's (2011)). Additionally, Patek Philippe's timepieces can be purchased at auctions, from Internet retailers or as second hand (patekphilippeprices (2011)).

Audemars Piguet

Audemars Piguet has fourteen distribution subsidiaries and sixteen boutiques around the world. It encompasses three production sites in Le Brassus, Le Locle and Meyrin. Furthermore Audemars Piguet possesses point of sales and repair centres all over the world (Audemars Piguet (2011)). Additionally, Audemars Piguet sells its watches over authorized retailers in stores, offered over authorized Internet retailers or as second hand.

Vacheron Constantin

Vacheron Constantin sells its products all over the world over several own boutiques and authorized retailers (Vacheron Constantin (2011)). Its watches are also available at authorized Internet retailers and as second hand.

To sum up, all three companies are present in from of own stores or authorized retailers all over the world and in the Internet. This world presence makes the implementation of a CRM strategy more important in order to use these existing contact points with the customer for the establishment of a personal relationship to them.

5.4.4. Promotion

Patek Philippe

In 1996 Patek Philippe introduced a new advertising concept. The prior campaigns focused on the watches and the craftsmanship behind. The “old” advertising concept reflected the manufacture style that got imitated with the time. That is why Patek Philippe developed a more persuasive, distinctive, emotional and contemporary message to better express its unique values of tradition, craftsmanship, longevity and value and to build stronger relationships with its customers. In doing so, Patek Philippe developed the new “Generations” advertising campaign based on the slogan “Begin your own tradition”. This slogan points out the active and forward-looking aspect that appeals the customers at the emotional level. For this campaign, world-famous photographers project pictures in black and white of how two generations, father and son, share time together. This campaign focused more on the men segment, the father and son relationship. In order to communicate to the women segment as well Patek Philippe launched a new ladies campaign that should built a strong emotional liaison with women that appreciate the durable value and the timeless beauty of something truly precious, such as the watches of Patek Philippe. That is why this campaign draws a parallel between Patek Philippe and the eternal beauty of mother and daughter relationships with the strap-line “Something truly precious holds its beauty forever”. With these campaigns Patek Philippe acts against the widespread notion that luxury goods have to be presented in a “cool and stereotype” manner. Instead, Patek Philippe presents their timepieces in everyday situations that raise spontaneous feelings and emotions and allows everyone to associate. This represented an entirely new approach for the high end-luxury industry. Patek Philippe’s message expresses a universal truth and an emotional band that is valid for every father, son, mother and daughter in every culture. This strong emotional character and the universal validity of the theme are responsible for the huge success of this campaign as well as the strong compliance of Patek Philippe’s identity and its image (europastar (2007); Patek Philippe (2011)).

Moreover, with the introduction of the Patek Philippe Seal in 2009, Patek Philippe launched a full institutional advertising campaign that runs alongside to the “Generations” and ladies

campaign. The intent of this campaign was to reinforce Patek Philippe's brand values of family, heritage, unique levels of craftsmanship and never ending innovation. Thereby, the institutional advertising campaign focuses on a personalized dialogue with the customer, emphasizing the deeply rooted family values, history and tradition of the brand. In doing so, the centre of all messages is the Patek Philippe Seal as a symbol of the brands values. In 2011, the institutional advertising campaign run in six advertising themes: "Patek Philippe Seal", "1200 Steps", "Acoustics", "Restoration", "Creation" and "Ladies First". Patek Philippe extended this institutional print advertising campaign into digital media. The digital activity will support the institutional campaign in form of a series of themed microsites with tailored content for the watch amateur to the collector. The microsites offer unique content about the manufacture, the family involvement and the exceptional standards of watchmaking at Patek Philippe. The microsites will be accompanied by online advertising banner and QR codes in print that link to the microsite in English and German. The digital advertising campaign will be launched on selected international media sites (Patek Philippe (2011); Schileo(2011)).

Furthermore, another communication tool of Patek Philippe is its Patek Philippe Magazine introduced 1996 exclusively for the owners of Patek Philippe watches. The magazine should communicate the brands identity supported by brilliant images, emotional stories and the reflection of extraordinary lifestyles and trends. The magazine is published twice a year, in spring and autumn, and offered in eight languages (Patek Philippe (2011)).

Other promotion activities of Patek Philippe include the Patek Philippe Museum that is open for the public, and the auctions at which Patek Philippe's timepieces reach world record prices for the past 10 years. All of Patek Philippe's communication efforts strengthen its brand image of luxury, exclusiveness, family and trust (Alex G. (2003)).

Audemars Piguet

The current advertising campaign of Audemars Piguet is based on the use of celebrities as ambassadors of the brand. Basically, Audemars Piguet uses celebrity athletes of different sports as ambassadors of the brand, like Novak Djokovic, the world's top-ranked men's tennis player, Darren Clarke in golf or Leo Messi in football. These celebrities state their commitment to the brand and its values. In Audemars Piguet's opinion, these celebrity champions express the values of Audemars Piguet of excellence and audacity. Moreover, Audemars Piguet has an own museum like Patek Philippe to additionally promote its timepieces (Audemars Piguet (2011); Fashion Week News (2011)).

Vacheron Constantin

Information about the promotional activities of Vacheron Constantin is limited to find in the Internet. They act more inconspicuous “in the background” in form of exhibitions to present the “Treasures of Vacheron Constantin – A legacy of watchmaking since 1755”. The exhibition should communicate the technical and aesthetical capabilities of Vacheron Constantin (Time Tapestry (2011)).

To sum up, with regard to customer relationship management, only Patek Philippe’s promotion campaign focuses on establishing a “family” feeling in order to bond with their customers. With its slogan “You never actually own a Patek Philippe. You merely look after it for the next generation.” Patek Philippe tries to tie the customer to the brand for generations. Therewith, the slogan refers to the concept of the customer life cycle as well as customer lifetime value. As the brand is based on tradition it already catches its future customers in their childhood that are the sons and daughters that get handed on the Patek Philippe of their parents. Audemars Piguet features more on adorning itself with the help of celebrities, creating a more superficial relationship and Vacheron Constantin puts itself in the rear that appears quite passively in communicating with its customers.

5.4.5. Process*Patek Philippe*

At Patek Philippe, the research process to develop a new model can take between 3 to 5 years and can go up to 9 years depending on the complications and exceptionality of the timepieces (Patek Philippe (2011)). In line with the concept of scarcity of luxury products, the demand for Patek Philippe timepieces is always greater than its supply. This implies that customers often have to wait for their watches so that waiting lists exist. For example, to have a Patek Philippe World Rime 5131 that shows the time in all 24 time zones, one has to wait up to 10 years. For new watches, a waiting time of 2 or more years is regular. Watch repairs can take the same amount of time. Furthermore, Patek Philippe repairs watches over generations, even if the watches are 100 years old. That is Patek Philippe’s philosophy (Raconteur Media (2011)).

