

UNIVERSITY OF PIRAEUS  
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**RETAIL OFFER ADVANTAGE THROUGH  
BRAND ORIENTATION IN LUXURY, HIGH  
FASHION STORES**

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ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΑ

## **Abstract**

The high fashion, up-market, high-street, or designer's fashion, is highly successful, as measured by customer recognition levels, the premium prices that these can command in addition to the extent to which these brands can be applied across a range of product categories, where socially affected dimensions, such as brand image and the level of service provisions, are important for retailer's success. The concept of branding in the context of fashion retailing is characterised by high levels of market concentration, centralisation and outlet standardisation. Also, new technological developments have enabled fashion retailers to replicate competitor offers quite easy, while fast fashion retailers, such as Spanish Zara, Mango or Swedish H&M are producing cheap versions of "in vogue" clothes, making fashionable apparel affordable to wide consumers ranges. In the pursuit of market share, the multiple fashion retailers are implementing branding strategies that aim to differentiate their product offer and reinforce their market positioning.

This thesis provides a conceptualisation of brand orientation within the context of fashion retailing, specially the luxury, or, so-called, high fashion retailing. Most of the high fashion sold today is ready to wear collections and diffusion lines, targeted to customers of particular class, age, income, social status, and with particular orientations to fashion. In plethora of offers, retailer need to work on a number of distinctive features that will make its store special, not only because of the clothes it carries, but also because of the store location and image, aesthetics and atmosphere, staff and its attitude, communication messages, celebrities endorsements, etc. One way retailers have sought to differentiate their stores, and develop sustainable competitive advantage is through branding not only the products, but the total store experience. Branding is endemic in retailing, where products, ranges and the company itself may be branded, and is currently the dominant strategy around which retail competition is structured. Brand orientation expressed through brand's distinctiveness, functional, value adding and symbolic dimensions which are tightly connected to retail mix elements including merchandise, communication

messages, trading format and customer service, is “responsible” for the success of the luxury fashion stores, selling either their own or other manufacturers’ brands. Previous studies suggested that to maintain a competitive advantage, a fashion retailer needs to translate its core values into coherent brand strategy, and more brand oriented the retailer the greater its offer advantage, because, at the heart of brand orientation is the pursuit of competitor differentiation. In this thesis, the case of contemporary Greek clothing retailer characterized as “lifestyle retail brand” will be examined on the basis of the brands it carries, services unique for local market that “add value” before and after the purchase, selective “branded” staff, smart communication messaging, exclusive location, prestigious clientele, etc. In other words, the leadership position of particular high fashion retailer is explained by focusing on its brand oriented strategies implemented in its multi-brand and mono-brand luxury stores.

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*Special thank you to my mother, she knows why...*

In loving memory of my grandmother...

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## **Introduction of the Thesis**

### **Introduction of the Thesis**

In the introductory of the thesis, the background of the fashion in general will be provided, with emphasis on fine, luxury, or designers' fashion, and its artifacts. The background will be followed by: problem discussion that highlights the brand orientation in fashion retailing as a main issue in this thesis, objectives of the study, research question, framework and outline of the thesis.

### **Background**

**A** woman zooms by the art museum in her Mercedes SL500, stopping abruptly at the valet stand. As valet opens the door, the woman steps out dressed in Ralph Lauren from head to toe with the horse emblem prominently etched into each article of clothing. Wearing Gucci sunglasses and Prada shoes, she saunters toward the entrance, while her matching Prada handbag swings on her arm. She personifies sleek elegance and sophistication - the lifestyle each of these brands connotes.

(Jung and Merlin, 2002, p. 40)

This is the real life scenario of a personification of, so called *luxury, lifestyle, and high fashion brands*, targeted to customers of particular class, age, and gender backgrounds and with particular orientations to fashion (Pettinger, 2004. p.165). Most of us can name several fashion brands at a glance, but not many can afford to buy them. These are the brands with strong brand awareness, making names such as Valentino, Prada or Gucci very well known worldwide. Although many people are aware of the fact that designer clothing is not that "much" different than the clothing majority of people consume, it is the image of these brands that people are purchasing. It is an idea of status and exclusivity that makes these brands wanted by people from many different walks of life. For the wealthy, luxury goods, such as designer' clothes, reinforce their status as a members of

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the upper class, but for everyone else are items that many aspire to be able to own someday.

The allure for many designer products is people's desire for wealth and status, which is ultimately the end product that is consumed (Nguyen, 2004. p.21). To a large extent we define ourselves by our possessions: our clothes, our cars, our jewellery, the food we eat, all proclaim and confirm our identity in our own eyes as well as in the eyes of others. Luxury goods bespeak wealth and achievement; we all walk taller in better clothes, fancier cosmetics, and with a Swiss watch on our wrist, even if it cannot be seen (Tossman, 2000).

In our everyday lives, perhaps there is no single factor that dominates the modern popular cultural as much as fashion. Fashion exists as an outward appearance that reflects something about the individual, whether it is identification with a cultural movement, economic status, or a personal desire for the specific style. One view of fashion is that it is not the creation of powerful persuaders, but a normal outcome of a dynamic culture and common shifts in taste and preferences (O'Cass and Frost, 2002.p.68). Fashion is a tool of self-expressing and is considered to be a means by which people's lifestyle and personality may be demonstrated. Nicoletta Ferrari, a member of a famous Ferrari family, stated:

*"Fashion is a kind of lifestyle and becomes a personal statement. It can also represent the attitude of society. Even basic garments can express the social attitude. Fashion is able to suggest a social attitude that people are searching for"* (Au, 2001. p.28).

People communicate many things through their clothes, and are getting judged on the basis of what they wear, reflecting the kind of work they do and how much money they make. Clothing can fulfil a number of functions beyond its functional performance such as warmth or protection; it tells us how important an individual is like, simply on the basis of what brands a person wears. Fashion clothing not only forms an important part of everyday consumption decisions, but is also a central component of almost all daily events, influencing who we associate to, how we dress, how we talk and even the nature of our thinking processes (O'Cass, 2000. p.546).

For the fashion industry, the creativity is the core of the production chain of value, and the convention of originality, or the search for newness which signs the dynamics of the

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sector, implies the formation of a sense of social belonging, because people like a dress if it is original, while developing the sense of distinction and at the same time of social belonging (Santagata, 2002. p.16). Within the so-called symbol intensive industries, offering expensive, prestige or luxury products, such as high fashion, the brand expresses mostly intangible benefits and attributes and if a brand is balancing the delivery of functional benefits with emotional ones, a great symbol intensive brand needs can awake desire and pleasure in the consumer (Saviolo, 2002. p.3). In case of luxury brands the definition of brand as an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant, unique added values, which match their needs most closely (de Chernatony and McDonald 1998, p.20), characterises perfectly the meaning of high street, high-end, up-market fashion apparel brand through all the added values it offers to a person who wears it. That is why it is extremely important for these brands to radiate luxury and prestige throughout the value chain, starting from the designer's creativeness and sewing artistry and finishing with marketing and sales actions. The fashion stores I have concentrated in this thesis are "lifestyle retail brands", defined by Helman and de Chernatony as: a focused retail brand, targeted at a specific market segment defined by lifestyle. The basic retail proposition is augmented with a set of added values that have symbolic values and meaning for the lifestyles of a specific consumer group (p. 49). The brand is aimed at a particular social group and tries to reflect the cultural values of this group, while the "added values" are the cultural and symbolic associations created (Pettinger, 2004. p.171).

The high fashion sector looks with respect at certain companies, generally considered to be of the world's most famous brand names, that have been able, through a successful mixture of continuously fulfilled expectations, communication successfully aimed at their target groups, tradition and selective sales distribution, to create a clear profile for themselves and thus, in contrast to the trends in the market, enjoy positive developments.

There are some identifiable trends that are affecting the fashion industry today:

- The number of collections/seasons per year is increasing.
- Customers are demanding better service.
- Value-added services are becoming the norm, not the exception.
- Lines between retailers and suppliers are blurring.

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- Globalisation is on the increase.
- Compliance requirements are becoming more stringent.
- E-Commerce is providing a new method of communication (intenia.com)

With the growing realization that brands are one of a firm's most valuable intangible assets, branding has emerged as a top management priority in the last decades. Given its highly competitive nature, branding can be especially important in the retailing industry to influence customer perceptions and drive store choice and loyalty. Successful brands in fashion retailing seek to create a distinctive image that will differentiate its brand's personality from the others. Most of the high fashion stores are brand names itself, and here I do not consider the brands' own flagship stores that exclusively sell its own products, but stores selling number of different brands, such as Harrods or Saks Fifth Avenue in London and New York, or Vardas, Carouzos and Sotris in Athens. However, for the fashion retailer, maintaining a sustainable competitive advantage will be dependent on translating its core values into a coherent brand strategy, which may be achieved in a number of ways, for example, through innovations in style and design, by improvements in product quality, through store ambiance, while staffing levels and the provision of skilled and knowledgeable staff may also be considered important (Birtwistle and Freathy, 1998. p.319).

Brand orientation suggests that the organisation's processes revolve around the creation, development and protection of brand identity through ongoing interaction with target customers, done with the aim of achieving long-term superior organisational performance (Urde, 1999. p.117). This can result with a number of advantages for retailers, such as added value to consumers, differentiation from competitors and acting as a compass for organisational decision-making, which positively effects organisational performance. Similarly, the benefits of a strong brand orientation support the development of positional advantages (Bridson and Mavondo, 2004. p.419).

## **Introduction of the Thesis**

### **Problem Statement**

The fashion retail marketplace has attracted criticism for a lack of differentiation, possibly due to greater degrees of market concentration and the standardisation of the fashion retail offer across stores and regions (Birthwistle and Freathy, 1998. p.318). In addition, new technological developments have enabled fashion retailers to replicate competitors' offers with relative ease (Ferne, *et.al.* 1997. p.151). Thus, fashion retailers face both a differentiation dilemma and a challenge in sustaining any long-term advantage over the competitors. As the retail sector plays a critical role in mediating between buyers and sellers of goods, it is important for a retailer to pass the brand meanings to final customer. In a very competitive and also very easy to entry fashion retail market, it is the primary task for retailer to provide uniqueness and originality, not only by carrying important brand names in its assortment, but throughout the whole shopping experience. Some of the stores do carry impressive branded apparel, are located in prestigious locations, but their performance is not as expected; while some other stores are less impressive in its merchandise, but more impressive in its aesthetics, originality and image, sales assistants professionalism, or pricing policy. The question is how a designer's fashion retailer that competes in highly competitive market, can achieve a sustainable competitive advantage by being brand oriented, and what brand orientation represents in modern retailing. Today, carrying a number of fashion brands in store' assortment, changing styles early in the season and keeping up with the newest designers and trends is important, but sometimes not quite enough for rising sales. In case of luxury clothing the price tags do not play the primary role in purchasing decision, simply because most of the customer are high income individuals. For the less rich customers, the desire to own a particular apparel often exceeds the logical boundaries of how much it costs, but more what it stands for. It is not only the clothes sold in a particular store that make us shop in places we do, it is the set of distinctive features that are unique for each retail brand and makes it special in our mind. Fashion companies do approach customers as manufacturers and retailers, selling their own brand, or only as resellers of the manufactured goods; in both cases they focus on brand in all its features. This thesis will explain the meaning of

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fashion retail brand orientation in luxury stores, and show some examples of successful apparel retailers that seriously consider brand in total shopping experience.

### **Objectives of the Study**

In high fashion industry, brand names are crucial when making a purchasing decision, while pricing is not the primary criteria, due to the fact that typical luxury consumer is not very price sensitive. However, because of plethora of brands in apparel market, what makes a consumer interested in particular brand goes beyond its name and reputation. What matters today is not only how we look in a particular clothes, and how much we paid for it, but also of where it is sold and who sells it. The main objective of this thesis is to explain all these “extras”, or different strategies used by retailers that can differentiate its offers and bring customer into the store. More formally stated, the objective of this thesis is to examine whether a fashion (haute couture, ready to wear (prêt-a-porter), and diffusion collections) retailer’s brand orientation assists in explaining variations in retail offer advantage. Here, by brand orientation we consider the extent to which retailers regard themselves as brands and an indication of how much they exceed the theory and practice of branding (Hankinson, 2001. p.231) and are oriented towards building brand capabilities that include using the retail brand as a mark of distinction, a means of satisfying consumer’s functional purchase needs, a source of value adding and a symbolic reflection of consumers (Bridson and Evans, 2004, p. 404). Decisions such as: what and how many designer brands to carry in the store; their reputation, exclusivity, originality, style, scarcity; store and store displays, furnishing, colours, atmosphere, theatrics, aesthetics, messages, images; sales personnel professionalism, attitude, behaviour and appearance; communication messages as a way of showing personality of a brand and provoking people to want to look as models in fashion magazines; services provided before, during and after the purchase, are all dimensions of retail offer advantage encompassed in four theoretical areas of merchandise, trading format, customer communication and customer service.



## **Introduction of the Thesis**

### **Research Question**

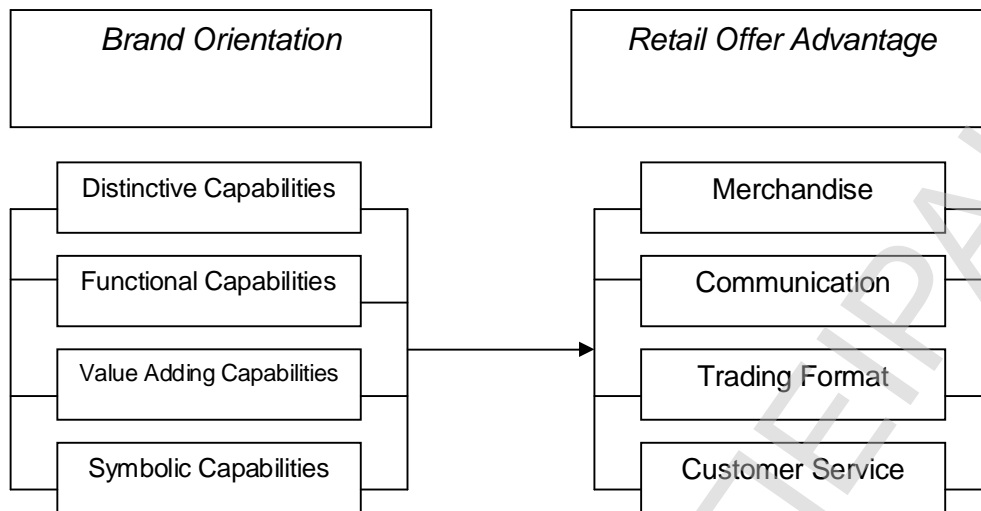
This research is trying to present and analyse a very dynamic and highly competitive world of fashion, and particularly the retailers practices aimed to differentiation positions among great number of high fashion stores. Sometimes, how a store looks like, where it is located and who shops in it is of greater importance than what it sells. Personally, as a fashion conscious consumer, I am familiar with a number of fashion stores that offer expensive imported brands, that do not fulfil all the high fashion criteria in many ways, but because of their clientele, public relations, aesthetic and unusual way of presenting themselves as different and special stores, successfully remain and even expand their activities. To summarize, for a high fashion store to carry branded merchandise of superior quality, newest design, or big assortment is important, but creating a store's image that will fascinate customers, while keeping the brands personality alive in every segment of the retail mix is even of greater importance. The high quality, limited availability and superior and unique design are, nowadays, counted as standard requirements in fashion world, "forcing" retailers to invest more in other elements besides beautiful clothes.

This phrase was the starting point of my research, and it leads to the main question of the research: **is the retailer's brand orientation in luxury, high fashion retailing the leading strategy in achieving differentiation position and sustainable competitive advantage** in a market characterized by strong competition due to the low barriers to entry, constant trend and styles changes, consumers with low loyalty levels, and other influencing factors that will be explained later in this thesis.

### **Framework of the study**

As a framework of this research I will use the Bridson and Evans' (2004. p.406) model, as guidance for the thesis, while the definitions and the outline of the work are presented next:

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### **Definitions of the Study**

High fashion can be defined as the subset of the broader fashion system that revolves around the clothing collections presented by international clothing companies as runway presentations during the fashion show season of one of the four fashion capitals (Paris, Milan, New York and London) and that are featured in international fashion publications (Sims, 2002. p.6).

Luxury goods are defined as goods for which the simple use or display of a particular branded product brings esteem on the owner, apart from any functional utility, where the psychological benefits are the main factor that distinguishes luxury from non-luxury products or counterfeits. (Arghavan and Zaichkowsky, 2001).

Market orientation refers to the organization-wide generation of market intelligence, dissemination of the intelligence across departments, and organization-wide responsiveness to it (Kohli and Jaworski 1990. p.6).

Brand orientation is an approach in which the processes of the organization revolve around the creation, development and protection of the brand identity in an ongoing interaction with target customers, with the aim of achieving lasting competitive advantages in the form of brands (Urde, 1999. 117).

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Brand orientation is also defined as the degree to which the organization values brands and its practices are oriented towards building brand capabilities through interaction with their target consumers (Bridson and Evans, 2004. p.404).

### **Outline of the Thesis**

Chapter one will analyse the notion of fashion and its artefacts, especially the high street fashion brands, or designer's ready to wear collections, the latest trends in the market, the "new consumer" defined as luxury rich, asset poor, that guided that guided those brands to more brand oriented strategies in their building, positioning and retailing.

Chapter two is about fashion retailer as a brand, the distribution options in high fashion houses, some market figures and the most well known brand names in industry are presented with the interesting images, and newest advertisements.

Chapter three is the literature review of the market orientation and brand orientation terms, with special emphasis on the brand orientation strategies in fashion retailing as explained in marketing textbooks, scientific journals, periodicals, and magazines.

Chapter four explains the methodology of the research together with the case study of Greek chain of high fashion mono-brand and multi-brand boutiques, and its brand orientation strategies resulting in leadership position and sustainable competitive advantage in local up-market fashion.

Chapter five contains the conclusions of the research and bibliography.

## **Chapter One: Luxury Fashion Brands**

In this chapter, the term fashion, its classification and artifacts are presented. Next, because high fashion or up-market fashion brands are characterized as luxuries, luxury brands are defined and some of their characteristics summarized. How the high fashion brands are built, starting from their historical background and founders' vision to today's global brands is explained, together with some emerging trends, such as high fashion democratisation and the luxury's "new consumer".

### **Fashion Products Classification**

A fashion can be described as: "a type of product or a way of behaving that is temporarily adopted by a large number of consumers because the product or behaviour is considered to be socially appropriate for the time and place" (Levy and Weitz, 1998.p.162) and it is affected by: *economic, sociological and psychological factors* (p.163). Fashion is one of the essential arts of civilization, and an industry where image matters more than almost anything else. It is arguably a more accurate barometer than any other visual art since it affects everyone and not solely a specific section of the population (Azuma and Fernie, 2003, pp.414) It is obvious that not all apparel and clothing are fashion, dividing market into high-end and low-end segments, or into several broad categories, such as basic commodity products (knit underwear and socks), fashion-basic products (dress shirts, casual slacks, and knit sportswear), better fashion (moderately priced dresses and suits), bridge fashion (higher priced ready-to-wear fashion products), designer collections (high quality and expensive ready-to-wear fashion collections) and custom-made haute couture. These fashion categories are often portrayed in a "fashion pyramid", shown in figure 1, in which products are arrayed according to factors such as fashion content, length of product life cycle, quality, and price (Doeringer and Crean, 2002, p.3).

Haute couture (custom made, the most expensive, unique design), prêt-a-porter (ready to wear, high fashion) and bridge fashions constitute the designer' collections targeted to

## Chapter One Luxury Fashion Brands

upper income, fashion conscious customers. According to Fernie (*et.al.* 1998, p.154), international fashion designers (high-end) have to meet some criteria in order to be considered fashion brand:

- They have international profile in the fashion industry evidenced in having a runway show in London, Paris, Milan or New York,
- They have been established in the fashion designer business for at least two years,
- They market their own label merchandise, and
- They produce merchandise sold in two or more countries<sup>1</sup>

**Figure 1: The Fashion Pyramid**



Source: Doeringer and Crean, 2002 (p.4)

Designers' collections characterised by its high quality, unique design, very high prices and limited distribution are considered luxury clothing-brands. Brand value is also more

<sup>1</sup> From these criteria, 105 fashion designers were identified with over 80 % coming from four countries, France (27), Italy (22), the USA (12) and the UK (75). It is the US and Italian designers, which between them have all of the world's, top nine designers as measured by turnover (Fernie, 1998,p.368).

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crucial than in other product areas, as these brands must carefully judge the balance between being fashionable and desirable, while not exposing themselves too greatly to the vagaries of fashion (Mintel Report, 2004). This particular part of fashion market is more fickle and more exposed to fashion trends than any other product category. Here a brand can rise or fall rapidly, often as a result of a designer's, or creative director's popularity, where many customers buy certain brands because of who the designer is in a specific fashion house (Karl Lagerfeld for Chanel or John Galliano for Dior). In haute couture, designers select fabrics and create designs for collections that are manufactured in small quantities in their own workshops and typically sold in showrooms and independent fashion boutiques, while at the same time, they also develop less expensive collections that are assembled by small and medium sized contractors under contract and licensing arrangements or through department stores (Doeringer and Crean, 2002, p.4), and recently in brands' own flagship stores. As products move down the fashion pyramid from designer collections to "bridge" and "better" clothing, designs become more commercialised and products are priced lower to serve larger markets. Bridge lines are lower-priced, higher sales-volume (and generally more profitable) lines, that include brands such as Ralph Lauren's Polo Collection, Donna Karan's DKNY, Calvin Klein's CK, or Prada's Miu-Miu. Usually, apparel brands in high-priced market are associated with superior quality, symbolic brand image, imported brands, and conspicuous consumption, while at the same time they appeal to consumers' emotional values, and psychological or symbolic aspects of brand image are major reasons why consumers choose a certain brand. As a cultural industry, fine fashion firms and arbiters have increasingly stressed the aesthetic and symbolic qualities of the products at the expense of their instrumentality. Does anyone really need a Hermes 'Birkin' bag for \$5000 or a Bottega Veneta "alligator skin" bag for \$20000? The answer differs for different types of "needs" (Cappetta and Gioia, 2004, p. 6). In a fashion context, brands signal to consumers the quality of a product, the image that it is meant to convey, as well as representing particular current garment styles and trends.

## Chapter One Luxury Fashion Brands

### **Fashion artifacts**

Fashion is one of the essential arts of civilization. No less than painting, sculpture, or any of the applied arts does it reflect the great cultures of the past, illustrating the characteristics of individual societies over the centuries (Azuma and Fernie, 2003, pp.414). It is an industry where image matters more than almost anything else. Image governs virtually all activities and is transmitted through its artifacts. Fine fashion is an industry defined by its artifacts, its clothing, accessories, stores, ads, etc. It is primarily through their artifacts that the firms in this industry develop, sustain, and change their organizational identities and communicate those identities through different processes based on the image (Cappetta and Gioia, 2004 p.3). Fashion artifacts are numerous and different, they act not only at an obvious surface level, but they are also essential for



understanding deeper processes that affect identity and image of a fashion brand.

Gucci brand is a perfect example. Bright, expansive and empty white walls of the company's headquarters contrast with the luxuriant black leather armchairs and black moquettes. Similarly, the big doors of Gucci's stores, their striking black furniture, the chic nonchalance of the salespeople inside, and the highlights on only a few products in the large windows show modernity, style, elegance, power, and solidity. All these features announce "Gucci" in such a clear and definitive way that Gucci's flagship stores do not even need to place name Gucci on the entrance. Gucci's Director of Corporate Communication noted that: "As the commercial success of the Gucci brand is strengthened, the stores' design is incorporating innovative materials. While staying true to the brand's inherent style, new stores offer a new interpretation of contemporary urban elegance, the dark-veined wood contrasts with modern counters and bronze chandeliers. New features are being introduced, such as leather armchairs trimmed with metal hinges, corduroy divans or ivory or chocolate coloured crocodile-skin banquettes" (PPR Group). In table1 there are summaries of the artifactual features of the fine fashion industry, all of which act at personal, organizational, and industry levels.

**Table 1: Artifacts of Fine Fashion Industry**  
***Fine Fashion Artifacts***

**Logos**

- § Brand logos printed on the clothing and accessories;
- § Logos as shape of some products (handbags, wallet, key chain, etc).

***Fashion products***

- § Seasonal products sold in the stores (especially those representing the whole seasonal collection, and those used in advertising campaigns and in window dressing),
- § Classic, not seasonal, products sold in the stores;
- § Vintage or in-waiting list products shown in the stores;
- § Products shown in famous museums or in the company museum;
- § Products shown in the headquarters offices;
- § Products given or sold (at a special price) to the employees;
- § Products the employees are obliged or strongly encouraged to wear while at work.

***Fashion product representations***

- § Videos: Seasonal shows, designers' interviews, top managers' interviews; company history, selection of movies with company products, celebrities' interviewed with company products;
- § Photos: Advertising campaigns, magazine photos, photos by famous photographers, photos as décor for stores, exhibitions and offices.

***Supports of fashion product representations***

- § Catalogues produced to present the new collection, shown in the headquarters and in the stores, given to company guests, and sent to all important customers;
- § Style notebooks and textile notebooks, produced by sector associations and trade fairs to present the pre-visions on the seasonal trends, the colours and the fabrics;
- § Fashion press (with a special mention for Vogue) sold to the potential customers, used for the advertising campaign, reviewed by the company's Press Office, shown in the headquarter halls and offices, or put in frame when they dedicate a cover page or a major article to the company products;
- § Employees infusing brand attributes throughout their work.

