

## **Gucci, Louis Vuitton, & Vertu – Marketing Lessons from some of the World's Most Exclusive Brands.**

**By**

**Conor Carroll, Kate Hurley & Ann Treacy, University of Limerick.**

Creating luxury brands is a difficult marketing exercise. It requires heavy investment in marketing communications, excellent product/service quality, but above all these brands have to try to remain fashionable, which is notoriously difficult. Gucci, Louis Vuitton and Vertu are three successful so-called luxury brands, that retail to the high-end market. Both Gucci and Louis Vuitton are well-established brands that have been around for decades, even centuries. Gucci is a well-established organisation that has been designing and retailing clothes and accessories since 1921. The Louis Vuitton brand has been around since 1850. However Vertu, a relatively new kid on the block, has only just entered the luxury communications marketplace in 2000. Vertu sells expensive mobile phones that retail for thousands of pounds. Only a handful of brands can create a high status appeal among the world's super rich (e.g. Ferrari, Rolex, etc.). These brands have to adopt innovative marketing strategies in order to succeed in this dynamic environment. What do they do differently to create this luxury appeal?

Marketers are moving from the traditional marketing mix approach towards greater use of experiential marketing. This is where customers are treated as both rational and emotional individuals that seek 'experiences' from products. The key is to engage customers in a memorable experience around the product/service, developing a relationship with customers, creating an affinity with them. The central aim of experiential marketing is to create an emotional attachment between the brand and the customer. Gucci, Louis Vuitton and Vertu provide this experience through their unique product image and features, their outstanding service, their exclusive retail environment, their pricing, their selective channels of distribution and complete with their distinct packaging. But above all the benefits associated with their unique brand images. To promote a product to the high-market it is important that the customers have the right experience so that the desired feelings, images and perspectives become linked with the product/service and their marketing programme.

It is necessary for the brand to convey a personality that the customer can relate to, or wishes to aspire to. Consumers then try and communicate this to others. Consumers of these brands feel that they too are fashion and design conscious, that they too are wealthy, and that they are part of the "in-crowd". In many cases, luxury brands are tapping into "aspirational" buyer market. These are individuals who seek out access entry-level products with luxury brand names. Some brands are targeting both ends of the market (e.g. *Mercedes Benz with its affordable A-Class range targets the masses, whilst still manufacturing their elite brands such as the Maybach for \$300,000 plus dollars to the world's super rich*). Luxury brands are offering products at different price points. These brands hope that sometime during the customers' lifetime that they will trade up to their more exclusive ranges. The risk of 'democratising' the brand is that they may lose their aura of exclusivity – as it can be obtained by anyone.

Gucci, Louis Vuitton and Vertu rely on the imagery of their products to appeal to the high-end market. The prestigious pricing of their products creates a high quality image and positions the goods in the mind of the consumer as a status symbol. The success of Gucci, Louis Vuitton and Vertu can be attributed to quality of service, brand image, retail environment, management structure, yet above all their ability to combine these factors to create an exclusive experience. We will now take a closer

look at how these companies became what they are today, while focussing on unique product features and image, their brand imagery, retail environments and channels of distribution.

