The Mass Marketing of Luxury

Jose Luis Nueno and John A. Quelch

Gianni Versace's sudden death in July 1997 has helped focus renewed attention on the marketing of luxury brands and the importance of succession management to their continued success. Sales of luxury brands, from champagne to Rolls Royces, had decreased on average by 3 percent each year between 1990 and 1993. Declines were especially notable in Europe. Only the more internationally diversified, vertically integrated, or innovative companies, such as LVMH or Armani, bucked the industry trend. Since 1995, however, the market for luxury brands has rebounded dramatically, with worldwide annual sales growth of 10 percent per year and growth rates approaching 30 percent in certain Asian markets. Duff (1997) estimates that in 1996, the global market for luxury brands—fashion apparel and accessories, cosmetics and fragrances, wines and spirits—was $70 billion, with 20 percent of those sales through duty-free shops.

Why has there been such a resurgence of luxury brand sales in the 1990s? Renewed consumer confidence, rising stock market indices, growth in disposable personal income, and low inheritance taxes, especially in North America and Asia, are fueling the demand. The suppression of ostentation, which characterized consumer behavior during the U.S. mini-recession of the early 1990s, is no longer evident. Expensive gifts are again being given, with a particular emphasis on quality and uniqueness. There are now more than 2,000,000 millionaires in the United States, and the rich are getting richer. Since 1980, according to Leonhardt (1997), the wealthiest one-fifth of the U.S. population has enjoyed a 21 percent growth in income. The result is an increasing bifurcation in retailing between successful full-service stores like Nordstrom and discount retailers like Wal-Mart.

Analyses of consumer purchase data in many product categories show that the skew in buying power toward wealthier consumers is greater than the mass marketers of mainstream brands have realized. J.D. Power & Associates data show that the highest-earning 20 percent of the U.S. population accounts for 54 percent of new car sales, up from 40 percent in 1980. Many product markets are bifurcating, their sales shifting away from mainstream brands to both premium and value brands.

> *Four distinct circles of management practice, implemented together, can ensure the success of a luxury brand in the global marketplace.*

Nouveau riche consumers and entrepreneurs can afford to indulge in the purchase of luxury brands, but many lack the experience and confidence to discriminate. The assurance provided by the well-known and reputable brand can overcome this barrier to purchase. At the same time, brand ownership conveys information about the owner's social status, especially in societies in which class distinctions are unclear or in flux. In the cross-cultural global economy, ownership of a global luxury brand becomes a universally accepted and reassuring statement of good taste.

The market appeal of luxury brands is no longer confined to older, wealthy women. Most luxury purchases are made by men, though only 20 percent of the sales are men's products. This represents an underexploited market. At the same time, an appreciation of luxury is not confined to older consumers; Generation X-ers sport Prada knapsacks and ride expensive mountain bikes. Young Japanese office ladies, who live with their parents and therefore have significant disposable income, account for almost half the Japanese luxury brand apparel and fashion accessory sales.

The appeal of luxury brands has become global in scope as the distribution of wealth has broadened geographically (see **Table 1**). Recent figures indicate that 40 percent of sales are made in Europe, 28 percent in North America, and 24 percent in Asia, but the growth rate in Asia is

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Table 1
Wealth Held by Individuals with More Than $500,000 in Financial Assets
(in billions of dollars)

	1985	*1995*
North America	2,900	4,500
Europe	2,500	4,700
Asia	1,700	4,200
South America	1,000	1,800
Middle East	700	1,100
Africa	300	400

Adapted from Merrill Lynch, Gemini Consulting

fastest, and many European sales are to Asian tourists. Already, Asia accounts for 60 percent of YSL Couture sales, 40 percent of Christian Lacroix sales, and 35 percent of Hermès sales. And China is the largest cognac market in the world. Wealthy consumers from emerging markets accept Western luxury brands as the gold standard.

As cross-border travel and airport congestion increase, more sales of luxury brands than ever before are being made through duty-free shops. Confronted with inefficient distribution and 50 percent retail price premiums at home, as many as 40 percent of Japanese international air passengers buy in duty-free shops, spending five times more than the average American passenger. Japanese consumers have a particular appreciation for perfection, craftsmanship, and brand heritage.