Audemars Piguet and Vacheron Constantin

At Audemars Piguet and Vacheron Constantin the handcrafting process of watches can take up to 5 years. The process time depends on their level of complications as well (Audemars Piguet (2011); Vacheron Constantin (2011)).

To sum up, with regard to customer relationship management, customers of all three companies have to wait for the luxury products a long time. This fact makes customer relationship management more important in order to keep contact with the customer, accompany him and keep him satisfied during the waiting process.

5.4.6. People

Patek Philippe

Patek Philippe is an independent family owned firm that gets forwarded from one generation to the other. Hence, traditional watchmaking know-how gets transmitted from one generation to another. In the research and development department a team of qualified engineers, technicians and draftsmen create the timepieces. In doing so, traditional watchmaking know-how is combined with the latest innovations and Patek Philippe is able to create timeless pieces by achieving the perfect balance of classicism and modernity (Patek Philippe (2011)).

Audemars Piguet and Vacheron Constantin

Audemars Piguet is a family owned company as well, whereas Vacheron Constantin is part of the listed Richemont Group and therewith stockholder influenced.

Patek Philippe has 1600 employees, Audemars Piguet about 1100 and Vacheron Constantin around 400 employees. All the people of the three brands obtain training to ensure the preservation of highly skilled expertise of the traditional fine watchmaking. Therewith, the people of all three brands possess exceptional, outstanding know-how and the handcraft of traditional watchmaking artwork (Patek Philippe (2011), Audemars Piguet (2011), Vacheron Constantin (2011)).

To sum up, with regard to customer relationship management, the people of all three companies possess exceptional, outstanding know-how and the handcraft of traditional watchmaking artwork. These skills ensure the high quality and exclusiveness of the luxury timepieces, but to build long-term relationships with the customers of Patek Philippe, the employees need other special skills in addition. That is why Patek Philippe has to train its

employees also in dealing with customers, for example how to react on inquiries and complaints or what active actions can be taken in order to bond with its customers.

5.4.7. Physical and Virtual Evidence

Patek Philippe has just two salons in its name that are located in Geneva on the rue du Rhone and in Paris on the Place Vendome. Audemars Piguet and Vacheron Constantin have also several own boutiques all over the world (Patek Philippe (2011), Audemars Piguet (2011), Vacheron Constantin (2011)).

In addition, Patek Philippe, Audemars Piguet and Vacheron Constantin have own official websites in the Internet and are present on Facebook, Twitter and YouTube. The use of these Social Media tools get analysed in the next chapter.

With regard to customer relationship management, the fact that Patek Philippe has an online presence in several social media platforms is the prerequisite for conducting customer relationship management. Through the use of social media, Patek Philippe is able to identify its customers, to interact with them, to differentiate them and to customize its speech to each individual customer. Therewith, the IDIC implementation model of customer relationship management can be perused with the use of social media.

5.5 Social Media tool Analysis

As mentioned before, social media is nowadays a “hot trend” and a huge opportunity for companies to get in contact with their customers. Hence, with the use of social media tools, companies are able to build one-to-one relationships with their customers. That is why in this social media tool analysis the social engagement of the three brands in social media get analysed. This will expose potential weaknesses of Patek Philippe that have to be resolved through the new CRM strategy. The social media tools considered within this analysis will be Facebook, YouTube and Twitter. As the data of the social media platforms is updating constantly, this analysis refers to the effective date 20th January 2012. At the websites of the three brands it is apparent that Patek Philippe does not integrate any social media interaction possibilities into their website. Audemars Piguet provides links to their facebook page, twitter account and You Tube channel but these links are written in little type size and positioned in the corner at the bottom of the website. Hence, the user has to “search” for them. Vacheron Constantin also provides links to their facebook page, twitter account and You Tube channel at the bottom of the website whereas these are positioned in the middle of the page and visualized through the respective social media logo for a better recognition.

In the next section it will be examined how effective the three luxury brands are managing the social media platform facebook (Official websites).

Facebook

Company	Amount of „Likes“	People talking about	Posts	Respond to posts/queries	Users	Actions
Patek Philippe	21.000	400	Mostly from jewelers	No	Many wall posts, positive and enthusiastic	passive
Audemars Piguet	77.000	1.300	Mostly from itself	There are no posts or queries of users	Almost no wall posts	medium
Vacheron Constantin	28.200	1.200	Balanced (itself/Users)	Yes	post wall posts	active

Figure 5.2: Overview of the companies' facebook activities

First of all, all three brands have official facebook sites whereas they differ in their performance on their pages. Patek Philippe has about 21.000 likes and more than 400 people talking about it. It claims itself as “Chef d'œuvre“ and has set itself “to create the world's finest time pieces”. Patek Philippe itself almost posts nothing on their wall. Mostly there are posts from jewellers presenting Patek Philippe watch models as well as user generated content in forms of photos, opinions, experiences and impressions. The users seem positive and enthusiastic about Patek Philippe but the brand does not respond to customers' inquiries or posts, it does not interact with them. Audemars Piguet has around 77.000 likes and 1.300 people that talk about them. Almost all of its wall posts are from Audemars Piguet itself about its watch collections or ambassadors. Almost no wall posts were from users. Furthermore, Audemars Piguet offers “exclusive content” only for those that “like” them. In doing so, it acts in line with its image of a luxury brand, building an atmosphere of scarcity by providing exclusive content tied to specific terms.

Vacheron Constantin has around 28.200 likes and 1.200 people that talk about them. It claims itself as “the world's oldest watch manufacturer in continuous operation since 1755 and founder of the spirit of technical and precious Haute Horlogerie“. The wall posts are balanced, many from Vacheron Constantin itself and many from its users. Preeminent is that from all three brands, Vacheron Constantin is the only one that directly respond on users' posts or

questions. They are the only ones that interact with their users. Moreover, as Audemars Piguet, Vacheron Constantin offers exclusive content for users that “like” them and denotes their discussion forum “The Hour Lounge” as for enthusiasts only. Therewith, they act in line with their luxury brand image as well, creating an atmosphere of exclusivity and selection (Araoz et. al. (2011); official facebook sites).