**Table 1 - Comparison of Gucci, Louis Vuitton and Vertu.**

	<b>Gucci</b>	<b>Louis Vuitton</b>	<b>Vertu</b>
Established	1921	1854	2000
Sector	Fashion and Design	Luxury Goods	Luxury Communication
Products	Men and Women's Wear, Shoes, Jewellery, Watches, Perfumes, Eyewear, Home goods, Luggage/Handbags, Baby Wear.	Leather goods, ready-to-wear, shoes, watches, jewellery, textiles, writing instruments & accessories. Famous for its handbags.	Signature Collection Stainless Steel Collection Duo Stainless Steel Bordeaux Stainless Steel
Average Pricing	€800 (Handbag)	\$600 – \$2,000 (Handbag)	€6,000
Typical Locations	Florence, Rome, Paris, New York, London, Palm Beach, Tokyo and Hong Kong.	Paris, New York, Tokyo, Dubai, Las Vegas, Los Angeles. 300 Store Locations	Paris, New York, Hong Kong, Singapore, London.
Retail Environment	Provocative window displays, model like salespeople dressed in all black, free flow layout and rich décor.	Products prominently displayed. Stores vary in product stocked. Uses concessions in department stores such as Harrods and Selfridges. Very contemporary in design and feel.	“Gallery like” feel to store, architectural display cases, limestone floors, warm lighting, clean black and white colours and artwork on display. Salespeople have expert product knowledge.
Business Strategies	Locate on high street, directly operated stores, online purchasing, backward integration for watch business and expansion of brand.	Located in high street locations or exclusive shopping malls with other designer brands. Online purchasing in the US only. Have used Uma Thurman and Jennifer Lopez in ad campaigns.	Located on high street, directly operated stores, along with leading department stores, fine jewellers, client suites and online purchasing. Partnerships with jewellers.

### **Gucci:**

Gucci has experienced many changes since it opened its first luggage company in Florence in 1921. At first, it mainly sold only luxury leather goods. Within a few years the store became popular among international and affluent clientele. By the 1950's Gucci's global presence was established with its first store in the US, a store in New York. Soon Gucci's products grabbed the attention of many powerful

celebrities including Jackie Kennedy, Grace Kelly and Audrey Hepburn. Gucci went so far as to name a bag in its range the “Jackie O”, after the former first lady Jackie Kennedy. These women represented elegance and style, which enhanced the prestigious aura of Gucci. The cult of celebrities had begun, through film, television and magazines. By the 1970’s stores were opened in London, Paris, Palm Beach, Hong Kong and Tokyo. It has become a truly global luxury brand. The group now wants to aggressively expand in China and India, wanting to increase store numbers by 22 for a 2007 deadline. As Gucci has been in operation over the decades, it has experienced dramatic changes, they have had to overcome in order to sustain their competitive edge and to remain as a popular luxury brand. High fashion industry is notoriously competitive with rivals such as Hermes, Dior, Chanel, and Prada, all vying for a slice of the action. The group is now a multi-brand company utilising several brands. The Gucci Empire now consists of eleven leading brands and varies the channels of distribution for each. For example, Yves Saint Laurent uses not only directly operated stores but also points of sale in leading department stores mainly based in Europe to reach a wider range of customers.

In the 1980’s Gucci began to experience difficulties with family disputes and the mismanagement of the business. The Gucci Group was near bankruptcy in 1992 with losses of more than \$40 million. As a result of this the Gucci family sold all of their shares to Investcorp (a Bahrain-based private equity firm). Gucci was then turned into a public company and listed on the New York and Amsterdam stock exchange in October 1995. Gucci was rejuvenated with the appointment of Domenico De Sole at the company. Mr. De Sole repositioned Gucci’s exclusive image by focusing on core leather products and investing heavily in advertising and other marketing communications activities. In 1999, Mr. De Sole retained Gucci’s independence by fighting off a hostile takeover bid by LVMH (Moet Hennessy Louis Vuitton). He also facilitated the expansion of the Gucci Group with the acquisition of several labels including Yves Saint Laurent, Sergio Rossi, Boucheron, Alexander McQueen, Stella McCartney and many more. Mr. De Sole was quoted in saying that *“long term, I think you have no choice: you have to become a multi-brand company.”* Yet it must also be taken into consideration that there is a *“limit to how much you can grow without going down-market.”* If one brand goes downmarket it may have profound repercussions on the appeal of the parent brand. As was the case with the Calvin Klein brand name when its jeans were sold in the 90’s in discount supermarkets such as US behemoth Wal-Mart. This downgraded the image of Calvin Klein jeans.

