2 More on Luxury Anti-Laws of Marketing

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2.1 Introduction

In 1989 Ford bought the Jaguar brand, symbol of British luxury worldwide, endowed with heritage, status, glamour, prestige, almost a cult brand with iconic models, for 2.2 billion dollars. Nine years later, on March 26th 2008, after having spent 6 billion dollars [15], Ford sold it to the Indian conglomerate Tata, along with another mythical British brand – Land Rover – for 2.3 billion dollars. As Land Rover brand was estimated at 2.5 billion dollars, it means that Jaguar brand was just given for free: meanwhile it had lost its pricing power, its glamour and was still not profitable. Surely there are many causes of such a failure: a brand turn over is a difficult endeavor. Re-instilling rapidly a culture of high quality in a British company that had lost it would have been a feat. But the main reason that led Ford to this disaster was the implementation of classical management and marketing methods for a luxury brand. What worked very well for Ford automobiles destroyed the value of the brand Jaguar. At first, cost controllers were hired to drastically reduce the cost of manufacturing whenever possible: instead of building value by promoting uniqueness, their objective was to build margins by sharing as many parts as possible with Ford cars themselves… and not only invisible ones. For instance, instead of proposing to the clients a unique Jaguar stick shift – sensual sign of a really different species of car, making it stand apart from the mass cars however good they are – cost analysts slowly destroyed the perception of privilege attached to Jaguar. Then, using classical market research, they soon measured that there was a latent demand for a more accessible Jaguar able to provide big sales to the brand, hence help amortize part of the fixed costs. New models were introduced: the six cylinders S Type (a revival of the MK2 model), and then the four cylinders X type. This down-market model boosted the sales, but at the expense of distinctiveness [14]. Marketers had answered point by point to the demands of the average consumer, as expressed by clinics and surveys, but had failed to reinforce the dream of the brand – that intangible magic lever that drives passion and justifies a high price, far above what functional utility and performance would command.

This is no surprise. Analyzing the long term behavior of those luxury brands that have earned the highest brand value measured by either Interbrand or Millward Brown methods (Louis Vuitton, Hermès, BMW, Bulgari, Gucci, Ferrari, Porsche, etc.) we have unveiled (in "The Luxury Strategy" / Kogan Page [10]) that they had enacted the same very specific strategy, named "the luxury strategy" in this book, based on very strict principles, and turning most of common marketing principles upside down.

In fact, we coined the term *anti-law of marketing* to designate the counterintuitive managerial principles, empirically carved through time by the founders and most often owners of these brands, which made these brand command their incredible pricing power and margins [16]. This power drove them safely through the 2008-2010 economic crisis without the need to reduce prices – more: they even kept on growing by increasing their prices. This "Luxury Strategy" calls for a total integration upstream and downstream as a sure way both to control quality and uniqueness, and deliver the highest consumer experience at retail in one to one relationships. It is the objective of this article to briefly remind of these anti-laws but above all to analyze in depth some of the most provocative yet powerful anti-laws of marketing followed by the luxury brands, at least those who are consistently profitable through time.

2.2 A source of managerial confusion: the six meanings of luxury

One of the reasons why the specificity of luxury marketing has not been enough recognized so far is due to the extended and loose usage of the word luxury nowadays. Since the word is fashionable, everyone likes to use it: Coach says it is an accessible luxury, Abercrombie and Fitch defines itself as a casual luxury, Silverstein [13] promoted the word 'new luxury' to put under the same umbrella realities as diverse as mass prestige brands such as L'Oréal Paris skin care and make up, and downward extensions of high end prestige brands. Today the word luxury is always used with a qualifier: new, old, accessible, über, hyper, modern, classic. Would the term 'luxury' have lost its intrinsic meaning?