YouTube channel

Company	Since	Amount of subscribers	Amount of video clicks
Patek Philippe	-	-	-
Audemars Piguet	23th January 2009	590	90.000
Vacheron Constantin	7th Oktober 2006	357	140.000

Figure 5.3: Overview of the companies’ YouTube activities

Next, the social media tool YouTube channel will be regarded. Having an official YouTube channel helps to establish credibility and connections. As everyone can upload a video on YouTube, there exist a lot of videos with questionable content. Establishing a YouTube channel demonstrate that the brand set up a proper account to provide the users with credible information about the company and its products that they can trust. Hence, an official YouTube channel gives your brand a higher degree of credibility. Furthermore, users can post comments on the videos. By responding to these comments, a brand establishes an interaction and connection with them (McCoy (n.d.)). Patek Philippe does not have an official YouTube channel, whereas Audemars Piguet as well as Vacheron Constantin has one. Audemars Piguet has this YouTube channel since the 23th January 2009. Before the effective date, the last activity was on the 9th December 2011. At the time when fixing the effective date 20th January, the last activity changed into the 20th January. From that one can assume that Audemars Piguet regularly updates its YouTube channel, presumably in monthly periods. The channel has 590 subscribers and almost 90.000 video clicks. On the first site of Audemars Piguet’s channel is the “most important” video, in this case a presentation of a watch model of Audemar Piguet, and its “playlist” that is all videos posted by them. The videos are for example about the Grand Prix d'Horlogerie de Genève, interviews with its ambassadors (for

example Novak Djokovic), image videos of its watch collections/models, an interview with Philippe Merck or company presentations.

Vacheron Constantin has its official YouTube channel since the 7th October 2006, hence, before Audemars Piguet. In spite of it, Vacheron Constantin just has 357 subscribers but therefore almost 140.000 video clicks. Its last activity was on the 10th January 2012. The structure of the first site is the same like at Audemars Piguet's but the playlist is different. Vacheron Constantin posts videos about the handcrafting process of VC traditional watches, its own models, watches presentation events or about the history of traditional swiss watchmaking. (Araoz et. al. (2011); official YouTube channel sites).

Twitter

Company	Account name	Amount of "followers"	Amount of own tweets
Patek Philippe	@Patek_Philippe	360	0
Audemars Piguet	@audemars_piguet	5.326	335
Vacheron Constantin	@Vacheron1755	2.020	299

Figure 5.4: Overview of the companies' Twitter activities

Now, the social media tool Twitter will be considered. In Twitter, users can "follow" (these users are called "followers") a Twitter account that sends "tweets" (that are messages). The followers can respond on these tweets. That is why Twitter users expect their brand to communicate with them. First of all, all three luxury brands have Twitter accounts. What comes out from the first look at Patek Philippe's account (@Patek_Philippe) is the amazing zero they have in their tweet box whereas they have 360 followers. This means that Patek Philippe set up the account without caring about. By contrast, Audemars Piguet (@audemars_piguet) has 335 tweets in their box and 5.326 followers and Vacheron Constantin (@Vacheron1755) posted 299 tweets and 2.020 followers. This demonstrates that the two brands actively communicate with their followers and therewith, meet their expectations. (Araoz et. al. (2011); official Twitter accounts).

Conclusions

All in all, Patek Philippe performs worst as it does not include the social media tools in its official website, does not have an official YouTube channel and does not care for its facebook page and Twitter account. Therewith, Patek Philippe is very passive in using social media tools to communicate with its customers and engage in interactions with them. Whereas Audemars Piguet and Vacheron Constantin include all social media tools in their websites and care for their accounts by consistently posting new content. Furthermore, they show that they care for their customers by responding and maintaining interactions with them.

Summarizing the use of the social media tools of the three luxury brands, we can conclude that Vacheron Constantin is showing the highest degree of effort, closely followed by Audemars Piguet and Patek Philippe is missing the opportunity and shows a lack of interest to use these social media tools to interact with its customers.

5.6 SWOT Analysis of Patek Philippe

The following figure 5.5 summarizes the strengths and weaknesses of Patek Philippe and points out its opportunities and threats.

Strengths	Weaknesses
<ul style="list-style-type: none"> Established Image at the connoisseurs Successful generations campaign Unique competences of traditional watchmaking Generation long experience 7P's support their luxury brand image Long manufacture time Very high prices 	<ul style="list-style-type: none"> No use of their social media tools Limited brand awareness Not many ambassadors
Opportunities	Threats
<ul style="list-style-type: none"> Increase importance of relationship based marketing (CRM) Personalized communication increases the purchasing rate, both, of men and women (Vaughan (2009)) 70% of people use the Internet when seeking products (Vaughan (2009)) Increasing wealth of people in emerging markets Social Media Conquer more feminine customers 	<ul style="list-style-type: none"> 53% of purchases are made on impulse (Vaughan (2009)) Increasing shift to affordable luxury

Figure 5.5: SWOT Analysis of Patek Philippe

As one can see, Patek Philippe's strengths support its luxury brand image of tradition, family, complications and exclusiveness. The very high prices and the long manufacture time could be seen as weakness for a "regular" brand but for a luxury brand, these characteristics are

strengths as they support the luxury brand's image of scarcity and exclusiveness. Therewith, a stable "luxury brand image" base already exists so that a CRM strategy can be developed hereon to keep its luxury brand image.

A very serious weakness of Patek Philippe is the non-use of its social media tools. The new CRM strategy has to encourage the use of these tools to get to know its customers, interact, communicate and building a one-to-one relationship with them. By implementing such a CRM strategy, Patek Philippe will be able to overcome its weaknesses. CRM increases the customers' satisfaction and loyalty. That in turn increases its brand awareness through positive word-of-mouth and the numbers of loyal customers (Hanif et. al. (2010): 45), hence, the number of ambassadors of Patek Philippe.

Furthermore, the threat of impulse purchasing will remain to exist as Patek Philippe is a luxury brand and very expensive. Therewith, buying a Patek Philippe will remain a well thought investment decision. Whereas, Patek Philippe can act against the threat of the increasing shift to affordable luxury by demonstrating outwardly what it meant to be part of the Patek Philippe family. Adapting its CRM activities to its prestigious, exclusive luxury brand image, Patek Philippe can make its customers feel cared, important, exclusive and from one of "the top" so that its customers will be reluctant to give up their "own luxury prestigious image" if they would shift to affordable luxury.

Furthermore, Patek Philippe will be able to take advantage of some opportunities if it implements a CRM strategy. As the people tend to use the Internet more and more, by tracking and using the social media tools, Patek Philippe gets to know the needs, habits and preferences of its customers. Moreover, establishing a relationship-based connection with the customers will satisfy and tie more customers to Patek Philippe as customers nowadays demand to get individualized attention. To establish these relationship-based connections, Patek Philippe has to use the opportunity social media within the new CRM strategy to personalize the communication and adapt their product to their needs. For example by looking at the profile of their facebook fans or Twitter followers, Patek Philippe gains insights of the interest and needs of their customers. It can use this knowledge to adapt its products to these needs and personalize their communication to each individual. Patek Philippe can post or tweet topics and news that are in line with the interest of the customer or it can comment posts or pictures of their "fans" that will represent personal speech to the respective customer. To conclude, by implementing a CRM strategy, Patek Philippe can expand its strengths, take advantage of some existing opportunities, overcome its weaknesses and some of the existing threats.