A major influence on the success of Gucci in the 90’s was the appointment of leading designer Tom Ford. He joined Gucci in 1990 as the company’s Womenswear Designer and became Creative Director of Gucci. With Tom Ford’s vision Gucci’s image was reinvented. He was responsible for product lines, store image and store design. In March 1995, Tom Ford’s first collection caught the attention of the press by utilising sex and glamour. Within a year of Tom Ford’s launch of his new collection, Gucci’s profits rose by 90% and the company is now worth nearly \$500 million. This is a far cry from their near bankruptcy in 1992. However Mr. Ford and Mr. De Sole have recently left Gucci group due to issues over their contracts. The question arises whether Gucci can sustain its exclusive image and market share without their input and also whether the team of designers who work with these men will want to continue to do so in the future. There is also a concern that rival companies may snap up these talented workers. Will it survive without their creativity and knowledge of the industry?

So what is the key to Gucci’s success? The essence of Gucci is its exclusivity. Tom Ford portrays a sexy and vibrant image through his designs, fashion shows and

advertising. The importance of the Gucci brand positioning is that it is distinctive and has an aura of exclusivity amongst its target audience. Gucci has a wide range of products ranging from shoes, watches, jewellery, clothes, perfumes, eyewear, baby wear, home goods (including furniture, bedding and wallpaper), luggage, handbags and gifts (even including gadgets for pets). These items are highly priced so why buy these goods over similar less costly products or the cheap counterfeits?

Counterfeiting is a huge subculture within the luxury brand sector. There is estimated to be between 5% and 7% that total international trade is in counterfeit goods, ranging from components, pharmaceuticals and apparel. The quality of fakes is getting better, making it harder and harder for people to distinguish. This is a huge threat to luxury brands, how do customers discern the fake from the real thing apart from price.

The image and aura of prestige surrounding Gucci gives added value to the products. This is created through advertising, innovative designers and the whole experience of buying Gucci. Gucci uses controversial advertising such as the promotion of their perfume 'Opium' with a naked image of Sophie Dahl. This caused uproar in Britain and was banned by the advertising standards, as it accounted for a third of all complaints about poster adverts. However this campaign managed to win advertising awards throughout Europe. Gucci's advertisement in Vogue also created controversy with an image of a woman with the letter 'G' imprinted in her pubic hair. These illustrations helped gain media coverage for the campaigns and boosted awareness.

Gucci has begun to build an empire of talented designers like Stella McCartney and Alexander McQueen. This ensures new and innovative ideas are injected into the image of Gucci. These designers are renowned world wide and guarantee an entertaining spectacle at each fashion show for example past works of Alexander McQueen include a red riding hood theme (complete with wolves!), a ring of fire theme and an asylum theme. Keeping onto these cutting edge designers is vital, and also it is important to be aware of the "*next big thing*" in haute couture fashion, and to recruit up and coming designers who can take the group forward.

Typically Gucci brand tries to appeal to women in their 20's or 30's with high quality, fashionable products, and who aspire to be part of the jet set lifestyle. This image attracts people who feel they can relate to this profile or who wish to aspire to this image. This is the added value of Gucci. Tom Ford believes that the stores are another extension of image and that they "*help the world of Gucci stand for something*". He also feels that the whole experience "*endows a product with a quality, a meaning*".

Gucci achieves this in many ways. The stores are located on expensive high street locations, thus attracting affluent consumers. The window displays are provocative and the interior has a free flow layout as it is visually appealing and allows consumers to browse comfortably. The décor is rich and classic to add to the atmosphere of the store. The salespeople are model like, smartly dressed all in black and ready to assist consumers in any way. Even the security guard is suitably dressed to add to the image. The distinctive Gucci packaging concludes the experience. Gucci has directly operated stores to ensure that they retain control over their products and can build their image around these stores. About 70% of sales are done in Gucci stores alone. A manager runs these stores independently, thus avoiding bureaucracy and also adds to the efficient management of the stores. It is also possible to view and purchase Gucci products online, thus reaching a far greater target audience.