In fact before one can even discuss the specificities of luxury marketing, one needs to make clear essential distinctions between six meanings of luxury.

a. *"Luxury"* as an absolute concept systematically evokes out of reach products, services and lives. Typical worldwide luxury surveys [8] reveal that when hearing the word luxury, consumers spontaneously think of yachts, private jets, private islands in the Caribbean Sea, a world of privilege [4].

b. *"My luxury"* in contrast evokes something very intimate, most often not a product but a moment or a rare experience. For some, it is having a break with one's family and spending time together in some original place. For some other it is going fishing alone in North Canada. These are dreamed experiences not really out of reach but yet quite rare or hardly implementable.

c. *"A luxury"* is a very subjective concept: underlying this concept are dimensions of non necessity yet high desirability, of a high price far beyond what performance and utility should command, of hedonistic experience, of high quality, of personal relationships and finally of prestige and status. Luxury is tied to some kind of social hierarchy. Many studies have been made, factor analyzing consumers' perception of luxury [9], [17], [7], [18]. Most recently De Barnier et al. [6] factor analyzed the perceptual items used in these different studies. Two major dimensions emerge from this work: elitism and hedonism. This reminds that luxury has two indissociable facets: luxury for self and luxury for others – one of the fundamental bases of the "Luxury Strategy", as explained in our book.

d. The "luxury sector" refers to the brands and companies that are considered by their peers as manufacturing and marketing luxury products or services. Whether they are perceived as luxury by consumers or not is not relevant here, as it is far too subjective: Armani is luxury for some, not for others. To define the members of this economic sector Professional Syndicates have been created – Comité Colbert in France considers that all its 75 members are luxury brands. The same holds true in Italy for the Fundazione Altagamma. Note however that the Italians do not use the word luxury even though they talk about Bulgari, Armani, Zegna, or Prada. Altagamma means "high end".

e. The "luxury market" is the estimation of the sales past, present and future of the above-mentioned actors. Bain and co., the consultancy company specialized on luxury, produces every year the estimates of the size of this luxury market. It was 77 billion Euros in 1995, and 170 Euros in 2007, just before the economic crisis. Note that the Bain estimates do not comprise the sales of cars, neither those of yachts, hotels, services etc. They measure the sales from the classic sectors of apparel, leather, jewelry, watches, fragrance and skin care, wine and spirits. Bain in fact defines luxury brands as those "selling premium products at premium prices in premium environments" (Bain & co, 2011): here again, the question is not whether they are perceived as such. After all such consumer perceptions can vary through time and space, thus making the compilation of sales data too unpredictable. In China, Lacoste is perceived at now as a luxury brand by the Chinese (Time Design supplement), whereas it is seen as a casual premium product in Europe. For the sake of building sales forecasts and backdata on the "luxury market", one cannot rely on consumer perceptions.

f. Finally one should also talk of "*luxury strategy*". Our own analysis of the behavior of so-called luxury brands – included Bain & co's data – reveals three business models that it is fundamental to distinguish: the luxury strategy, the fashion strategy and the premium strategy [10]. They are lumped together when one talks of the "luxury consumer " or "the luxury market". To make it short the "luxury strategy" strictly defined was invented by such brands as Louis Vuitton, Chanel, Hermès, as well as Tiffany, BMW, Ferrari, or Ritz Carlton.

2.3 Distinguishing luxury, fashion and premium strategies

There are many consequences of the recognition that luxury is a precise strategy too, not to be confounded with a fashion, or a premium strategy. The difference between these three strategies is huge. It does not change much in most of basic consumers' eye, at least at short term. But, when one has to manage a brand, the difference is pivotal.

The luxury strategy aims at creating the highest brand pricing power by leveraging all intangible elements of singularity (time, heritage, country of origin, craftsmanship, man made, small series, prestigious clients). By mobilizing all these intangibles, the brand is to be made non comparable to any other. The luxury strategy commands a full vertical integration upstream and downstream – to control the manufacturing and quality on one side, and consumer retail experience on the other. The core tenet of the luxury strategy is one to one direct relationships with the clients: hence the importance of DOS (directly operated own stores). The goal is to create long selling products and not best selling products. As a matter of fact Porsche 911 was born in 1964 and Chanel N°5 in 1921. In the luxury strategy there are no sales promotion, no licensed products.