6. New CRM Strategy for Patek Philippe

In the following, a CRM strategy will be developed for Patek Philippe. As it is a CRM strategy, the vision, mission, values and objective will bear on a CRM context. Hence, emphasizing relationship and individual attention. Of course, the brand elements of luxury such as high quality, design and excellence find expression in the vision, mission and values statements, as they have to be kept established.

6.1 Vision, Mission, Values and Objectives

The vision of a company describes where it wants to be, what they want to become. Patek Philippe's recommended vision of its CRM strategy should be to

“be the visionary traditional watchmaker of high quality customized timepieces that are destined for being passed on with proud to their lovelies from generation to generation”. This vision focus not only on the exclusiveness of Patek Philippe's timepieces but also emphasizes the emotional side of the brand and the intention of Patek Philippe to build relationships with its customers and offer them individualized products according to their respective life stages.

The mission of a company describes the “raison d'être”, the purpose of a company. Patek Philippe's recommended mission of its CRM strategy is to

“Provide families with traditional bequeath worthy timepieces characterized by individualism, precision, high quality, exclusiveness and timelessness”. This mission states that Patek Philippe ideally wants open the possibility to all kind of families to take part in traditional heritage. Of course, luxury products are not affordable for all kind of families but the mission emphasizes Patek Philippe's brand value “family” and the fact that family is the most important thing. Furthermore, it should provide individual solutions for each family.

The values of a company are the underlying principles that guide the strategy, hence, the way from where the company is and where it wants to be. Patek Philippe's recommended values for its CRM strategy should be family, tradition, heritage, relationship, high quality, design, excellence, timelessness and individuality. The first three values emphasize the emotions incident to the brand. Relationship emphasizes the importance of establishing a lifelong relationship between Patek Philippe and its customers. High quality and design describe the way the watch is handcrafted and represent the base to ensure the excellence and timelessness of Patek Philippe's watches. The last value of individuality emphasizes that at the end, the most important thing is to respect and satisfy each customer's individual needs in order to reach Patek Philippe's CRM vision.

Therewith, the resulting CRM objectives represent the main results to be attained by Patek Philippe in order to achieve its vision. As the CRM vision of Patek Philippe focuses on establishing a well-known emotional relationship to its customers, the main CRM objectives of Patek Philippe are the following, specified with a comprehensible time dimension:

- Increase brand awareness by 10% within the next 2 years
- Increase customer satisfaction by 10% within the next year
- Decrease customer dissatisfaction by 50% within the next 2 years
- Increase customer loyalty by 10% within the next 5 years
- Increase brand loyalty by 10% within the next 5 years
- Increase the most valuable customer base by 10% within the next 2 years
- Increase the lifetime value of the customers on average by 10% within the next 5 years
- Increase profit by 5% within the next 3 years

As one can see, the objectives encourage each other. For example increased brand awareness will attract new customers. When focusing on decreasing customer dissatisfaction and increasing customer satisfaction, customer loyalty and brand loyalty will increase, the most valuable customer base will increase and therewith, the lifetime value of the customers can be enhanced. Increasing all these dimensions encourage a rise in profits.

Furthermore, the time dimensions of the objectives correspond to a realistic estimate of the goal achievement as customer satisfaction and brand awareness can be faster built than customer loyalty and brand loyalty. And at the end, it takes time until the consequences of improvements in these key figures are reflected in profits.

To achieve these CRM objectives, measures have to be established as well as a proper IDIC and Complaint Management Model implemented.

6.2 Measures

To ensure the achievement of the vision, Patek Philippe has to control their CRM strategy. By controlling the CRM objectives, the IDIC Model and the Complaint Management Model, the CRM strategy can be controlled. Furthermore it is known that one can just control what he can measure. Therewith, to control the strategy, its objectives, the IDIC and the Complaint Management Model, key indicators have to be established.

Patek Philippe has to measure customer loyalty to control the IDIC Model and customer dissatisfaction to control the Complaint Management Model. With these measures it is possible to draw conclusions about the objectives: brand loyalty (that is influenced by customer satisfaction), customer lifetime value and the size of the most valuable customer base (that is connected with customer loyalty) and customer satisfaction (that is the prerequisite for customer loyalty and is influenced by reduced dissatisfaction) (Hanif et. Al. (2010): 44ff.). Hence, by measuring customer loyalty and dissatisfaction will enable Patek Philippe to control its CRM strategy. In the following, key indicators to measure customer loyalty and dissatisfaction get established.

Patek Philippe has to measure customer loyalty by the frequency of purchases, the amount and variety of purchases, the Member get Member ratio, the duration in the Customer Life Cycle, the purchasing repetition and the share of wallet. Whereas, the latter is often difficult to measure as the company must know all the expenses of the customer and that is most often not the case. All these indicators can be determined by analysing transactional data. Behavioural data can be used to influence these indicators.

Additionally, Patek Philippe has to measure dissatisfaction by the time to react on complaints, the time to solve the problem, the number of contacts needed to solve the problem, the number of complaints to solve a problem, the number of unsolved complaints as a proportion of all complaints, the average waiting time, the first contact resolution ratio, the solved vs. non solved ration, the retention values of complainers, the non-abandoned sales, the amount of new sales as well as the intensity of positive word-of-mouth.

6.3 The IDIC Model

In the following, the IDIC Model is developed for Patek Philippe that corresponds to its CRM strategy and should support the achievement of the CRM objectives.

6.3.1 Identification

Patek Philippe can currently identify its customers by something they have, their watch. To be more detailed, by the reference number of the watch. But this only works, if the customers register their watch after the purchase. In addition, Patek Philippe can identify their customers by their facebook and Twitter profile. Furthermore, they can identify their customers by something they know, the Login password for the Login area on Patek Philippe's website. Identifying their customers by something they are is in the case of Patek Philippe not

necessary, as this will not bring any benefit because it already has four ways to identify its customers.

Hence, after identifying its customers, Patek Philippe will have the customer's transactional data and knows for example the name, birthday, residence, family status, religion, educational level, email address, cell phone number, interests, hobbies etc. of its customer. Moreover, Patek Philippe can for example use additional forms for the watch registrations to request, among other things, the frequency of buying (How often do you buy a Patek Philippe?), the amount of purchases (How much are you buying?), the variation of purchases (What products are you buying?) and the purchase intention (For whom did you buy the watch?). With this transactional data the indicator customer loyalty, one of the indicators of Patek Philippe's CRM strategy, can be measured. Hence, by analysing this transactional data, Patek Philippe is able to draw conclusions about the loyalty of each customer. Hence, by the ways to identify their customers, Patek Philippe gets insights in the preferences and habits of each individual customer. This shows that by analysing transactional data, Patek Philippe gets behavioural data that has to be used in the following steps of the IDIC Model.