***Company layout and furnishing***

- § Store location, layout, dimension and furniture (colours, style, materials)
- § Headquarters location, layout and furniture (colours, style, materials)

Source: Cappetta and Gioia, 2004, p. 26



### **Luxury Brands Concept**

Widespread through different industries, such as the catering (five stars hotels, gourmet restaurants), cosmetics, perfumes and garments (Channel, YSL), jewellery (Cartier, Bulgari) and luxury cars, these categories are all related to comfort, beauty and refinement. Luxury goods are expensive in relative and absolute terms, and many producers of luxury goods tend to believe their clientele comes primarily from upper income classes, where this notion is supported by their managerial practices, such as media exposure to “up market” publications (Vogue), shops are in prime locations (Place Vendome in Paris, 5<sup>th</sup> Avenue in New York, etc) (Dubois and Duquesne, 1993. p. 36). Luxury goods industry is very fascinating and products themselves signify prestige and status. Although a select few are able to afford luxury goods, vast majority of people who are exposed to advertisements for certain products generally have aspirations of being able to own these products someday (Nguyen, 2004. p.1). Today, luxury goods represent an expression of personal pleasure more than an outward sign of success and wealth (Pinault-Printemps-Redoute, 2004, pp.2)

**Luxury goods** are defined as goods for which the simple use or display of a particular branded product brings esteem on the owner, apart from any functional utility (Lee, 2001). Phau and Prendegast (2000. p.124) points out that whilst “luxury” is subjective concept, luxury brands are characterized by four factors: ability to evoke exclusivity, a well-known brand identity, enjoy high brand awareness and perceived quality, while retaining sales and customer loyalty. Nueno and Quelch (1998. p.62) further define luxury brands as “those whose ratio of functional utility to price is low while the ratio of intangible and situational utility to price is high”. While competitive value remains important, price is not the prime issue for consumers attracted by status symbols. This is a key difference between the mass consumer group who purchase FMCG, and the minority population who purchase luxury goods (Dall’Olmo Riley, *et.al.* 2004. p.42)

Another concept related to luxury brands is the “rarity principle”: “the prestige of the brands gets eroded, if too many people own it” (Dubois and Paternault, 1995, p.70). This creates a paradox for luxury brands management, company needs to maximise its profits

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but can never sell or standardise too much. Luxury brands organisations have to maintain a balance between high exposure and awareness with controlled level of sales.

Dubois and Paternault (1995) developed a *dream formula* linking awareness, purchase and dream value to explain luxury brands, as goods that are bought for what they mean, beyond what they are, but that purchase (acquisition, ownership) destroys the dream value, making luxury object less desirable since it has become real (p. 71). To maintain their dream value and avoid risk of commoditisation, “luxury brands must be desired by all, consumed only by some, while target a relatively small, high disposable income group of consumers (Phau and Prendergast, 2000. p.133). An essential component of luxury brands’ equity is therefore their desirability and inaccessibility (Kapferer, 1998), but because of their high prices, they must not only deliver the best, but also extensively customise their products in order to prove how customer-focused they are. Some characteristics of luxury brands, including high fashion brands, are presented in table 2.

**Table 2: Summaries of luxury goods characteristics**

Target a niche market	Phau and Prendergast (2000)
Exclusive distribution	Kapferer (1998)
Symbolism	Vickers & Renand (2003)
After-care Service	Dall’Ollmo Riley & Lacroix (2000)
Status Focus	Nueno & Quelch (1998)
Craftsmanship	Kapferer (1998)

Source: Dall’Ollmo Riley, Lomax & Blunden (2004. p.42)

The most successful luxury companies position themselves at the intersection of two segments, one of authenticity and the quest for absolute quality, and the other of role models and social codes (Dubois and Paternault, 1995. p.75). Their brand draws its fascination for one group from the legitimacy given it by the other.

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Marketers of conspicuous goods (such as high fashion, or designer' fashion) employ several strategies to highlight the exclusivity of their products, like limiting production<sup>2</sup>, charging high prices, and exclusive distribution to restrict the availability of their products, due to the fact that consumers would find a product less valuable if it is widely available, and that exclusivity will enable firm to charge high price and earn higher profits, making the demand curve for prestige goods upward sloping and therefore should not set prices that are too low (Amaldoss and Jain, 2002. p.2).

More than other products, luxury items are bought for what they mean, beyond what they are (Dubois and Paternault, 1995.p. 71). Such a belief is the very foundation for the brand extension strategies, so extensively used in the luxury sector, especially in fashion sector, where extensions range from clothing and accessories, perfumes and cosmetics, homewear and furniture, to hotels and resorts under the brand names such as Armani, Versace, or YSL. In the luxury goods industry, time and size matter: competitive advantage comes from both (Sepulveda-Schulz *et.al.* 2002. pp.12). As the time passes by, brands either gain or loose their reputation. *Reputation* of a luxury brand is of great importance, thanks to which, brands like Chanel or Louis Vuitton are considered 'religion' brands. Reputation will, among other, also allow a brand for diversification (Kenzo launching Kenzoki, a cosmetics line). *Trial cost* is high in the luxury goods industry, since pricing is high. The caveat is that customers usually have a good purchasing power. Consumers are loyal to a brand because the brand consistently delivers quality and respects the customers' self-image. Then, inducing a customer to switch is like changing his self-perception: purchasing luxury goods is both a financial and an emotional investment. For the incumbent, the challenge is to continually reinforce customer loyalty while at the same time attract new ones. Luxury goods are experience goods, and in case of the new entrant a buzz have to be created and convince the customer to try its product (e.g. therefore sampling in cosmetics) in order

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<sup>2</sup> For instance, Ferrari car producer in a effort to maintain its exclusive image, promises not to produce more than 4300 vehicles every year, despite a more than two-year waiting list for its cars (Amaldoss and Jain, 2002). Another example is the Louis Vuitton "Theda" bag, sold for \$5,500 and available only 10 such bags in Britain, while few weeks after the bag was introduced the waiting list was months long both in London and New York (Guyon, 2004, The Fortune). Hermes Birkin handbags, for instance, which sell for up to \$13000 each, have in some places a waiting list extended for years (The Economist, 2002).

Some marketers believe that those waiting lists are more for commercial and deliberate scarcity reasons, rather than for the real limited production reasons, where the brand's exclusivity and scarcity evokes even greater desire for possession.

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that she/he redefines his/her self-image. *Installed base* (network) is very important in luxury goods industry, At the same time, luxury goods have very special regarding network effect: the appeal of a brand is inversely related to the number of customers. More exclusive the brand, more desirable it is. These brands play a very special marketing game called “the illusion of exclusivity” (Sepulveda-Schulz *et.al.* 2002. pp.13). Many brands are doing what can be called “mass luxury goods” with cosmetics (Lancome at L’Oreal) or accessory lines. Complements/hosts: there is no real technical complement in that industry, but cross selling is increasingly strategic for luxury goods companies, hence the diversification in shoes, table ware, eyewear, etc... Rich customers enjoy purchasing different products under same brand name, where companies’ interest is to offer a wide enough range of products to meet all customers’ needs. Having a wide portfolio of products will allow for cash flow that will provide necessary funds to invest in an early-stage brand and new activities.

There are basically 3 ways of growing in the luxury goods industry:

1. Extend and defend core category (Todd's, Tiffany or Rolex)
2. Build new categories via brand stretch (Armani, Hugo Boss or Versace)
3. Extend brand portfolio (LVMH, Gucci, Richemont, Prada) (Sepulveda-Schulz *et.al.* 2002. pp.13).

### **Luxury, Lifestyle, High Street Fashion**

High fashion brands are designer collections, that include high-fashion couture and ready-to-wear lines, both produced and priced for a small percentage of population that want something different and unique, while high-price is directly associated with top quality and exclusivity, which are basic requests of a high fashion brand.

*High fashion can be defined as the subset of the broader fashion system that revolves around the clothing collections presented by international clothing companies as runway presentations during the fashion show season in one of the four fashion capitals (Paris,*

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*Milan, New York and London) and that are featured in international fashion publications* (Sims, 2002. p.10).

These brands have managed to maintain a position at the top end of their respective markets for many years, successfully seeing off competitors, wars, economic downturns and scandals, while staying remarkably resilient (Beverland, 2004. p.446). Despite years of abuse, brands such as Chanel and Gucci have rebounded quickly after they returned to a more focused strategy (Moore et al. 2000. p.933) having the brand as a fundamental source of competitive advantage (p.924). In terms of development of a successful international fashion brand, there are three integral elements, namely:

- § global advertising strategy,
- § focused product development strategy, and
- § carefully controlled distribution policy (Moore et al. 2000, p.932), that made these brands, global-power brands.

Advertising expenditure in fashion industry is significant (Moore et al. 2000.p.932), and to enable expansion of the brand across a number of national markets, fashion houses adopted global campaigns, using standardised images and media methods that provided companies with scale economies, as well as control over positioning of the brand image within foreign markets. In terms of the second element (focused product development strategy), it is important to understand that such a focused strategy does not necessary imply limiting ranges to a small number of product types. The majority of the most successful fashion houses, such as Ralph Lauren, Hermes and Giorgio Armani, have launched collections ranging from underwear to household goods, regarding to “lifestyle” nature of their products. Many retailers have, through development of extensive wholesale distribution networks, made their brands physically available and economically accessible to an unprecedented number of consumers, which led to overexposure and decreased image of exclusivity. Brands, such as Chanel and Dior, which have continued to restrict the availability of their distribution and avoided the development of diffusion ranges, are still quite inaccessible, and also very exclusive (Moore et al. 2000, p.933). Summarizing, the main characteristics of high fashion brands are:

- A strong branding that relates to an exclusive and wealthy lifestyle,
- High quality, especially in terms of design,

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- Premium pricing and
- Limited distribution

There are few facets that identify the luxury's vision of fashion brands, such as: excellent quality, very high price, scarcity and uniqueness, aesthetics and polysensuality, ancestral heritage and personal history, and superfluosness<sup>3</sup> (useless) (Dubois *et.al*, 2001. p.8-15). Despite enormous brand awareness related to high fashion brands, little is known of how they are build, managed, and what marketing strategies made these brands what they stand for today. Fashion market is very complicated market, where constant changes in design, style, seasons and what is "in fashion" happen almost on a daily basis. Also, changes in industry structure itself, where companies evolved from small family businesses to holding corporations, and consumers moving to more one-on-one marketing with their wants and needs exceeding simple product features, expecting something more than a physical product, something extra, an added value, or emotion a certain wear can evoke.

### **Heritage and Tradition as a Basis of High Fashion Brands**

Heritage and prestige are the hallmarks of many designer' brands, some of which are hundred of years old (Hanna, 2004). Some of the most celebrated fashion designer brands have a history of more than a century. Historically, the fashion industry has been almost entirely symbol driven, making a profit was not central to its early existence, but rather the fashion houses were based on "cults of personality", and were inextricably tied to their genius founders (e.g. Coco Chanel, Christian Dior, Cristobal Balenciaga, Salvatore Feragamo, Gianni Versace, etc.). For instance, the traditional country tweed suit of Coco Channel, is still the trademark of Channel house, or the Louis Vuitton's suitcases, represent the company's most selling products, even though LVMH company owns more than 50 fashion and not only brand names under the same umbrella. Most of the long-life fashion houses, every season, refer to its early beginnings and the founder's first and original designs which remain the point of reference for many brands. Of course,

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<sup>3</sup> Luxury products are not felt to be necessary for survival, in order to be regarded as luxurious, products of services must not derive their value from functional characteristics but from additional benefits of a different nature (Dubois, Laurent and Czellar, 2001, p.15).

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the designs are modernised and target today's customer, but remain the most recognizable elements of brands' image for very many years. Keeping in touch with its tradition and heritage, but in a modern, "updated way", allow many brands to be still trendy and strong after so many years of abuse.

Today, economic factors have become as important as symbolic factors, which has led to an integration of the expressive symbolic factors and economically instrumental factors in the design and delivery of artifactual products (Capetta and Gioia, 2004. p.6). For example, the house of Burberry, founded in 1856, as the creator of the iconic trench coat, has dressed movie stars, athletes, British military, and the Royal family. For many years, the Burberry name was a synonym for its tartan trench coat, (in the picture down)



and its trade-mark motive. However, long tradition, recognizable style, and brand's classic motive, were not enough to save it in the eighties and beginning of nineties, where Burberry was seeing decreasing sales and not very flattering brand image, because it could not follow the fashion market evolution, consumers' needs and cultural changes.

However, in 1997, Burberry went through a revitalization of its brand that emphasized strength of its more timeless products while expanding into fashionable clothing and accessories for men and women, introducing products targeted to trendy, younger consumers. Newly appointed CEO, Rose Marie Bravo, turned Burberry label around by introducing a new strategic plan to improve its brand image and increase awareness among its target audience, with ad campaigns featuring supermodels and celebrities, where the whole focus of the relaunch was to emphasize new credentials of the Burberry brand without casting off its classic roots (Nguyen, 2004. p.10). Today, Queen Elizabeth II wears her Burberry trench coat, but so does supermodel Kate Moss (Hanna, 2004). This is an example of how fashion brands need to keep up with the constantly changing

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dynamism of consumers markets and focus its branding strategies to this dynamism, while sustaining, if available, to its heritage (the Classic Burberry's motive).



Traditional luxury brand such as Burberry, are refashioning themselves as "style" brands (Dolbow, 2001), as shown in images from its latest runway show and fashion magazine editorials. Its all-time classic check coat lining-part of its tradition and heritage-now appears on



everything from towels to ties and capri pants. It is expanding into baby and childrenswear, leather goods and home products, with 58 stores around the world (Dolbow, 2001).

Many other premium international fashion retail companies, in times of declining sales and profits, among which are Gucci, Ralph Lauren and Prada, followed the re-alignment business model of Burberry, based on company's partial public share offering, a preference for internal control over manufacturing and distribution, expansion of the product portfolio to include a wider customer base and adoption of a multi-brand positioning (Moore and Birtwistle, 2003. p.414). Today, they are all top brands worn by fashion conscious people around the world.

Some other lifestyle brands are born from a scratch. In 1967, when Ralph Lauren introduced his first Polo product -a tie- he intended to merge the classic American style with the refinement, tailoring and sensibility of European fashion. This designer never deviated from that goal. Even as Lauren later ventured into women's clothing, fragrance, furniture and paints, crafting the full Polo line through range branding, all of his products exhibit the same personality-the classic American brand (Jung and Merlin, 2002. p.42).



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Importantly, fashion designer's brands draw on their long tradition (if available), in the entire spectrum of brand communication, but they also have clearly defined core competencies and a very specific target group proposition (KPMG, 2002.p.13). These brands have understood how to grow, basically, by means of one single product, as a brand's trademark product, such as sales of cases and leather accessories at Louis Vuitton that still make up a large part of the total sales (cases and leather bags of LV are the companies first and primary products, hand-made in Vuitton's own French factory for more than a century). The same applied for a long time to Hugo Boss with regard to his dominance of suits, or Giorgio Armani for classical evening gowns (p.13).

### **Branding the high fashion**

Brand building in luxury business is not an easy task, simply because it is necessary to create desire for things that no one really needs. While in the past the critical success factors for fashion companies were the product and manufacturing technologies, today these success factors have moved to more intangible elements, such as *brand and retail management*. Recently, retailer brands in fashion sector improved greatly due to, primarily, retailers becoming more involved in product creation and investing in their own design, buying and marketing teams. Life-style companies have the highest potential for successful strategies, particularly in more advanced societies, specially today, when relationship between customer and product is built on deeper, more durable foundations than in the past. Within this context, **brand more than product plays a fundamental role** because it represents a tool capable of stabilizing the relationship between company or one of its product lines, and a given segment of consumers who identify with that company (Saviolo, 2000. p.8). The brand became the fulcrum of all market strategies. Consumers are increasingly aware of their own personality and behaviours, including purchasing behaviour (p.9).

It is certain that high fashion brand names are very well known, and their awareness global, but it seems that having a respectful brand name and prestigious logo or symbol, is not just quite enough for a success in one of the most competitive industries, such as fashion. Consumers today want not only, respectful brand name, high quality and original

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design, but superiority, starting from advertisement, physical product features, design, quality, originality, brand personality, service level, and store image. Of all consumer product markets, high fashion is perhaps the one mostly associated with branding. It is often highly successful, as measured by customer recognition levels, the premium prices, and the extent to which these brands can be applied across a range of product categories<sup>4</sup>. Large well-known fashion brands are highly valuable, and their value often exceeds the size of the company's sales. As previously mentioned, most of the today's major fashion houses started life from a vision of their founders/designers that have built the image and identity of brand through number of years, and today these companies have been institutionalised into global fashion conglomerates, where it is not easy for designers to express their inspirations free from the eyes of the investors and shareholders of the fashion houses (Azuma and Fernie, 2003. p.414). However, the design and creativeness are the focal points in fashion branding building strategies, followed by smart managerial and communication movements.

Historically, it should be recognized that branding of high fashion has a long tradition, and can be dated back to the mid-nineteenth century in Paris when the couturier Worth, in an attempt to prevent the counterfeiting of his designs, branded them, by putting his name on (Fernie *et. al.* 1997. p.151). But as the development of new technology made the garments easily copied, couturiers of the period, recognized the need to differentiate their offer, and they sought to do this through exclusivity, price, service, location and, most important of all, through the branding of a clear house image and identity. Early antecedent of lifestyle branding is to be found in brand communication strategies of the house of Chanel in Paris in the 1920's. Rather than designing clothes to suit a lifestyle, Coco Chanel claimed to have created a lifestyle, and packaged that lifestyle in the image of her cruise wear and country tweed collections, which became her design signature and brand identity. Chanel recognized two important dimensions of branding that have now become the corner stone of luxury goods branding. First was the ability of fashion brand to become synonymous with a particular lifestyle, and second was that

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<sup>4</sup> For example, the extension of the Ralph Lauren brand, which successfully extends from clothing to home furnishings, personal accessories and perfumery.

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not everyone who aspired to a particular lifestyle fashion brand could afford it. As a result, Chanel became a pioneer of brand-line extension, and through development of Chanel perfumes, was able to extend the accessibility of her brand, without detriment to her established fashion brand identity (Ferne *et. al.* 1997.p.152). Except being the earliest examples of branding, high fashion also provides an obvious illustration of the social and psychological context of branding, where these brands act as social signals, gain their meaning from a cultural context, and can be invested with a symbolism, which communicates social status, wealth, and social group conformity (p.153).

Brand names are very important to consumers, as their disposable income and the amount of time that are able to shop is slowly diminishing. Therefore consumers are relying more on established brand names and the images they convey when purchasing products. Almost all of the famous fashion brands have distinctive brand names and huge worldwide awareness, while some brands are even synonyms for a certain style, design or fabric (e. g. Missoni striped classic fabric).

A common trend for many major brand manufacturers like Tommy Hilfiger and Ralph Lauren is adding new lines to their already established brand names or to license their brand names with various products in order to capitalize on profits and the loyalty of their customers. Competition and consumer brand attitudes make introducing a new brands risky and very expensive, increasing the attractiveness of *brand extensions*. It is certainly much less expensive to sell an existing branded piece of clothing than to persuade a customer to try a new unknown brand name. The cost of new product introduction, combined with the struggle to differentiate products, avoid price competition and broaden the market base of a company's products has escalated the value of established brands and driven business to consider the potential to leverage their brand equity to new products and product categories (Lye, *et.al*, 2001. p. 53).

Brand and line extensions are widespread within luxury goods industry, and are proven to be a potential successful and profitable growth strategy, while specific elements such as tradition, heritage and craftsmanship stand as key considerations before deciding the extension. Some brands have extended well beyond their traditional sphere of expertise clothes (women, men, kids collections), cosmetics, perfumes, furniture, and even moving

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from fashion to hospitality, such as Palazzo Versace' Hotel in Australia's Gold Coast or Salvatore Ferragamo's the "Continental" in Florence (Dall'Olmo Riley *et. al.*, 2004. p.41). Today, managers in other industries can use high fashion branding building strategies as examples of successful branding. Many fashion brands often go one step further, in their brand's strategies; by using original, unique ideas, positioning to unusual target markets, or choosing unconventional communication these brands tend to draw attention and sometimes even provoke.

One of the most interesting examples of unusual and highly successful brand positioning strategy is the case of **Tommy Hilfiger** brand. Tommy saw his clothes worn by a quite unusual segment of American population, and was the first major designer to capitalise on urbanwear trend and hip-hop culture,



creating a premium brand whose logo-Tommy Hilfiger-is now seen on everything from jeans to bath towels targeted to, mostly, African American generation X<sup>5</sup> population, whose fashion choices influenced younger consumers trend not only in the US, but world-wide (McNeil, *et.al.*2001. p.234-235).

His clothing was adopted by rap stars and then embraced by the mass market. However, while Hilfiger did not set out to create a line that would be popular among blacks, he had the strategic insight to take advantage of such an opportunity, realizing that adoption of his clothes by blacks would help their wider diffusion among white teenagers. But to do this, Hilfiger needed to support black models and gain endorsements from prominent rap stars, necessitating an adaptive change to his strategy (Beverland, 2004. p.68). His advertisements were always supporting black models, while his clothing worn by black celebrities and not only. Having in mind the increasing popularisation of hip-hop and rap music and these artists' lifestyle, Tommy Hilfiger's clothing was just the "right thing" for young consumers in US market firstly, and very soon in Europe and Asia.

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<sup>5</sup> Demographic group called Generation X in the US are individuals born between 1965 and 1976, while generation Y are individuals born from 1977 to 1994 (Nguyen, 2003,p.5).

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All of the high fashion houses operate internationally, and as such, adopt a brand identity based on brand values and images that have a global and universal appeal, but this does differ in a sense that a certain pecking order is respected and used to separate product lines into: haute couture, prêt-à-porter and diffusion collections. In addition, there is a distinction between brands associated with the upper range of luxury with the lower range of luxury (Vigneron and Johnson, 2004. pp.4), for example, luxury brand Armani may be placed in the upper range of luxury brands, while Emporio Armani, the more popular and more affordable Armani brand, crafted to satisfy need of a larger target market, may be ranked in a lower level of luxury, but still be considered luxury. In the designer fashion, at the highest level of the design is “haute couture” (“high fashion”: Armani, Dior, Gucci, Louis Vuitton, which stage the “runway” fashion shows in Milan, Paris, London and New York and are frequently presented in the important trade magazines) which constitutes custom, one-off designs. On the next level, is prêt-a- porter, or “ready to wear” line (CK, DKNY, MaxMara, MiuMiu), which produces fashion products that average person would still think of as quite expensive, but nonetheless can be bought off the shelf. Prêt-à-porter originated at the end of 60s, as democratisation of haute couture, where garments needed to reach wider audience and tastes; furthermore, the role of the designers went from simple executor of clients’ desires to interpreter of society’s tastes and influencer of public opinion.

In the context of an economic downturn and continuing demand for conspicuous consumption, diffusion brands can be identified as a step-down brand extension (as step-up will mean more exclusivity, quality and higher prices) of an existing luxury brand in similar product categories, which aims to establish a close connection with the parent brand as a luxury product (Cheong and Phau, 2002. p.1932). Examples of fashion brands and their diffusion brands include: Armani – Armani Exchange, Prada – Miu Miu, DKNY – DKNY Sports and Fendi – Fendisimme. Extending a brand capitalises on the equity of the existing brand, by introducing new products at a lower cost, and enables new sales based on already known brand name and its status.

Almost all fashion houses today are designing, producing and retailing small number of haute couture designs, with emphasis on ready to wear and diffusion lines. Haute couture is usually sold through flagships stores and showrooms. Flagship stores also serve to

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promote the brand, besides catwalk shows of main-line collections, but require great investments, starting from top locations, superior architects design, and expensive and unique furnishing. However, most of the designer apparel actually became global brands through ready-to-wear and diffusion ranges that are normally targeted towards the younger and middle markets and is less expensive than the main-line merchandise. In order to reflect and respond to the fragmented nature of fashion consumption and the increased demand for designer brands from the less “rich” customers, “bridge” collections are usually established as a separate brand name to attract a broader customer base and create a distinct and more casual fashion identity at lower prices, while retaining an association with leading brand. An interesting point in fashion branding strategies is the Bernard Arnault’s<sup>6</sup>, formula for luxury brand building:

*“Sharply define the brand identity or “DNA” by mining the brand’s history and finding the right designer to express it; tightly control quality and distribution; and create masterful marketing buzz”*

(Guyon, 2004).

### **Luxury brands “democratization”**

The industry has experienced considerable growth over the last two decades (LVMH report 2000), and such growth has resulted from a strong “**democratization**” movement, in which goods formerly reserved to a “elite” are now consumed by a large public even if only occasionally. The perfect example can be found in the growth of the French suitcase maker Louis Vuitton. In 1977, it was still a family business with sales under 10 million dollars, by 1999, the same company, now part of the LVMH group, reported sales approaching 2 billion dollars. This has been made possible through a gigantic increase in the number of Louis Vuitton consumers (Dubois, Laurent and Czellar, 2000 p.5), specially

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<sup>6</sup> Bernard Arnault or so called, Pope of fashion is the CEO of LVMH Group, the leader in the luxury goods industry, carrying more than fifty well-known and successful brand names under its umbrella, from Moët & Chandon to Donna Karan (Guyon, The Fortune, 2004)

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in some markets, like Japan, where exclusive European fashion labels have become “must haves” among Japanese consumers<sup>7</sup>, making this country one of the world’s leading mass market for luxury goods (Nguyen, 2002. p.6), together with the growing US consumers base.

The super rich, or so-called high-net individuals<sup>8</sup>, who are estimated by Merrill Lynch consultancy firm, about 26 million people around the world are still spending for the luxuries. They represent the high fashion traditional consumer, interested in haute couture and ready to wear, designer’s first collections. More significantly, though, is that these individuals are increasing in number all the time.

Beside this traditional luxury consumer, there is a new type of consumer who promises to expand the market dramatically, selective trading-up of middle market consumers to higher levels of quality, taste and aspiration (The Economist, 2002). Higher income among consumer has led to an increased demand for luxury goods, causing a market split between traditional and recent luxury consumer, characterized by being “asset poor” and “luxury rich” forming a larger, but with different purchase motivations segment (Beverland, 2004 p.68). Traditional consumers of high fashion are after authenticity, while newcomers demand absolute quality and high standards of excellence, are less brand loyal and more selective, want the trendiest designs, and are influenced by seeing the products in television shows, movies and magazines.