"Fashion strategy" is a totally different business model: here heritage, time, are not important: fashion sells being fashionable that is to say a very perishable value. After a few weeks clothes lose their appeal and need to be sold with rebates, once the season gone. This is why fashion brands have no problem delocalizing production in low wages countries (China, Vietnam, Indonesia.) to reduce their manufacturing costs. This is also to alleviate the burden of loss of profitability when 'super sales' start in order to get rid of the inventory before the new collection comes. Also, a fashion item is not bought to last. Its quality needs not be at the highest level. In fact the buttons of any Burberry cloth must be reinforced after the purchase. Because fashion is now expressed through accessories more than apparel, fashion brands have developed extensive licensing policies. Burberry is a typical case.

Finally, the "premium strategy" can be summarized as "pay more get more". Here the goal is to prove – through comparisons and benchmarking – that this is the best value within its category. Quality/Price ratio is the motto. This strategy is by essence comparative, and relies on the tangible dimensions of value – those who can be objectively measured, whereas in a luxury strategy one will rely on the intangibles, those who create a structural non-comparability. The Korean brands engaged in trading up are typically using this strategy: Samsung has now achieved its goal of being the leader of the Smartphone market, ahead of Apple… but in unit sold, not in turn-over nor in profit. The same holds true for Hyundai cars as it used to be at the early times of Audi and Lexus.

The "luxury strategy" has been originally developed for the "luxury market", broadly defined, and it is there that the more often you can find it – in fact, it is the most efficient strategy on this market; it is seldom met on other markets, even though it can be very successful there, as Apple, or to a lesser extent Nespresso, have demonstrated. In fact Apple is structurally following a luxury strategy. Even though few consumers would perceive Apple as luxury, its strategy is a luxury strategy: more and more directly operated stores, exclusive channels of distribution of iPhone, limited range, high price far beyond the mere utilitarian function, high hedonism, latent social stratification between 'the have' and 'the have not', etc. However, on one critical aspect Apple does not follow the luxury strategy: the manufacturing of iPhone and iPad is not only outsourced, but relocated in Asia and not in California – with the slogan "designed in California". And the price paid for this infringement of one of the major laws of the luxury strategy is high – severe downgrading of the social image (workers suicides at Foxconn), counterfeits, copycats, look-alikes and patent fights with Samsung. "Anti-laws" are a consistent corpus; you must apply all of them or none to be really successful long term.

To summarize at this point, the notion of "luxury market" or of generic "luxury customer" are loose concepts, when the "luxury strategy" is not. Now for practical purposes it makes some sense to use a broad or even loose definitions of "luxury" to get the sales figures of the global "luxury market" or to make surveys on "the luxury consumer": not all of the so-called luxury brands are following a luxury strategy. On a long period, several high status brands move their strategy between luxury, fashion and premium ones while staying on the same market: Gucci went from luxury to fashion strategy in the 90's with Tom Ford at the helm of the brand and is going back to luxury now. Dior is trying to move from a fashion strategy to a luxury one. Louis Vuitton itself, by hiring Marc Jacobs as creative director and making "Haute Couture défilés" put some fashion aspects in its luxury strategy. Mercedes went from luxury to premium strategy in the 90's (Class A launching) and is now trying to come back to a luxury strategy. Revival of the Maybach brand in 2002 for the top of the range – Mercedes brand having lost its aura, sale of Chrysler in 2007 – Audi and Lexus are moving from a premium strategy to a luxury one today.

On the other hand, knowing that a luxury strategy is a precise and exacting one, brand extension and brand stretching are not the same.

2.4 Do not confuse brand extension and brand stretching

In fact, a big part of the luxury market to day is made up of luxury brands that have grown through moving out of their original core business. Fendi is a former furrier. Former dealers in fine leather moved into footwear and then into ready-to-wear (Gucci, Ferragamo); a great name in the jeweller's craft (Cartier) now puts its name on watches, pens, and fine leather goods. The creator of glass and crystal objects, Lalique, now sells jewellery. Some brands have moved classically from haute couture to ready-to-wear and then into accessories (Chanel, Dior, etc); others have followed the opposite trajectory: Hermès, Louis Vuitton.