Reflecting the importance of Asian demand to future luxury brand growth, Rémy-Martin's world headquarters have been relocated to Hong Kong. The brother of the Sultan of Brunei acquired a controlling interest in Asprey's, the London jewelers, and Hong Kong-based Dickson Concepts plans to list its newly acquired S.T. Dupont subsidiary on the Paris stock exchange.

The French and Italian luxury brand owners, facing recession and minimal population growth in Europe, are increasingly globalizing their distribution to tap into the new wealth being generated in the emerging markets of Asia. Italian designers in particular have also responded to the trend toward more casual lifestyles, especially outside Europe, which is helping to boost their international sales.

The equity markets have recognized this growth trend and have rewarded publicly traded luxury brand companies—as well as such newly listed IPOs as Bulgari, Gucci, Ralph Lauren, and Donna Karan—with high initial price earning multiples. As a result, these companies can raise capital to invest in design, marketing, new store inventory, and global expansion. The professionalism of management in the luxury brand business has improved, thanks to the expansion of conglomerates like LVMH and the acquisitions of luxury brands by major consumer goods companies such as L'Oréal and Sanofi.

All these factors are raising the demand for luxury brands. However, such favorable trends pose two dilemmas for luxury brand owners. First, market expansion has raised the competitive stakes and marketing expenditures, making it harder for small, family-owned firms to survive. Investment-intensive luxury brands, such as Aston Martin cars, have had to team up with mainstream brands—in this case, Ford. Most owners who do sell out prefer to sell to a conglomerate such as LVMH (whose stable of brands includes Dior, Guerlain, Lacroix, and Loewe, as well as Louis Vuitton and Moët Hennessy) and Vendôme (Montblanc, Dunhill, Cartier). They know how to sell luxury and can leverage investments in acquired brands both geographically and through their existing distribution networks. Investcorp, a Bahrain-based investment company, acquired Tiffany's in 1984, floated it on the stock market three years later, and doubled its initial investment. It did the same with Gucci in 1996.

Second, more consumers can afford to buy luxury brands than ever before. There is a natural temptation to extend brand reach, especially for publicly quoted firms under pressure to show quarterly improvements in sales and earnings. But at what point does a brand become attainable to so many that it no longer represents luxury?

Successful Luxury Brands

The first luxury brands consisted of silverware, glassware, and china made industrially in France and England by Baccarat, Wedgwood, Lalique, and others. Through these products, the bourgeois of the nineteenth century could imitate the hand-crafted designs used by the royalty and nobility.

In the words of the president of one luxury brand firm, "A luxury product is a work of art designed for an exclusive market." Luxury, derived from the Latin word *luxus,* means indulgence of the senses, regardless of cost. Luxury brands are those whose ratio of functional utility to price is low while the ratio of intangible and situational utility to price is high.

A luxury brand is not merely a premium-priced product, an ephemeral status symbol, or a smart investment. Traditional luxury brands share the following characteristics with their historical antecedents:

- consistent delivery of premium quality across all products in the line, from the most to the least expensive;
- a heritage of craftsmanship, often stemming from the original designer (Tiffany's, for example, is 160 years old);
- a recognizable style or design (the savvy consumer does not need to look at the label to know the brand);
- a limited production run of any item to ensure exclusivity and possibly to generate a customer waiting list;

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• a marketing program that supports, through limited distribution and premium pricing, a market position that combines emotional appeal with product excellence;

• a global reputation (the brand's world-class excellence is universally recognized);

• association with a country of origin that has an especially strong reputation as a source of excellence in the relevant product category;

• an element of uniqueness to each product (the imperfections in each hand-blown Waterford crystal vase provide, ironically, the assurance of exclusivity);

• an ability to time design shifts when the category is fashion-intensive; and

• the personality and values of its creator.