### **Louis Vuitton:**

The famous brand started out back in the 1850's. The founder was made famous for crafting the luggage for Napoleon. From these roots the brand has become synonymous with luggage and in particular handbags. Louis Vuitton is very much the envy of the industry, recording an operating margin of 45%, whilst the industry average is only 25% for luxury accessories. The company is famous for its handbags, but also sells a range of wallets, briefcases, eyeglass cases etc. Over recent years, the brand has tried to modernise its image by utilising the talents of young designers and artists in rejuvenating the image of some of their products, whilst maintaining the classic designs. This reinvention has attracted younger buyers into the brand. However no one designer for Louis Vuitton has eclipsed the powerful brand image of Louis Vuitton itself, unlike other design brands.

Louis Vuitton stands out from their peers through their relentless focus on product quality. All products are extensively tested to make sure that they can withstand wear and tear, and that there are no imperfections. The company has blended mechanisation and handmade craftsmanship into their products, boosting their productivity, maintaining that high level of product quality, whilst still holding onto the allure of handmade quality. In an effort to maintain the prestige image of a Louis Vuitton product, the company operates a pricing integrity strategy amongst its entire distribution network, a Louis Vuitton bag is never reduced in price, and there are no sale periods. The company offers customised products such as personal engraving on hand luggage pieces, boosting its appeal further. Furthermore, the company sponsors elite sporting events such as yachting and motorsport events. This is in effort to match the audience of sponsorship property with the target audience of the brand itself.

#### **Figure 1 - Louis Vuitton's Quality Emphasis**

- Extensive laboratory equipment test products (*e.g. opening and closing zippers 5,000 times*).
- Leather is sourced from Northern Europe, as they tend to have fewer insect bites, thus are less blemished.
- The company offers a lifetime repair guarantee.
- Integrate manufacturing initiatives such as "quality circles" in the production process.

**Source: Businessweek Magazine**

Some brands like Hermes, a key rival, create even greater exclusivity by having a three-year waiting list before one of their bags can be obtained. These bags are handcrafted, adding to the appeal. Again, China and India are seen as the next big growth markets for the Louis Vuitton brand. At the moment, 55% of its sales are from Japanese sales alone. It has found itself particularly over reliant on the Japanese market, and seeks greater presence in other foreign markets.

### **Vertu:**

Vertu is a new unique luxury brand specialising in top of the range, deluxe mobile phones. The Vertu brand is a big gamble for Nokia, its parent company. Nokia the world's most successful mobile phone manufacturer developed this new brand as a way of creating an exclusive luxury brand in mobile telephony. It is strange move in that Nokia does not publicise the linkage between Nokia and Vertu, therefore does

not gain from any brand linkages or associations. In essence their products are jewellery-like mobile telephones. Vertu headquarters is located in the United Kingdom with several offices situated worldwide including: Paris, New York, Hong Kong and Singapore. As Vertu is a new entrant to the market, their main focus has been on creating product awareness among the elite and to create a brand that is exclusive and luxurious. Vertu utilises craftsmanship, precision engineering, high-end technology and a unique personal service dimension, to create a distinctive luxury brand. Mobile phones typically retail for around £100 - £250 pounds, however Vertu is aimed at the top end of the market, those who can afford to spend thousands on a mobile phone. For example, the Vertu Signature Collection retails at €6,000 for the stainless steel model to €24,000 for the platinum model. These phones are typically made using precious metals like gold, silver or platinum along with fine Italian leather for better grip and have jewelled bearings.

When people buy a Vertu they are buying a badge of exclusivity, luxury and uniqueness. It was believed that if watches, pens or even wallets can be transformed into luxury brands, why not a mobile phone. With mobile phone penetration running at around 80% of the population, then phone makers need new strategies to get people to buy newer phones. Newer technology was a prime motivator in consumers buying a new phone, now Vertu wanted their phones to become status symbols. For a technology product, this is a first as due to technological advances, products lose their value very quickly, when some new and improved product feature becomes available. Rather than launch their new product range at technology shows, the industry norm, Vertu instead prefers to become associated with fashion shows, launching for example their new range during Paris fashion week. Thus this brand is aiming to create a fashion brand rather than a technology brand, trying to woo people through its fashion status.