All this seems at first very confusing, but the origin of this confusion should now be very clear. It comes from the multiplicity of senses of the word luxury to day. All along this article, we make a clear difference between the two meanings of the word "luxury": in "the luxury strategy" and in "the luxury market" (or when one talks of "the luxury consumer"). In "luxury brand stretching", the same confusion occurs. Anyone knowing the business makes immediately the difference between

- Brand "extension": in this case, the luxury brand implements its luxury strategy in a new territory – like Cartier the jeweler in watches, Louis Vuitton the luggage maker in leather goods or Hermès the leather goods maker in silk ware
- Brand "stretching": in this case, the luxury brand does not apply the luxury strategy in a new territory, but a fashion or a premium one – like Cartier for perfume, or Louis Vuitton for ready-to-wear.

In the first case, the luxury brand becomes a full luxury player of the new market by controlling progressively the whole process – as did Chanel with the jasmine fields of Grasse for n°5 or Hermès with silk ware when they took control of their suppliers from Lyon. This is of course the best way to do it, but it is very demanding in money and time. In the second case, you are closer to basic licensing – which has nothing to do with the luxury strategy. You just hire a designer and look for suppliers.

2.5 The anti-laws of marketing

We have exposed elsewhere the strict rules followed by the leading luxury brands, with high pricing power. We just remind them briefly before analyzing three anti-laws which require an in depth treatment.

1. Forget about ‘positioning’, luxury is not comparative
2. Does your product have enough flaws to give it soul ?
3. Don’t pander to your customers’ wishes
4. Keep non-enthusiasts out
5. Don’t respond to rising demand
6. Dominate the client
7. Make it difficult for clients to buy
8. Protect clients from non-clients, the big from the small
9. The role of advertising is not to sell
10. Communicate to those whom you are not targeting
11. The presumed price should always seem higher than the actual price
12. Luxury sets the price, price does not set luxury
13. Raise your prices as time goes on in order to increase demand
14. Keep raising the average price of the product range
15. Do not sell
16. Keep stars out of your advertising
17. Cultivate closeness to the arts for initiate
18. Don’t relocate your factories

2.6 Why luxury brands should not pander to their customers’ wishes?

One of the major anti-laws of marketing, respected by those brands following the luxury strategy, looks like heresy to classical marketing theory. After all isn’t the credo of all well managed companies to be customer oriented? Shouldn’t any marketing plan start by summarizing the voice of the consumer? Yes for all brands but not those who follow the luxury strategy. This does not mean being deaf of course but the function of luxury brands is to create dreams, not to answer to problems and needs. As once said by Tom Ford, then COO of Gucci Group: “I look at research then throw it away and forget it for this is about yesterday. I must create dreams for tomorrow”.

Luxury is a non-necessity made desirable: it sells promotion emotions (self elevation, pleasure, recognition) not prevention emotions (risk reduction, absence of problem and discomfort) [5]:

- Promotion emotions lead to thrill, excitement and delight
- Prevention emotions lead to security, confidence, and satisfaction

Luxury is a non-necessity made desirable on the basis of emotional values (surprise, beauty, elevation of self through hedonism and elitism): asking people what they want is by definition a contradiction in this respect. They will answer something that generally destroys the dream – that is to say the lever of pricing power.

Now there are brands belonging to the "luxury sector" which remarkably thrive by extensively listening to the market through market studies. Coach the leather bag seller claims to spend 2.5 million dollars worldwide in tests and market research asking consumers what they expect from bags and what they like. Coach soon adopts its clients' recommendations, has all its bags made in China to reduce the cost of goods, and launches many collections per year. Today Coach claims to dominate the 'accessible luxury leather bag market' it created. Now it should be reminded that most of the Coach bags range sells below 800 Euros, whereas the Hermes iconic Kelly bag starts at 3,000 Euros. Coach is following a premium/fashion strategy not a luxury strategy. The closer to mass, the more traditional marketing re-becomes relevant.