Luxury brands hold a higher share of the market in product categories where the brand used conveys social status and image. In many such categories—from apparel to pens—consumers may own items for day-to-day use around the home and luxury brand equivalents for use outside the home. An additional, somewhat perverse indicator of the appeal of a luxury brand is the volume of counterfeits being offered for sale on world markets.

Excluded from our definition of luxury brands are affordable indulgences (such as Häagen-Dazs ice cream) and premium versions of mainstream brands. Nevertheless, within the expanding luxury brand marketplace, we can identify three types:

• limited awareness brands, often managed by family businesses and focused on the delivery of a narrow product line to an exclusive niche market (often hand-crafted and available through only one or two stores);

• well-known brands (such as Rolls Royce cars) that are inaccessible to a broad market as a result of premium price and the fact that they cannot be sampled; and

• well-known brands in categories that permit affordable accessory items (of the requisite quality) to be available to a broader audience.

MANAGING LUXURY BRANDS

There are four keys to managing luxury brands successfully: design and communications management; product line management; customer service management; and channel management. In each case, we present a prescriptive circle to guide managerial decision making.

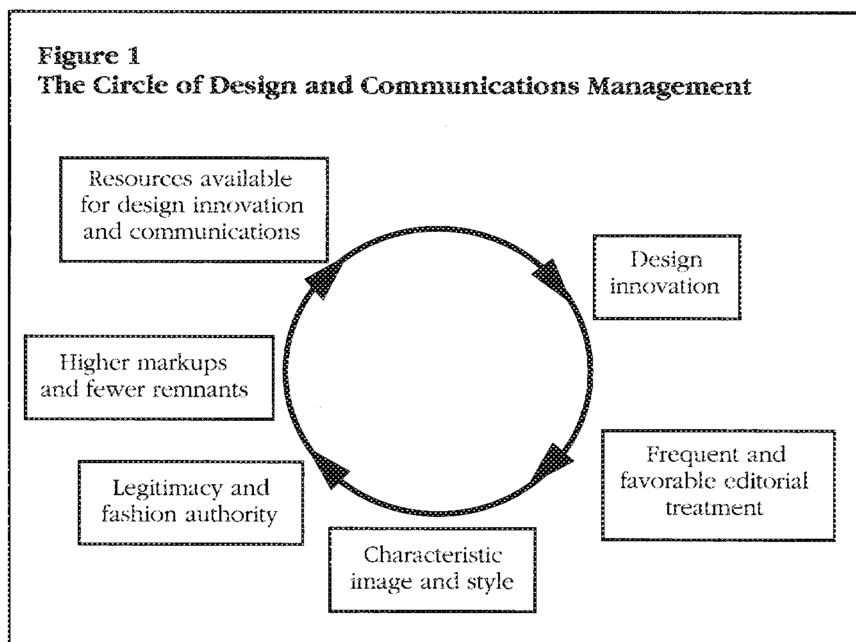
Design and Communications Management

The key element that differentiates luxury from other industries is the paramount importance of creativity. Many luxury brands achieve legitimacy and fashion authority as a result of the creative genius and marketing prowess of single individuals. The creator who is both innovative and convincing can generate favorable editorial comment and market acceptance. Salvatore Ferragamo, the founder of the company that bears his name, was not only a legendary shoe craftsman but also a rich source of aphorisms and anecdotes that the company now uses intensively in its marketing communications and store design. The large posters decorating Ferragamo stores that depict Salvatore presenting his products to Sophia Loren have helped establish him as the supplier to a glamorous elite.

As shown in **Figure 1**, the development of brand reputation permits higher markups to be extracted and markdowns minimized, thereby generating additional resources for design innovation, marketing communications, and brand-building. Many luxury brands depend heavily on the sustained genius of their creator. A founder-designer can make design decisions quickly—often a competitive advantage in the fast-moving fashion industry. In haute couture, annual fashion shows celebrate the design innovations of individual creators. However, the creative genius of a single individual may be sporadic and discontinuous. Design creation for larger, multibrand firms such as Hermès and Vuitton, which do not have a substantial couture business, is less volatile and unpredictable; not all the styles need to be altered every year (there is room for classics in the line) and innovation depends on multinational design teams rather than a single designer.