These new customers - luxury rich but asset poor – are both an opportunity and a threat for luxury goods producers. They are more demanding and selective, which increasingly have to be marketed in creative and expensive ways, meaning that producers in order to maintain quality and withstand the tightening of their margins must have capacity and resources to change designs frequently and get new products into shops rapidly. The frequent or traditional, rich consumers of designers fashion have displayed extreme

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<sup>7</sup> A recent survey by Japan’s Saison Research institute found that more than half of Japanese women in their 20s own a Louis Vuitton bag, while an astonishing nine in ten claimed to own at least one Louis Vuitton item. It is believed that this luxury boom in Japan is due to young, unmarried Japanese women who continue to live with their parents well into adulthood (parasite singles), leaving them free to spend what they earn on clothes, travel and accessories (Nguyen, 2002.p.7)

<sup>8</sup> High-net individuals are defined as individuals with investible assets of over \$1 million. A survey by Cap Gemini Ernst and Young reported that in 2000 more than 7.2 million individuals worldwide held over \$1 million each in financial assets, a 3% increase over the previous year. It is believed that these individuals accounted for roughly \$27 trillion of the world’s wealth, while membership in this group was expected to increase by an average 08% annually for the next five years. North America was home to roughly a third of these high net-worth individuals, followed closely by Europe and Asia. (Ramaswamy, 2004, p. 446)

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loyalty to the most exclusive brands even in difficult times, while consumers at the lower-end of the industry continue to consume “near-luxury” items offered by diffusion brands, like Polo by Ralph Lauren, Emporio Armani by Armani, or CK by Calvin Klein. The question that arises is how can this new, but also the traditional consumer be “moved” by the brand, stay more loyal while faced with huge number of brands, available in every major city worldwide, starting from expensive couture lines, to the cheaper diffusion collections and accessories. Marketing a high fashion item, such as evening dress, or leather coat, is not just about the product or the design itself, but the “emotion quotient”. It’s about maintaining a consistency of experience (Schiller, 2005).

Nevertheless, the future of luxury goods do rests with this “luxury rich and asset poor” individuals simply because their growth rate exceeds the one of simply rich and traditional fashion consumers. This new consumer that, for example, wears \$10 top from Zara with \$ 500 Gucci bag, is more demanding, and shows less brand loyalty; wants the trendiest designs, marketed in creative and expensive ways. The common thoughts that people have about luxury brands is that they are too expensive for the average person, but this is not necessarily true, because low cost luxury is not only possible, but also very common. A great number of fashion designers are not only into the haute couture and prêt-a-porter collections, but also in diffusion lines, which are, obviously more affordable to wider consumers markets, but still under the same brand name and expressing identical or similar brand “personality” characteristics. Except the diffusion lines, fashion brand extensions are widespread to accessories, eyewear, cosmetics, perfumery, swimwear, homewear and furniture, and even hotels, and pet’s accessories.

### **Prestigious and Mass-tigious**

Some designers are expanding not only to new product lines, but to new brands and new target markets, like Carolina Herrera’s recently opened New York store, under the name “CH”. This is the perfect example of extending respectful brand into a new one, targeted to different customers and manufactured by different specifications, but still refer to its mother brand. CH brand is the new proposal of Herrera’s company targeted to women



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that adores fine fashion, but cannot afford it. The CH (CNN report, 2006) store carries clothes of Carolina's design, but under different brand strategy, trying to reach average women, who are not able to afford exquisite, but expensive Carolina's dresses. Pricing policy is adjusted according to this new consumer's needs, with fabrics quality and craftsmanship lower than first collection, but the personal artistic touch of a great designer is very obvious and visible. CH brand still holds the prestige of main brand, but instead of spending \$8000 for an evening gown, women can still feel glamorous in \$500 CH dress.

**Mass-tige** term came from a combination of words prestige and mass, meaning prestige for masses. The last decade found many fine fashion designers cooperating with fast fashion, vertically integrated companies, like Swedish H&M. Designer Stella McCartney and Gianfranco Ferre designed collections to be sold exclusively at H&M stores, as a way of making their unique designs more affordable to consumers other than traditional upper class market. Priced higher than authentic H & M designs, but certainly, much lower than their own if sold in more exclusive stores. It is logical to understand that clothes made for H & M could not compare with the original prêt-a-porter collections, but only brand names, like Stella McCartney and Gianfranco Ferre were enough for these collections to be sold out in a very short period of time.

### **Luxury Apparel Industry Trends**

One don't have to be a fashion or design expert, or a multimillionaire, to notice that some suggestion of luxury has invaded almost every aspect of our daily lives, whether it is an diamond-encrusted crocodile Hermes handbag or a Michael Kors' exclusive dresses. These days luxury is so prevalent in so many different industries that it may manifest itself in a multitude of ways, from the obvious opulence of a private jet to the sleek discretion of a minimal style four-star restaurant. Some notions of luxury may seem pretty far out initially, but the high-end market wields a lot of influence on the mass market, and many ideas eventually trickle down to the mainstream. Today, despite the general state of unrest in the world, the global luxury-goods business is booming, up 27.7% in the U.S. and 56.2% in Hong Kong in the first half of the year 2004 (Betts, 2004).

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In the world of high, luxury fashion, there are no typical fashion companies; rather, they come from a broad spectrum of enterprises operating in apparel, footwear, home textiles and accessories markets. The industry spans a multitude of different types of companies, including retailers, design source and sell companies, companies with their own production bases and other companies who outsource production, but retain control over parts of the production process. In addition, companies in high fashion sector often face very different pressures than those working with commodity fashion goods.

One trend that defined business at the end of the 20th century was that of multibillion-dollar mergers and acquisitions that have dramatically expanded the scope and the size of corporations. The fashion and apparel retail industry is no exception. Mergers and acquisitions in this industry reached new heights in the 1990's (Ho, *et.al.*2000 p. 2). The consolidation is accelerating and it appears that size is increasingly important in order to smooth the business cycles, provide growth, diversification, synergies opportunities, and to allow for better vertical integration (Schulz, 2002 p. 10).

The financial and legal structure of companies evolved from small, family owned businesses into big holding companies, gathering under the same “umbrella” a respective number of fashion brands. Many have become public limited companies (Donna Karan in 1996; Gucci in 1995; and Tommy Hilfiger in 1992), while others are part of larger international conglomerates, for example the French company LVMH that owns and controls brands such as Christian Dior, Christian Lacroix, Loewe, Louis Vuitton, Kenzo; Gucci Group that gathers leading brands such as Gucci, YSL, Boucheron, Bottega Veneta, Alexander McQueen, Stella McCartney, and Balenciaga.

Another trend that characterises luxury fashion is the intensive advertising, aiming at constantly reminding and challenging consumers. The ads are highly artistic, expressing brands exclusivity and prestige, while many companies often use celebrities as “face” of the certain season. Brands such as Chanel, LVMH, and Marc Jacobs are renowned for using actors to sell their products. Nowadays, in order to entice consumers, the names and faces need to be known from Singapore to Shanghai and from New York to Nairobi. The great luxury brands are looking toward new and innovative advertising in order to compete in a laden-down market where everything is widely available to everyone, leading prestige brands to create some of the most exciting ad campaigns we have seen.

## **Chapter One Luxury Fashion Brands**

Another trend in the world of fashion has is a shift in the way in which fashion styles are determined away from an intrinsic interaction between fashion and the regional environmental factors towards the dominance by global fashion capitalism (Azuma and Fernie, 2003 p.413). The companies are truly global nowadays, by means that manufacturers can now sell different products that are produced in different countries and spanning many different continents, implying multinational strategy that allows manufacturers to increase their revenues by focusing on selling their products in countries with rapidly growing economies. These companies are able to act as manufacturers (wholesalers), retailers, or both. However, luxury goods companies were seriously injured from the economic slump that hit their profits after the September 11 where the impact has been most striking among the large, quoted luxury companies. France's LVMH, the industry leader, ended year 2001 with decline of 29% in operating profit, Gucci Group, the third largest company in the industry, reported second half profits of 2001 falling by 33%, and Prada had to sell recently acquired stake in Fendi to LVMH in order to reduce its debts (The Economist, 2002). At the same time cheaper fashion options of Spanish Zara, Mango and Swedish H&M folded the market with inexpensive but fashionable copies of catwalk designs, putting further pressure on the luxury business. Of course, the increasing strength of the euro is eating into the margins of luxury-goods companies, which buy raw materials and pay workers in euros, but sell their products mostly outside the euro zone, in particular in the U.S. and Japan (Galloni, et.al.2005).

The above march of events drove large-size fashion companies and retailers to increasingly place focus on integrating the essence of lowering production costs and time compression through a set of modern operational philosophies in the arena of offshore manufacturing. Due to the trend of regionalization in global economies (Gereffi, 1999. pp.55; 2001.pp.1672), the offshore<sup>9</sup> supply chain has progressively become capable of incorporating the on-going trend into merchandising, thus delivering the right products in the right place and, most importantly, at an inexpensive price (Fernie, 1994). Despite the

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<sup>9</sup> Apparel industry is a labor- intensive industry, where the production jobs are unskilled and semi-skilled. Recently, many apparel manufacturers are outsourcing their production to Asian countries, particularly to China and India, but also to Central and South American countries (Doeringer and Crean, 2004, p.1).

## Chapter One Luxury Fashion Brands

homogenisation of fashion designs that derives from this phenomenon, the majority of consumers are satisfied with the improved availability of *in-vogue fashion at inexpensive prices*. Saving on production costs to boost margins has become an appetizing prospect. The first shift came during the 1990s luxury-goods boom. Some high-end fashion companies quietly began moving production of secondary, cheaper lines to Eastern Europe to help meet rising demand, while producing their sophisticated items made in low volumes, or, their fanciest collections in their own countries, because the tags like Made in Italy, counted a lot (Galloni, et.al., 2005). Today, even the upper luxury products are starting to move offshore<sup>10</sup>. It is also a sign of the extent to which high-end products are under pressure from low-cost alternatives. Recently, luxury producers are finding that the trend toward casual dressing has forced people to search for new ways to set themselves apart and express their personality, which has led to an increasing demand for luxury accessories such as belts, handbags, wallets and pens, which can be easily worn on casual dress days (Arghavan and Zaichkowsky, 2000. pp. 486). This trend had resulted in continuous growth in leather goods and accessories sector led by companies such as Louis Vuitton and Gucci. It could happen soon to see this part of the market to overtake the ready-to-wear sector in terms of total category share. The leather goods and accessories category is perhaps the most crucial in the luxury goods sector, and it is experiencing growth, mainly driven by the continuing interest in accessories in the fashion world. The fashion press continues to focus on items such as handbags and belts, heralding them as "must have" items (Intel, 2004). As consumers appear to show no sign of fatigue for the "fast-fashion" environment, this emphasis seems likely and logical to continue. It is therefore becoming increasingly crucial for luxury brands to offer a regularly updated, accessories ranges that can gather important profits (Intel, 2004). Luxury stores are making their wares more accessible to younger customer looking to trade up. Many place less expensive items like makeup and accessories on front counters with in easy browsing reach. These products are more about the individual, people are not buying whole outfits anymore, but wearing blue jeans with a designer cap

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<sup>10</sup> For example, 18% of Armani Collezioni is made in Eastern Europe, Celine's (part of LVMH group) Macadam line of handbags are made in China, Gucci sneakers are made in Serbia, Hugo Boss \$550 suits are made in China, some Prada's shoes are made in Slovenia and handbags in Turkey, Valentino's \$1,300 men suits made in Egypt. This is inevitable if we consider the hourly labor costs for the textile industry in 2004 where in France: \$19.82; Italy: \$18.63; US: \$15.78; while in Slovakia: \$3.27; Turkey: \$3.05; Bulgaria: 1.14; Egypt: \$0.88; Mainland China: \$0.49 (Galloni,et.al. , 2005).

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of jacket. These items are trying to be more accessible to the affluent who will dress in an individual way (Dolbow, 2001), combining styles, brands and non-brands. Another way to “fight” the fast fashion options, is in offering something they are not able to offer: **hyper-exclusivity**. The fashion will be toward one-of-a-kinds, limited editions and bespokes, for instance, Dolce & Gabbana took their 10 best-selling outfits from years gone by and reworked them under a new label, Dolce & Gabbana Vintage. Gucci has already introduced a line of made-to-order bags, starting at \$1,500 and giving customers a chance to put their own initials on any one of five classic bags from the Gucci archives (Dolbow, 2001).

An ongoing trend in the fashion retailing called retail therapy is a relatively new term for a not so new phenomenon; represents the act of buying things to make us feel better. Part of the experience is finding and purchasing that just “right something”, but an equally important component is the thrill of the chase - the sensory experience of entering a store and being surrounded by light, colour, texture, and sound (Hanna, 2004). A store’s location and image factor may not always translate to hard and fast sales, but image is all-important in the world of luxury. A shopper’s first impression is of utmost importance.

An ongoing trend in high fashion industry is definitely, the so called, war for talents. In this industry driven by creativity, a brand has to attract and retain the best creative talents. In addition, as the industry becomes more dynamic and competitive, there is a need for good managers, thus the war for attracting the best of them<sup>11</sup>.

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<sup>11</sup> Some examples of this war for talent for creative designers: the move in 2000 of Alexander McQueen from LVMH / Givenchy to Gucci Group, where he launched his own brand; the move in 2001 of Christopher Bailey from Senior Designer of Gucci to Design Director of Burberry and the move in 2001 of Stella McCartney from Head of Design of Chloé (Richemont) to Creative Director of her own label within Gucci Group. On the manager side, some examples are the move in 2001 of Bernardo Sanchez Incera from International Director of Zara to Director of European Fashion with LVMH and of Giacomo Santucci from MD Helmut Lang with Prada to General Manager with Gucci Division (Sepulveda-Schulz, 2004, pp.12).

## **Chapter One Luxury Fashion Brands**

### Conclusion of the Chapter One

A fashion can be described as: “a type of product or a way of behaving that is temporarily adopted by a large number of consumers because the product or behaviour is considered to be socially appropriate for the time and place. Fashion business can be divided into two segments: high and low-end market. High fashion is the subset of the broader fashion system that revolves around the clothing collections presented by international clothing companies as runway presentations during the fashion show season of one of the four fashion capitals (Paris, Milan, New York and London) and that are featured in international fashion publications. High-end market, or, so called, high-end, high-street, fine fashion is haute-couture, prêt-a-porter and diffusion designers’ collections presented in fashion shows and fashion magazine editorials. As a cultural industry, fine fashion firms and arbiters have increasingly stressed the aesthetic and symbolic qualities of the product, sometimes even at the expense of their instrumentality.

The designers’ clothing and accessories are considered luxury items, and their use brings esteem to the owner, apart from any functional utility; they appeal to consumers’ emotional values, where psychological or symbolic aspects of the brand image are major reasons why consumers choose a certain brand. To highlight the exclusivity of their products, luxury fashion brands are characterized by limited production, extremely high prices, and exclusive distribution, where restrictive availability of products makes it more desirable and enables the firm to charge higher price and earn higher profits. Luxury fashion brands are of today’s most recognizable brand names that became internationally known based on global advertising strategy, focused product development strategy, and carefully controlled distribution policy. Some of the most celebrated fashion houses have a history of more than a century, making their first designs today’s points of reference and differentiation for many fashion houses (Burberry’s trench coat, or Channel’s tweed jacket) .

Today, brand more than the product plays a fundamental role in many industries, especially in the fashion business. Except being the earliest examples of branding, high

## **Chapter One Luxury Fashion Brands**

fashion also provides an obvious illustration of the social and psychological context of branding, where these brands act as social signals, gain their meaning from a cultural context, and can be invested with a symbolism, which communicates social status, wealth, and social group conformity.

Brand and line extensions are widespread within luxury goods industry, and are proven to be a potential successful and profitable growth strategy, where some brands have extended well beyond their traditional sphere of expertise, from clothes (women, men, kids collections), to accessories, cosmetics, perfumes, furniture, and hotels. Almost all fashion houses today are designing, producing and retailing limited number of haute couture designs, focusing on ready to wear, diffusion lines and accessories that are more affordable to wider consumer ranges, and still considered as luxuries due to their prestigious brand names. Mergers and acquisitions, global strategies, offshore manufacturing, intensive advertising, fast-fashion strength, war for talented designer of executive, are some of the ongoing trends that influence modern fashion market, specially its high-end part.

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## Chapter Two Fashion Retailer as a Brand

### **Chapter Two: Fashion Retailer as a brand**

Chapter two explains how high fashion houses became strong retailers themselves, trend so called, fashion's rush to retail; how a retailer can be viewed as brand, the distribution options in the industry, directly operated stores, its advantages and risks; market figures, the most well known brand names in industry, as well as the Greek fashion market overview and its major players in the high-end retailing.

#### **Fashion Retail Stores**

*"Stroll through the premier shopping centers in any world-class city from Rodeo Drive in Beverly Hills to Tokyo's Ginza district, and check out the names now appearing above the glass doors: Armani, Chanel, Escada, Fendi, Gucci. Once the province of exclusive boutiques with invisible "Luxury Spoken Here" signs in the window, or the showcase collections of high-end retailers like Harrods, these luxury purveyors are forging their own retail brands. It is called fashion's rush to retail"*

*(Dolbow, 2001).*

Luxury's retail push is driven by a number of factors. This particular market is expanding its boundaries to greet nouveau riches and wannabe wealthies with slightly less expensive product lines show cased in flagship stores as brands like Donna Karan or Calvin Klein pursue younger, slightly less upscale demos (Dolbow, 2001. pp.1), with separate collections, as DKNY, or CK. It is obvious that a retailer can be viewed as a brand itself; either if sells its own brand, or the imported one. Through different distribution channels, fashion companies are present on a global level, where all the major and even smaller cities, offer a number of fashion designer brands. Lately, luxury products, such as designer clothes brands, evolve into retailers, from economic as well as emotional reasons. One reason why luxury brands are bypassing old channels is the margin requirements and other constraints placed on them by struggling department store

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merchants, as these brands are sold through department stores as well. However, when a retailer operates in an environment that it controls exclusively as the brand owner, it is to one's advantage. In addition to economic forces, the retail push has an emotional side as well; people want one on one contact, while they look to shopping as a social experience and want to shop where they know the brand, which brand's own stores provide, and where department stores often fall short.

As luxury brands evolve into retailers, they are shedding their old-world, private-club atmosphere for a more laid-back style. In the 50's and 60's, luxury stores were like museums, places for the truly wealthy customer only (Dolbow, 2001. pp.1). Today, the newly wealthy who may not have grown up in such privileged surrounding expect more of a "shopping experience" than the one offered in impersonal department stores. The theatric atmosphere of brand's own store, or a luxury store offering imported brands, is very much different than department store style. Many of the fashion houses are buying back their licenses, and limiting the availability of their products to their own flagship stores in order to keep brand's exclusivity.

Due to a little generic product differentiation in clothing market, the retailer's own-brand has emerged as the cornerstone of the marketing strategies of the major retail fashion players, where by developing a successful own-brand enables retailer to differentiate, protect and take advantage of its market strength (Moore, 1995. pp.19). Consequently, the role of the fashion retailer has changed from being that of a somewhat passive pipeline for the movement of manufacturer's goods to that of a highly expert channel coordinator of marketing activity, achieved largely by an emphasis upon product innovation and customer focus (pp.20).

For some, distribution is one of the key elements in the value chain, Sagra Maceira de Rosen, a luxury-goods analyst at J.P. Morgan, argues that:

*"If there is one critical word in the luxury business, it is "execution". People think about the luxury business in the wrong way - they think about brand names. But luxury companies are primarily retailers. In retailing, the most important thing is execution, and execution is all about management. You may have the best designed product, but if you don't get it into the right kind of shop at the right time, you will fail" (The Economist, Mar. 21st, 2002, New York).*

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That probably explains the increasing trend of owning and controlling the distribution. For instance, the focus of many luxury brands, like Gucci, is on directly operated stores and carefully selected wholesale, where Gucci has the power to ensure that all products are presented to customers in a way that capitalizes on the exclusivity and ultimate allure of the brand (Gucci Annual report 1999, pp.33) To regain control of the distribution, many brands have started to acquire franchises and reduce wholesale and duty free. For Gucci, the share of directly operated stores has grown from 63% of total sales in 1998 to 69% in 2000. For Richemont, the same share has grown from 39% in 1999 to 45% in 2001. Companies who have historically been manufacturers only, have started developing both directly operated stores and franchises (Sepulveda-Schulz, *et.al*, 2002. pp.5). In luxury goods retail, directly operated stores have been growing much faster than other forms of distribution over the past years, because of the need to better control the brand. In the 1980s and 90s, when companies delegated sale to third parties, the priority of these parties was to make fashion available to wide customer base. To achieve this, they offered often-uncontrolled discounts, which combined with a broader availability of the product, diluted the brand image and reduced the willingness of customers to pay a premium prices. This led to the need to control the brand and thus to integrate the manufacturer-brand itself in retailing. The distribution strategies used in high fashion vary from the traditional positions of wholesaling of the products to up market department stores, which is low risk for the manufacturer, to licensing or franchising route-medium risk, and establishment of company owned store-higher risk. Regardless of the route to international expansion, the capital investment required for growth is substantial and has created a transformation of the ownership structure of fashion houses (Sepulveda-Schulz, 2002. p.6).

There are five main distribution channels in the luxury fashion industry:

- ➔ Directly operated stores (DOS)
- ➔ Franchise
- ➔ Wholesale distribution
- ➔ Agents
- ➔ Licenses



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These channels differ in the degree of control, capital requirements and profitability, as shown in table 3.

**Table 3: The Main Distribution Channels in Fashion Industry, and the Differences in Control, Capital Required and Profitability for Fashion Company.**

	Control	Capital required	Profitability
DOS	High	High	Low
Franchise	↑	↑	↓
Wholesale distribution			
Agents			
License	Low	Low	High

Source: Sepulveda-Schulz (2002. p.6)

This trend towards full control and ownership of the distribution helps solve some of the problems associated with other distribution channels and has some distinctive advantage:

- § If helps solve the problem of distribution and display control, the creation of the right atmosphere and architecture and the subsequent ability to change quickly,
- § Controls the product quality and price and the service quality, which in many luxury shops was satisfactory and do not provide any extra service to the other clients,
- § Allows to get immediate customer feedback,
- § Allows for a higher margin as the retail margin is captured and defences against retailers' pressure on margins, and
- § Better control of the grey market.

However, there are many downsides that are sometimes ignored, such as:

- § The strong increase of the financial risk: (the investments required for stores on highly visible areas are high with a trend to increase; luxury goods companies spend between 5-7% of sales on capital expenditure every year, which is mainly invested in new stores and refurbishment; and there is an increased financial risk associated with the inventory management, the leasing/financing commitments and the rigidity of the cost structure)

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§ The additional business risk. The risk of business failure increases, as the skills required are quite different for owning/leasing and managing a shop than for developing and marketing a brand (Sepulveda-Schulz 2002. pp.7).

Directly operated stores, or flagship stores can be distinguished by three characteristics. First, they carry a single (usually established) brand of product, second, they are owned by that brand's manufacturer, and finally, they are operated, at least in part, with the intention of building or reinforcing the image of the brand<sup>12</sup> rather than operating to sell product at a profit. Many fashion houses are investing in flagship stores in world's major cities, not only to gather sales profits, but because these stores act as advertisement, reflecting prestige and luxury, reminding consumers of what their brand personality is about. Interestingly, such stores are rarely crowded, existing for privileged consumers. The products offered are mostly haute couture as well as top (first) ready to wear collection of the most well known fashion houses.

Diffusion lines usually are sold in department stores, franchised stores, single and multi-brand boutiques, and since their selling price, diffusion level and repurchase rate differ from haute couture, it is reasonable to name ready to wear collections and accessories as *accessible luxury fashion*. Many retailers have also chosen a mixed strategy of selling their private label lines alongside with other more famous brand names, just as the manufacturers operate their own stores and also sell through network of retailers; thus being business partners and the competitors at the same time. No matter of the trading format, luxury clothing is always offered in highly prestigious stores where not only merchandise, but also environment, atmospherics, staff, scent, music are taken into account.

In fashion business, due to long lead-times, forecasting accuracy is poor. A significant part of the merchandise bought cannot be sold at first price and must be cleared out through markdowns (Mattila, *et.al*, 2004. pp.342). Towards the end of the season, merchandise is offered on sales, in order to clean up the previous season stock, and start early with the new season's display. Many retailers sell remained stock through stock houses, discounted up to 70 or eve 80%. However, some very exclusive fashion houses

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<sup>12</sup> For instance, Miuccia Prada , the granddaughter of the founder of the Italian fashion group Prada, has opened spectacular new stores in quick succession in New York and London. With its magic mirrors, plasma displays and computer-controlled changing rooms, Prada's shop in Manhattan cost a staggering \$40m, and sells practically nothing(The Economist, Mar. 21st ,2002).

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do not practice markdowns and discounts, such is the case with the luxury's market leader Louis Vuitton that wishes to keep its brand's "dream" (Dubois and Paternault, 1995. pp.69) level constantly on very high level, offering its famous leather bags and suitcases under the same price tag throughout the year.

### **Fashion Seasons and Cycles**

Retail success can be defined as achieving high gross margins and customer service levels (i.e. being in-stock) with as little inventory as possible, while forecast accuracy, process lead-time, offshore/local sourcing mix and up-front/replenishment buying mix can have a significant impact on success in connection with sourcing seasonal products with a fashion content (Mattila, *et.al.*, 2002.pp.340). Forecast accuracy depends on the characteristics of the product and supply lead-time. Lead-times are traditionally long and buying decisions are often made seven to eight months prior to the start of the selling season (pp.340). It is very interesting and creative how fashion designers attempt to foresee the next change in trends and what will be "in fashion" for the upcoming season, while retailers face the difficulties of adapting fashion lines for each season in a short time frame before the next one arrives. Although the apparel industry seems to be in the maturity stage and growth is slow, fashion trend cycles are accelerating – nowadays the average successful clothing trend lasts only six to twelve weeks (North, *et.al.*, 2003. p.41). The strategy that retailers use is to plan for two main seasons and two trans-seasonal periods, and manipulate prices early in the season to accelerate adoption and then later to clear remaining stock towards the end of a season (O'Cass and Frost, 2002.p. 68). It is quite difficult for both, manufacturers and retailers, to come up with new ideas and resources, when clothing design, promotion and marketing are concerned. Constant changes in fashion and market trends, have make the fast fashion options (e.g. Zara and H&M) not only more affordable, but also more adjusted to customers' needs, by having their designs renewed, updated on a weekly basis, while keeping the best selling items on track for the whole season. In order to keep up with those retailers, high fashion houses try to create and market more seasons per year than they use to couple of years ago. This trend provokes a chain of reactions for all participants:

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manufacture/distribution/retailing. In a retail environment, the provision of more collections per year satisfies the demand from the consumers for a greater variety of product offerings, and brings a more continuous stream of products to the market. For manufacturers and distributors, the introduction of more seasons or collections places additional strains on supply chain management, demanding shorter time-to-market, reduced lead times and greater delivery precision. As a way to better meet customer demands, the trend is moving toward delivering floor-ready merchandise (Birtwistle, *et.al.*2003. p.127), items are delivered on specific hangers, bar coded, price tagged and packaged, making the product ready to be displayed in stores. In-store preparation needs to be performed as a value-added service that may be executed in distribution centers (p.127).