Fast fashion low cost retail brands such as Zara or H&M do also show remarkable profitability: the luxury strategy is indeed not the only one able to make a company profitable. It is the one getting the most efficient results when one stops thinking mass. Both Zara and H&M have remarkable feedback information systems telling them almost immediately what sells very well in their thousands stores worldwide and what does not. They immediately react and adapt the production and creation to this feedback.

H&M brand value is estimated by Millward Brown (2011) at 13 Billion Euros, higher than Hermès at 12 Billion dollars. Yet global sales of H&M are 14 billion Euros in 2010 and those of Hermès 2.4 billion Euros. As a result H&M is worth less than its sales, Hermès 5 times more. The price earnings ratio of H&M is 6.5 and that of Hermès 28. Hermès does follow a strict luxury strategy.

When one asks consumers what luxury brands should do to please them, they generally do not understand the long-term interest of these brands, which is to preserve their attractivity based on prestige, creativity, surprise and high pricing power. During the economic crisis, The Luxury Institute, a survey company based in New York, kept on asking so-called "luxury consumers" – recruited on the basis of past purchases – what they expected from luxury brands. What answer came first, second and third? To reduce the prices, then to offer discounts, and at last to make more products accessible on Internet discount sites. It looks like if consumers have no idea of their own psychology! In fact, they have a clear understanding of it: they would like all these amenities reserved to them, not to the other customers... All studies show that when luxury brands reduce their prices they reduce their prestige. In Asia, prestige is strictly correlated with price [3]: the brand would better accept a loss of volume but never compromise on price.

Buying a luxury product from a brand adopting the luxury strategy is a long-term investment (unlike a fashion product or a premium one, both subject to obsolescence). In times of crisis, consumers need to know that there remain sure values, long term. Hermes, one of the few brands which never reduced its prices during the 2009 crisis, showed a superior resilience – notably in its core leather handbag business which represented 43% of sales last year. The upscale strict price positioning of Hermes made it immune to the financial crisis, at least in handbags, which account for more than 60% of Hermes profits. As a result, Hermes was – with Louis Vuitton and for the same reason (no price reduction) – among the very few luxury good players posting positive results in 2009.

In addition, making products suddenly accessible destroys the ethics of your pricing and endangers trust: why would a Porsche Panamera 4S usually sold new at 107,000 Euros be suddenly available at 90,000 Euros, then go back to 100,000 Euros?

This does not mean that overall price reduction is not an issue for those brands who cannot implement anymore a luxury strategy. Mauboussin, a traditional jeweller (founded in 1898) located Place Vendôme – the jeweller holy place in Paris – is still endowed with heritage among the many. But in 1998, the jeweler lost its main customer and started to suffer years of huge financial losses. It could not compete anymore in terms of high quality, creativity, cultural advance and social stratification. In 2002 it was sold to an entrepreneur businessman, who repositioned the whole product range in the very accessible price segment (below 500 Euros). The brand went further: it communicated heavily on its low price. It was a success – the brand was turned around and net result became positive. But maybe a short-term success – the dream value of the brand is very low now. It is a good example of trade off between net result and brand value – one could say "milking the cow" – by giving up the luxury strategy and going mass, while trying as long as possible to be perceived as a Prestige brand. But what else could be done for Mauboussin? So many luxury brands prefer dying that loosing their aura… At least, Mauboussin is still alive, even with little prestige left and no more pricing power. Pierre Cardin is still perceived as a "luxury brand" by the masses in France as well as in China –the surveys show. But its pricing power is low: he does not follow a luxury strategy anymore, and has not for a long time. Instead he manages the brand with the most licenses in the world, a typical milking strategy of what is left of dream among the masses. For long he is no more the dream of the cultural, creative and economic elites.