Given the importance of the creator, succession management is a special problem for the luxury brand. Balenciaga closed his couture house in 1968, refusing to sell his name. Escada ran into

Figure 1
The Circle of Design and Communications Management



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difficulties when its founder died prematurely. Versace's public offering has been postponed until investors are convinced that the brand's value can be sustained with Gianni's sister, Donatella, in the role of chief designer. At Dior and Chanel, the originators passed on but their names and, some would say, their fashion philosophies live on. At Givenchy, on the other hand, appointing a new chief designer represented a controversial effort to reinvent and rejuvenate the brand.

To reduce dependency on a single creator, a luxury brand firm must develop a talented design community. The design team must respect the brand heritage yet continuously reinvent it. The shift to more casual lifestyles, addressed first by such American designers as Ralph Lauren, has proven especially challenging to the French haute couture houses. Design management routines that accommodate the work patterns of the creator yet keep the process on track are also essential.

To extract value in the marketplace, the design initiatives of a luxury brand firm must be communicated worldwide. Fashion shows, special events, and other public relations efforts must be carefully coordinated to secure good editorial coverage in magazines and communicate the desired image of the luxury brand, whether classic or hip. The magazines selected for advertising (often unconventional trendsetting magazines whose quality of readership is more important than numbers), the movies in which the brand appears, the celebrities and pop icons seen wearing the brand—all contribute to the brand image.

In advertising, a balance must be struck between the relative emphasis placed on the creative leader, the brand name and the institution that owns it, and the design output—the products themselves. When luxury brands shift from family businesses to ownership by large publicly traded companies, the brand and design output are typically emphasized more than the creator.

Owners of sneakers often proudly display the names of their selected brands on their footwear and accompanying apparel. Owners of luxury brands, particularly in the more mature markets of Europe, prefer to be more discreet. They want their brands to be recognized by those they want to impress without being ostentatious. Gucci's green and red stripes and Louis Vuitton's luggage initials are relatively "loud" brand indicators compared to Chanel "double C" buttons and Versace's faux Roman medallions. Legibility—the properties of a brand's fabrics, colors, or shapes—is critical to luxury marketing because it makes the product recognizable. The wearers become walking billboards who accelerate the diffusion of innovative designs, from lead users, mavens, and opinion leaders to followers and imitators.

For a brand to be eligible, its distinguishing properties must be included in a select number of recognizable products (what Louis Urvois, former president of Loewe, used to call "emblematic" products) that the firm uses to establish itself in the consumer's mind. Hermès's Kelly bag, Gucci's bone bag handle, and Montblanc's black Meisterstück pen are pivotal products used to anchor their brand images and aesthetic characteristics.

Product Line Management

A big challenge for luxury brand owners is how to stay profitable in the face of continuous pressure for product innovation and the consumer's desire for exclusivity. Short production runs of a wide variety of products generate higher complexity costs. The growth in Asian demand for luxury goods adds to such costs when the designs of apparel, watches, spectacles, handbags, and so on must be reworked and a broader variety of sizes offered for smaller Asian physiques. Intensifying competition is reflected in more frequent new product launches and shorter life cycles.

With products such as fragrances, an industry in which luxury brand owners rely especially on independent distribution, new product proliferation is creating clutter and margin pressure at the point of sale. Although fashion currency is important in the luxury goods market, most successful luxury brands combine a risky and perishable ready-to-wear offering with sales of less fashion-intensive items, such as leather accessories, in legible designs and classic colors. A Gucci store might show its latest fashion accessories in the window but generate most of its sales from black and brown handbags and conservative silk ties. A balanced product portfolio is essential to profitability. Most luxury brands realize fewer than 25 percent of their sales in ready-to-wear; the balance comes from fragrances, leather accessories, and home furnishings.