Retail fashion stores have formerly carried apparel months before it becomes the season's style. Nowadays, consumers tend to buy closer to their need, and to keep up with the changing times; manufacturers have to shorten design, development, production, and distribution cycles (Nguyen, 2003. p.4). Companies are putting more emphasis into market research to keep up with their customers' needs and current trends in the marketplace. In order to survive, they must constantly come up with new designs, new product line extensions, or even new product lines, developed either internally or externally through acquiring other companies and/or licensing agreements. Acquisitions may be the only route to sales growth in mature industries such as apparel industry, where conglomerates like LVMH or Gucci Group are typical examples of owning and managing number of brands under the same brand umbrella. Some manufacturers-retailers are so updated with fashion trends that almost on weekly basis come up with new designs, inspired from the fashion trends they see on the streets and places where young people visit, such as the case with Zara designs, sold exclusively in brand's own stores worldwide. The retailing of own-labels can increase the control the retailer has over the supply chain allowing greater direction to be exercised over the choice of fabrics, making up, quality control and distribution (Birtwistle and Freathy, 1998. p. 319). It also provides the retailer with an intangible, symbolic, differentiator that is difficult to replicate (Moore, 1995. p.21). In this respect, fashion is no different from food retailing, where most of the companies have developed own-brands as a means of strengthening

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their market position (Moore, 1995. p. 19). In such a fashion, fast retailers have achieved success through the pursuit of scale economies, the inherent benefits of corporate planning, centralization, as well as the expansive replication of their successful trading formats. Even though fast fashion retailers target the masses and sell cheaper versions of high fashion designs, while high fashion targets rich, fashion and brand conscious consumers, both of them compete in the same market, where even higher income customers may choose the less expensive version of the similar items.

### **Competition in high fashion market**

While fashion, by definition, is such a phenomenon that is deeply rooted in the socio-political settings, national and regional character of people, climactic (protective/ergonomics) features, and technological advancement in a given area, globalization of the fashion industry over the past decades has diluted its intrinsic nature (Azuma and Fernie, 2003, pp.415). The traditional tie between the fashion and the locality, thus, has been severed in the process of "economic migration" (pp.415). While the traditional apparel industry is struggling and facing shrinking sales, vertical integrated retailers are changing market's dynamics and, many vertically integrated, multi-national specialty retailers, continue to defy the global economic downturn and show strong growth rates<sup>13</sup>.

Retail markets are more diverse and fragmented than ever before, presenting consumers with an overload of information and alternatives (Kozinetz, *et.al.* 2002 pp.17.). The competitiveness in high-end fashion industry can be qualified as relatively **high**, but given the high margins and the customers' perception about the price, the competition is not on

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13 One explanation for their success is the fact that they have tried to solve the problem of the highly perishable fashion items through controlling and streamlining their supply chains they were able to cut their lead times to two or three weeks, allowing them to respond to the very common changes in fashion customer' tastes almost in real-time, minimizing the fashion risk. Instead of launching new collections once a season, they replace their whole collections every four weeks; several times a week, the customer finds something new in store shelves (Bragger, 2003. pp.2). But only following the fast collection pace is not automatically the way to success, it is much more about having the latest styles, thus about cutting lead times. Zara, for example, is the industry's leader in its ability to respond rapidly to fashion trends. It puts fashion ranges together in seven to 30 days and can replenish bestsellers in the stores in five days. H&M can respond within three weeks. This compares to as much as 40-50 weeks from design to delivery for a typical clothing retailer (pp.2).

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price, but rather on **quality and image perception**, as well as on the ability to attract the **right designers** (Sepulveda-Schulz, 2002. pp.7). The market is quite fragmented due to low barriers of entry; it is easy for new companies to enter into the market, but staying there successfully demands resources, technological infrastructure and marketing knowledge, in order to gain exposure and brand loyal consumers. Some smaller size companies are often seeking to be bought by their larger rivals in order to expand sales (Nguyen, 2004. pp.3), while the small retailers disappear and the big ones are getting even bigger, such as the case with the luxury industry leaders, LVMH and Gucci Group.

Even though the fast fashion and high fashion retailers differ in a number of ways, they are considered competitors. First, because they are part of the same industry, (apparel and clothing) and second, because they offer similar products, or, at least they look similar. Of course, the quality and artistry are not comparable; high fashion is based on the best quality fabrics and perfect sewing procedures that follow original design and culminate in extravagant fashion shows and exclusive stores. High fashion community has continuously nurtured the intrinsic genre of fashion creation in the context of the contemporary world, sustained partly by the cultural heritage of individual designers and partly by their technical background (Azuma and Fernie, 2003, pp.414), but the dissemination of the ownership shares and the access to the stock exchange market make the succession an ordinary routine: there is no financial identification between *couturier*-founder and ownership anymore (Santagata, 2002. pp.14).

As mentioned previously, most of the very well known brands in luxury clothing market usually started as family owned businesses on the basis of a great ideas and designs of the designer/founder/owner, such as Coco Chanel, Nina Ricci, Cristobal Balenciaga, Christian Dior, Yves Saint Laurent, etc. Today, brand's founder or designer less controls the ownership and brand itself, which consequently influences the creativity and originality of collections. Forced by the shareholders' profit search, collections are more successful, as measured by sales volume, and less by artistry. The high fashion community has institutionalized into global fashion capitalism, which makes it difficult for designers to express their inspirations free from the eyes of the investors and shareholders of the fashion houses (Azuma and Fernie, 2003, pp.414). The current situation in fashion design and the fashion industry, therefore, has severely undermined the traditional

## **Chapter Two Fashion Retailer as a Brand**

system of intrinsic fashion design, in which creativity emerges from small-scale businesses, more than in huge multinational companies.

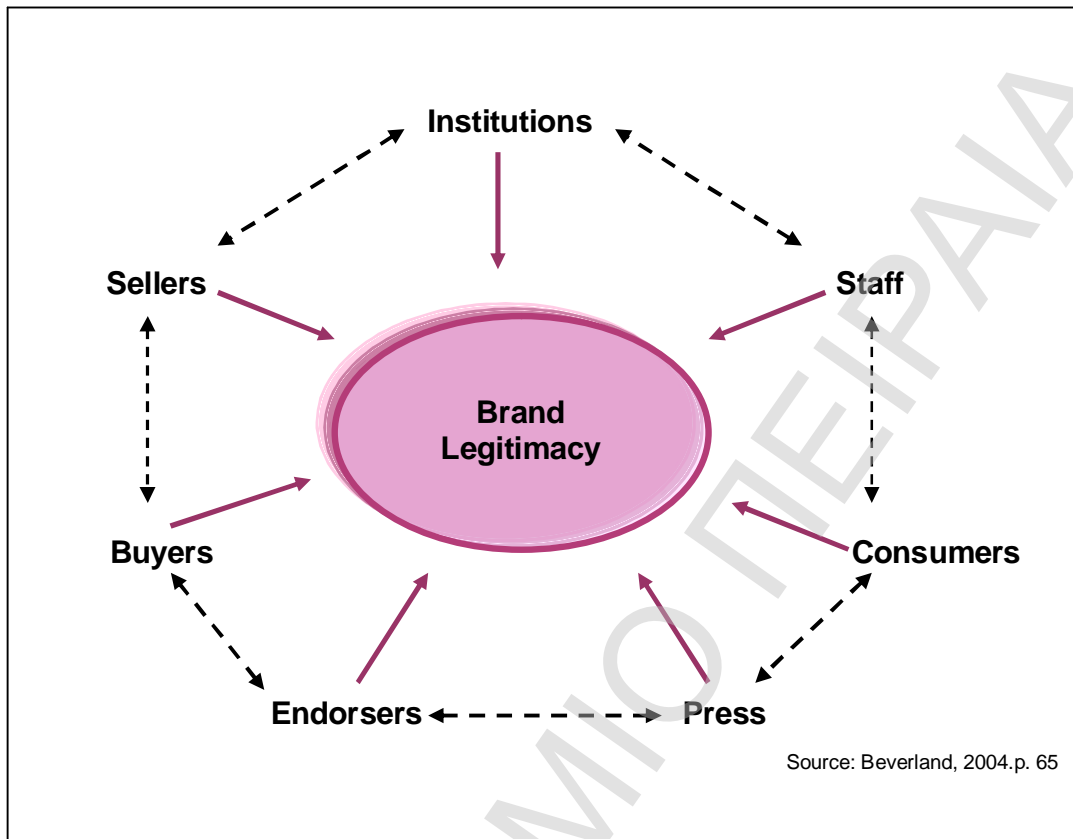
Commercial location of the fashion industry has also changed. Until recently, the industry was mostly dominated by French and Italian designers, but in the eighties, US brands, like Ralph Lauren, Donna Karan and Calvin Klein, have dynamically entered the industry with fresh ideas, more wearable clothes and down to earth designs. While Paris may remain important for publicity, French industry continues to struggle, with Italy (Armani, Versace, Prada, Gucci, Valentino, Cavalli, etc.) and USA (Donna Karan, Calvin Klein, Tommy Hilfiger, etc.) enjoying significant commercial success, and leading the modern fashion industry. This trend resulted, mostly because of the Italian and American designers and executives being more market and brand oriented than the increasingly inward-looking haute couture houses from Paris (Beverland, 2004. pp.64). To be successful, high fashion companies need to adopt strategies that are seen legitimate by their relevant stakeholders who provide financial and other resources, lend support to a brand, provide legal and moral support for the existence of a firm and its activities, and can give a firm or brand the equivalent “street cred” (Beverland, 2004. pp.64).

In case of luxury or high street fashion, legitimacy has moved, partially through neglect, away from haute couture houses toward new designers more in tune with needs of their respective niches. No longer it is something given by a prestigious brand name or cultural critic; rather, it is something given to brand marketers (pp.68). Figure 2 identifies the various sources of legitimacy for fashion houses, which are often interrelated.

The major competitors in the luxury goods industry are LVMH, Gucci, Richemont, Bulgari, and Hermès controlled approximately 22% of worldwide industry sales, all of these firms competed in multiple product lines and multiple geographic markets. LVMH and Bulgari dominated the Asia-Pacific region, while Richemont and Hermès were strong contenders in Europe. While Richemont, Bulgari and Hermes occupy mostly the luxury jewellery, timepieces and accessories market, LVMH group and especially Gucci Group includes great number of designer's fashion brands (Maffett and Ramaswamy, 2003, pp.447).

**Figure 2:** Multiple sources of legitimacy for fashion houses

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### **Luxury Market Figures**

The global luxury goods market will be reaching the \$100 billion in year 2008, according to latest research from Mintel (Luxury Goods Report 2004). This market was undoubtedly severely hit by recent global events, such as September 11th, and the conflict in the Middle East, but as the impact of some of these events has receded the market has been able to recover well. Indeed, by the end of 2004 the market was valued at some \$70 billion (Mintel), but even this impressive figure is a conservative estimate as it does not reflect the retail value of wholesale and licence sales. Fashion and leather goods sector accounts for the largest portion of the global luxury goods market, with 42% of sales, second largest category is the perfumes and cosmetics sector with 37% of the market, followed by watches and jewellery with 18%. Within the fashion and leather goods category, the clothing sub-sector comprises the majority, almost 60% of the market



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(Mintel Report, 2004). Europe has the largest luxury goods market in the world, with over 40% of the global market, but the economy in this region (particularly in Germany) is still less than robust. The second largest market is that of the Americas, of which the USA constitutes the vast majority of sales, though it is believed that this market will soon be overtaken by the Asia Pacific region in terms of global luxury goods market share, with Japanese and Chinese markets amongst the fastest growing luxury goods markets in the world, in 2003 (Mintel Report, 2004). Japan remains a key market for luxury brands. Traditionally a prestige driven culture, which values outward signs of status, Japanese tourists often look to spend a great deal on luxury brands when they travel abroad, with price points anywhere up to 40% lower in Europe and the US than in Japan for example. This industry's focus on elite population, with high incomes, while the designers deliver cutting-edge innovative products of exceptional quality and constantly trying to find ways to distinguish their offerings from those of competitors. The major firms in industry own a range of luxury brands, competing in multiple product lines and multiple geographic markets, such as: LVMH, Gucci, Richemont, Hermes, Bulgari.

**Table 4: The Major Luxury Companies' Sales in 2003**

<b>Brand</b>	<b>2003 sales (in billions)</b>	<b>Percentage of Change</b>	<b>Operating Margin</b>
<b>Louis Vuitton</b>	\$3.80	16%	45.0%
<b>Prada</b>	\$1.95	0%	13.0%
<b>Gucci</b>	\$1.85	-1.0%	27.0%
<b>Hermes</b>	\$1.20	34%	29.9%

Source: Som (2004, pp.8)

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### The Major High Fashion Companies



LVMH Louis Vuitton Moët Hennessy is the world's largest luxury goods company with brands that are bywords for the good life. Based in France, LVMH is organized in five divisions: wines and spirits, fashion and leather goods, fragrances and cosmetics, watches and jewellery and selective retailing. The company employs approximately 56,000 staff and operates more than 1,500 stores worldwide. The majority of sales derive from the Fashion and Leather Goods Division, with Europe being the most important region (Som, 2004, pp.2). LVMH had a very-well-established stable of brands in the segment of fashion and leather goods accounting for 30% (€3.61 billion) of group sales in 2001 (Maffett and Ramaswamy, 2003, pp.231). Much of the sales of this flagship division were concentrated in the Asia-Pacific region, particularly Japan. The company had made important cross-border acquisitions in this area to fortify its presence and heritage. It had acquired controlling interests in Fendi, the Italian leather designer; Donna Karan, a leading US designer and had entered into a joint venture with Prada,

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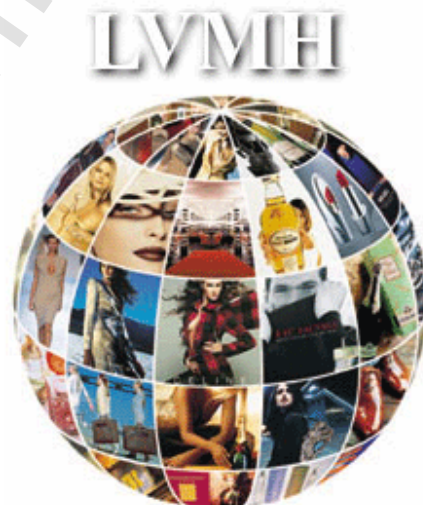
another well-known Italian company in leather products and ready-to-wear apparel. Much of the sales in this segment were directly attributable to the Louis Vuitton brand that specialized in leather goods. This label had grown rapidly under the leadership of its legendary designer, Marc Jacobs. Demand for Louis Vuitton products often exceeded supply, requiring customers to go on a waiting list that may last few months, or even a year (Maffett and Ramaswamy, 2003, pp.231). Bernard Arnault the LVMH CEO, has spent the past 15 years building the LVMH group from a small clothing manufacturer and champagne producer to a conglomerate, comprising 50 of the world's most powerful luxury brands. Through a complex web of partnerships, he owns some 33 percent of the company's stock. Known in the industry as the "Pope of Fashion", he reigns as the chief shareholder in LVMH Moët Hennessy Louis Vuitton, and his ownership stakes in high-profile labels. A key component of the group's strategy is its "**star brands**" with one of the strongest portfolios in the sector, counting 60 top brands, estimated to generate over 80% of earnings in the segment. (Som, 2004. pp.4). By Arnault the key to his success is his personal view of what makes an appropriate management style in this industry. His secret is to remain deeply involved in the creative process - far more than his peers - convinced that the



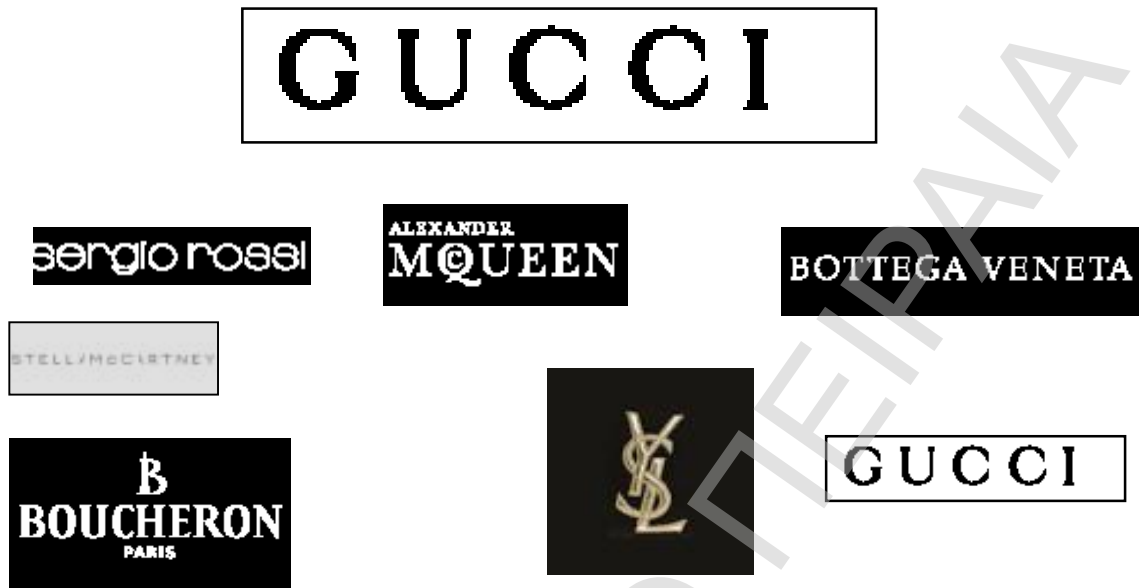
**ability to match effective executives with temperamental designers can make the difference** between a star and a failure in the luxury goods business (Som, 2004. pp.2) Customers who were willing to pay substantial premiums for branded luxury products demanded very high levels of quality and craftsmanship. For example, some of the leather accessories, such as handbags, made under the Louis Vuitton brand, are produced in several hundred steps, carefully engineered by accomplished craftsmen. The extent of careful attention that the production process entailed was probably one reason why many of the Louis Vuitton products commanded astronomical price premiums, widely

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speculated to be among the highest in the industry. Under its brand portfolio are also: Celine, Christian Lacroix, Donna Karan, Fendi, Givenchy, Kenzo, Loewe, Marc Jacobs, Pucci, Tod's. LVMH owns Tag Heuer watches, Moët and Chandon champagne, and a chain of airport duty-free shops. This leadership has been sustained by a drumbeat of new-product launches, store openings and an increased investment in communications. In 2004 alone, the group has launched new leather goods Damier Geant line, Thédia bags, an entire new jewellery line at Louis Vuitton, a new perfume for women at Dior, a new fragrance for men at Guerlain, an array of watch and jewellery creations, and the new Ellipse Cognac.



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Guccio Gucci founded Gucci in 1923 after being inspired by extravagant and elegant baggage while working in a London hotel. Gucci's expensive leather goods (shoes, handbags, and ready-to-wear) and the Gucci red and green logo, became internationally recognized for the next half-century. The Gucci family, however, sold its remaining interest in the company in 1993 after a decade of turmoil and scandal. Although always considered chic by international standards, the Gucci business lines had grown old in the 1970s and 1980s. Gucci's rebirth in the 1990s was credited, strangely enough, to Domenico De Sole, the CEO and creative director Tom Ford (Maffett and Ramaswamy, 2003, pp.225.). De Sole allowed Ford a free hand in the revitalization of Gucci's product line and operations, in the next five years, Ford successfully transformed what many considered a tired and sad Gucci image into a sexy of-the-moment revolution (pp.226). Although there is a plethora of designers on the market there are not many evidences of them successfully blending artistry with commercial orientation, as most pure fashion houses loose money. The recover of the Gucci house is the result of managerial together with the creative practices that made the Gucci stylish and modern brand, but also extravagant and luxurious.

Today *Gucci Group N.V.* is one of the world's leading multi-brand luxury goods companies. The name Gucci conjures a vibe of exclusivity and prestige, an Italian brand of quality. As one of the world's leading purveyors of personal luxury goods, Gucci stands

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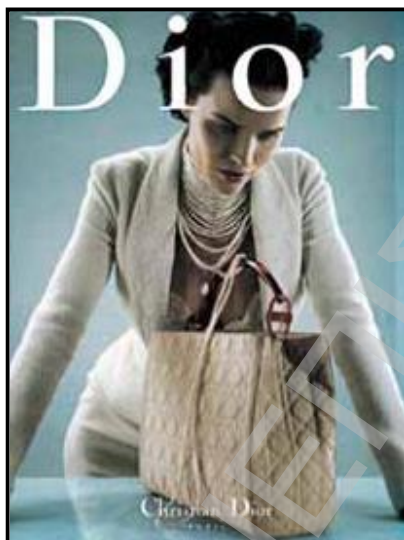
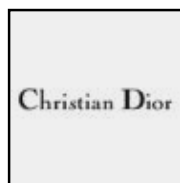
for more than just fine quality shoes or suits (Brandchanell, 20.10.2003), through brands Gucci, Yves Saint Laurent, Bottega Veneta, Beauté, Boucheron, Sergio Rossi, Bédat & Co., Roger & Gallet, Alexander McQueen, Stella McCartney and Balenciaga.



The Gucci fashion and accessories manufactures and distributes leather goods (handbags, small leather goods, ready-to-wear, handbags, luggage, shoes, jewellery, ties and scarves, eyewear, perfumes, cosmetics and skincare products. The products come exclusively from workshops located in Italy. They are mainly sold through directly operated stores and selected retail channels including single-brand franchises and distributors of up-market travel items, luxury department stores around the world, licensed Gucci distributors manufacture and distribute eyewear and perfume (PPR Report, 2004. pp. 35). Gucci embarked on a multibrand model more recently. It acquired Yves Saint Laurent's fragrance and ready-to-wear apparel lines and added the renowned shoemaker, Sergio Rossi, to its umbrella of brands. The multibrand strategy was expected to deliver important synergies. The manufacture of leather goods and shoes sold under various labels was being centralized. The company relied on a dense network of subcontractors to manufacture most of its products. Gucci's retail stores typically carried all its product lines, allowing for some distribution synergies. Gucci is a well-entrenched player in both Europe and North America and had been building a strong

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presence in Japan as well (Ramaswamy, 2003. pp.448). The brand's reinvention in the 90's increased the firm's advertising budget from \$6 million to \$80 million in 1998 (Sepulveda-Schulz, *et. al* 2004, pp.29), and is mostly used for print advertisements, and catalogues that targeted different product ranges and customers. In 2003, Gucci Group actively pursued the development strategy of each of its brands, with a particular emphasis on creating a strong image, harmonising and expanding its product ranges and controlling distribution.



LVMH group also holds a part of Christian Dior house, due to its 42% controlling stake, while the rest is Christian Dior' family controlled. Under head designer John Galliano, Christian Dior Couture, designs and makes some of the world's most coveted haute couture, as well as luxury ready-to-wear fashion and accessories (for men and women). Christian Dior operates more than 180 boutiques worldwide with plans to open more in the coming years.

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Known for classic couture's like "the little black dress" and famous fragrance Chanel No. 5, Chanel has been a haute name in fashion and cosmetics for decades. It also creates watches and jewellery and has a single license for eyewear with Luxotica. Founder Gabrielle "Coco" Chanel opened her first boutique in 1913, touting designs known for simplicity. Coco died in 1971, and Chanel's style stagnated for years until Karl Lagerfeld took over the designs and revived the label by tapping a younger market. The firm has about 100 boutiques worldwide, more than 35 of which are in Japan ([www.chanel.com](http://www.chanel.com)).



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The chic appeal of Armani began when Giorgio Armani created a men's fashion boom by clothing actor Richard Gere in *American Gigolo* in 1980. Armani is known for the sleek yet unstructured look of its men's and women's suits. The company licenses its name for perfume, watches, and accessories, but apparel still accounts for more than half of revenues. Armani's retail empire spans more than 35 countries and includes nearly 280 stores. Armani has plans to develop a series of luxury hotels and resorts. Despite persistent flotation flirtations, the designer maintains ownership of his

company. This brand constitutes of Giorgio Armani – haute couture line, Emporio Armani – ready to wear collections and Armani the diffusion line and accessories ([www.armani.com](http://www.armani.com)).

## Chapter Two Fashion Retailer as a Brand



Designer Donatella Versace, now the chief designer, continues the work of her famous brother (founder Gianni Versace was murdered in 1997) who started the company by designing chiffon gown or slinky pantsuit. Wares are sold in more than 200 company owned boutiques and about 1,000 other stores in 60 countries worldwide.

Occurring 20 and more years after the first fashion collection in 1978, the company has since reorganized, cut some licenses, and is cutting costs. The brand is extended from haute couture Versace Collezione to ready to wear and diffusion lines under the name Versace and Versus ([www.versace.com](http://www.versace.com)). Donatella is famous for its celebrity friends-customers, like Maddona and Christina Aguilera that also feature in advertising campaigns photographed by world's top photographers, always expressing the very feminine Versace look, that is a trademark of Donatella's designs.