There is another structural reason why traditional marketing is prohibited in the luxury strategy: it leads to a 'regression to the mean'. Recall that luxury brands are cultural forces. Luxury is about taste education. This is why it flirts so much with art, 'Avant Garde' art. Luxury brands do not aim at being popular (that is to say liked by everybody today), but at setting the long lasting standards of taste for tomorrow. By definition market studies like big numbers: they will tell P&G which Hugo Boss future fragrance (a license) is most appreciated today by the target (called the ambitious social urbans, name of a segment in an European consumer segmentation study). This is fine to launch the Hugo Boss fragrance of the year, followed by another one next year and so on, in mass prestige distribution (Sephora, Douglas, Marionnaud, Department Stores, Tax Free Shops, etc.). But this is not the way to launch a long lasting success, a tomorrow's classics. Capitalizing on what the majority of average present targeted consumers declare they like today is not the route to build the future Chanel N°5, almost a century old World best seller. P&G does not follow a luxury strategy but a premium strategy where indeed marketing methods are needed. P&G fragrance licenses managed by its Prestige Division leverage P&G unique know how at repetitively launching new products on a world scale basis in mass prestige channels. Time, risk, art, imagination, standing apart – are not core values in the P&G corporate culture. This is why they never launched any premium brand in the FMCG markets.

Using market studies to listen to the consumer provide paradoxical results: why the „best Saab ever» (Saab 9-3) according to the automotive press did not sell and did not save Saab? It was even one the best cars ever made (if you rate it objectively on a multi attribute clinic test, according to JD Powers). Yet General Motors had to sell Saab in January 2010. They applied classical marketing and listened too much to the consumer instead of following a luxury strategy for Saab. But is GM corporate culture –premium oriented – able to host a luxury strategy?

GM managed with a premium strategy, based on classic marketing not on luxury rules (heritage, authenticity, exclusive value principle.). Authenticity is not a masquerade, like keep some iconic details (superficial features) of the brand.

As the goal was to expand the volume of sales, and not to pursue a value strategy like Hermès, GM asked non-buyers what would make them buy a Saab. Accordingly GM….

- Abandoned the stylistic audace of the brand design: as a result it looked like more an Audi A4 or a BMW series 3
- Let prospective clients who read the press know the engines were now made by GM and no more by Saab. In a luxury strategy, a key rule to sustain the dream is never to delocalize the production of the essential parts (anti-law n°18). A rule well respected by BMW now managing MINI: they are made in the Oxford factory (UK).
- Decided to abandon the becquet on the rear hood (for surveys revealed that "people did not like it" plus it added a cost)
- Softened the driving and acceleration experience, which makes the Saab drivers fans of their brand. For sure soft turbos rate better in mass-market questionnaires.

BMW understands what is the luxury strategy. Their managers know that the BMW frame of mind, brand personality, values appeal to only 20 % of the segment that can afford a BMW. Now what should BMW do? Expand these 20 % by diluting all the elements that make BMW stand apart and above (as GM did with Saab) or instead look worldwide after these 20 % in each new high growth country, and raise the prices?

This is just what BMW is doing with MINI. Although very few people in the world would declare that MINI is luxury, BMW actually enacts a luxury strategy to manage it, with a price far above what rational performance and utility values would command – at the great surprise of BMW German engineers themselves. In the car business, price is a function of size: despite a size comparable to that a Renault Twingo, MINI sells at a double price (22,000 Euros), notwithstanding the important need for uniqueness which leads many clients to pay up to 38,000 € with all options that personalize their car, transforming the production waiting time as an opportunity.

In a luxury strategy one sells emotionally loaded cars, reassured by quality to let their clients indulge and find the high price very normal. MINI sells the Swinging London heritage, also an iconically British and forever classic car. MINI has kept defaults that are continuously mentioned in all consumer surveys: too small coffer, to low, too small. Why not take them into account? Because they are the price to be paid for:

- Keeping the soul of the product, an intangible plus that makes it stand apart in an era of banalization, standardization creating boredom
- Keeping the Go-Kart driving experience (“bone-shaker”)
- Keeping the iconic design
- And, last but not least, children love to sit in it

What luxury sells is excitement, not security, not problem reduction.

2.7 Why always raise the average price of the brand?

One of the key words of the luxury sector is democratization. For sure the sector gained 100 billion Euros between 1997 and 2008 (see Bain & Co.) because it now sells to non-riches, mostly the growing middle class. This is why more accessible products were launched in the stores, not to talk about accessories. Yet one of the key principles of the luxury strategy is to keep raising the average price of the brand.