6.3.2 Differentiation

Through the identification process, Patek Philippe gathers transactional and indirectly behavioural data of its customers. By knowing for example how much each individual customer spent and what he purchased, Patek Philippe is able to determine the respective value of each customer to the firm and their different needs. By categorizing its customers according to their value and corresponding needs, Patek Philippe can concentrate its resources on its most valuable customers and can conduct category specific interactions in the next step "interactions". Hence, in the differentiation stage, Patek Philippe's customers will be categorized according to their values and needs. The differentiation step gets supported by the Customer Life Cycle and Customer Lifetime Value concepts.

6.3.2.1. Customer Life Cycle adapted to Patek Philippe

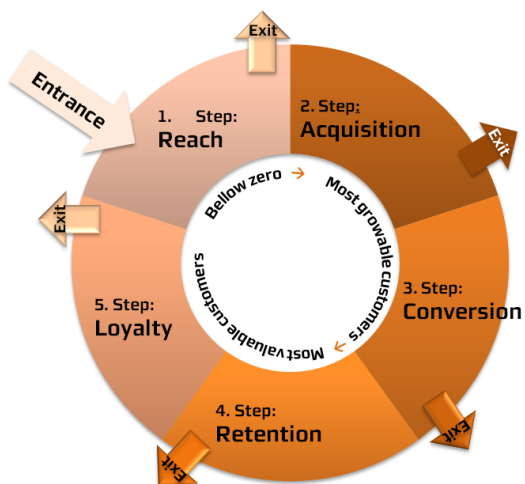


Figure 2.4: The Customer Life Cycle

First of all, the CLC figure 2.4 is illustrated again in order to support the following explanations. To reach the first step in the Customer Life Cycle, first of all, the customer has to enter the Cycle. For Patek Philippe's Customer Life Cycle this happens through its advertising activities, their website, Facebook site, Twitter news, excitement due to a YouTube video, positive word-of-mouth, first impressions at an auction, their Museum or if they pass the salons of them or their retailers. Entered the Cycle, the first step

is *Reach* where it is important to reach the customer with the brand's message that is communicated through different mediums. Furthermore, in this stadium, customers represent the "below zero customers" as they did not purchase any products yet. They just cost money because they still have to be convinced to trust the brand. It is important to mention that after each step in the cycle there are exit possibilities. In the *Reach* step, customers might exit the cycle if Patek Philippe's message does not reach them, they do not feel addressed, do not feel attracted by the brand and its values, if they get wrong information from the media, get influenced by negative word-of-mouth or if the communication process of the brand is conducted badly.

The second step is *Acquisition* and starts as soon as the customer buys a product of Patek Philippe for the first time. This is the time where the below zero customer will begin to transform into a growable customer as he begins to buy Patek Philippe's products. The exit possibilities in this and all the following steps are consistent with the previous ones as they can happen anytime. In the second step, additional exit possibilities emerge based on the fact that an interaction with Patek Philippe took already place. These exit possibilities are dissatisfaction with the product or services of Patek Philippe or bad experience with the brand.

The third step is *Conversion* where the customers buy more of Patek Philippe products as they are satisfied with the brand. In this step, they can be defined as growable customers that have the potential to transform into loyal ones. In this step, the additional exit possibilities can occur because of the absence of Patek Philippe in moving with technology, trends and cutting-edges and the lack of tracking and adapting their offers to the changing living conditions of the customer. From this one can infer that in this stage, the customer starts to

demand a tighter relationship to Patek Philippe through a more individualized treatment and communication.

The fourth step is *Retention* where the customer begins the transformation from a most growable into a most valuable customer. He buys lots of Patek Philippe's products but also other brands. He is fully satisfied with the brand as they give him what he wants, not only the products according to his needs but also a personalized relationship with Patek Philippe. Among the previous ones, additional exit possibilities are the cease of Patek Philippe to care about the customer and stop producing what he needs.

The last step is "Loyalty" where the customer is totally satisfied with Patek Philippe and its relationship to it. At this stage, the customer is defined as the most valuable customer. He just buys products of Patek Philippe, spreads positive word-of-mouth, defend the brand in the public and act as an ambassador of Patek Philippe. In this stage, the customer almost doesn't exit the cycle if Patek Philippe keeps caring about him and adapt its products and services to his needs. That is why CRM is so important for Patek Philippe, to retain the most valuable loyal customers because they not only buy the most often and the most products but also defend the brand if hard times occur and constantly act as ambassadors of Patek Philippe.

6.3.2.2. Customer Lifetime Value adapted to Patek Philippe

In adapting the concept of the Customer Lifetime Value to Patek Philippe, its customers get categorized into three categories: The most valuable customers (the loyal customers), the most growable customers (the one's with the potential to turn into loyal customers) and the below zero customers (where the cost of serving these customers is higher than the revenue they cause).

The most valuable customers of Patek Philippe purchase a high amount, variety and just products and services of Patek Philippe. As Patek Philippe's watches are very expensive, one can classify the most valuable customers of Patek Philippe as those who buy a watch not only for themselves, but also for their wife, son, daughter, grandson or granddaughter, hence, sharing the pleasure of wearing a Patek Philippe with its family. This lets infer that the most valuable customer buys a Patek Philippe whenever a "family event" takes place, such as a wedding, birthdays especially the 18th or 50th, confirmation, Mother's Day, wedding day etc. The most valuable customer shares the brands values of tradition, family and emotion that are important to him as well. The most valuable customer buys just Patek Philippe's, stands behind the brand, is very loyal to the brand and spreads positive word-of-mouth. Because he just buys Patek Philippe he appreciates also the exclusiveness, complications and precision of

how the watch is handcrafted. Furthermore, as Patek Philippe watches are very expensive, the most valuable customers have to earn much money as they are characterized as buying regularly. The Lifetime Value of a most valuable customer is the highest among all three types.

The most growable customers of Patek Philippe are the ones that buy a product of Patek Philippe occasionally, hence, might own also watches from other brands. They possess the potential to transform into loyal, most valuable customers, through cross and upselling. Furthermore, Patek Philippe has to individualize and personalize its communication and relationship to these customers. This type of customers either earns much money because they purchase watches frequently but not necessarily just from Patek Philippe or they use their savings to indulge themselves a Patek Philippe.