Luxury brands that have established their fashion authority are less subject to the complexity cost problem. First, there is more consumer pull for these brands, permitting longer production runs. Second, customers are satisfied to select from among a more limited set of designs; variety is not as essential to success. Third, despite a high percentage markup, fewer sales of these brands are made on discount. **Table 2** illustrates this point by comparing the performance of

Table 2
Comparison of Three Handbag Brands

	Brand A	*Brand B*	*Brand C*
Number of Models	35	21	10
Markup	160%	190%	320%
Unit Sales at Full Price	62%	68%	78%

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three luxury brands of handbags in 1995. The brand with the narrower assortment delivered the highest retail markup and the highest percentage of unit sales at full price. Finally, a narrow assortment may also give a brand a more coherent image in the marketplace. However, if product rationalization is taken too far, there will not be enough variety in the line to provide buyers with the requisite level of product exclusivity for the items they select, unless production runs are held below the level of consumer demand.

These relationships are summarized in the second circle (see **Figure 2**). Once a brand has established its fashion authority in the first circle, it can begin a cycle of product line rationalization. A brand characterized by a narrow product offering, with marketing resources focused on building demand for a few emblematic products, will eventually deliver higher markups. Cheaper to produce and stock, these products will also command a price premium at retail. At Hermès, an order for a Kelly crocodile bag, priced in excess of 75,000 francs, has a waiting time of three to six months.

Three other product line challenges confront luxury brand owners. First, to what extent should they include in their lines lower-priced accessory items that enable a broader market—people who could never afford to purchase the principal items in the line—to own a piece of the luxury brand? Accessories comprise around 40 percent of Hermès's sales. The average purchase price at Tiffany's stores in 1996 was $256, and only 5 percent of dollar sales were of items priced at more than $50,000. These brands have elected to democratize luxury, making it affordable to more people. Other luxury brand owners see such a strategy as diminishing brand exclusivity and opening the door for other, more exclusive brands to dislodge the originals from the peaks of their respective market pyramids.

A second and related issue is whether luxury brand owners should stretch their brands through line extensions beyond their core categories. Though leveraging brand equity, such an action can add to complexity costs, and consumers may not perceive the brand's fashion authority as transferable from the core category. Moreover, quality control may be hard to ensure, especially if manufacturing is subcontracted. To avoid embarrassment, luxury brand owners who license the production of goods bearing their names are focusing increasingly on long-term regional or worldwide partnerships, often involving equity investments. Calvin Klein has a 10 percent stake in CK Watches, the product of a joint venture with SMH to manufacture and market watches under the Calvin Klein name.

A third issue is whether luxury brands should launch "junior" versions of their brands to tap into the broader market of consumers who can afford and aspire to own luxury brands. Examples include Montblanc's line of Euroclassique writing instruments, all retailing under $90; the Bazar line of Christian Lacroix; and Versace's Versus line. Often targeting younger audiences and therefore incorporating different product mixes, these junior brands protect the primary brand from being overstretched. On the other hand, if they trade off of the primary brand name, the risks of unprofitable cannibalization and brand image dilution are greater.

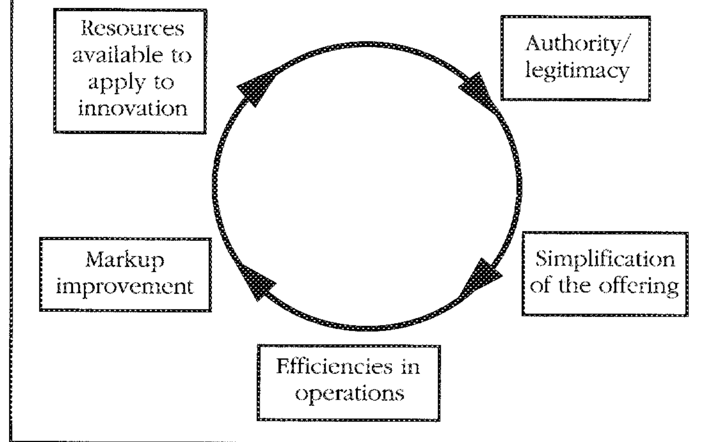

Figure 2
The Circle of Product Line Management

More and more often, luxury brand owners are appointing product managers accountable for everything from raw material sourcing to production, marketing, and merchandising. (It is rare for production to be outsourced.) One company has such responsible managers overseeing silk products, small leather goods, travel goods, menswear, and ladies' ready-to-wear.