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The Prada's group (formerly known as I Pellettieri d'Italia) success was born from the marriage of Miuccia Prada and Patrizio Bertelli and their leather goods manufacturing businesses. Prada sells upscale apparel, shoes, and accessories for men and women, as well as its less-priced Miu Miu collection targeted to younger consumers, emphasizing earthy colours and a less haute couture look, resulting in more bohemian style. Prada operates about 250 stores in 65 countries. The brand is mostly famous for shoes and bags, while "minimal chic" characterises its main collections season after season. The company has delayed multiple attempts to go public, has sold the Jill Sander business, and is considering selling its Helmut Lang brand ([www.prada.com](http://www.prada.com)). Prada has commissioned international architects, to design flagship stores in various locations, one of each is its famous New York store, that cost \$40 (wikipedia.com). Except its flagship stores, Prada carefully chooses licences and agents for retail in exclusive up-market stores.

## Chapter Two Fashion Retailer as a Brand



Jean-Paul Gaultier' individual collection was released in 1976 and his characteristic irreverent style dates from 1981; he has long been known as the *enfant terrible* (bad boy) of French fashion. Many of Gaultier's collections are based on street wear, focusing on popular culture, whereas others, particularly his haute couture collections, are very formal yet at the same time unusual and playful. Jean-Paul Gaultier produced sculptured costumes for Madonna during the nineties and has also worked in close collaboration with Wolford Hosiery. He popularized the use of skirts, especially kilts on men's wardrobe, and the release of designer collections. Gaultier caused shock by using unconventional models for his exhibitions, like old and fat women, pierced and heavily tattooed models, and by playing with traditional gender roles in the shows. This granted him both criticism and enormous popularity ([www.wikipedia.com](http://www.wikipedia.com)).



Roberto Cavalli uses sexy cuts and wild prints in his collections. He is most favoured by rock stars and younger movie personalities. His main staples in his collections include mainly animal prints and crystal rhinestone edging. The first collection is market under the Roberto Cavalli brand name, while his more affordable collection is Just Cavalli, famous for its jeans and more casual wear. The brand is extended to jewellery, watches (Cavalli timewear) perfumes and cosmetics.

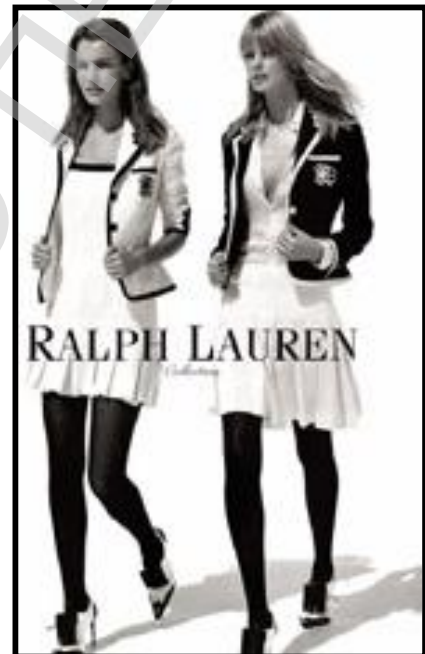
## Chapter Two Fashion Retailer as a Brand



Polo Ralph Lauren Corporation is a leader in the design, marketing and distribution of premium lifestyle products in four categories: apparel, home, accessories and fragrances. For more than 37 years, Polo's reputation and distinctive image have been consistently developed across an expanding number of products, brands and international markets.

The classic American designer Ralph Lauren created great numbers of brands from his haute couture lines to sportswear and furniture. They include:

- § Purple Label, his signature men's line
- § Ralph Lauren Collection, his finest women's line
- § Polo Ralph Lauren
- § Polo Black Label
- § RRL (Double RL), vintage-inspired Western wear
- § RLX, high-end sports
- § Polo Golf, Polo Jeans Co., Rugby Ralph Lauren, his newest brand, intended to appeal to the college set ([www.corporate-ir.net](http://www.corporate-ir.net)).



### **The Greek fashion market**

While the Greek retail fashion market is dominated, at least in numerical terms by single outlet, family-owned businesses, market power is unequivocally on a very few, multi-outlet, publicly owned retailing groups, such as Inditex Group, Benneton, Mango, etc. Except these, a number of high fashion chain of stores is spread all over the Greek major cities and tourist destinations, offering a wide range of popular fashion brands. Following

## **Chapter Two Fashion Retailer as a Brand**

the paradigm of many other European countries, the situation in Greek high fashion market changed, especially due to three major determinants that influenced Greek apparel retail market, both its low and high end:

- New built shopping centres, malls and department stores, such as The Mall, Notos Galleries, or Attika centre,
- Organized chains of fast fashion retailers, such as Zara, Mango, Bershka, and
- Cheap imports from Asian countries (Lempesi, 2005)

The new market reality can be viewed in increased competition that negatively influenced many small and middle size retailers. Most of the market analysts forecast that in the next few years, local clothing market would influence negatively smaller-sized stores, while bigger players will have to strengthen its competitiveness to differentiate. Recent research by ICAP showed that in the next few years, shopping centres and chain of stores would gather the biggest market share, while smaller stores share will shrink (Lempesi, 2005). The chain store market is about to increase 6 to 8 percentage in 2006 compared to 2005 results. Only the Attika shopping centre with more than 300 shops in it, 500 brand names, and 700 employees, its superior services, and special place for VIP customer services, is promising to convert the shopping into a exquisite experience of enjoyment an aesthetic pleasure (Lempesi, 2005). Recently opened "The Mall" successfully combines shopping, entertainment and dinning, while its spacious and roomy interior, well organised parking and elevators make the shopping experience real pleasure.

High-street chain of stores, such as Vardas, Carouzos, Prince Oliver, Sotris, Luisa and Lakis Gavalas, are the leading fashion retailers offering most popular pieces of branded apparel brands, superior service in beautifully designed and exclusively located stores, in Athens, Salonica, Patras, Ioannina, and many Greek islands.

### **The City of Athens Fashion Offer**

Kolonaki, Kifisia , Glifada or Psychiko; great number of high fashion stores are gathered in these city's top shopping areas, where up-income individuals, celebrities, politicians, are offered almost nothing less than in any major city in the world. Most of well known

## **Chapter Two Fashion Retailer as a Brand**

brands in fashion sector for years nurtured the “New York, Paris, London syndrome”, as these cities were and still are considered fashion capitals. The capital city residents, because of their high discretionary incomes, are likely to buy expensive clothes, while retailers want to underline their reputation and increase the allure of its brands by being in prestigious location. As the fashion retailers have long been identified among the most prolific and successful international retailers (Ferne, *et.al.*1998.pp.367), these brands are now available globally, not only in the big cities and capitals, but also smaller ones. Athens, the Greek capital, has nothing to envy the major European capitals, all the most famous fashion brands are available, either in their flagship stores, department stores, malls and licensed boutiques. Downtown Athens, city’s busiest area and the most prominent location, gathers number of stores, with Greek and, especially, foreign designers, starting from LVMH flagship store in Voukourestiou street, Boss, Armani, Dolce & Gabbana, Tommy Hilfiger, Fendi, Chanel, in Kolonaki area and historical city center.

Besides fashion houses’ own stores, chain of stores, like Carouzos, Vardas, Sotris, Prince Oliver, Lakis Gavalas, Eponymo, Luisa, Attitudes are synonyms of the luxurious clothing they offer in locations such as Kolonaki, Kifisia, Psychiko or Glyfada, and their customer base gathers high income clientele, celebrities, movie and music stars. Some of the stores also carry their own, private labels, such as “Prince Oliver” line in Prince Oliver or Carouzos’ label in Carouzos. These stores are well established branded retailers, licensed to sell luxury clothes, usually pret-a porter and diffusion lines for women and men, shoes, and accessories.

**Carouzos** is part of a chain of upmarket boutiques selling high-quality apparel. The Kanari Street shop occupies three floors in the heart of Kolonaki and offers a great variety of classic and formal clothes for both men and women. The store’s elegant offerings range from trousers and skirts to suits and coats made either by major international brands or bearing Carouzos’s own private label. Fine shoes are also available along with a full range of accessories. Carouzos company accomplished a number of collaborations with the top foreign fashion houses, such as Prada in 1998, Donna Karan in 1999 and Celine in 2000. In 2001 the Carouzos company opened the first Ermenegildo Zegna mono-brand boutique, on Skoufa street in Kolonaki area, a movement that sealed the

## **Chapter Two Fashion Retailer as a Brand**

successful cooperation with the Italian fashion houses. In 2003 Carouzos opened the first Celine boutique in Kifisia area. The company holds 7 Carouzos boutiques in Athens, Salonika, Mykonos and Heraklion in Crete, Celine boutique in Kifisia, Ermenegildo Zegna boutique and Carouzos stock in Athens and Salonika ([www.carouzos.gr](http://www.carouzos.gr)).

In 1939, in the centre of Athens, right next to the famous "Orpheas" cinema, two merchants Konstantinos **Vardas** and Dimitris Anagnostopoulos opened first retail fashion store. At a time when people were buying fabrics and wearing clothes made only on order, they aimed at convincing the customers that ready to wear clothes were as good as the tailor made one. Sixty years later, VARDAS stores, having invested in good taste, elegance and quality, most of all, have a steady impact and presence in the Greek apparel market. Today, the company is directed by the second and third generation of Vardas family, always with the same patterns: keeping in pace with the global fashion trends, ensuring the right relation between quality and price, and cultivating long-term relationships with the customers. Fashionable wear is a matter of prestige, good taste, approachable luxury, and absolute quality. Today, VARDAS stores aim at creating fashion according to the global trends, but also at adjusting those trends to each customer separately. VARDAS provide service that every customer searches for, and the best facilitations services making customer feel unique convenience for its shopping at VARDAS stores in comfortable and pleasant environment. You can find Calvin Klein collection in VARDAS stores in Kolonaki, Athens, Glyfada, Kifisia, N. Kifisia, Halandri, Faliro, Iraklio, Thessaloniki, Patra, Volos, Larisa ([www.vardas.gr](http://www.vardas.gr)).

FFG - Felous Fashion Group is a constantly evolving modern group of companies, which was founded in 1993. FFG is Greece's exclusive distributor of pret-a-porter designer collections such as: Donna Karan, Calvin Klein Jeans, Anne Klein and brands such as Seven7for All Men Kind, 4You, Alima, Ras, Von Dutch, Ted Baker, Indian Rose, My God!, People For Peace, Diamant Jeans and California Vintage. The retail network is constantly expanding with launching new **ATTITUDES** stores as well as by supplying independent stores. The Attitudes stores are in Athens and Mykonos, while Calvin Klein corner in newly opened The Mall, and DKNY store in Kolonaki area.

**Sotris** company with 33 years of presence in Greek market, famous for its avant-garde stores image, hold brands such as Prada Sport, Yohji Yamamoto, Helmut Lang, Marc



## **Chapter Two Fashion Retailer as a Brand**

Jacobs, Marni, Ann Demeulimeester, Angelos Frentzos, Comme Des Garcons and others. Sotris concept store in Skoufa Street is an impressive proof of what the company and its stylish clothes represents.

**Lakis Gavalas** is the renowned fashion designer that has made himself a name for creating ladies apparel that is unconventional and eccentric. His style seems to appeal to women of all ages - at least to those who can afford them. In addition to Gavalas's own designs in LAK stores in Athens, Piraeus, Thessalonica, Patra and Mykonos, this merchant also offer clothes by Yves Saint-Laurent, Anna Molinari, Blue Marine, Moschino, Burberry, as well as jewellery by Pomellato in a chain of stores under the name "Lakis Gavalas".

Except the above mentioned chain of stores, many local designers, like Michaelis Aslanis, Makis Tselios, Vasilios Kostetsos, Daphne Valente run their own boutiques carrying their own labels. Besides their prêt-a-porter collections, these brands are also extended, following the example of their foreign counterparts, to home wear, underwear, perfumes, jewellery, eyewear, shoes, and accessories. Targeted to wealthy and high-income female shoppers, from celebrities and wealthy Greeks, to rock and movie stars, these designers are specialized in wedding gowns, and groom's suits. In last two years, by organising Athens fashion week, local high fashion designers found the opportunity to show their work outside local market, since the fashion shows are visited by many foreign journalists.

## **Chapter Two Fashion Retailer as a Brand**

### Conclusion of Chapter Two

One trend that defined business at the end of the 20th century was that of multibillion-dollar mergers and acquisitions that have dramatically expanded the scope and the size of corporations, where fashion and apparel retail industry is no exception. Size is increasingly important in order to smooth the business cycles, to provide growth, diversification, synergies opportunities, and to allow for better vertical integration. LVMH or Gucci Group are typical examples of owning and managing number of brands under the same brand umbrella.

The retailing strategies of high fashion houses can vary from the traditional positions of wholesaling the products to department stores, which is low risk for the manufacturer, to licensing or franchising route-medium risk and establishment of company owned store-higher risk. There are five main distribution channels in the luxury fashion industry: directly operated stores, franchise, wholesale distribution, agents and licenses. Directly operated stores have been growing much faster than other forms of distribution over the past years. When a retailer operates in an environment that he controls exclusively as the brand owner, he is certainly ahead, not only when profit margins are concerned but also because people look to shopping as a social experience and want to shop where they know and admire the brand, which boutiques and smaller size stores provide, but where department stores often fall short.

Due to a little generic product differentiation in clothes market, the retailer's own-brand has emerged as the cornerstone of the marketing strategies of the major retail fashion players, where by developing a successful own-brand enables retailer to differentiate, protect and take advantage of its market strength. Retail success can be defined as achieving high gross margins and customer service levels with as little inventory as possible, while forecast accuracy, process lead-time, offshore or local sourcing mix that can have a significant impact on success in connection with sourcing seasonal products with a fashion content. Fashion designers attempt to foresee the next change in trend and style in consumer preferences and what will be "in fashion" for the upcoming season, while retailers face the difficulties of adapting fashion lines for each season in a short time

## **Chapter Two Fashion Retailer as a Brand**

frame before the next one arrives. Although the apparel industry seems to be in the maturity stage and growth is slow, fashion trend cycles are accelerating – nowadays the average successful clothing trend lasts only six to twelve weeks. The strategy that retailers use is to plan for two main seasons and two trans-seasonal periods, and manipulate prices early in the season to accelerate adoption and then later to clear remaining stock towards the end of a season.

The competitiveness in high-end fashion industry can be qualified as relatively high, but given the high margins and the customers' perception about the price, the competition is not on price, but rather on quality and image perception, as well as on the ability to attract the right designers. Some of the major players are best known brand names worldwide, such as LVMH, Gucci, Armani, Versace, Prada, Cavalli, Jean-Paul Gaultier, Dolce & Gabanna. Europe has the largest luxury goods market in the world, followed by Americas, of which the USA constitutes the vast majority of sales, though it is believed that this market will soon be overtaken by the Asia Pacific region in terms of global luxury goods market share, with Japanese and Chinese markets amongst the fastest growing luxury goods markets in the world.

While the Greek retail fashion market is dominated by family-owned businesses, market power lies, as in other cities, in fast fashion chains such as Inditex Group, Benneton, Mango, etc. Except, these, a number of high fashion chain of stores is spread all over the Greek major cities and tourist destinations, offering a wide range of popular fashion brands, making retailers such as Carouzos, Luisa, Vardas, or Lakis Gavalas, respectful brand names.

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## **Chapter Three Brand Orientation-Literature Review**

### **Chapter Three: Brand Orientation – Literature Review**

Chapter three is the literature review of the market orientation and brand orientation concepts, with special emphasis on the brand orientation strategies in fashion retailing as explained in marketing textbooks, scientific journals, periodicals, and magazines.

#### **Brand Orientation as Market Orientation “Plus”**

Urde (1999, p.117) defines brand orientation as:

*An approach in which the processes of the organization revolve around the creation, development and protection of the brand identity in an ongoing interaction with target customers, with the aim of achieving lasting competitive advantages in the form of brands,*

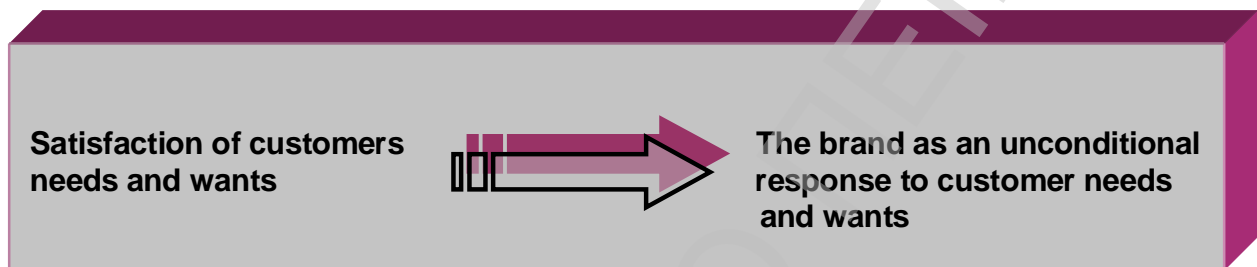
and “criticises” that market orientation constitutes a mainly external focus on customer and competitors, for example, product development, segmentation and positioning are assumed to take place with the primary goal of satisfying customers in competition with other companies, while brand questions are reduced to second-order issues or fall entirely outside of the discussion about the firm’s strategy. The brand becomes the unconditional response of the firm to the wants and needs of customers, as shown in figure 3 (p.118). A senior vice president of one the world’s top company looks at the market orientation as: “it is on a more uncomplicated, short-term and fundamental level, meaning that if an organization is only market-oriented, then it is still in the discussion about products and markets. Brand orientation is an additional degree of sophistication. It becomes a little bit more difficult because one has to both be market-oriented and brand oriented. An organization can never only be brand oriented, there have to be products that are demanded and that work together with the brand. To be brand oriented is marked orientation “plus” (Urde, 1999. p.118).

Because the marketing concept promotes putting the interests of customers first, many researchers consider a customer-focus to be the most fundamental aspect of market

### **Chapter Three Brand Orientation-Literature Review**

orientation. Because marketing concept encourages a business to be forward looking, a customer-focused business is likely to be more interested in long-term business success as opposed to short-term profits (Heiens, 2000. p.1).

**Figure 3.** Customer satisfaction as the focus and point of departure of the firm - the logic of market-oriented approach



Source: Urde (1999. p.120)

The choice of the *brand as a platform* is a decisive difference between market orientation and brand orientation (Urde, 1999, p.130). It would be appropriate to first focus on market-orientation concept and afterwards explain the brand orientation and what it offers to a fashion retail store.

#### **Market-Orientation Concept**

The marketing concept and the related construct of market orientation have been important components of marketing academe and practice for several decades. Due to the fundamental importance attributed to these concepts, numerous research projects have attempted to define the constructs and explore their application and implementation in business, such as work of Kohli and Jaworski, 1990, Jaworski and Kohli, 1993, Narver and Slater 1990, Slater and Narver 1994, Hunt and Morgan 1995, Day, 1994, Slater and Narver 1994, Heiens, 2000, and many others.



### **Chapter Three Brand Orientation-Literature Review**

Kohli and Jaworski, (1990. p.1) stated that the idea of market orientation traces to the marketing concept<sup>14</sup>. For many years managers have been exhorted to “stay close to the customer”, “put the customer at the top of the organisational chart”, and define the purpose of the business as creation and retention of satisfied customers (Day, 1994. p.37). Because customers’ needs and expectations continually evolve over time, delivering consistently high-quality products and services requires ongoing tracking and responsiveness to changing marketplace needs i.e., being market-oriented (Jaworski and Kohli, 1993. p. 53).

*Market orientation refers to the organization-wide generation of market intelligence, dissemination of the intelligence across departments, and organization-wide responsiveness to it (Kohli and Jaworski 1990. p.6).*

Ruekert (1992, p. 228) states that level of market orientation in a business unit is the degree to which the business unit obtains and uses information from customers, develops a strategy, which will meet customer needs, and implements that strategy by being responsive to customer needs and wants.

Narver and Slater (1990, p. 21) define market orientation as the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continues superior performance for the business. In addition, they argue about how market orientation is the business culture of choice for creating value for customers in a more efficient and effective manner and it also have an indirect effect on organizational performance through positional advantage.

Hunt and Morgan (1995, pp.1) propose that a market orientation is the 1) systematic gathering of information on customers and competitors, both present and potential, 2) the systematic analysis of the information for the purpose of developing market knowledge, and 3) the systematic use of such knowledge to guide strategy recognition, understanding, creation, selection, implementation, and modification. These two authors

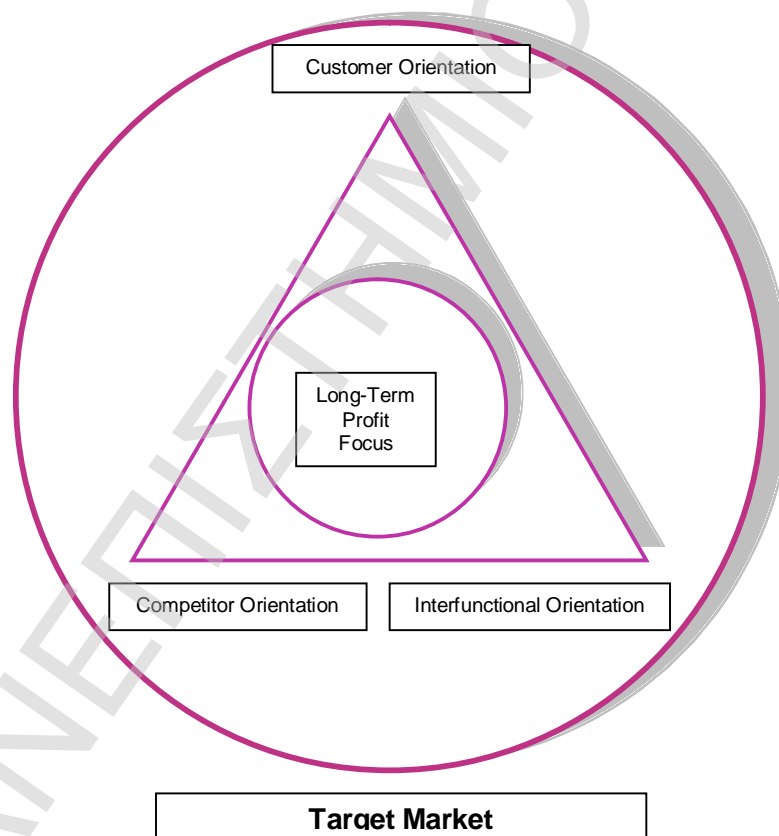
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<sup>14</sup> Considered a marketing corner-stone since its articulation and development in the 1950's and 1960s, the marketing concept maintains that 1) all areas of the firm should be customer oriented, 2) all marketing activities should be integrated, and 3) profits, not just sales should be the objective. As conventionally interpreted, the concept's customer-orientation component, that is, knowing one's customers and developing products to satisfy their needs, wants, and desires, has been the paramount. Marketing orientation is not the same thing as, nor a different form of, nor the implementation of marketing concept. Rather, it would seem that a market orientation should be conceptualized as supplementary to the marketing concept (Hunt and Morgan, 1995. p.11).

### **Chapter Three Brand Orientation-Literature Review**

included customers and competitors in the market orientation concept, but excluded the Narver and Slater's (1990.p.22) interfunctional coordination because, though it is a factor that can contribute in successfully implementing market orientation, such implementation factors should not appear in a concept's definition (Hunt and Morgan (1995, p.11). Slater and Narver (1995, pp.69) stated that market orientation is the principle cultural foundation of the learning organization, and define it as the culture that places the highest priority on the profitable creation and maintenance of superior customer value while considering the interests of other stakeholders, provides norms for behaviour regarding the organizational development of and responsiveness to market information and affects organizational learning.

**Figure 5. Market-Oriented Organisation**



Source: Narver and Slater (1990.p.23)

Narver and Slater (1990.p.32) and Kohli and Jaworski (1990. p.13), Jaworski & Kohli (1993. pp.64) lend support to the existence of a positive direct relationship between

### **Chapter Three Brand Orientation-Literature Review**

market orientation and organisational performance, according to which market orientation consists of three behavioural components: *customer orientation*, *competitor orientation*, and *interfunctional coordination*, and two decision criteria: *long-term focus* and *profitability* (as shown in figure 4). Customer orientation is the sufficient understanding of the target market to be able to create superior value for them continuously; competitor orientation is the firm's understanding of the capabilities of the present and future competitors; the interfunctional coordination is the coordinated use of firm's resources and capabilities to create superior value for customers (Lafferty and Hult, 2001. p.98, Narver and Slater, 1990. p.22). Narver and Slater (1990. p. 32) investigate the effect of a market orientation on business profitability using a sample of 140 strategic business units of a large forest-products corporation and conclude that for both the commodity and noncommodity business, market orientation is an important determinant of profitability. These studies suggest that a market orientation is a resource that is rare among competitors because, if it were not, it would not be expected to lead to position of competitive advantage and hence superior performance (Hunt and Morgan, 1995, p. 12) Day (1994. p.45) maintains that initiatives to enhance *market sensing* and *customer linking capabilities*<sup>15</sup> are integral to broader efforts to build a market-driven organization, where the overall objective is to demonstrate pervasive commitment to a set of processes, beliefs, and values, reflecting the philosophy that all decisions start with the customer and are guided by a deep and shared understanding of the customer's needs and behaviour and competitors' capabilities and intentions, for the purpose of realizing superior performance by satisfying customers better than competitors.

Jaworski and Kohli (1993. p.53) developed comprehensive theories of the antecedents and consequences of a market orientation, defining market orientation as composed of three sets of activities:

1. organization-wide generation of market intelligence pertaining to current and future customer needs,

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<sup>15</sup> Market sensing capability determines how well the organization is equipped to continuously sense changes in its market and to anticipate the responses to marketing actions, while the customer-linking capability comprises the skills, abilities, and processes needed to achieve collaborative customer relationships so individual customer needs are quickly apparent to all functions and well-defined procedures are place for responding to them (Day, 1994. p.49).