This does not mean having one or two alibi products, exceptionally high priced, and created just to launch the buzz: this is a classic PR game. Not a real luxury strategy. Why then raise the prices continuously?

The essence of luxury is to sell a dream of exception. Luxury sells “the ordinary of extraordinary people, and the extraordinary of ordinary people”. Dreams have a dimension of non-accessibility yet remaining at a close distance. People do not dream of 300 million Euros yachts: this is too far from them. However they look at 100,000 Euros automobiles. To remain the dream brands must remain in the radar of the extraordinary people, not just recent celebrities or soccer champions recruited for that purpose.

Recall also that the global wealth is growing. Moscow is now the town with the most billionaires on earth. There are more than one thousand $ millionaires in China today (Forbes, 2011). This means that the luxury status of the brand is earned on this target. Going back to our introductory Jaguar – when managed by Ford – example: the brand kept on launching new models downward, thus getting closer to the middle class. Per se, launching accessible lines is not the problem as long as two essential rules are respected:

- The brand regularly launches new expensive models upwardly. Jaguar never launched its S Class – this was a major signal of weakness: the brand admits it lacks the creative power, the technological know how, and the class distinction to do it.
- The price of the lowest priced models should be above the luxury price threshold, that is the price above which people feel it is luxury [11]. Instead the Jaguar X and S Types were not priced above their competition.

Inspired by sociologist Pierre Bourdieu's theory of the dynamics of social distinction [2], Ameldoss et al [1] showed that the luxury market is divided in two groups: the "snobs" and the "conformists" (we regret their use of such negatively value laden words to describe consumer behavior). Now the first ones value brands as long as they feel not too many people carry them: this is why their demand goes when the price goes up. Conformists are just the opposite: the number of people wearing the brand in the streets reassures them. This number grows when price is more accessible. The talent needed in the luxury strategy is to manage both targets.

2.8 How to always keep raising the price point

Systematically increasing price point is a real challenge, as it goes against all the legitimate habits of company management. As price/volume elasticity is usually negative, reducing costs and price increases the volume and the market share. It improves competitive position, which is linked to market share according to Boston Consulting Group analysis, and has proven to be true on most markets.

More: luxury customers are educated customers. They are ready to pay more… but for getting much more. So, just increasing price without adding significant value leads to disaster – as 'luxury brands' relying purely on Veblen effect have quickly discovered at their expense.

Creating value is the motto in the luxury strategy. But being creative is not enough to sustain a systematic price increase. You need lots of creativity in the low-cost industry to invent new business models, sell at a significant lower price than competition, and be profitable – but it is the job of the CEO. You need lots of creativity in the fashion industry to keep on selling at the same price point – but it is the job of the designer. In luxury, you must install the whole the company in the creating value process: luxury value creation does not rely only on the talent of a creator, but on each employee of the company

- Production people: lots of new ideas originate on the workshop floor. This is the reason why a luxury company must make its products and not relocate – creation teams live in symbiosis with artisans.
- Sales staff: new ideas come from customers – not by pandering to their wishes, but by understanding their dream. This is why you must have your own sales staff – they are

fully part of the company – and why they must be local – the customer must be able to talk in his language with sales people sharing his or her culture

- And of course top management.

Louis Vuitton huge success in luxury leather goods is a good example of this management: every worker in the workshop, every sales person in the shops is focused, in addition to do his job as well as possible, to find ways of improving the product or the service in such a way that new products are always more relevant to the dream of the customer – existing or new. Of course, productivity is searched, but always discarded if it is, even slightly, detrimental to the Louis Vuitton dream. New products are not introduced to replace an exiting one – they keep their standing – but to add value to the whole range. They are sold at a higher price, but this higher price is always explained and justified in the shop by the sales people. And never by saying "this new product is better or more fashionable than this old one", but by saying "we have added this new product to our line to bring a new idea".

In fact, the increasing price point is not due to the price increase of existing products – which price stays the same – but to the introduction of new complementary lines.