The below zero customers of Patek Philippe are the ones that do not buy a Patek Philippe for a variety of reasons. For example the social status prevents earning enough money to afford a Patek Philippe, the need to have a “design” watch can better be satisfied by another brand or they just does not identify with the brand Patek Philippe.

A student for example that will in the future earn much money, be it as an investment banker or a successful artists, has a high Customer Lifetime Value because the future relationship of this student with Patek Philippe has a high value as he has the potential to get a loyal, most valuable customer. This example shows that the Customer Lifetime Value refers to the future value of a relationship discounted to today. Furthermore, it illustrates that it is important for Patek Philippe to build a relationship with its customers in early years, not just when they actually earn much money, Patek Philippe has to be an accompanist on his way. Patek Philippe can do this for example through the use of social media tools like facebook and Twitter that give it the possibility to connect and accompany its future most valuable customers while still young. On the other hand, pupils that not study and work in the lower paid wages have no huge Customer Lifetime Value for Patek Philippe because the possibility that they will earn enough money to purchase Patek Philippe frequently or once some day is very low.

6.3.3 Interaction

At this point, the customers are differentiated and can be threaten differently in the interaction phase. The interaction process is responsible to provide the customer with experience, the counter stone of luxury CRM that should be exceptional. Furthermore, Patek Philippe has to show its customers that they are part of the family even before they buy and has to establish a

privileged relationship with them. As customers differ in their lifelong customer value, Patek Philippe has to adapt its interactions. Additionally, to successfully interact with its customer, an effective database is needed that collects each customer's transactional data and analyse it to prised the respective behavioural data out. Patek Philippe has to constantly update the database to track changes in living location or lifestyle of each individual customer. The differentiation enables Patek Philippe to conduct interactions more targeted and more effectively. For example, the most valuable customers can be given more benefits as they are more important to Patek Philippe than the other ones. In addition, the interactions should target the achievement of the CRM objectives of Patek Philippe, hence, solve dissatisfaction and increase satisfaction, loyalty and brand awareness.

In the following, some examples are presented of how Patek Philippe should interact with each type of customers. Because the upcoming trends of Social and Mobile CRM represent innovative ways to communicate, they will be incorporated in Patek Philippe's interaction with its customers as much as possible.

Targeting to tie younger persons in early life, Patek Philippe should use its Facebook page or Twitter account to start the campaign "Patek Philippe in one word" where users should post or tweet their comments and views about Patek Philippe. In doing so, Patek Philippe gets to know what the younger generations think and know about him and the level of brand awareness in this target group. After analysing this, Patek Philippe is able to interact with the different customers and take proper actions to increase the respective brand awareness and to establish targeted relationships with its future most valuable customers.

Using the trend of mobile applications to reach the younger target group of Patek Philippe that have the potential to turn into future most valuable customers, for example students, Patek Philippe can develop mobile games. With this, Patek Philippe introduces itself and is able to establish a relationship early in life. This mobile game can deal for example with "Sell a Patek Philippe" where an auction process will be simulated. The gamer will be the auction conductor in front of a sitting audience. Different signs will pop up with different values, but as high as in reality. The gamer has to touch on the signs to accept the quote, but he is only allowed to point to higher values than the previous quote. If not, game over, if yes, the game will speed up. This mobile game will increase the brand awareness of Patek Philippe at younger people and will point out Patek Philippe's role as record holder at auction.

Patek Philippe's most valuable customers possess a high brand awareness of Patek Philippe, whereas the future potential most valuable customers that are at an early age normally do not get to know the brand until they will earn much money. That is why Patek Philippe has to use

other ways to interact with them to increase its brand awareness at the younger people segment. Younger people can be reached not only over Facebook and Twitter but also using sms, mails of brand magazines or handwritten letters with an invitation to join the Patek Philippe family by registering on their website, their Facebook page or to follow their tweets. Patek Philippe has to make clear that beneficial and customized treatment and relationship is only possible if the participants provide them with data (Of course, always ensuring the safety of the people's data).

Furthermore, Patek Philippe should establish different clubs for its most valuable customers (for example "The Calatrava owners", "The Pocket Watchers", "For connoisseurs exclusively" etc.), its most growable customers (for example "Patek Philippe watchers") and its high potential future customers such as students (for example "Patek Philippe Junior Club"). To become part of a Patek Philippe club, Patek Philippe has to select the "applicants" to act in line with its luxury brand image of scarcity (limited numbers of members) and exclusiveness (approved access). Then Patek Philippe should assign different types and levels of service to each club. Patek Philippe can offer the most valuable customers clubs exclusive prestigious events and service on a regularly basis. Examples for prestigious events are hosting golf tournaments, sailing regattas, vintage car rallies, polo tournaments, inviting club members to dinners at the Geneva salon, inviting club members to visit Patek Philippe's traditional watchmaking manufacture in Geneva or inviting to a classic concert. Examples for prestigious service are concierge service, limousines pick-up service. This will show that Patek Philippe understands its customers, their tastes, desires, needs and that Patek Philippe is interested in a close one-to-one, non-commercial relationship. As Patek Philippe has to differentiate the level of prestigious events and services for the different clubs, the events and services should be more frequently offered to the most valuable customers. For example once a year for its high potential future customers, the students, they should offer an enticement to give them an idea of what it meant to be part of the Patek Philippe family. Of course, all club members have to be strictly chosen by Patek Philippe in order to sustain the image of scarcity, exclusiveness and luxury. These actions will make the members feels special, establishing a tighter relationship with the brand resulting in an increased customer loyalty.

Moreover, Businessmen, as most valuable customers, nowadays possess a smartphone and have no time. So, Patek Philippe should use Mobile CRM to communicate and bond with the much money-earning businessmen. Patek Philippe should develop a shopping app presenting Patek Philippe products. Additionally, Patek Philippe can introduce a Patek Philippe mobile forum where people can discuss about Patek Philippe and its products. This mobile forum acts

like a “Club” where people have to register for joining a continued text message dialogue. A mobile forum provides not only an easy way to communicate, but also empowers the customers and let them be in charge of the brand interaction and communication. Furthermore, people can participate anywhere and anytime, for example during waiting for the train, bus or a meeting. By tracking its mobile forum, Patek Philippe will get to know the thoughts about the brand and its products that provide indications for improvement. Moreover, Patek Philippe should expand its mobile communication as it provides a personalized way of response. It can use MMS to send its customers pictures of the latest timepieces. Text messages should be applied by Patek Philippe to just ask how the individual spoken to feels, saying that Patek Philippe hopes he is fine, congratulate its customers on their birthdays or asking if he already know the new timepieces of Patek Philippe. The tone of voice should always be familiar. Patek Philippe should see its customers as part of their family, hence, also speaks and act like this.