Service Management

As their sales expand, luxury brand owners must become experts in customer service, relationship building, and database management to exploit the circle shown in **Figure 3**. Traditionally, customer service for luxury brands meant fulfilling special orders. Craftsmanship and customization went hand-in-hand, for example, at custom shoemakers. More recently, the exclusivity implied by customization is now generated by product rarity, although it is still possible to obtain customization in the world of haute couture. Because selective distribution and limited assortments are not inherently convenient to consumers, the mass marketing of luxury requires more emphasis on formalizing customer service that up to now has been deemed unnecessary.

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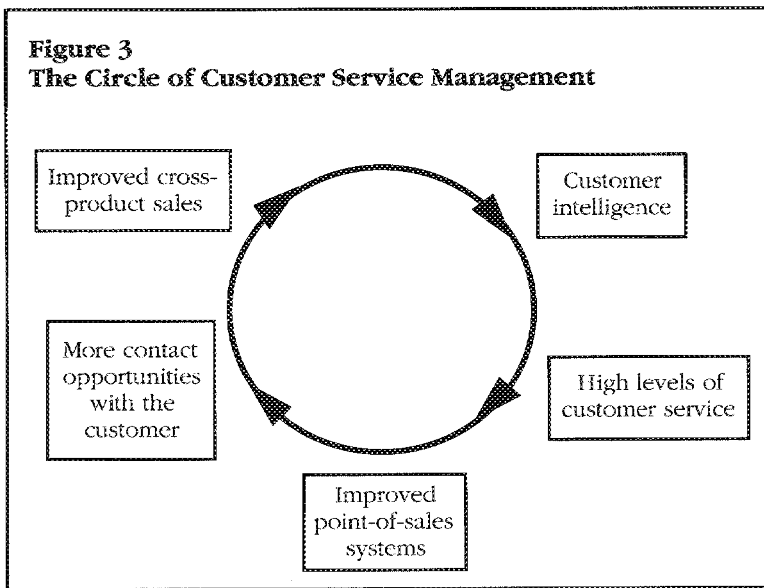
Figure 3
The Circle of Customer Service Management



The long-standing lack of attention to formalized customer service stems from the fact that luxury brands typically have been sold to two segments: a minority of repeat customers who will buy anyway and those occasional consumers who will never be seen again. The first group includes loyal, predictable customers who often have long-standing relationships with particular store salespeople, or even with the designers themselves. The second group includes transient, once-in-a-lifetime customers, often tourists.

Luxury brand retailers have been slow to invest in both computerized client transaction record-keeping and in customer loyalty cards. Moderately priced specialty apparel chains such as The Limited are much more sophisticated in their customer information systems. Although they may not match the luxury brands in design exclusivity or quality of tailoring, they are able to provide superior service.

Luxury brands must invest in management information systems to improve customer tracking for the following reasons:

- The customer who buys an accessory today may purchase items of much higher value tomorrow. Because more consumers today are tempted to mix and match luxury items rather than purchase an entire ensemble from one designer, competition for their attention is more acute.
- Owners should exploit cross-selling opportunities to a greater degree. Luxury store purchase tickets show an average of only 1.3 items bought per visit. Armed with knowledge of a customer's prior purchases, well-trained salespeople should be able to achieve more cross sales.
- The tourist who buys a single item from one store may buy items of the same brand in other stores around the world. A global database enables retailers to know how important their customers are, no matter which store they may shop in around the world.
- Customer databases enable owners to contact their consumers with invitations to collection previews, end-of-season sales, trunk shows, and other events. The frequency and nature of contact can be adjusted according to each customer's purchase history and sales potential. Companies that have achieved forward integration into retail distribution are better able to capture transaction data to guide their customer contact programs.
- Customer databases protect retailers from turnover of salespeople whose customer records may be lost when they leave. Formalizing customer service through computerized records ensures that the customer's relationship is with the company rather than the salesperson.