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2. dissemination of the intelligence across departments, and
3. organization-wide responsiveness to it (Kohli and Jaworski, 1990.p.6),

and concluded that market orientation of a business is an important determinant of its performance, regardless of the market turbulence, competitive intensity or the technological turbulence of the environment in which operates (Jaworski and Kohli 1993 p.64). The same authors (p.64) also concluded that market orientation appears to be facilitated by the amount of emphasis top managers place on market orientation through continual reminders to employees that it is critical for them to be sensitive and responsive to market developments, and that market orientation appears to require a certain level of risk taking on the part of senior managers, while keeping great interdepartmental relationships. However, the strategic goal of truly market-oriented companies must be aggressively focused on the specific demands of individual target markets (Narver and Slater, 1990. p.21), as well as product innovation (Newman and Patel, 2004. p.783). Market orientation is valuable because it focuses the organization on continuously collecting information about target-customers' needs and competitors' capabilities and using this information to create continuously superior customer value.

Deshpande and Webster (1989. p. 13) argue that for a business to maximize its ability to learn about markets, creating a market orientation is only a start, and that a market-oriented culture can achieve maximum effectiveness only if it is complemented by a spirit of entrepreneurship and an appropriate organizational climate, namely, structures, processes, and incentives for operationalizing the cultural values.

Avlonitis and Gounaris, (1999. p.1006) maintain that the important facets of marketing orientation as a company philosophy, isolate specific priorities for the marketing oriented company:

- a. a priority in customers, when evaluating the company and its products and the extent to which both the company and its products satisfy specific customers' needs,
- b. a priority in elevating marketing as the prevailing culture of the company so the entire organisation will mobilise towards satisfying customers' needs, and
- c. a priority in adjusting products according to the market needs and wants, rather than according to the company's perceptions and beliefs, so that customers satisfaction can be delivered.

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In his work Heiens (2000. p.2) points out that firms may frequently emphasize one *external variable* in their environmental monitoring at the expense of the other, leading to a specific market orientation profile. By combining these two important external variables, customers and competitors, a four-cell market orientation matrix emerges as shown in figure 6.

**Figure 6.** Market Orientation Matrix

		Customer focus	
		High	Low
Competition focus	High	Strategically Integrated	Marketing Warriors
	Low	Customer Preoccupied	Strategically Inept

Source: Heiens, (2000. p.2)

Slater and Narver (1994. p.47) found no main effect for customer versus competitor focus on market performance, but they do recognize that because businesses have limited resources to generate market intelligence, trade-offs between customer and competitor monitoring must necessarily be made. Market-oriented firm has an important basis for building a sustainable competitive advantage by learning what buyers want, building and leveraging the resources and processes necessary to deliver the value they desire (Narver and Slater 1990. p.21), and adapting those value-generating processes as market conditions change (Slater and Narver 1995. p.63). The views on how the market orientation concept relates to firm resources differ among scholars. Hunt and Morgan(1995) argue that a market orientation can be a source of sustained competitive advantage, i.e., a resource in terms of the resource-based view, because it “could potentially enable a firm to produce a market offering for some market segments more

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efficiently or effectively than one's competitors" (p.11), because it "is a resource that is rare among competitors" (p.11), and because it "is intangible, cannot be purchased in the marketplace, is socially complex in its structure, has components that are highly interconnected, has mass efficiencies, and is probably increasingly effective the longer it has been in place." (p.13). Others do not view market orientation as a resource in itself, but rather that a market orientation is based upon resources, sets of organizational capabilities, as according to Day (1994. p.38), a market orientation is based on market sensing and customer linking capabilities, and that organizations can become more market oriented by identifying and building *special capabilities* (market sensing and customer linking) , which are developed via learning processes and can be viewed as integrative elements by which knowledge-based resources and tangible resources come together to create valuable outputs (Vorhies and Harker, 2000, p.148). They also (p.166) concluded that market driven firms should develop their marketing programs with an eye toward developing capabilities that support the firm's strategy, by continually investing in market research, pricing, product development, promotions, channels, market planning and marketing management; firms that do this should be able to outperform their less market-oriented rivals. To summarize, while there is no reason to believe that the strength of the relationship between performance and market orientation may vary depending on industry characteristics, customer characteristics, or type of the performance measure used, the literature generally supports the proposition that market-driven and innovative firms will outperform their competitors (Day, 1994; Slater and Narver 1994; Jaworski and Kohli 1993; Narver and Slater 1990, Kara, Spillan and DeShields, 2005) by emerging a chain of effects that actually relates market oriented activities to value, satisfaction, loyalty and performance (Day, 1994, Slater and Narver, 1994b), as shown in figure 7.

**Figure 7:** The market oriented process chain of effects



Source: van Raaij 2001.p.92

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Bridson and Mavondo (2004. p.3) concluded that retailers that are more market oriented will monitor and respond to changing customer preferences and competitors' activities. The tactical outcome of this monitoring and response is superior positional advantage.

#### **Brand Orientation Concept**

*"Today, company's real value lies outside the business itself, in the minds of potential buyers(Kapferer, 1992, p. 9). This is reflected in the value of brands, which are the anchors of company's value. Products are introduced, they live and disappear but brands endure"(p.17).*

Kapferer (1997) mentions that before the 1980's there was a different approach towards brands: "Companies wished to buy a producer of chocolate or pasta: after 1980, they wanted to buy KitKat or Buitoni. This distinction is very important; in the first case firms wish to buy production capacity and in the second, a place in the consumer's mind (p. 23). In other words, the shift in focus towards brands began when it was understood that they were something more than mere identifiers. Brands, according to Kapferer (1997) serve eight functions; the first two are mechanical and concern the essence of the brand: "to function as a recognized symbol in order to facilitate choice and to gain time" (p. 29); the next three are for reducing the perceived risk, and the final three concern the pleasure side of a brand. He adds that brands perform an economic function in the consumer 's mind, "the value of the brand comes from its ability to gain an exclusive, positive and prominent meaning in the minds of a large number of consumers" (p. 25). Therefore branding and brand building should focus on developing brand value. With such a growing realization that brands are one of a firm's most valuable intangible assets, branding has emerged as a top management priority in the last decade (Ailawadi and Keller, 2004. p.331). The literature confirms the powerful position of branding in marketing activities.

Currently, there is general agreement in the marketing literature that brand is more than a name given to a product; it embodies a whole set of physical and socio-psychological attributes and beliefs (Simoes and Dibb, 2001. p.217). Consumers buy brands instead of

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products, while the competition no longer occurs at the core-product level but according to the added attributes that the brand represents (p.220). In addition to traditional branding research, recent academic work has introduced a series of new concepts designed to reflect the need for brand management as a response to market and environmental changes. Of our particular interest is the concept of brand orientation.

By using brands as a starting point in the formulation of company strategy, an important precondition for a new direction-brand orientation is created (Urde, 1994. p.18). Managing a brand-oriented company involves organizing and controlling operations in such a way that an attractive added value<sup>16</sup> can be created. The aim is that this should be accomplished with unchanged or increased total brand equity<sup>17</sup> (Aaker, 1991. p.16). Although it embraces the market orientation concept, brand orientation also considers the role of brand in achieving market leadership. Urde (1999) argues that it is no longer only a question of innovative products, clear positioning, and attractive image, but also of identity, integrity, core values, and mission, learning to see intangible values and symbols as resources is a necessary step in brand orientation (p.132).

A successful brand has to form part of the chosen "set of mind", i.e. be one of those pictures, slogans, memories, feelings, stories and institutions which are the first to enter consumers' minds when they think of a particular product category or purchasing experience. Then, only then, does the brand have a real chance of being preferred and bought by consumers (KPMG, 2002). Aufreiter, Elzinga and Gordon (2003) argue that building a strong brand is not getting any easier, due to, an explosion in the number of brands, a proliferation of ways to communicate them, rapid imitations, which have diminished the return on clever advertising and breakthrough ideas.

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<sup>16</sup> DeChematomy, Harris and Dall'Ólmo Riley (1998. p.39) argue that despite the growing interest in strategic importance of added value as a means for achieving competitive advantage, little attention has been paid to the meaning of the term "added value". In in-depth interviews with leading-edge brand experts on the subject of added value, the authors concluded that added value is multidimensional construct, playing diverse roles, and interpreted in different ways by different people. The term value itself, can be looked at from the pricing, consumer behavior and strategic point of view. Added value formed the most important part of a brand's definition and was the primary basis for distinguishing a brand from a product. This focus shifted later to the processes that enable organizations to deliver superior customer value, and more recently, the role of added value has been advocated as securing competitive advantage and long-term success.

<sup>17</sup> Brand equity is a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that of customers. The assets and liabilities on which brand equity is based will differ from context to context, and can be grouped into five categories: brand loyalty, name awareness, perceived quality, brand associations in addition to perceived quality, and other proprietary brand assets-patents, trademarks, channel relationships, etc (Aaker, 1991, p.16).



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### **How Brand Orientation is defined in Literature**

Even though limited by a small number of established definitions, existing definitions of brand orientation construct have their roots in the traditional brand definition<sup>18</sup>, encompassing elements of the marketing concept and the resource-base view of the firm. (Bridson and Evans, 2004. p.404).

Hankinson (2001b, p.231) defines brand orientation

*“as the extent to which organizations regard themselves as brands and an indication of how much (or how little) the organization accepts the theory and practice of branding”.*

Urde (1999. p.117) suggests that brand orientation is

*“an approach in which the processes of the organization revolve around the creation, development and protection of the brand identity in an ongoing interaction with target customers, with the aim of achieving lasting competitive advantages in the form of brands”.*

This author argues that brands, in combination with other assets and competencies within the company, can be braided together into a brand identity through a process of value and meaning creation. Value and meaning are communicated via the products, product category, positioning and core values, brand, and corporate name; these concepts are linked to one another, and constitute together the basis for the brand strategy and brand identity (Urde, 1999, p.126). Ideally, this brand identity is experienced by customers as valuable and unique and becomes difficult for competitors to imitate. In this way, the brand can become a competitive advantage and an expression of an intention (p.127). Prioritising the brands in the organization gives it integrity in relation to customers' wants and needs and to actions of competitors, but also in internal strategic processes, as shown in figure 8. According to this view, brands may achieve high level of importance

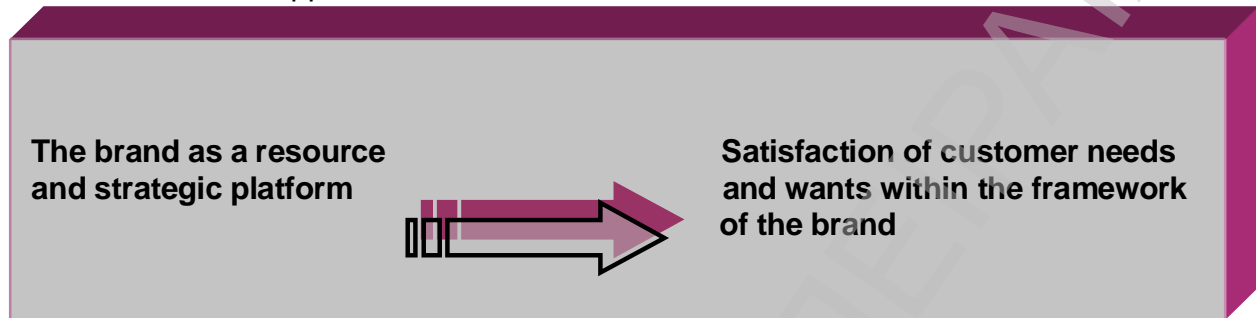
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<sup>18</sup> Aaker (1991, p.7) defines brands as a distinguishing name and/or symbol (such as logo, trade-mark or package design) intended to identify the goods or services of either one seller or a group of sellers and to differentiate those goods or services from those of competitors. DeChernatony and McDonald (1998) define successful brand as an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant, unique added values, which match their needs most closely. Furthermore, its success results from being able to sustain these added values in the face of competition (p. 280). Kotler (1991; p. 442) defines brand as a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors. These individual brand components are called “brand identities” and their totality “the brand” (Keller, 1993; p.2).

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within a company, becoming part of its core values and identity. Ultimately brands may be very important strategic assets (Simoes and Dibb, 2001).

**Figure 8:** The brand as a company's strategic platform-the logic of the brand-oriented approach



Source: Urde (1999. p.123)

While Hankinson's (2001) and Urde's (1999) definitions recognise the importance of branding and provide greater clarity, current definitions still fail to encapsulate the holistic orientation at the heart of the construct or capitalise on the extant brand conceptualisations (Bridson, Evans, 2004. p. 404). This is also evident in general models of the brand concept (deChernatony and Dall'Olmo Riley, 1998. p. 417). The issue driving the different orientation conceptualisation is rooted in the lack of a common understanding of business orientation from a philosophical or behavioural foundation (Avlonitis and Gounaris, 1999. p.1003). The philosophical foundation views brand orientation to be embedded in the organisation's thinking and reflected in organisational values and beliefs, conversely, the behavioural foundation concentrates on the orientation in terms of implemented behaviours and activities. Thus, brand orientation is conceptualised as a multidimensional construct encompassing the organisation's values, beliefs, behaviours and practices toward brands (Bridson and Evans, 2004. p.404).

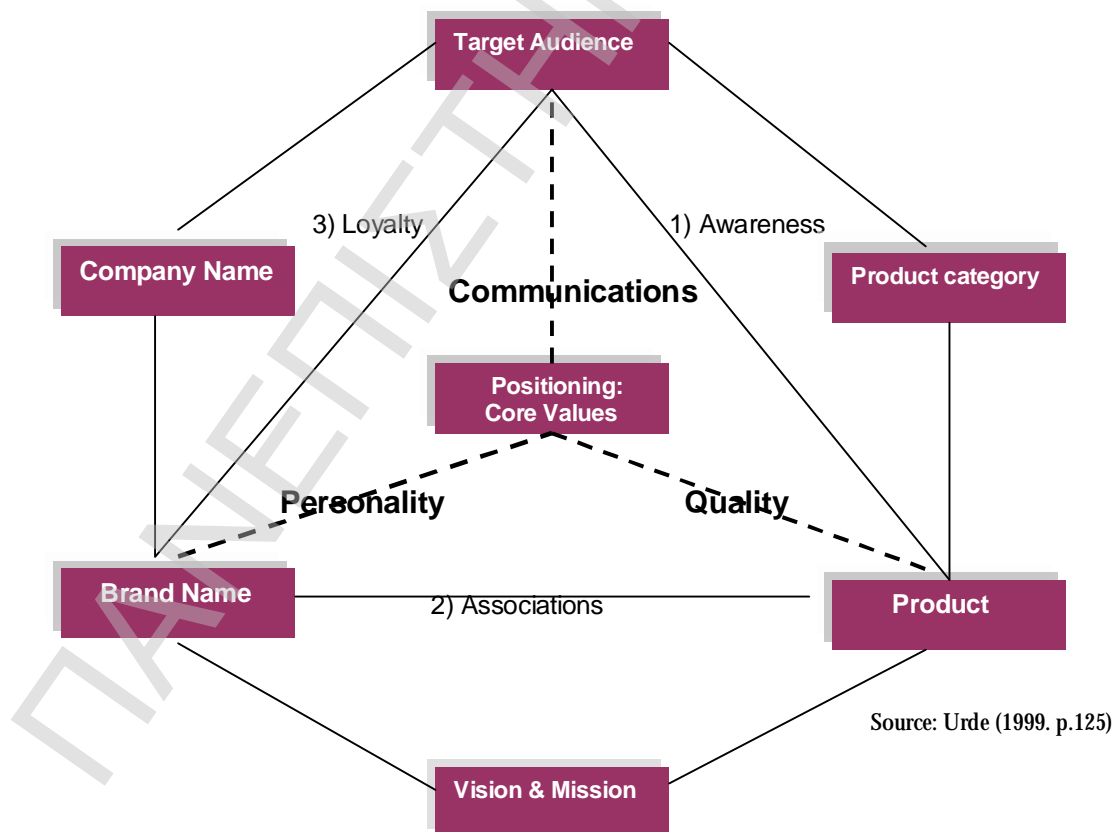
The above authors define brand orientation as *the degree to which the organization values brands, and its practices are oriented towards building brand capabilities through interaction with their target consumers (p.404).*

Brand orientation is a multidimensional construct encompassing the brand as a mark of distinction, a means of satisfying consumers functional purchase needs, a source of value adding and a symbolic reflection of their consumers (Evans, Bridson, Byrom, 2002)

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Urde's Brand Hexagon (1999), shown in figure 8, integrates brand equity and brand identity with a company's direction, strategy and identity. The point of departure for a brand-oriented company is the brand mission that provides answers to the questions such as: why does the brand exist, what does the brand stand for, who is the brand? These are question that relate to the reason of existence, core values, identity, personality and strategy of the brand (p. 125). The right side of the model reflects the reference function-product category and product, which are analysed rationally, while the left side of the model reflects the emotional function-corporate and brand name, which are analysed emotionally. "A brand is experienced in its entirety" (Urde, 1999. p. 126), which means that both emotions and rational thought are involved. The lower part of the model, mission and vision, reflects the company's intentions towards the brand, while the upper part reflects the way that target consumers interpret the brand. At the centre of the model lies the core process of brand meaning creation, which includes the positioning and core values.

**Figure 9:** Brand Hexagon



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Building on the work of leading brand authors (de Chernatony, 1993; 1996; de Chernatony and Dall'Olmo Riley, 1997a; 1997b; 1998a; 1998b; McEnally and deCherantony, 1999; Goodyear, 1996; Urde, 1999) several characteristics are identified which determine an organisation's brand orientation. First, the competitive significance the organisation places on branding (Urde, 1999. p.122). This refers to how branding is used by the organisation including as a means for identification, differentiation and guarantee of consistency for consumers (Bridson and Mavondo, 2001. p.4). Second, capabilities<sup>19</sup> in terms of brand functionality. This refers to how the organisation seeks to solve their target customers' consumption-related problems through offering tangible rationally assessed attributes. Third, the organisation's capabilities in terms of adding value to their brand (de Chernatony *et al.*, 1998. p.39), which means that the retailer can develop capabilities through service, quality or brand personality attributes to add value beyond their functional capabilities. Fourth, capabilities regarding brand representationality. This refers to the retailer's ability to develop capabilities that address customers' emotional needs of self or social image (Bhat, *et al.*, 1998. p.43). In summary, "in a brand-oriented organization, the objective is - within the framework of the brand - to create value and meaning; the brand is a strategic platform for interplay with the target group and thus is not limited to being an unconditional response to what at any moment is demanded by customers" (Urde 1999, p. 130).

#### **Brand Orientation in Retailing**

*"How can any one retailer stand out? **By having a strong brand.** Successful brand creation has a lot to do with relationship building, consistency and trust. Once a brand has been built, it is also*

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Day (1994, p. 38) defines capabilities as complex bundles of skills and collective learning, exercised through organizational processes that ensure superior coordination of functional activities. The organizations can become more market oriented by identifying and building the special capabilities that set market-driven organizations apart. Capabilities and organizational processes are closely entwined, because it is the capability that enables the activities in a business process to be carried out. Capabilities can be usefully sorted into three categories: those deployed from the inside out and activate by market requirements, competition and external opportunities; outside-in capabilities which connect the processes that define the other organizational capabilities to the external environment and spanning capabilities to integrate the inside-out and outside-in capabilities (p.41).

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*important that the brand be managed. At the end of the day, those retailers with the strongest brand identities are the ones who consistently and successfully execute on their brand promise. To succeed, then, the retailer needs to have a clear understanding of who its newest competitors are, who its core customers are, and what these customers truly want from the organization” (Deloitte, 2004, p.2)*

From the generic literature related to brand creation and development, it is possible to identify that successful brands require significant resource investment and careful management of marketing mix elements (de Chernatony and McDonald, 1992). De Chernatony and McDonald propose that a retailer may adopt either an added value or cost driven strategy. Value added brands (when they have unique benefits which offset their premium prices ( p.281) are positioned to exceed the functional value of the product (like high street designer apparel).

Branding is endemic in retail and is currently the dominant strategy around which retail competition is structured. In retail sector, products, ranges and company itself may be branded (Pettinger, 2004. p.170). As retail competition continues to intensify, marketers are seeking strategies that will capture both the interest and loyalty of consumers (Moore, Fairhurst, 2003. p.386). Ailawadi and Keller (2004. p.333) argue that many important branding principles are useful and can be applied in retailing industry, though, retailer brands<sup>20</sup> are sufficiently different from product brands that the actual application of branding principles can vary. They maintain that, since a large portion of most retailers’ revenue and profit comes from selling manufacturer brands, which many of their competitors also offer, building their own equity is a particularly challenging problem, but one with big potential rewards. Retailer brands<sup>21</sup> are typically more multi-sensory in

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<sup>20</sup> Retail brands have number of advantages above product brands. In the first place, they are closer to the consumer. The physical store space offers the possibility of literally and figuratively communicating with consumers at the moment of purchase (one-to-one marketing). Retailers can show who they are and what they stand for through the store formula. Moreover, in principle, retailers are neutral, because the choice of product brand (or store brand, if present) is left to the consumers. Retailers help consumers because they make a shrewd pre-selection and present their product assortment in a specific manner. Once a consumer knows and trusts a retailer and has good experiences and memories about a store, the foundation has been laid for a long-lasting relationship that will ultimately lead to customer loyalty. Retail branding creates a brand preference, which goes beyond the product or service in itself. A great difference between product branding and retail branding is that in many cases products have an anonymous or even fictitious presenter, whereas in retail, consumers come in direct contact with the company and/or product. (Sundar, 2005. p.9).

<sup>21</sup> The American Marketing Association definition of retail brand: a retail brand identifies the goods and services of a retailer and differentiates them from those of competitors.

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nature than product brands and can rely on rich consumer experiences to impact their equity (p.333). Sundar (2001. p.9) explains what does it mean when branding is applied to retailing; the issue is not of retailers selling brands but branding the retail business itself, and even if a store offers number of well-known brands, retailer cannot rest on product assortment and pricing initiatives to attract the customers; retailer needs to “brand” the whole store, not only merchandise, and to ensure that brand includes unique, or at least different, characteristics recognizable by customers. In doing so, retailer’s focus will be on three dimensions: brand value, brand strategy and brand structure (p.11). Applied to a fashion retailing, this may be achieved in a number of ways, for example through innovations in style and design, by improvements in product quality or through store ambience. Staffing levels and the provision of skilled and knowledgeable staff may also be considered important (Birthwistle and Freathy, 1998. p.319). To achieve and maintain competitive advantage, retailers must, also, pursue a retail strategy that aligns closely with customer merchandise preferences (Newman and Patel, 2002. p.770).

It is proposed that brand orientation provides retailers with a number of advantages, such as *added value to consumers, differentiation from competitors, acting as a compass for organisational decision-making* and support the development of *positional advantages* (Bridson and Mavondo, 2001. p.5). Moore and Fainhurst (2003. p.388) stated four areas of **capabilities** important for fashion retailing: **customer service, store image differentiation, external (market) knowledge, and promotional capability.**

#### **Brand Orientation Strategies in Fashion Retailing**

“Branding” has been recognized by many of the players in the fashion sector as representing a promising strategy to counter falling demand and increasing competitive pressure. A great body of literature on fashion retailing has been oriented towards research in consumer behaviour and conspicuous consumption<sup>22</sup> in fashion retailing (Birthwistle *et.al.* 1998; Carpenter and Fairhurst, 2005; Goldsmith *et. al.* 1999, 2000,

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<sup>22</sup> Eastman, *et.al.* (1999, p.41) specify the domain of status consumption as “the motivational process by which individuals strive to improve their social standing through conspicuous consumption of consumer products that confer or symbolize status for both the individual and surrounding others”. They also stated that the more a consumer seeks status, the more he/she will engage in behaviors, such as the consumption of status symbols that increase their status.

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2002; Otieno et. al. 2005; Beaudoin et. al. 2003; Wong and Sohal, 2003; North et. al. 2003; O'Cass and Frost, 2002; Newman and Foxal, 2003; Semeijn et. al. 2004; Herbst and Burger, 2002; Oh and Fiorito, 2002). Another subject that occupied the interest of marketers and academics is the one of fashion retailing internationalisation process that actually marked the last two decade' fashion evolution (Azuma and Fernie, 2003; Pioch and Schmidt, 2000; Gereffi, 1999, 2001; Wigley, Moore and Birtwistle, 2005); research has been done in the area of countries and regions' differences and global retailing practices (Rocha et.al 2005; Fernie, Moore and Lawrie, 1998; Burt and Carralero-Encinas 2000); some work have been done in analysing the way employees in fashion retailing influence the store and brand experience (Harquail, 2004; Pettinger, 2004;). When luxury fashion retailing is concerned, most of the previous research considered the term luxury itself, prestige and status meanings, (Arghavan and Zichkowsky, (2000); Seringhaus (2002); Vigneron and Johnson (2004); Dubois et.al. (1993, 2001); O'Cass and Frost (2002))and less of how and where to sell it. While some attempt has been made to examine the various functions and meanings attached to fashion brands within the literature, little consideration has been given to the processes by which fashion brands acquire or are engendered with such significance.

The majority of literature that examines fashion retail strategy tends to focus on individual elements of the retail mix, rather than on elements of business and brand strategy. The **retail mix** is defined as the combination of factors that retailers use to satisfy consumer needs and influence their purchase decisions including services offered, pricing, advertising and promotion, store design, and visual merchandising (Lewy and Weitz, 1998). Specifically, one research by Conant, Smart, and Solano-Mendez (1993) examined marketing capabilities and their impact on retail firm performance, in a study of 599 small apparel retailers; these researchers hypothesized that **retailers with clearly defined strategies enjoy a competitive advantage**, in part, because they possess relatively more **distinctive marketing competencies** (p.256). The results of their study were supportive, but the investigators were only able to conclude that those organizations that choose to compete in clearly defined ways enjoyed relatively better performance and possessed relatively more individual distinctive competencies, but they did not identify which specific capabilities and activities were explicitly related to performance because

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their study did not address any potential direct relationships between distinctive competencies and competitive advantage. Another study by Moore (2002. p. 7) suggest that retailers who defined their firms as operationally efficient and high in marketing effectiveness and innovation at the same time, reported higher levels of performance.