Furthermore, Patek Philippe should use handwritten mailings to address its customers. Classical elegant handwriting letters emphasizes the values of tradition and exclusivity of Patek Philippe. Furthermore, it outlines the luxury side of Patek Philippe and represents a personal speech to the customer.

Moreover, Patek Philippe should realize the basic values of etiquette at all interaction points with its customers. The basic rules of etiquette vary between different cultures. That is why Patek Philippe has to be aware of and familiar with the different rules of etiquette. Whereas each culture has in common that the basic rules of etiquette are associated with tradition, exclusiveness and luxury because it is conducted mostly in the upper class society. Therewith, the basic rules of etiquette are in line with Patek Philippe brand values. Executing the basic rules of etiquette at each interaction point emphasizes the brand values of Patek Philippe, raises its brand awareness and customer satisfaction. Some of the basic rules of etiquette of the western culture are for example courtesy, saying “please”, “thank you” and “excuse me”, men holding the door for women, to speak in a gentle tone of voice, to refer to everyone by title, to relieve your guest of his jacket, help your guest in the coat, offer the lady your seat and open the chair for her and at all rules “ladies first” takes affect. All of these rules can be conducted best in the salons of Patek Philippe as well as at their retailers. The front-liners that are the employees in the store that have the direct contact with the clients have to comply with these rules. Speaking in a gentle tone of voice, being courteous, open the door for the clients, relieve them from their coats, helping them back in when they go and offer the lady a seat by open the chair for her. Therewith, the execution of the basic rules of etiquette is mainly

conducted at the front-line. The execution of the rules of etiquette will contribute to exceptional store experience. Courtesy and communicating in a gentle tone are the only two rules of etiquette that can be executed in writing communication as well, for example in a text message or a handwritten letter. This will also contribute to exceptional interaction experience with Patek Philippe.

6.3.4 Customization

In the customization process, the interaction with each customer gets personalized and individualized, hence, customized. Patek Philippe should provide its customers with customized types and levels of service as the essence of “luxury CRM” is based on privileged one-to-one relationships.

An example for customized treatment is if Patek Philippe knows for example that a specific customer frequently buys a high amount of products and then this customer gets a handwritten invitation to Geneva, picked up by a limousine and staying in a luxury hotel for visiting the newest Patek Philippe exhibition.

Another example is if Patek Philippe gets to know through the interaction process that a woman, one of their most valuable customers, is getting married. Then, Patek Philippe can invite her and her bridesmaid to Geneva to present her their newest jewellery collection that she might need for her wedding outfit. Moreover, Patek Philippe can praise their watches as phenomenal wedding present for the future husband as its timepieces emphasizes family, uniqueness and life-long bond, the base for a fortunate future for the married couple.

A third example: Imagine there is a man, a most valuable customer of Patek Philippe that has a wife and two sons and as Patek Philippe has all the transactional data of this customer, they know this. To promote a customized treatment and a tighter relationship Patek Philippe asked him after the birthday of his sons and his wedding day. Therewith, Patek Philippe knows for example that in 14 days, his oldest son will become eighteen. Knowing this, Patek Philippe will contact him via a personal call or sending him a text message with congratulations that his son will become an adult soon and that it may be a great opportunity to introduce the adulthood with the property of a Patek Philippe, standing for family and tradition. Furthermore, to round off the customized speech, Patek Philippe can send the father and son two invitations to their store in Geneva to connect this new stage of life with an exceptional experience. There, they will be presented the newest as well as the historical collection of Patek Philippe. Afterwards, there will be a gala dinner and a classic concert with limousine service. With this, Patek Philippe shows that its customers are part of the Patek Philippe

family, that they care about its most valuable customers and their families, that they know what they desire and need and demonstrate the son the benefits of bonding with Patek Philippe. The same can be conducted if the wedding day, confirmation or 50th birthday are imminent. Of course, the product presentation and prestigious events offered should be adapted to the person for whom the new Patek Philippe will be purchased. If it is for the son, the Patek Philippe model should for example be a fusion of classic and trendy, whereas if the Patek Philippe will be for the wife, it should be for example more elegant, chic and unique.

Furthermore, through the post and tweets of its fans and followers in facebook and on Twitter, Patek Philippe can look at their profiles to get to know their interests (Identification and Differentiation). Then, they can post a comment to the respective customer (Interaction) that refers to its interest. For example if he is sportive and “liked” Patek Philippe in facebook (then, Patek Philippe achieved to reach this customer), Patek Philippe can post information and pictures about their luxury watch collection that mixed traditional watchmaking with sportive design. Additionally, if a customer posts for example a picture with him and his son wearing a Patek Philippe watch, Patek Philippe should react on this post by comment this picture with for example “You look good. We are glad to be part of your family”. Every time when users post a question, Patek Philippe has to directly respond to that question. If a customer is a most valuable one and very active in social media, Patek Philippe should actively ask questions to the individual users like “We have not heard from you since long time. How are you doing? Or still interested in mountainbikes?”. These examples represent customized speech to individual customers by using social media tools.

6.4 The Complaint Management Model

In the following, a complaint management model is developed for the new CRM strategy of Patek Philippe. According to the concept of the golden triangle, a complaint management model is built on three counterstones, the corporate culture, the processes and the technology. Now, these three counterstones are determined for the new complaint management model of Patek Philippe. In Patek Philippe’s new culture, complaints are seen as a gift because they provide the opportunity to correct mistakes and to solve problems in the long-term. Complaints represents free consultancy from the best consultants, the customers of Patek Philippe. That is why the president of Patek Philippe should address to all of its employees, regardless of its position, that they are a family and that “they stick together no matter what happens”, “humans are humans and make mistakes but that this will not change anything on the position of anyone”. To hear such supporting and complaint promoting words from the

top is the first step to establish a “complaint-open” corporate culture of Patek Philippe. The future speech and tone of voice to Patek Philippe’s employees should always preserve the complaint-open culture.

Concerning the processes, Patek Philippe has to introduce as many ways as possible to get to know about complaints. Patek Philippe should include an online complaint book or suggestion sheet on their website, facebook page, Twitter or their established YouTube channel. Additionally, it should give its customer the possibility to complain through a written letter, deal with complaints on the phone and most importantly they have to react on complaints in the front-line, face-to-face with the customer. Additionally, Patek Philippe should solve complaints as fast as possible to diminish dissatisfaction at its source. They have to address each complaint at the first contact, preventing passing around the customer to different responsibilities. That is why Patek Philippe has to empower its front-liners to deal with complaints. They have to provide their employees with guidelines about how to behave and react in order to accelerate the accurate reaction on complaints. Remaining patient, polite, calm the customer down and applying the basic rules of etiquette despite the “fiery” atmosphere are the most important things. In doing so, customers will be kept satisfied, positive word-of-mouth will increase and new customers attracted. If Patek Philippe solves complaints effectively, dissatisfied customers turn into loyal ones.