A big selling point associated with these phones is the Vertu Concierge Service. Vertu Concierge provides specialised travel assistance, allowing users to access and reserve restaurants, hotels, concert tickets and much more. Having a Vertu mobile phone allows users to access this exclusive concierge service, 24 hours a day from anywhere in the world, where they will try to assist the every whim of the user. This service is free for the first year, but you have to pay a subsequent subscription of £500 per annum to avail of the service. Vertu also offers a customisation service thus truly differentiating itself and allowing the firm to earn even higher margins. Also the company offers free upgradeability when new technology emerges such as colour screens, Bluetooth etc.

The company has established flagship stores in exclusive shopping districts, so that it was close to other exclusive brands, thus benefiting from a halo effect. Vertu has developed a unique buying experience by creating a "gallery-like" feel to its retail environments. In order to create this new level of luxury to mobile communication retailing, Vertu focussed their enormous attention on store layout. Each display case is made from architectural glass, limestone textures and floors combined with warm lighting, ultimately enhancing the ambience of the store. Minimalist design was used in order to create the illusion of space. In keeping with the element of exclusivity, original artworks were commissioned and exhibited throughout the stores. Selections of short films are also projected in-store. By offering a first class personal service combined with extensive product knowledge, Vertu has enhanced their image of reliability and expertise.

**Table 2 – What you get when you buy a Vertu?**

<b>Product Name</b>	<b>Common Features</b>	<b>Unique Features</b>	<b>Accessories</b>	<b>Price</b>
Signature Collection	<ul style="list-style-type: none"> <li>▪ Sapphire Crystal Face</li> <li>▪ Bezels: platinum &amp; gold (hallmarked)</li> <li>▪ Leather Grip</li> <li>▪ 18 jewelled bearings</li> <li>▪ Evolutionary Technology</li> </ul>		<ul style="list-style-type: none"> <li>▪ Vertu Concierge Service</li> <li>▪ Head set</li> <li>▪ Global Charger</li> <li>▪ Data Cable</li> </ul>	€6,500
Reflective Stainless Steel		<ul style="list-style-type: none"> <li>▪ Ceramic Pillow &amp; back plate</li> <li>▪ Stainless Steel Body</li> </ul>	<ul style="list-style-type: none"> <li>▪ Vertu Concierge Service</li> <li>▪ Head set</li> <li>▪ Global Charger</li> <li>▪ Data Cable</li> </ul>	€6,500
Duo Stainless Steel		<ul style="list-style-type: none"> <li>▪ 2 toned stainless steel</li> <li>▪ Brushed stainless steel back &amp; bezel</li> <li>▪ Charcoal &amp; matte-silver colour theme</li> <li>▪ Sandblasted matte finish pillow</li> <li>▪ Tumble polished keys</li> <li>▪ Exquisite sound quality</li> </ul>	<ul style="list-style-type: none"> <li>▪ Vertu Concierge Service</li> <li>▪ Head set</li> <li>▪ Global Charger</li> <li>▪ Data Cable</li> </ul>	€5,500
Bordeaux Stainless Steel		<ul style="list-style-type: none"> <li>▪ Hand-polished stainless steel keys</li> <li>▪ Leather trim in matching Bordeaux colours</li> <li>▪ State-of-the-art microphone</li> <li>▪ Hi-fi speaker</li> <li>▪ Polyphonic ring tones</li> </ul>	<ul style="list-style-type: none"> <li>▪ Palladium trimmed case</li> <li>▪ Concierge Service</li> <li>▪ Head set</li> <li>▪ Global Charger</li> <li>▪ Data Cable</li> </ul>	€6,750