Few studies examined the store image' influence on retailer's performance and customer loyalty. Retail image and store positioning are factors that influence consumer loyalty and retail success; store image is important to retailers, as it represents their most significant communication with their target customers. This was the basis for a study by Birtwistle and Shearer (2001. p.9) in women's clothing, where the attributes, such as layout, fashion, price, quality, selection, staff, refund, and reputation were examined. The study concluded that the precise "mix" of attributes appears to be dependent on the retail sector, target market and motivation of the consumer, with the combination of **image attributes** being more important than each factor taken individually (p. 16). They also conclude that in fashion sector, socially affected dimensions, such as brand image and the level of service provisions, are pertinent (p.10).

Birtwistle, Clarke and Freathy (1998, p.147) found that adding value to the product through **customer service** could be used to strengthen a company's market position over time, especially in the high street retailing, where retailers are utilising **staff service provision to differentiate** themselves. They also suggest that there may be scope for fashion retailers to tailor their market position within their overall customer base, to more **niche segments** that may be more profitable than others (p.153). In the fashion context, **brands signal to consumers the quality of a product, the image that it is meant to convey, as well as representing current garment styles and trends** (Keller, 1993) A study of KPMG, (2002. p.7) cited that fashion sector first looked intensively into strategic brand management at the beginning of the eighties and recognized that **line extensions, focused media use** and **point of sale marketing** could increase sales and returns, where increasing numbers of companies discovered their own brand to be a determinant in their economic success. Branding of clothing has been found by Evans (1989. p.10) to function as "communicative shorthand" that acts as an immediate and public device to denote group membership and signifies the values and aspirations of the brand wearer. Identifying **effective marketing strategies** in the fashion industry is valuable to



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practitioners, who must consider numerous factors (dynamic market) when making strategic decisions (Moore and Fairhurst, 2003, p.387). Moore and Birthwistle (2004, p.412) confirm that the viability of a fashion brand is dependent upon the efficacy and appropriateness of the decisions of those responsible for its management. Fernie, *et.al* (1997) in his examination of high fashion brands in central high London fashion streets, cited that like most advanced, consumer-market products, there is little to functionally differentiate the fashion product, from the products in general, and as such, fashion brand identity and differentiation is founded on the creation of a distinct visual “**brand surround**”, which is developed through the adoption of a **distinctive brand name**, an array of **advertising images** reflecting the values of the brand and the **target customer group, personality endorsement**, as well as through the **promotional activities** of fashion shows and print editorial (p.152).

Newman and Patel (2004) investigated the marketing strategies of two leading fashion retailers in UK, on the basis of the important elements of retail mix such as **atmosphere and layout, merchandise, store formats, quality, price, sales staff, promotional efforts, store location, advertising, and reputation** (p.776) which can create a point of differentiation, separate retailers from the competition, and strengthen the retail brand; a strategic emphasis on only one of the elements (e.g. merchandise alone) is insufficient, and only the integration of a full range of marketing activities, makes possible the “fine tuning” of stores to target market expectations (p. 785). Birtwistle and Freathy (1998) in their analysis of retail branding strategies argue that the interplay between concentration and standardisation has led to criticisms concerning a lack of product differentiation in the high street, due to which fashion retailers develop **branding strategies design to communicate individuality to their target audience (p.318), correct product positioning and a clear customer focus are essential to long-term competitive sustainability (p. 321)**.

Saviolo (2002, p.8) argues that while in the past the critical success factors for fashion companies (manufacturers and retailers) were product and manufacturing technologies, today these success factors have shifted to a series of *intangible elements*, namely brand and retail management. In her work concerning brand and identity management in fashion branding, maintains that new management approach from fashion companies is

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centred on **brand management**, by organizing and extracting value from scarce resources, such as: the supply system (access to the best skills and suppliers), creativity (designers, architects, advertising agencies) and location (it is difficult to be present in the top location at global level) (p.9).

Birthwistle and Freathy (1998. p.318), Birthwistle, Clarke and Freathy, (1998. p.148), concluded that fashion retailers face increasing competition from new entrants as well as from existing competitors, and that is why maintaining a sustainable competitive advantage will be dependent on **translating its core values into a coherent brand strategy and creation of a distinctive image, often perceived as the “personality”<sup>23</sup> of the product**. Davis (1992. p.25) maintains that in order to be deemed a brand as opposed to merely a product label, a product or retailer must satisfy four criteria:

1. Does the consumer differentiate the brand positively in comparison with the main competitors? (**Differentiation**)
2. Has the brand an image for quality, which enables the retailer to command a premium price? (**Premium price**)
3. Can the brand be valued, used, sold or licensed separately from the business owning the brand name? (**Separate existence**)
4. Does the brand offer augmented symbolic value to the customer? (**Psychic value**)

Bridson and Evans argue, (2004) in the context of fashion retailing, that the attributes listed above are not independent from one another; many fashion retailers are able to differentiate their products and store experience from others through the psychic value they provide to customers; by the ability to transfer the retail brand to other store formats; or through discounting position, and still be considered a brand, regardless of its pricing policy (p.403).

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<sup>23</sup> As a strategic tool Aaker (1996. p.354) describes brand personality as a metaphor which can help brand strategists by enriching their understanding of people's perceptions of and attitude toward the brand, contributing to a differentiation brand identity, guiding the communication effort and creating brand equity. Aaker conducted an extensive study in which 631 subjects rated 37 brands on 114 personality traits). The results of her analysis revealed five major dimensions of brand personality, each of which has two or more personality traits associated with it. The five dimensions are: sincerity, excitement, competence, sophistication and ruggedness. Three of these are consistent with the "Big Five" human personality dimensions. Sophistication and ruggedness emerge for brands but are not represented in human personality theory. Aaker explains that sophistication and ruggedness may be attributes that are desired, but not necessarily possessed. One might assume that they are associated with ideal selves rather than actual selves.

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Court, *et. al*, (1999. p.19) identify that in order to keep their brands' "promise", retailers have to create a **distinctive look and feel in the store, deliver a distinctive customer experience, also hire "evangelistic" staff** (that will model their apparel); without such initiatives, the brand will not deliver its personality, nor will the brand equity be built. Cappetta and Gioia (2004) stated that **employee branding programs** are intended to impress brand attitudes onto the work behaviour of employees, who are then expected to infuse brand attributes throughout their work, which is evident for salespeople in a fashion store: they must communicate company style, not only with their clothing, but also with their interpersonal style, they even share physical characteristics (tall, beautiful, with modern hair cuts, etc).

Although **brand name** is an important factor in making purchasing decisions, other **extrinsic attributes** such as **price, type of store, and store image** may also impact on the appreciation of garments (d'Astous and Saint-Louis, 2005. p.306). Those two authors' research considered national and store own brands; they concluded that retailers in prestige stores willing to promote their store brands, should emphasize in their communication programs buying contexts in which a piece of clothing is needed for some special event (e.g. a wedding anniversary, a prom) because this appears to correspond to situations where store brands are best valued (315).

Guyon (2004) gives an interesting example of the LVMH luxury company spending \$1.5 million erecting scaffolding in the shape of two giant Louis Vuitton suitcases around the renovation of its Paris' store. The scaffolding effectively became a giant advertisement, while giving the store a luxurious and traditional appearance.

Bridson and Evans (2004. p.405) in their examination whether a fashion retailers' brand orientation assists in explaining variations in its retail offer advantage hypothesised their positive relationship, and the research results showed that fashion retailers focus on developing each of the four aspects of brand orientation, necessary to achieve and sustain advantage across all four retail offer dimensions (**merchandise, communication, trading format and customer service**). According to their conclusion, brand orientation capabilities include:

- ➡ using the retail brand as a mark of **distinction** (sign of ownership, guarantee, shorthand device, legal protection, logo and resource),

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- a means of satisfying consumer's **functional** purchase needs (satisfying basic or rational needs),
- a source of **value adding** and (beyond functional, through adding features and benefits to differentiate) and
- a **symbolic** reflection of consumers (representational, emotional, self expression, self image, personality, psychic value and icon) (p.405).

Beverland (2004. p.69) argues that for high fashion brands, a leadership position based around a strong **product focus, publicity, limited distribution, inconsistent delivery, high price, small niche markets, planned obsolescence, and designer/celebrity endorsement is no longer effective; these brands must, besides all the above factors, heavily invest in branded stores in elite locations**, which requires significant capital funds (Prada's latest SoHo store cost \$40 million), **invest in selective targeting, supply chain management, while not risking to their position through many inappropriate brand extensions.**

According to Engel, Blackwell, and Miniard (1995. p.854) environmental dimensions such as **air quality, lighting, layout, carpeting, and aisle width and placement are physical store attributes** used to project store image and influence store choice. Store retailers must provide a setting that will allow consumers to shop for their needs in the marketplace. Interesting study by KPMG (2002) consulting company in fashion retail sector, emphasised that retailing companies in luxury apparel segment have to define themselves **not only through their product ranges, but also through their service and store ambiance, where the price criterion becomes more of background consideration, deliberate scarcity and limited geographic availability make such retailers interesting for their chosen target groups. Top brands have to be emotionalised, authentic, and above all, differentiated, while winning innovators and opinion leaders as their customers.**

Korlimbinis and Thorton (2004) analysing the retail fashion shoppers, concluded that **store layout and design** are crucial components of a retailer's image and reflect a significant percentage of shopper's first impressions of a store-which can either attract or deter potential buyers, and the today's store layout and design of many fashion stores

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largely reflects the shopping preferences of female shoppers, as they shop more frequently and have a greater interest in fashion than men(p.1).

ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΑ

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#### Conclusion of Chapter Three

Market orientation is one of the most researched concepts in marketing science. It is based on the fact that, because customers' needs and expectations continually evolve over time, delivering consistently high-quality products and services requires ongoing tracking and responsiveness to changing marketplace needs i.e., being market-oriented. It is the organization-wide generation of market intelligence, dissemination of the intelligence across departments, and organization-wide responsiveness to it. Many authors lend the support of the existence of a positive direct relationship between market orientation and organisational performance, and concluded that market orientation of a business is an important determinant of its performance, regardless of the market turbulence, competitive intensity or the technological turbulence of the environment in which operates. Market orientation consists of three behavioural components: *customer orientation*, *competitor orientation*, and *interfunctional coordination*, and two decision criteria: *long-term focus* and *profitability*. Customer orientation is the firm's understanding of the target market; competitor orientation is the firm's understanding of the capabilities of the present and future competitors; the interfunctional coordination is the coordinated use of firm's resources and capabilities to create superior value for customers. Market orientation implementation is valuable because it focuses the organization on continuously collecting information about target-customers' needs and competitors' capabilities and using this information to create continuously superior customer value.

Today, company's real value lies outside the business itself, in the minds of potential buyers. This is reflected in the value of brands, which are the anchors of company's value, where brand orientation has emerged as a top management priority. Although it embraces the market orientation concept, brand orientation also considers the role of brand in achieving market leadership and it is defined as the degree to which the organization values brands and its practices are oriented towards building brand capabilities through interaction with their target consumers. It is a multidimensional construct encompassing the brand as a mark of distinction, a means of satisfying consumers functional purchase needs, a source of value adding and a symbolic reflection of their consumers.

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In combination with other assets and competencies within the company, brands can be braided together into a brand identity through a process of value and meaning creation which are communicated via the products, product category, positioning and core values, brand, and corporate name; these concepts are linked to one another, and together constitute the basis for the brand strategy, brand identity and brand orientation.

The objective of brand oriented retailer is to create value and meaning, with brand acting as a strategic platform for interplay with target group and thus is not limited to being an unconditional response to what at any moment is demanded by customers. For the fashion retailer, the issue is not only selling top brand merchandise, but branding the retail business itself, giving the store an image of its own. What merchandise assortment is selected, how the store looks and feels like, who constitute the staff and managing personnel, and even how the store smells and what music plays is important in consumers' mind, especially when expensive products are concerned. A retailer cannot rest on product assortment and pricing initiatives to attract customers; it is needed to "brand" the entire shopping experience by focusing on three dimensions: brand value, brand strategy and brand structure. Retailers' branding strategies need to be designed to communicate individuality to their target audience, choose the correct product positioning and have a clear customer focus to achieve long-term competitive sustainability. For high fashion brands, a leadership position based around a strong product focus, publicity, limited distribution, inconsistent delivery, high price, small niche markets, planned obsolescence, and designer/celebrity endorsement is no longer effective; these brands must, besides all the above factors, heavily invest in branded stores in elite locations, which requires significant capital funds invest in selective targeting, supply chain management, while not risking their position through many inappropriate brand extensions.

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## Chapter Four-Methodology of the Research and Case Study

### Chapter Four: Methodology of the Research and the Case Study

In this chapter methodology of the research and data collection method will be presented, and the case of famous Greek fashion chain of luxury stores, analysed on the basis of its merchandise, trading format, customer services and communication distinctiveness, in the following pages.

#### Research Strategy

According to Yin (1994 p. 1) a case study is but one of several ways of doing social science research. Other ways include experiments, surveys, histories and the analysis of archival information. Each strategy has peculiar advantages and disadvantages, depending on the three conditions:

- The type of research question posed,
- The extent of control an investigator has over actual behavioural events,
- The degree of focus on contemporary as opposed to historical events.

As seen in table each of the conditions is related to the five research strategies.

**Table 5: Relevant Situations for Different Research Strategies**

Research Strategy	Form of Research Questions	Requires control over Behavioural Events?	Focuses on Contemporary Events?
EXPERIMENT	How, why?	YES	YES
SURVEY	Who, what, where, how many, how much?	NO	NO
ARCHIVAL ANALYSIS	Who, what, where, how many, how much?	NO	YES/NO
HISTORY	How, why?	NO	NO
CASE STUDY	How, why?	NO	YES

Source: Yin, (1994, p.6)

## **Chapter Four-Methodology of the Research and Case Study**

Since the purpose of this study is to describe the process of brand oriented strategies implementation in high fashion retailing practices and its effect on differentiation of the retail offer, the focus is on contemporary events, control over behavioural events is not really required and, experiment or history strategies are not needed for this study. Archival analyses, as well as surveys, are beneficial strategies to use if the objective of research is to describe the occurrence of prevalence of a phenomenon or when certain outcomes are prognostic. Since that is not what this study aims at, these strategies are not use in this study. By taking all of the facts mentioned above in deliberation, the most suitable strategy for this study is a case study, which is why this research strategy is used. Using case studies for research purposes remains one of the most challenging of all social science endeavours. It is important to design good case study, and to collect, present, and analyze data fairly.

A frequent criticism of case study methodology is that its dependence on a single case renders it incapable of providing a generalizing conclusion. The goal of the study should establish the parameters, and then should be applied to all research. In this way, even a single case could be considered acceptable, provided if met the established objective.

### **Case Study Design**

A case study is “an empirical inquiry that investigates a contemporary phenomenon within its “real-life context” and covers contextual conditions, rather than single phenomenon according to Yin (1994, p.13). Moreover, case studies can be guided by, and advantage from, former theories in the collection of data and analysis, and should entail multiple sources of evidence. There are three major reasons for conduction a single case study: if the case presents a critical test of existing theory, is a rare or unique event, and if serves a revelatory purpose. This does not mean, that this kind of research is more advantageous when compared to others research strategies, on the contrary, there are many weaknesses, but this is out of scope of the study.

## **Chapter Four-Methodology of the Research and Case Study**

### **Data Collection Method**

According to Yin (1994p.83) there are six sources or evidence to rely on when collecting data for case studies: documentation, archival records, interviews, direct observation, participant observation and physical artefacts. No single source of evidence has a complete advantage over the other, but the sources complement each other. The same author states that interviews are of the most important sources of evidence when conducting case studies, and there are three different kind of interviews: open ended, focus and survey interviews.

The type of interview used in this study was a telephone, face to face interview, and also, electronic mail. I have conducted a number of interviews with the marketing manager, store managers and sales personnel Mr. Manos Syfakis, the marketing manager in the Carouzos company, was interviewed in a series of interviews that took place towards the end of 2004 and beginning of 2005. He also provided photographic material, from his own archive as well as from the published press. As I was a customer in one of the stores, sales personnel and store manager were very helpful in enlightening issues such as store appearance and image, customer's profile, merchandise, storage and promotional strategies. The secondary data was gathered mainly from the company's very well organized and regularly updated web site, that was pretty much expressing the real spirit and character of Carouzos brand, and also from journals, fashion magazines, catalogues and fashion editorials.

## **Chapter Four-Methodology of the Research and Case Study**

CAROUZOS



### **The Carouzos Company- History Milestones**

The history of the company started in 1972, when Antonis Carouzos, inaugurated his first store on 63 Drosopolou Street, at Kipseli, where he offered designer collections for men. In 1974, the first exclusive cooperation with the Italian house Ermenegildo Zegna created new paths for more cooperation with foreign design houses. In 1980, Carouzos Company expanded its activities outside Attiki prefecture, by opening the first Carouzos store, on Tsimiski Street, at Thessalonica, aiming to fulfil the dressing needs of Northern Greece. In 1986, the company accomplished a new exclusive collaboration, with the famous Italian fashion house Valentino, while two years later, in 1988 opened its first multi-brand

## **Chapter Four-Methodology of the Research and Case Study**

Carouzos store, on 12 Kanari Street, in Kolonaki. During the 1990's, company was equipped with knowledge and infrastructure that allowed it to successfully enter the sector of designer fashion for women. They also accomplished a number of successful business movements by collaborating with the top foreign fashion houses, such as Prada in 1998, Donna Karan in 1999, and Celine in 2000. In 2001, Carouzos Company opened first Ermenegildo Zegna mono-brand boutique, on 18 Skoufa Street, Kolonaki, a movement that sealed long and successful cooperation with the Italian fashion house.

In 2004, they proceeded with a renovation of the store on 12 Kanari Street, at Kolonaki, offering consumers a new proposal from Carouzos stores. During the same year, considering its presence at the Eleftherios Venizelos International Airport as of strategic importance, the company promoted special collections, by the top houses Ermenegildo Zegna and Celine, at the duty-free stores, within the departure zone for countries outside Schengen. During November 2004, Carouzos sealed a successful cooperation with the French fashion house Celine, by opening the first Celline boutique at Kifisia area. In 2006 the first Valentino store is opened in Kifisia, as Carouzos is exclusive distributor of Valentino's first (top) collections. The company holds a number of stores in Athens, Thessalonica, Heraklion (Crete), and Mykonos. All the stores are designed as luxurious boutiques in prominent locations that exclusively sell an important number of international apparel brands, for women and men, shoes and accessories.

Stores are conceptualised as:

- Carouzos stores,
- Carouzos Stock,
- Celine,
- Ermenegildo Zegna and
- Valentino store

### **Carouzos Mission**

*“To ensure and offer the best collections of the international fashion world to our customers, maintaining an exceptional personal service in a luxurious yet friendly store environment”.*

## **Chapter Four-Methodology of the Research and Case Study**

### **Company Today**

The company today holds a chain of up market boutiques selling high-quality branded apparel, in eighteen stores, fifteen Carouzos stores, one Celine, one Ermenegildo Zegna and one Valentino store, employing 220 people. The stores will be expanded in many others Greek cities, as it is planned in company's reorganisation program that started from 2005. Until the end of 2006, Carouzos plans to open at least two more Celine stores, carrying homonymous French fashion brand, and to extend its brand portfolio with new brand name imports, that will strengthen its Carouzos market position and differentiate its offer as a retailer with the biggest number of foreign fashion apparel brands (Ta Nea, 18.05.2005).

The company is going through the period of creative reorganization by focusing on expansion to markets outside Athens prefecture, to other parts of Greece; three-year long plan is to expand through wholesale networking in markets other than Athens, where there are no Carouzos stores. Wholesale is an opportunity for Carouzos, since many Greek major cities, besides Athens, Thessalonica and some prestigious Aegean islands, such as Mykonos, lack up-market designs. This demand is specially increased for brands on the top of the consumer preferences, such as names as Prada, Fendi, Valentino, Donna Karan, etc, some of which are exclusively distributed by Carouzos.

According to commercial manager, Lambros Potagas, the up and middle market of fashion retailing is highly pressured, because of the number of similar stores, on one side, and fast fashion retailers, on the other, where the consumers have to make the final decision: they watch, compare, judge and decide. It is the primary focus of Carouzos to make its total offer superior for its customers. Because of the nature and character of Carouzos' traditional customer, of particular social status and position, company is offering superiority, in many elements of its retail mix, and especially in service. Store image and design is very important in luxury retailing; all the Carouzos stores are glamorous, but yet very friendly; for example, the Kanari Street shop occupies three floors at the heart of Athens' most prominent shopping area, offering a great variety of classic, formal and modern clothes for both men and women. Store's elegant ranges are from

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trousers and skirts to suits and coats made either by major international brands or bearing Carouzos's own private label. Fine shoes are also available along with a full range of accessories. This retailer's name can be considered brand name itself; in its local market is surely deeply attached to names such as Prada, Donna Karan, Valentino, Emanuel Ungaro, and another fifteen top fashion brands. Stores are minimal and elegant in its architecture, while staff professional, friendly and snobbish enough to hold on to the store's exclusive image.

Two years ago, company organized new marketing and communication department, which cooperates with third parties, such as advertising agencies and media planners, creates and supervises programs of commercials, public relations and below the line cooperation. Carouzos orientation towards good relationships with its suppliers resulted, in opening of the first exclusive Celine store, after the long-lasting and highly successful cooperation with the French fashion house. The Ermenegildo Zegna mono-brand boutique is another example of long lasting cooperation between Carouzos and the prestigious Italian brand, famous for men suits.

In today's highly competitive and dynamic fashion market, Carouzos company aims at differentiation strategy implementation as a way of achieving not only competitors parity, but also distinctive position in luxury fashion market. Due to nature of today's market conditions, it is reasonable to consider any company that offers products targeted to customers of the same or similar lifestyle, as competitors. Many fashion retailers that even offer cheaper solution of modern garments are absorbing market share of more expansive, designer garments. Most of the retailers, that are competing on differentiation strategies (not the cost retailers) claim its superior customer service as a way of gaining customers loyalty. However, each feature of store and brand values and must be taken into account if a differentiation position is to be achieved.

It is obvious that low cost, fast fashion retailers that imitate designer collections threaten high fashion market, and only few weeks after the fashion shows in Milan, Paris or New York, they have produced and distributed clothes in stores. Due to their attractive pricing policy, modern designs, satisfying quality, and ease of purchase and money returns, many consumers that would spend their income on designer clothes, shop in stores like Zara, Massimo Dutti, or Mango. However, the traditional high net worth individuals, are

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constant high fashion spenders, globally, as well as in Greece. Carouzos imports branded women and men apparel and accessories, targeted to male and female fashion conscious individuals between 30 and 55, with clear focus on more formal and professional clothing, while younger, fashionable consumers are offered more casual, original and modern wears and accessories.

For a brand oriented retailer such as Carouzos, leading position in its market is gained, basically, through the brands it carries and their personality, making a name Carouzos synonym for beautiful, chic and luxury clothes offered in stores of important architectonic style under the number of value adding services that are unique for the Greek market. Carouzos means Valentino, Prada, Michael Kors, Celine. If a women needs Valentino last collection's gown, she knows where to look for it.

**CAROUZOS**

### **Brand Name**

Carouzos brand name represents, first of all, the exclusivity and glamour of brands it sells. Within the 32 years of presence in Greek luxury clothing market, this name is tightly connected to **high quality branded apparel sold in carefully designed and prestigiously located stores.**

**Carouzos name in fashion retailing acts as a brand name itself**, expressing more than just regular retailer's offerings to its rich customers. For ones that cannot easily afford expensive, designer clothes, it represents a dream, or a desire for the future, hoping that someday they can be in position to wear all these glamorous clothing they see in store windows, worn by celebrities and high-net worth individuals; for the opposites, high-income clients, Carouzos name is the **guarantee of consistency** and **identification** over time. He offers the best pieces of luxurious Italian, French and



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American designer brands, early in the season, always picking up the best pieces of each collection and paying special attention to every detail in its luxurious stores. Carouzos' name stands for exclusively sold brands such as, Prada, Valentino, or Jil Sander, making the brand portfolio unique, when compared to its closest competitors, (Vardas, Eponymo, Sotris, Prince Oliver chain of stores). Carouzos is famous in Greek market, especially, in Athens, not only because of the number of branded collections, but also because of superior service, early previews of new season's collections, classy atmosphere, beautiful stores, etc. This name is a status symbol, and sign of style and luxury. Carrying a bag with Carouzos sign, full of beautiful clothes, bought in one of the eighteen stores, placed in most expensive locations, a woman, definitely, expresses her social belonging and status. As a leader in its specific market, this company works on its constant evolution and development, by investing in variety of merchandise, store image and environment, communication strategies, staff and service level.

### **Competitors**

Due to nature of today's market conditions, it is reasonable to consider any company that offers products of the same or similar lifestyle, as competitors. Many fashion retailers that offer less expensive clothes, are absorbing market share of more expensive garments.

Marketing wise, closest competition can be divided into:

- Chain of retail stores offering high fashion clothes, shoes and accessories such as Luisa, Sotris, Eponymo stores, Vardas, Attitudes, Soho-Soho, etc.
- Single brand or multi brand stores (boutiques) such as Linea Piu, Renata, and
- Foreign flagship or licensed stores, such as Louis Vuitton, Gucci, Hermes, Armani, etc.
- Fast fashion stores, Zara, Mango
- Other stores selling clothes

The first three types of competing stores, developed their unique offerings based on different designer brands they import, and their store's image. Customer base is almost

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the same, containing wealthy, upper class individuals, fashion conscious younger businessmen, celebrities, and another type of luxury consumer mentioned in chapter two as “asset poor, luxury rich”-women that are able to spend their last euros on a piece of clothing.

Except Vardas Group, which is considered main competitor, all the other retailers are of smaller size, with small number of stores. Most of the companies except retail, are also involved in wholesale, supplying smaller size stores all over Greece, specially Vardas, whose buyers network is very well developed. Due to its brand portfolio and value each of the brands holds, exclusivity, unique services, modern and luxurious boutiques with professional and trained staff, Carouzos company holds a leading position in Greek high fashion market.