We are talking here of standard – or 'ready-to-wear' – products. In addition, most of luxury brands have a service of customized products. This service has been part of the luxury universe since it exists. A customized product delivered at home was the original luxury business model of artisanship, long before the concept of brand was born (see our book 'the luxury strategy' [10]). However, if those customized products raise both the average price point of the offer and the prestige of the brand, as quantities sold are small, they do not in fact raise the average selling price – except for very small luxury brands.

2.9 Why beware of celebrities?

This third anti law has been received with surprise by many professionals and executives of the luxury sector. Intuitively also, when one browses through the pages of glossy magazines, celebrities are everywhere in the advertisements and in the pages relating who attended what select event sponsored by a luxury brand.

It is important to remind the reader that all along this article we do not use the word luxury in a broad or loose way (like when one talks for sake of convenience of the luxury sector, the luxury market, or the luxury consumer, hastily mixing luxury, fashion and premium brands). Celebrities are to be used with caution in the luxury strategy, if the brand wants to build its pricing power, distinction, style and sustained appeal. They are not used as selling agents, for new customers to buy the product through an imitation model ("I want to buy the bag because this celebrity has it") – this is the fashion business model. They must be used, when used, as a testimonial ("this famous person is also using my bag, staying in the hotel I went last year") for existing customer – it comforts the status of "extraordinary product for a usual customers, which is also an ordinary product of extraordinary people".

However, although brand ambassadors or "égéries" cannot be used fully in luxury, they can be used locally – as a nation have one ambassador in a specific country. The goal, especially when the brand is not well known in a specific country or if its dream seems too exotic, is to give a relevant incarnation to the dream.

For instance, when Louis Vuitton decided to penetrate Japanese market in the 80's by opening its own brand shops, specific Japanese celebrities in Arts and Culture were used to explain that LV was not just a foreign brand for tourists, but also products nice to have for highflying Japanese people who appreciated the French culture – like Seiji Osawa. But, here again, we are more in the register of testimonials.

For the same reason, in China, Louis Vuitton is using Chinese celebrities in its communication – but always several ones, not a unique ambassador or "égérie".

2.10 Implementing the luxury strategy beyond the luxury market

When you consider those anti-laws, you see that they define a whole consistent and original marketing strategy – what we called "the luxury strategy". You also see that this strategy is not limited to the existing "luxury market", although it is the place where it is the most relevant – so its name. Apart of the anti-law n°12 ("luxury sets the price, price does not set luxury"), the word "luxury" does not appear in their expression. This means that the marketing strategy defined by those laws can be implemented beyond the luxury market.

For instance, Apple, which is not a luxury brand, has been immensely successful in applying the luxury strategy in the computer and phone market, where the pure "luxury market" is just a niche, even if it can be a beautiful one as Vertu has demonstrated for the mobile phones. As soon as you have a unique product and service, this strategy is worth to be considered. Same when you are facing scarcity of human talent – Mc Kinsey is a very good example in the consulting business. Or when you are facing scarcity of resources – think of the problems of sustainable development and the example of Tesla strategy in full electric cars. Think also of the issues of agriculture and bio-food. In fact the luxury strategy is often the best business model to make sustainable products or services profitable at the launch phase.

2.11 The limits of the luxury strategy

Whatever powerful this strategy is, it has limits. Firstly it is very demanding in day-to-day management as most of the usual, well-known and very powerful marketing techniques – and among them market surveys and benchmarking – do not apply. Secondly, and worse, growth has a limit for a luxury brand wanting to stick to the luxury strategy. Take Louis

Vuitton: to-day, it is the most valuable luxury brand in the word, and has been able to keep on growing fast owing to the development of huge new markets like China, and India to-morrow. But it cannot go too far in market penetration without losing its aura. And moving to the fashion model to keep on growing is a strong temptation – fashion has no volume limit. Hiring Marc Jacobs as creation director was a clever move for Louis Vuitton, as he brought a more fashionable image without harming Louis Vuitton luxury standing: traditional Monogram bags and luggage is still the core of the brand. But it is also a big risk for the brand if Marc Jacobs' influence goes further than just creation management: the brand will become a usual fashion brand, a pure logo LV put on miscellaneous products, losing its luxury image… and its pricing strength.

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