



## Emerging luxury strategies: Insights from BrandZ

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Warc Exclusive

June 2012



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Title: **Emerging luxury strategies: Insights from BrandZ**  
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Source: **Warc Exclusive**  
Issue: **June 2012**

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**Luxury brands are thriving as consumers save their money for special items. Nick Cooper, Managing Director of Millward Brown Optimor Europe, explains which brand strategies work best.**

Despite the economic turmoil, luxury brands are thriving.

Luxury brands grew by 15% in this year's BrandZ Top 100 Global Brands, more than any other category. Louis Vuitton bagged the top spot as the world's most valuable luxury brand with a value of \$25.9bn.

### The Most Valuable Luxury Brands 2012

Category Rank	Global Rank	Brand	Value in \$ million	Brand Value change from 2011
1	21	Louis Vuitton	25,920	+7%
2	32	Hermès	19,161	+61%
3	—	Rolex	7,171	+36%
4	—	Chanel	6,677	-2%
5	—	Gucci	6,420	-14%
6	NEW	Prada	5,788	n/a
7	—	Cartier	4,843	-9%
8	—	Hennessy	4,596	-8%
9	—	Moët & Chandon	4,217	-8%
10	—	Burberry	4,090	+21%

Underlining the health of the sector, Hermès at number two in the luxury category, with a 61% rise in brand value to \$19.2 billion, gained the most places in the Top 100 ranking of all brands. It is now ranked 32nd, up 39 places.

A number of factors are behind the success of the luxury sector. After several years of economic difficulty, North Americans and Europeans who could afford luxury indulged. In addition, in China and other fast-growing markets, sales rose as the expanding middle classes continued to indulge their appetite for luxury brands.

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While shoppers have become smarter in the way they choose brands – with considered rather than conspicuous purchasing – they are still determined to spend, but spend more wisely.

Many have focused less on collecting luxury labels and more on creating a unique personal look that often mixes luxury brands with more affordable options.

What luxury brands have to do is tick the key boxes of quality craftsmanship, heritage and history – and thereby meet the expectation of being seen as a good investment, with the trend towards classic pieces rather than high fashion.

In particular, young professionals who are increasingly unable to purchase property, are spending their disposable income on affordable products from luxury ranges offered by brands such as Prada, D&G, Hermès, Gucci and Louis Vuitton.

### **Luxury trends**

There are a number of emerging trends that are visible in the 2012 figures, or are becoming more powerful drivers of performance.

- First, given that most luxury brands are European in origin, the continuing decline in the value of the euro has prompted extra sales volumes as they become more affordable.
- Second, the decisive movement of luxury brands into digital offerings has created added interest and accessibility.
- Third, products for men have grown dramatically, outpacing the larger market for female products.
- Fourth, the fact that luxury brands do have overt heritage and craftsmanship as part of their DNA has been leveraged more explicitly, with significant movement of high-end manufacturing returning to Europe (a trend also helped by the weakening euro).

With healthy demand, brands have expanded their presence. They have opened new stores, engaged with e-commerce and invested in advertising.

Burberry, for example, extended the brand's appeal, creating a youthful virtual world in which customers experience the brand by viewing fashion shows, for example.

The brand added a new twist to its iconic trench coat with Burberry Bespoke, an online facility that enables the customer to assemble a unique trench coat online, selecting style, fabric, colour and other individualizing options.

Brands have also attempted to unify the advertising and online expressions of the brand with the in-store experience. Louis Vuitton, for example, designed a store on Marina Bay in Singapore to resemble a cruise ship, reflecting the brand's travel heritage, which is also celebrated on the LV website.

Many luxury products companies want to take greater control of the brand, shifting away from licensing and franchising. Burberry, Prada and Hermès are good examples.

### **Emerging strategies**

The core conundrum facing luxury brands, however, remains the same. They must achieve the right balance between protecting the exclusivity that, to an extent defines luxury, and making the brand experience accessible to a wider audience.

The implications will vary from brand to brand but it is possible to identify five clear themes for luxury strategists:

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- While a great deal of focus is going into expanding owned-stores networks in fast-growing markets, leading brands are investing significantly in creating new or revamped flagship stores in Europe. Nothing beats the cachet of buying a luxury brand in its home market.
  - As demand grows, many brands are more clearly segmenting their ranges, whether it is by age or price or gender, in order to preserve the aspirational appeal of the mother brands, as well as taking direct control of the customer experience through owned-stores networks.
  - Luxury brands are finding they need to become experts in managing wide-ranging portfolios. The leading luxury brands are now enormous businesses in their own right, and have to reconcile the competing demands of the artistry and specialisation that created the brands in the first place with the pressures of managing and generating momentum for big business.
  - The distinction between luxury and fashion brands is becoming increasingly blurred, which opens up new opportunities. Indeed, a common hallmark of successful luxury brands is the ability to bridge multiple product sectors. Those that stay too wedded to their roots risk being left behind. Standing still is not an attractive option.
  - Finally, the increasing accessibility of major luxury brands (whether it is through growing store networks, wider product ranges and prices, or successful social media initiatives) is creating opportunities for niche, super-exclusive brands to spread their wings. It will be fascinating to see how the future competition between Rolex and Patek Philippe will develop, for example.

The one certainty for the luxury market is that the appetite of the world's middle and upper middle classes for luxury products is a long way from being sated.

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