### Merchandise-Brand Portfolio



Names, names, names.... so many brands are included in brand portfolio, as shown in the picture above. Carouzos brand portfolio includes **more than twenty foreign brands**, making it the most important retailer in Greek high fashion market, on the basis of number of brands it carries, and brand value each of these brands hold. It contains some of most

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respected and globally recognized foreign fashion brands. Some of them, like Ermenegildo Zegna, Celine, Brioni, and John Varvatos are exclusively sold only in Carouzos stores in Greece. Some others, like Prada, Emanuel Ungaro, Fendi and Valentino's first, or prêt a porter collections, are also exclusively offered by Carouzos. All these brands are so important, each one for its own specific characteristics, starting from Valentino's exquisite taste in evening dresses, Prada's minimalist look and amazingly designed shoes, Donna Karan's simple lines and Ungaro's eccentric looks. Fendi brand is famous for its classic bags, while Celine for its sophisticated dresses and tops. Ermenegildo Zegna as the master in men's suits, produces classic and perfectly sewed suits, which can also be ordered specifically for each customer that wishes a suit made exclusively for him and by his body measures. In Carouzos stores, customer can order its own suit made by Zegna in Italy, making it more like one to one marketing, for the same amount of money as one would pay for manufactured suit (about 1300 euro).

Besides foreign brands, Carouzos also sells its private label-the Carouzos Label, priced lower than its star brands, and targeted to more price conscious customers. Because of its distinctive brand name, easily identified by customers, company has the opportunity to expand its offer with its own label.

When fashion seasons are concerned, two main collections per year, spring/summer and autumn/winter collections belong to the past. Today, seasons are usually four and sometimes even six; that is a reason why in Carouzos stores, merchandise changes four, and with some brands even six times a year, making variety of garments, closely adjusted to weather conditions and customer's particular seasons' needs. Carouzos clothes also represent status and prestige, while satisfying more than just functional needs of wearing clothes in order to be dressed for surviving reasons. So many of symbolic meanings are built into a dress or suit, not only because of designer's signature like Valentino or Prada, but also because of the way they are presented to public before even reaching stores, starting from fashion shows featuring top models, fantastic ads in magazines and flashing billboards, to store themselves, its furnishing, windows, displays, staff, etc. Carouzos stores offer a spectacular shopping experience; the only thing needed is "money". But, even for not very rich people, one can always find some less expensive items, like gifts or accessories, or shop on sales, where the prices go down 50, or even 60%. Variety of

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brands in its brand portfolio is one of the most important distinctive capabilities, which together with service, discussed in the following pages, empowers Carouzos leading position in local market. Brand orientation specifically enhances merchandise distinction and, therefore, a merchandise advantage over competitors. Through Carouzos brand oriented values and practices, a merchandise advantage is achieved by influencing retail issues such as breadth and depth of range, pricing decisions and brand exclusivity. Carouzos is easy recognizable Greek retail brand representing luxurious younger and middle-aged Greek woman and men lifestyle. The unique name is easily identifiable by consumers and influences the style of merchandise offered. Brand orientation provide a framework for assessing Carouzos retail offer advantage in terms of the influence of distinctive and symbolic capabilities on merchandise decisions and reinforce Greek high society lifestyle brand positioning. Functional benefit of having a wide range of brands in assortment, differentiate its merchandise advantage to its competitors.

**Table 6: The Carouzos brand Portfolio**

<b>Women</b>	<b>Men</b>	<b>Accessories</b>
Valentino	Ermenegildo Zegna	Ermenegildo Zegna
Celine	Hiltoni	Valentino
Marccain	Jil Sander	Celine
Donna Karan	Corneliani	Marccain
Amanda Wakeley	Prada	Donna Karan
Claudia Strater	Avoucelli	Prada
Emanuel Ungaro	Brunello	Santoni
Fendi	Cucinelli	
Michael Kors	Lorenzini	
Prada	John Varvatos	
Schumacher	Kilton	
Angona	Saintandrews	
Gianbatista Valli	Brioni	
	Canterelli	

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### **Services**

Expressing stores' luxurious and prestigious image, its branded and unique choice of high class merchandise and highly professional and helpful staff, Carouzos stores offer unique number of services before and after purchase, many of which are not available elsewhere in Greek market.

**Made to measure, private shopping, gift services, free fitting, home delivery, monogramming service, corporate services, and trunk shows** constitute Carouzos' value adding elements besides its experienced and helpful sales personnel. Not many Greek based retailers are able to compete on service. First of all, relationship between employee and customer is based on mutual trust and personal acquaintance. On a regular basis, most loyal clientele is informed about new deliveries and even invited to private fashion shows. Carouzos invests a lot in its services, as expressed in its mission statement - superior customer service. The traditional high fashion rich customers are hard to please, they demand more than just a simple shopping-buying, they are attracted to something more, original, unique. For example, a Made to Measure service, was a big success, and it is planned to expand this service to other brands including women's clothes. All this different services, request actions from a number of professionals, organized in company's customer service department, that contains young, experienced, and inspired people with new and fresh ideas.

#### ***Made to measure***

There is nothing better than a hand-made suit. Carouzos company, in cooperation with major designer houses, famous for high quality, stylish, hand-made clothes, offers to its customers the ability to acquire a unique piece of clothing, tailored especially on the basis of each particular customer's body measures, with this made-to-measure service. Customers can, in fashion houses like Ermenegildo Zegna, Brioni, Lorenzini, select fabrics from a wide range of qualities and colours, send body measurements, taken by experienced Carouzos' tailors, and make any alterations to the design of suit made.

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Within four to five weeks, a unique piece of clothing that completely reflects customer's own personal sense of style arrives. The whole procedure offers a sense of uniqueness, culminating in a hand-made suit, tailored by master artisans who possess knowledge, experience and secrets of this distinct art, made particularly by specific client's requests. The service is offered in almost all Carouzos boutiques, and the whole procedure of measurement lasts less than half an hour. A suit costs 1.300 euros, and designer in Italy saves the measurements, in case if customer wishes to repeat the order (Ta Nea, 18.04.2005). Another uniqueness of Carouzos special value adding services is that with every made-to-measure suit, customer is offered a free made-to-measure shirt, worth 200 euros. It is planned that made to measure service will be available not only by Ermenegildo Zegna, Lorenzini, Brioni, but also by Kiton.

### ***Private Shopping***

In today's fast rhythm of everyday lives, many people are very limited in their leisure time, including time for shopping, since shopping can be considered a leisure action. For customers with limited time, business people, celebrities, high society personalities, Carouzos brings a very special service of private shopping. With this service, customers shop outside normal working hours, from convenience of their own home, office or any other place they select. Simply by one telephone call to one of Carouzos', Ermenegildo Zegna or Celine stores, customers can enjoy this unique experience of Private Shopping in their own homes. Experienced salesperson will pre-select products for client, having in mind particular customer's fashion style and brand preferences, and take the selected items to appointed place, with no extra charge. Usually, best pieces of latest collections, with expensive price tags are sold in "privacy".

### ***Gift Services***

Carouzos stores offer, whether in person or over the phone, the possibility for customers to select, from available "gift ideas" products for their loving ones, bearing the "Carouzos

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Gift Certificate”. Store employees will take care of packaging and delivering to home address. There is a possibility to choose a present from the company’s own gift ideas, such as Prada office set, Celine ties, Marccain bags, etc. Even if a customer hesitate to decide on particular gift, there is another option available. With the Carouzos’ Gift Certificate, one can select his or her own present that is already paid for, by showing this certificate.

### ***Free Fitting***

Carouzos’ stores offers fast and highly professional adjustments, in case if adjustments are needed on any purchase item, totally free of charge. Experienced tailors can quickly and reliably carry out any fitting requirements that customer’s new clothes need, so as to exactly match their body measurements. To ensure top quality, rapid customer service, every Carouzos Store has its own specialized tailor.

### ***Home Delivery***

Not many high-end retailers in fashion sector offer so many pre, and post purchase services, as Carouzos does. Another proposal reflecting “superior serving customers image” of its stores is Home Delivery service. Regardless of how much customer’s bill comes to, store will deliver purchased merchandise at home, office or any other place customers chooses, of course, free of charge.

### ***Monogramming***

How many of us would like a suit or a shirt with our own initials or complete name on? As a way to differentiate personal style or status in any Carouzos store, customer can use this very interesting and original service as a personal “touch” on purchased items. By using monogramming service, a needle pointed monogram can be placed on any chosen

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garment. Monograms are usually initials or a complete name, making these pieces of clothes very special items in one's wardrobe.

### ***Trunk Shows***

Carouzos Company constantly search for new and more advanced ways of how to reach and service consumers. For the best ones, few times a year, special presentations of newest collections take place. About a month after the fashion shows in major fashion cities finish, Carouzos' staff organizes private small fashion shows for selected ("most wanted") customers, giving them the opportunity to be the first to see new collections and first to wear it. This can also be an opportunity to secure future sales, and at the same time doing a favour to the best customers.

### **Trading Format**



The character of Carouzos stores, developed as multi-brand stores and mono-brand stores (Celine and Ermenegildo Zegna), is unique in Greek market, based on the fact that the chain holds 18 stores, each special in its own way. Not only their location, but also store environment, image and staff are selected according to up-market fashion requirements, based on luxury and originality.

### ***Location***

Carouzos characteristic retail site occupies Athens' most prestigious locations, such as Kolonaki, Glyfada, Psychiko or Kifisia, where all well-known names in fashion are gathered together in a number of stores carrying



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fashion products. The company expanded its store choice to downtown, central business districts, keeping city centre as the dominant, since it runs four stores only in Kolonaki area. In this particular area, competition is quite strong, as the number of stores is quite impressive. According to the principle of cumulative attraction, a cluster of similar and complementary retailing activities will generally have greater drawing power than will dispersed and isolated stores engaging in the same retailing activities. In many large cities, certain types of retailing establishments tend to cluster in specific areas, such as shopping areas of Kolonaki and Kifisia. Prominent location plays an important role, making brand available in the most exclusive and busiest streets. This increases not only symbolic capabilities of Carouzos brand, since its location is appropriate for its elite clientele but also functional benefits that can differentiate Carouzos as a retailer that runs a store in all major locations streets, that are also well known and easy to get to.

### ***Store environment***

Part of shopping experience is finding and purchasing that “just right something”, the perfect product, but an equally important component is the thrill of chase - sensory experience of entering a store and being surrounded by light, colour, texture, and sound. A store’s location and image factor may not always translate to hard and fast sales, but image is all-important in the world of luxury. A shopper’s first impression is of utmost importance.

Store environment is all about store image, atmospherics and store theatrics. For a retailer is very important, since it has physical and psychological impact in customer attraction. **Store image** shows store’s personality; not only how the consumers sees it, but also what they feel about it. The Carouzos stores look and feel as luxurious and clean, as is the clothes they carry, with no exaggerations in its design and details. Simplicity and luxury is what Carouzos store’s image represents.

**Store atmosphere**, as total sensory experience created by the store, is one of the most important features that attract customers in store. These stores are comfortable, roomy, with classy, safe, not too glamorous, but still luxurious atmosphere. Sounds are soft and

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tender, while the whole scent appeal based on wooden furniture, glass and metal, develops certain minimal and comfortable appeal.

**Store theatrics** are mostly based on windows theatrics, since window displays are changed every two months. Each time a certain theme is selected by stylists and season preferences, making a walk outside the Carouzos' window always impressive. In store theatrics is more conservative, since the margins for extravagancy can not fit its brand's personality. Carouzos sells Valentino, not Gaultier of Dolce Gabbana, where situation is totally different.

When compared to some fashion retailers that use aggressive, weird or even scary themes in its windows, Carouzos stores can be characterized as classical.

**Merchandise displays** are thematically or colourably sorted, in clean lines, with enough free space for comfortable browsing. Sales personnel continuously fixes displays in order to have the best looks as dictated by the merchandise display stylists.



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Never too much clothes is exposed, because of expensive garments' scarcity nature. Big, rich leather coaches dominate, expressing heavy luxury and classic style, while wooden tables and counters calm the atmosphere. In such environment, merchandise is displayed in harmony and style.

Dressing rooms have clear instrumental functions, but are also very classy with perfect lightings, comfortable chairs, and quite roomy. Perfumed scent is also very important, as the opposite would not be very appropriate for store of particular status. Employees take care of every detail inside the store and make perfect store appearance, its main task.



### ***Staff***

In retail environment, a sales personnel is an important element of the store, since they directly communicate with customers. It is important for a fashion and especially up-market store, to employ stylish, good looking, discreet and professional sales assistants and educated and experienced store managers. The ability to build loyalty can heavily depend on the salesperson's performance and characteristics such as his/her

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attentiveness, expertise, friendliness, and appearance. Sales assistants are components of how store brands are performed for consumers, along with the inanimate store design, layout and marketing and advertising practices (Pettinger, 2004 p.165). In luxury stores, staff is a clear expression of a store's character, style and how management wants the total shopping experience to be. To be hired in such a prestigious store, requests previous experience, communication skills, fashion "knowledge», but also characteristics such as nice appearance, refined taste and certain arrogance and mystery, as Carouzos brand is. Analogously to luxury store image, and prestigious clientele, the company employs 220 people, of which the "most important" are the sales assistants and store managers, since they contact consumers on a daily basis, face to face, and are very much aware of customers' needs, desires, taste, or habits. In this interaction between sales personnel and consumers, company carefully chooses its representatives-sales personnel that can in a right manner show what Carouzos stores have to offer. Interestingly, employee turnover, very often and common phenomenon in this sector, in Carouzos is lower than the market's average. Most of sales personnel and, especially, store managers, are being in company for years. Those retailers who can minimise staff turnover and retain knowledgeable staff, who fit the brand values, may create customer service advantage.

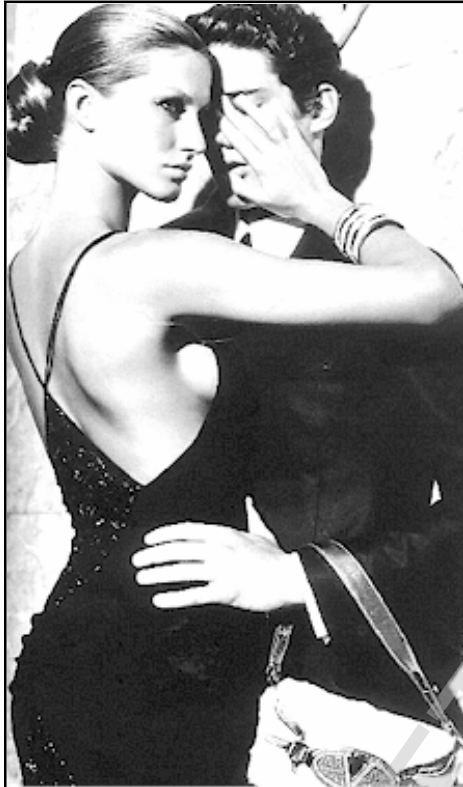
A certain dress code, that changes twice a year and usually includes suit and white shirt, expresses company's clear lines and focus on more formal and elegant look. Luxury stores, usually employ good-looking personnel, as the employees' appearance plays an important role in total store image. Most of employees are female, and some male, very fashion conscious and informed about fashion trends. As one of the basic elements of Carouzos business strategy is superior customer service, company invests constantly in staff training programs in order to keep them informed about new trends, designers collections, styles, brands, etc.

### **Communication**

Company's marketing and communication department organized two years ago, together with the advertising agencies and media planners, produce advertising messages mostly for printed media, such as fashion, lifestyle magazines and newspapers. Usually,

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newspaper advertisements are in period when winter and summer sales take place, when retailers target wider consumer ranges by markdowns and discounts. Newspaper advertisements are usually plain, provide information about percentage of sales without too many artistic details, or photographs. Newspaper ads focus on functional information, rather than symbolic brand meanings and features. On the other side, advertising



campaigns are constantly present in leading Greek fashion magazines, such as Vogue, Donna, Bazaar, etc., and are always original, featuring not only beautiful female models dressed in beautiful branded clothes, but also photograph of nature, places, streets, expressing deeper meanings and messages.

It is difficult to differentiate and “add value” through advertisements, simply because consumers are “attacked” by advertisements on a daily basis, that do not pay enough attention on what the ad is really about, except when creativeness exceeds the standard clichés. Here, all elements of the retail offer work in unison, sending the same signals.

Distinctive capabilities provide a basis for explaining Carouzos communication advantage, by choosing

advertising messages that are highly distinctive, at times where all the other market players simply advertise clothes. Functional brand capabilities encourage advertising to focus on benefits and attributes of store relative to its competitors, such as great assortment, exclusivity of brands offered, etc. Through symbolic capabilities of Carouzos brands’ wearer, self-expressed as luxury and prestige seeking individual belonging to high income group, communication focuses on establishing similar personality for Carouzos brand, as a exquisite retailer, which is valued by customers and resistant to competitors’ replication.

Some retailers use celebrities, or famous personalities, while some others impressive photographs and triggering messages. Carouzos is usually oriented to more down to earth, but very creative campaigns like “All the brands under the same umbrella” in 2004,

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or the “Walk of fame” 2005 campaigns, focused on variety of brand names showing different photographs from the nature, natural phenomenon, roads, streets, but always focused on brand names from its assortment. Not very often, conventional ad featuring a model photographed in a studio wearing Valentino or Ungaro, takes place.

### **Carouzos as Brand Oriented Retailer**

As we explained in chapter four, brand orientation for a fashion retailer means the degree to which retailer values brands and its practices are oriented towards building brand capabilities. These capabilities for Carouzos, as a brand oriented retailer, constitute its brand as a means of distinction, a means of satisfying customer functional purchase needs, a source of value adding and symbolic reflection of consumers. Company's practices made us believe that all the elements of its retail mix are targeted towards superiority, brand and customer focus. The way brands offered in these stores radiate classy personality, status, wealth and lifestyle, the same way shopping in Carouzos stores matches that lifestyle. This particular retailer successfully continues its thirty two years long presence in local luxury market, by exclusively providing the biggest variety of brands in its assortment, adding new brand names year after year, some of which are distributed only by Carouzos, and having their customers through, a number of provided services, satisfied and loyal, as possible as one could be in market not very famous for its loyalty. Not only products and its functional and emotional values are enough for maintaining leadership position and, at the same time, expanding to new areas and collaborations in Greece and abroad (few months ago first mono-brand Valentino Boutique is opened exclusively as a result of long and successful cooperation with the famous Italian brand). All the services presented earlier in this chapter, play very important role in making Carouzos offer distinctive, as the company invests continuously in providing as much as possible in satisfying its demanding customers through a number of unique and original services, some of which are available only in these stores. It is reasonable not to expect from a fashion retailer to differentiate and achieve a

#### **Chapter Four-Methodology of the Research and Case Study**

competitive advantage, on the basis of store image and its location, since most of its closest competitors are located in the same street, or just next to Carouzos store. Investing in new stores, under the same brand name, or under the name of a particular brand carried in a store (Celine, Ermenegildo Zegna) is one of the main objectives of the company. Its stores are in the busiest and most exclusive streets, decorated in sense of class and prestigious lifestyle, and its number, definitely, exceeds the one of its peers. Its trading format advantages and communication messages, are highly satisfying, since originality and creativity never lacks in Carouzos campaigns.

In summary, what makes Carouzos' name distinctive is, first of all, its merchandise advantage; assortment of more than twenty top brands in brand portfolio. Second, brand orientation's value adding capabilities expressed through made to measure, private shopping, gift service, free fitting, home delivery, and especially, monogramming, corporate services, and trunk shows -is another mark of distinction. This does no mean that only merchandise and customer service matter, store image is highly positive and original, staffing levels satisfying, and advertising campaigns very selective and creative. It is not very hard to consider Carouzos as brand oriented retailer, since branding strategies are implemented in all elements of the retail mix, resulting in its leading position in the fashion market, expansion of stores and wholesale, keeping customers loyal and attracting new ones, exclusive distribution of many brands and excellent cooperation with suppliers-partners.

## **Chapter Four-Methodology of the Research and Case Study**

### Conclusion of Chapter Four

A case study is but one of several ways of doing social science research and represents empirical inquiry that investigates a contemporary phenomenon within its “real-life context” and covers contextual conditions, rather than single phenomenon. A number of telephone, face-to-face interviews, and e-mails took place as a primary data collection procedures. Choosing this particular retailer for research in my thesis was expected, since Carouzos is a leader in high fashion market, but also because the executives and managers that I have contacted were helpful, meaning that this is a serious company, that employs professional staff, since some other companies were too busy and refuse providing any information.

Carouzos started in 1972 with a single store for men, while today own a chain of seventeen impressive boutiques in Greek major cities. The stores are conceptualised as: Carouzos stores, Carouzos Stock House, Celine, and Ermenegildo Zegna store. Guided by the founder’s mission which is to ensure and offer the best collections of the international fashion world to our customers, maintaining an exceptional personal service in a luxurious yet friendly store environment, Carouzos has built a brand name in Greek market synonymous for luxury, quality and prestige. Brand portfolio contains more than twenty foreign brands, making it the most important retailer in Greek high fashion market, on the basis of the number of brands it carries, and the brand value each of these brands holds. Made to measure, private shopping, gift services, free fitting, home delivery, monogramming service, corporate services, and trunk shows are among services provided in Carouzos stores that seriously make a difference. No other fashion store provide so many different service before and after sales, while store location, environment, image, aesthetics, in-store furnishing and displays are carefully chosen, put together in sense of luxury, laid back and relaxed style, for its elite clientele. Branded personnel’s professionalism and most importantly, their consistency, are characteristics that at Carouzos are proud of. Not many clothing stores employ staff for many years, since the job rotation in retailing is very often phenomenon. Impressive and very creative advertising campaigns are characteristic of Carouzos stores. Not rarely, ads are about nature, rain, streets, cities, and not always featuring beautiful models in perfect clothing.



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ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΑ

## **Chapter Five-Conclusion of the Research**

### **Chapter Five: Conclusion of the Research**

#### **Research Conclusion and Recommendations**

This thesis descriptively demonstrates that brand orientation explains a significant portion of retailer's offer advantage over their competitors, through a case of a Greek retailer, whose brand orientation strategy enables it to achieve a leadership position in its particular market. It is no longer only a question of innovative products, clear positioning, and attractive image, but also of identity, integrity, core values, mission, learning to see intangible values and symbols as resources. Brand orientation provides retailers with a number of advantages, added value to consumers, differentiation from competitors, act as a compass for organisational decision-making and support the development of positional advantages. For high fashion brands, a leadership position based around a strong product focus, publicity, limited distribution, inconsistent delivery, high price, small niche markets, planned obsolescence, and celebrity endorsement is no longer effective; these brands must, besides the above, heavily invest in branded stores in elite locations, which requires significant capital funds, invest in selective targeting, supply chain management, while not risking their position through many inappropriate brand extensions.

One of the high fashion retailers that supports brand strategy implementation in becoming a brand oriented company in Greek up-market fashion is Carouzos brand. For this luxury retailer, brand orientations specially enhances merchandise distinction and therefore merchandise advantage, based on number of brands, its personality, and exclusivity. When a retailer seek to drive a merchandise advantage, they need to foster and promote both symbolic and distinctive capabilities through branding, since luxury designer's apparel is desirable to consumers for emotional and self-esteem reasons.

As Carouzos is a reseller of manufacturer brands, brand orientation influence its suppliers in their choice of distribution outlets for their merchandise, resulting in exclusive distribution of brands like Valentino, Prada's prêt-a-porter line, Emanuel Ungaro, Fendi, Ermenegildo Zegna. Cooperation with many suppliers last for decades, some other are

## **Chapter Five-Conclusion of the Research**

newer. Distinctive capabilities influence Carouzos' choice of exclusive brands that fit its brand vision. Carouzos brand creates symbolic value beyond the functional one, and gain merchandise price advantage by commanding price premium, especially for exclusively distributes brands. Minimum staff turnover and staff that fits brand image create customer service advantage, besides value adding services offered only in these stores, as made to measure, Carouzos' own trademark service. Unique services towards satisfying its best clients' needs add value to the store's offer. All elements of retail offer work in unison, when sending the same signal through communication, based on brand assortment and exclusivity. Through symbolic capabilities, advertisements focus on maintaining and increasing personality of Carouzos brand, as a luxury brand.

Trading format is intrinsically linked to the consumer's store experience and therefore, adding features and benefits that focus on provision of enjoyment, as well as the distinctiveness of the brand will provide fashion retailers with a competitive edge. Here, the more distinctive the brand, the greater the distinctiveness of the trading format. Value-adding capabilities of Carouzos stores' image distinguish it from the competitors, due to original store environment, but because of abundance of "look alike" stores that sell expensive garments, distinctiveness and competitive advantage based on the store experience is not an easy task. Considering the fact that this retailer holds a chain of 18 different concept stores, in exclusive locations, make us believe that number of stores more than how they look, distinguishes its offer. However, most of fashion stores are so stylishly designed, clean and perfumed, that retailers need to invest in original and unique store architecture and internal design in order to create a buzz about it.

High fashion retailer must focus on developing each of four aspects of brand orientation, distinctive, functional, value adding and symbolic capabilities, if they are to achieve and sustain an advantage across all four retail offer advantage dimensions: merchandise, trading format, customer service and communication. This case shows that high quality, limited editions and superior and unique design are, nowadays, counted as standard requirements in fashion clothing, "forcing" the retailers to brand not only the products, but the whole store experience. Retailers, especially in luxury clothing sector, must focus on every single detail in their brand strategy, and retail mix., in order to achieve not only competitive parity, but also superiority. A serious retailer, enhances its strengths,

## **Chapter Five-Conclusion of the Research**

diminishes its weaknesses, while keeping an eye on what newest trends are, who are popular designers, what market segment might be an opportunity for the future, or how its local and foreign counterparts operate. As I consider Carouzos company very brand oriented retailer, its leading position and market strength is no achieved by chance.

While the context of this thesis is based on Greek fashion retail sector, it is expected that in a number of developed countries, brand orientation in competitive fashion world, is an important strategy for a fashion retailer to achieve a sustainable competitive advantage.

It is acknowledged that brand orientation alone cannot fully explain a fashion retailer's competitive advantage. For instance, a discount retailer may achieve a merchandise advantage from a specific pricing policy, rather than a distinctive or symbolic brand capability. Thus, antecedents such as organizational strategy, resources and other critical capabilities including market orientation, innovation and operational orientation should also be investigated. Further research could also be directed to examining the importance of private label merchandise as a tangible representation of the retail store brand.

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