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The Art Strategy of Luxury Brands

Luxury brands are profiting as desires for extraordinary trappings – once limited to the wealthiest few – spread down the social pyramid and into large developing economies. The dilemma is that in growing to meet this huge new demand, luxury firms risk alienating their core elite clientele, who value rarity and exclusivity. They also risk provoking social rejection of the luxury industry as a painful symbol of excess and inequality. Integration of art into the luxury value chain is proving a powerful solution, according to Prof. Jean-Noël Kapferer who taught Luxury Strategy at BMI partner business school HEC Paris. We summarize his findings, recently published in the U.S. journal Business Horizons.

Status and volume: Showing the place one has or would like in the social hierarchy, in order to feel successful and gain others' respect, is the main driver of surging demand for high-quality expensive goods among the non-elite. In some places and circles, especially in Asia, having the likes of a Cartier bag or an Omega watch is seen as a 'necessity' for acceptance.

For luxury providers, it's hard to resist the chance to grow. But there are pitfalls! Increasing sales volume reduces a brand's exclusivity. You can lose pricing power and the elite customers who underlie a luxury identity as you start resembling the

mass-produced prestige brands and increasingly have to compete with them. That's what happened to Louis Vuitton in Japan several years ago. And then there are threats to the legitimacy and freedom of the industry itself. China in 2012 banned luxury ads in Beijing on grounds that high visibility of luxury goods was an unhealthy reminder of the gap between rich and poor that promoted incorrect values.

Mere 'premium' brands ride the waves of fashion and compete on factors that can be proven by direct comparison, such as functional or technical superiority. Classical luxury brands, by contrast, compete on intangibles and legends, consumer beliefs that give them undisputed symbolic authority. They claim to offer enduring value, independent of current fashions, a bridge between the past and the future. They are on a pedestal that doesn't allow for comparison with competitors.

To preserve their luxury differential, some brands like Hermès and Rolls Royce limit volume and/or access by non-elite buyers, foregoing much potential growth. Others, like

Most Valuable Global Luxury Brands

Global Rank	Brand Name	Value
17	LOUIS VUITTON	\$24.9 billion
38	GUCCI 	\$10.2 billion
54	HERMÈS PARIS 	\$7.6 billion
60	Cartier	\$6.9 billion
72	PRADA	\$5.6 billion

Source: Interbrand Top 100 Global Brands 2013

Armani and Ralph Lauren, use multiple labels to offer more accessible items separately from others that remain rare and extremely expensive. Even so, some brand dilution is inevitable, and the dilemma of how to grow while keeping a luxury strategy remains.

Post-materialistic luxury: To address the growth challenge, many luxury brands are engaging in a process of strategic 'artification'. That's how Louis Vuitton rebuilt its image in Japan, for example. And more generally, associations of luxury brands with artists, galleries and museums are multiplying.

Art and luxury have long been related. Both are expensive creations supported by the cultural elite. Both foster the ideal of timeless beauty, or at least of transcending what is merely functional and fashionable. But while luxury carries negative associations of superficiality and conspicuous consumption, art enjoys universal prestige as something that enriches humankind.

By positioning themselves as part of the art world, and their products as works of art, luxury houses can defuse social criticism and build up new symbolic capital, becoming contributors to the development of culture. Artification brings them moral and aesthetic endorsement, non-commercial connotations, legitimization of high prices and reduction of the rarity constraint. No wonder luxury brands now tend to downplay social-status motivations in favour of more elevated, artistic motives: 'We help you to ennoble the money you have,' is the essence of the new message.

Welcome to post-materialistic luxury, where products are developed and co-branded with star artists, marketing events are held at cultural venues with a focus on artistic matters, museums get sponsorships to host works by Coco Chanel or Giorgio Armani, boutiques are built by famous architects and contain art exhibits, and advertisements are conceived as works of art in themselves.

To be credible and add value, luxury firms are taking the artification process beyond the level of mere public-relations varnish to make every act creative and refined. They seek to actually transform non-art into art as they gain depth and elevation of purpose, benefiting from cross-fertilization between artists and artisans in a flow of inspiration that nourishes their brands, projecting them into the future.



Jean-Noël Kapferer is a world expert on brands, with a current focus on prestige and luxury management. He is the co-author of the international reference book *The Luxury Strategy*. He taught at Northwestern University and then at HEC Paris where he held the Pernod-Ricard Chair on the Management of Prestige Brands. He is now advisor to the President of Groupe Insee and also consultant to leading international corporations on brand strategy.

-- By Bryan P. Bradley, BMI, based on: Jean-Noël Kapferer (2014) *The Artification of Luxury: From Artisans to Artists*. *Business Horizons* 57, 371-380.