Channel Management

Manufacturer brands are under pressure from increasingly powerful distributors throughout the world. Yet luxury brands appear to be increasing their power vis-à-vis the trade, sometimes canceling their distribution agreements with multibrand retailers and forward-integrating into wholly owned retail outlets.

Figure 4 shows the mix of channels, some owned, some independent, through which luxury brands are distributed. Also noted are the strategic functions of each channel and its typical consumer profile. Some brands have elected to expand distribution by moving down the pyramid toward greater democratization; others are attempting to recover and, in some cases, contract their distribution. In fact, three retail strategies are currently evident among luxury brand owners:

- **Expand distribution.** After going public and broadening its appeal under the banner of "Contemporary Italian Jewelers," Bulgari announced its intent to expand distribution to 70 jewelry stores (up from 12 in 1995), 300 watch stores (from 140), and 5,000 fragrance counters (from 2,700) by 1997. Tiffany's is also seeking to make its line more accessible, with plans for more than 100 wholly owned shops in 16 countries and wholesale distribution in 30 more. Executives of LVMH have stated that 250 wholly owned stores worldwide are necessary to optimize efficiencies in the luxury goods market.
- **Contract distribution.** Having overextended distribution to boost short-term sales, Gucci has sought to recover its brand image by paring back the number of stores through which the brand is distributed. Between 1990 and 1995, the number of independent stores and chains carrying the Gucci brand was cut from 102 to 74 (Macy's was one of the chains deleted) and duty-free outlets were reduced from 194 to 72. According to the *Economist* ("The Velvet Revolution"

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1996), department store representation fell from 665 outlets in 1990 to 60 in 1995.

• **Recover distribution.** Chanel, Ferragamo, Dior, and others have recently terminated their manufacturing and distribution agreements with local Japanese firms. While Japanese production quality was always high, sales of these brands have reached levels in Japan that justify opening wholly owned monobrand retail shops.

Figure 4
The Progressive Mass Marketing of Luxury

OBJECTIVES
- Build prestige
- Establish brand image
- Display full assortment

- Follow customers as they travel

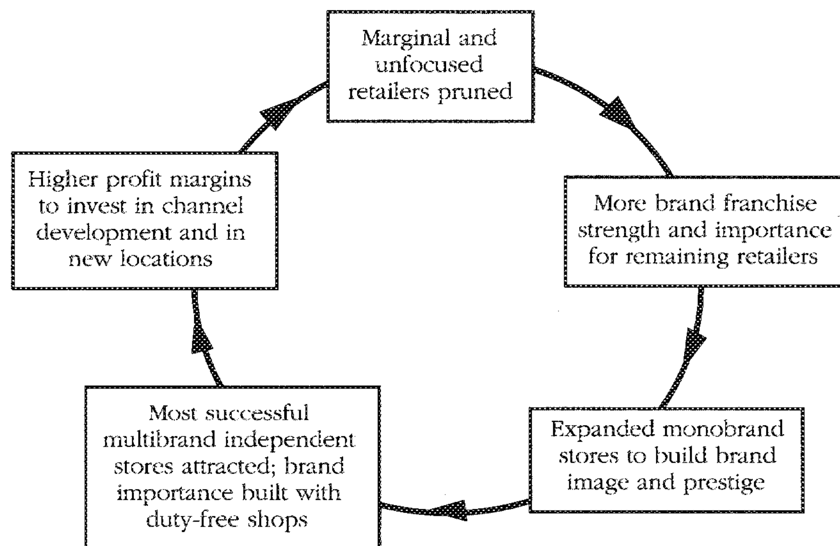
- Extend distribution to smaller cities, especially via lower-priced items (e.g., jeans)

TARGETS
- Elite
- Loyal clients
- Luxury hunters

- Class Tourist ---> Mass Tourist

- Broader mass market willing to pay price premium for luxury brand

Figure 5
The Circle of Channel Management



As shown in **Figure 5**, there is a circle of channel management for luxury brand owners. First, marginal and unfocused retailers must be pruned to improve the strength of the brand franchise for those remaining. Investment in flagship monobrand stores augments the brand's prestige, demonstrates the complete line, presents it as a lifestyle concept, and increases the brand's attractiveness to the most successful independent stores and duty-free shops. A repeating cycle of distribution contraction, recovery, and expansion enables the brand to gradually increase its channel control and strengthen its franchise. The most successful luxury brand owners are constantly challenging the distribution status quo rather than, as many mass marketers do, merely accepting the existing channel environment.