Source: Vertu Website

Vertu announced the opening of its first stores in Paris and Singapore in October 2002. Vertu has since opened new channels for distribution and intends to continue to build these globally. Along with their stores in Paris and Singapore, Vertu has Client Suites in London, New York, Hong Kong and Singapore and also has points of sale located in some of the world's leading department stores and fine jewellers. Vertu phones are also available to purchase through their website also. With the aid of this distribution channel customers can now personalise their mobile phone to their own individual tastes. The company were extremely selective when choosing

suitable retail channels. They sought department stores that catered for an international client base, and who target very affluent shoppers. The stores must have a global reputation of offering quality and luxury across all product ranges and whose philosophy of high product knowledge and excellent personal service are consistent with that of Vertu's. For example Vertu entered into a partnership with a renowned Hong Kong jeweller King Fook Jewellery. The introduction of these new speciality stores has made the Vertu range of phones more accessible to its exclusive client base in Hong Kong. As a direct result of this new partnership, Vertu's Signature Collection is now available in a range of precious metals such as gold and platinum. To date the company has entered into a number of joint ventures such as Vertu and Goldsmiths located at Harrods in London, Trafford Centre in Manchester, and Bluewater, Kent. This partnership was established to gain greater market share in the UK marketplace.

### **Conclusion:**

In order to retain product exclusivity it is clear that you need to provide an excellent product, and an exceptional service experience, as this creates an emotional attachment. Advertising only primarily creates awareness for the product/service. Gucci, Louis Vuitton and Vertu have made this experience possible through their distinct products and services, their prestigious pricing (thus indicating their superb quality), their exclusive retail environment and their selective channels of distribution.

Maintaining that fashion status and aura of exclusivity is of primary concern to these exclusive luxury brands. For example, the fashion brand Burberry has now become synonymous with the infamous "chav" subculture in Britain. This once fashion icon brand of the country elite has now be adopted as the brand of choice for thousands of working class Britons, devaluing the brand amongst the fashion elite. In particular the Burberry brand has become known as a type of uniform for soccer hooligans. The emergence of the so-called "chav" subculture has garnered the Burberry brand unwanted press coverage. The association started when two pubs in Leicester started to ban people from their premises who wore Burberry under suspicion that they were football hooligans. The Ben Sherman brand also fought hard to overcome its association with 'yob' culture; similarly Doc Martins were associated with skinheads. By extending their brands to items such as baseball caps, perfumes etc. it can diminish the exclusiveness of a label, sacrificing the brand equity for increased revenue.

It is evident that Gucci, Louis Vuitton and Vertu use different promotional strategies. For instance Gucci incorporates controversial issues into their marketing strategy to promote brand imagery, Louis Vuitton utilises celebrity endorsements, whereas Vertu concentrates on the benefits and quality of product features. However, they both are consistent when it comes to retail environment and channels of distribution. The store design and layout plays an important role in creating an image of exclusivity to appeal to the high-end market. It is crucial to have alignment of the prospective target market expectations of a store offering and the identity that the brand wants to communicate. Companies targeting the high-end market must create the illusion of exclusivity, while generating a seductive atmosphere, appealing to the senses. Once blended together, these elements will help form a pleasurable and distinctive experience that will differentiate your product line from that of your competitors. Gucci, Louis Vuitton and Vertu use exclusive channels of distribution to ensure greater control. This control enables them to exercise greater flexibility on their product ranges and the ability to adjust to the changing market efficiently. This adds to the image of exclusivity and quality of the products. Therefore it can be concluded



that in order for a product to develop and retain its exclusivity, marketers must create an overall experience that appeals to and attracts the high-end market.

### **Questions**

- 1. What are the key success factors in creating an exclusive product/service? Using the brands discussed in the case.**
- 2. What is the importance of concentrating on retail environment when adopting a marketing strategy of experiential marketing? Give examples using the Gucci, Louis Vuitton, and Vertu brands.**
- 3. Discuss how exclusive brands may lose their aura of exclusiveness and fashion status, identifying possible threats to these brands?**

*This case was written by Conor Carroll, Kate Hurley & Ann Treacy, University of Limerick. Copyright © Conor Carroll, Kate Hurley & Ann Treacy (2004). The material in the case has been drawn from a variety of published sources.*