If for example a complaint arises, no matter through which channel, Patek Philippe should immediately react with an excusing text message and sending out a handwritten excuse letter in which Patek Philippe should offer the customer a compensation depending on the complaint. If it were a complaint concerning the watch, a proper compensation would be for example five-year cost-free repair of the watch. If it were a complaint about service, a proper compensation would be an invitation to the watch fair in Geneva or a voucher for a luxury gala dinner with its family.

Concerning the technology, Patek Philippe should use a database to register all complaints and their respective solutions. In doing so, Patek Philippe will be able to reconstruct the way they got solved and already occurred complaints can be prevented. Furthermore, they should use Social Media and Mobile tools such as Twitter or text messages to immediately address to a complaint. These tools realize real-time communication and therewith provide a way to react on complaints the fastest way possible. Moreover, Patek Philippe should consult the database that keeps all information about each individual customer when a complaint occurs. By looking at the profile of the customer Patek Philippe knows which compensation satisfies the customer the most.

6.5. Evaluation of the new CRM Strategy for Patek Philippe

The developed CRM strategy for Patek Philippe applies the concepts of CRM to Patek Philippe's business and "luxury circumstances" on a theoretical but also on a practical basis by providing some examples of real life applications. Furthermore, it explains the processes Patek Philippe has to go through to establish the new CRM strategy, supplemented by real life cases of how Patek Philippe can implement it. Therewith, the developed CRM strategy for Patek Philippe illustrates that there exists methods and ways for Patek Philippe to conduct CRM in order to increase customer satisfaction, loyalty and brand awareness and at the same time, acting in line with its luxury image of exclusivity and scarcity. For example by giving exclusive and limited access to Patek Philippe Clubs, they can use its luxury image to make the customer feel important. Furthermore, the communication methods and actions can be adapted on the target group of luxury brands, for example by sending handwritten letters of invitations to luxury events or new product launch events.

At the same time, the strategy does not claim fully integrity; hence, the developed CRM strategy for Patek Philippe reveals some limitations. The following limitations can be justified by the scope of the work as well as the fact that the official information available about Patek Philippe is very limited and that contact efforts failed. That is why one limitation of the CRM strategy for Patek Philippe includes a lack of information about what Patek Philippe is actually doing in its internal company structure concerning CRM. Based on this knowledge, it would be easier to suggest improvements. On the other hand, this missing information supports the purpose of the work, to develop a new CRM strategy for Patek Philippe, assuming that currently no CRM strategy exists.

Another limitation exists due to the scope of the work. The suggested CRM strategy for Patek Philippe could be developed further in more detail. For example by enlarging the analysis part, adapting the CRM concepts on Patek Philippe in more detail and including more real life implementation examples that are specifically adapted to Patek Philippe.

All in all, with regard to the scope of the work, the CRM strategy for Patek Philippe is based on an adequate internal and external analysis process and a consequential adaptation of the CRM concepts on Patek Philippe. This results in a proper developed CRM strategy for Patek Philippe and primary real life implementation recommendations. Furthermore, it gives first insights and answers to the works question, if luxury brands and CRM are mutually exclusive or not and if CRM leads also for luxury brands to increased customer satisfaction, loyalty and, hence, financial business performance.

7. Conclusions

This case study of developing a CRM strategy for Patek Philippe outlines that it is possible for luxury brands to conduct customer relationship management and, at the same time, keeping their luxury image. The benefits of CRM were sourced as well as the positive financial impact of an increased loyal customer base. Furthermore, for luxury brands it is essential to build and have one-to-one relationships to their customers in order to survive generation-long. That is because luxury brands have a restricted customer base due to the fact that not everybody can afford them and because they need loyal ambassadors that convey the brand's image the right way. That is why luxury brands also cannot ignore anymore the increasing importance of CRM. They have to use this tool to prevent and proper handle customer dissatisfaction, to increase customer satisfaction as well as loyalty that in turn increases brand awareness and results in increased financial business performance. A successful CRM strategy has to be built on a clear vision, mission, values and objectives as well as a proper customer identification and differentiation process. Without these prerequisites, the interaction and customization processes cannot be conducted to the utmost satisfaction of the customers and a proper handling with complaints would be impossible.

Because of the scope of the work, the case study has some limitations. One is that the work just uses the case study of Patek Philippe to get an indication about the relationship between luxury brands and CRM. To answer to the works question more profoundly if luxury brands and CRM are mutually exclusive or not, more case studies need to be examined. Hence, the work opens the door to new investigations. For example investigating the impact of CRM on the financial performance of other luxury brands or if a CRM strategy would possibly even strengthen the luxury image of luxury brands. Therewith, further investigations would answer the works question more profoundly. Additionally, to have profound results, these investigations have to be conducted for years to be able to ascribe an increase in the loyal customer base and financial performance to the CRM activities because customer loyalty just builds oneself up after some years.

Furthermore, through the case study of Patek Philippe, the work can just make a statement about the relationship between CRM and a luxury brand of the luxury watch industry. But what about the other luxury industries such as the luxury fashion industry or the luxury jewellery industry. That is why future work has to investigate if there would exist different results depending on the luxury industry branches. It has to provide results to answer the question about what kind of differences exists between the different luxury industries and what they have to consider if implementing CRM.

To conclude, the positive impact of conducting proper CRM tools on customer satisfaction, loyalty, brand awareness and financial business performance was sourced. Within this work, the possibility of luxury brands to develop a CRM strategy, implement the CRM concepts and, at the same time, keep their luxury image was indicated by the case study of Patek Philippe. The most important thing to keep the luxury image is that luxury brands execute their CRM strategy in line with the traditional image of a luxury brand. They have to arouse scarcity with all their actions through exclusivity and restricted availability. Connecting these finding, one can conclude that by implementing a CRM strategy, the CRM concepts and a complaint management model, also luxury brands are able to increase their customer's satisfaction, loyalty, brand awareness, their loyal customer base and their financial business performance and at the same time, keeping if not strengthen their luxury image of exclusiveness and prestige. Therewith, CRM is not only for non-luxury brands. Luxury brands and CRM are not mutually exclusive.

Although the work has limitations, this case study about Patek Philippe gives something to think about and initiates the way to a much more complex final theory of investigating the relationship between luxury brands of different industries and customer relationship management.

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- Official Twitter accounts: Patek Philippe http://twitter.com/#!/Patek_Philippe ; Audemars Piguet http://twitter.com/audemars_piguet ; Vacheron Constantin <http://twitter.com/Vacheron1755>
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