Investments are also being made in monobrand flagship stores in key cities around the world. Many such stores can be found on Fifth Avenue in Manhattan and on the Ginza in Tokyo. Ralph Lauren, Chanel, and LVMH are among the corporations that have built flagship superstores in New York. The purposes, says Barker (1997), are to showcase the brand lifestyle, establish the brand image, and present the full assortment of merchandise in an entertaining shopping environment that will make consumers feel more comfortable paying luxury prices.

These flagship superstores are increasingly supplemented by strings of smaller monobrand stores. Hermès, for example, has 145 such stores and is investing $29 million per year to push this figure to 200 by 2000. Hermès also plans to open 200 mini-stores in airports with a focus on selling low-bulk fashion accessories as gifts. These stores will be owned and operated by franchisees who contract to stock only Hermès merchandise and follow the firm's prescriptions regarding fixturing, merchandise presentation, and pricing.

Luxury brand owners are especially keen to reinvest some of their newfound profits in greater channel control further down the pyramid. DFS Group Inc., a chain of more than 150 duty-free airport shops, has just sold a controlling interest to LVMH, its principal supplier. This acquisition will enable LVMH to manage the assortment mix and merchandising presentation of its stable of brands in each store according to customer traffic and purchase data. Other brands may have to work harder to maintain their presence in the former DFS outlets.

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Less appealing to the luxury brand owners are multibrand department stores and specialty stores—even leased "corners" in department stores. Historically, these outlets have permitted luxury brands to extend their market at low cost, especially in the United States and Japan. In some cases, lower-priced collections have been developed specifically for these channels. However, many of these channels cherry-pick the fastest movers from the luxury brand owner's product line rather than stock and display the full lifestyle concept. In times of economic recession, they also tend to cut inventory investments and retail prices rather than continue to invest in brand franchise development. On occasion, such well-known department stores as Harrod's have even attempted to launch luxury brands of their own. Finally, part-time sales clerks are not familiar enough with the special features of luxury brands that justify their higher prices.

Of course, smaller brands that lack the critical mass of sales necessary to justify monobrand stores must continue to sell through independent outlets. But department stores in many countries are losing retail market share, and larger luxury brands now work to recover distribution control if they can afford to.

Despite this trend toward recovering distribution control, most luxury brands will still continue to be sold through multiple channels. Many consumers value the chance to make cross-brand comparisons in independent specialty stores. Through nonexclusive stores, luxury brand owners can test the pulling power of their merchandise in direct competition with other brands. And smaller brands that lack critical mass still need such independent distribution.

On the other hand, a hybrid mix of channels is complicated to manage. Different channels have different service needs, require different merchandise management, and, in some cases, require separate product lines. Merchandise leakage from one channel to another is a problem, especially if prices vary. All luxury brands must analyze consumer sell-through data at the store and account levels to assess comparative channel profitability and decide the merchandise mix and support services appropriate for each channel.

Although the recent economic volatility in Asia may slow the pace of growth somewhat, rising personal wealth in both emerging and developed markets is fueling the revitalization of luxury brands. The four circles shown here can guide management practice in the luxury industry. Further consolidation will occur, with luxury brand conglomerates that follow our prescriptions acquiring additional family-owned enterprises that cannot easily survive as demand expands and marketing costs escalate.

Continuing demand expansion poses two challenges to luxury brand owners: how far to globalize the product design and assortment, the distribution of merchandise, and the communication of the brand image; and how far to democratize the brand through line extensions, junior product lines, affordable accessories, and expanding distribution. In responding to these opportunities, the owners must remain aware that their brand names are their most important assets. ❐

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Jose Luis Nueno is an associate professor at IESE, Barcelona, Spain. **John A. Quelch** is the dean of the London Business School, London, England.

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