

## **GUCCI, LOUIS VUITTON, & VERTU – MARKETING LESSONS FROM SOME OF THE WORLD’S MOST EXCLUSIVE BRANDS**

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. However Vertu, is a relatively new kid on the block, having only 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 and 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, their distinctive packaging and the overall 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 wish to aspire to and then 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 the "aspirational" buyer market; luxury brands are offering products at different price points in the hope that sometime during the customers' lifetime they will trade up to their more exclusive ranges. However, 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 and 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 focusing 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	Handbags start at €400 approx Handbags start at €400 and go up to €2800	Most basic 'Constellation' model starts at €3500	
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	Products prominently displayed. Stores vary in product	"Gallery like" feel to store, architectural display cases, limestone floors,

	layout and rich décor.	stocked. Uses concessions in department stores such as Harrods and Selfridges. Very contemporary in design and feel.	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 in New York. By the 1970's stores were opened in London, Paris, Palm Beach, Hong Kong and Tokyo. It has become a truly global luxury brand. Today, Gucci has over 415 stores worldwide and in 2008 alone, reported sales of £3.4 billion (an increase of 5.5% on the previous year). Gucci was also ranked number 41 in the Interbrand 'Best Global Brand' Survey 2009.

High fashion industry is notoriously competitive with rivals such as Hermes, Dior, Chanel, and Prada, all vying for a slice of the action. This increased competition has resulted in the Gucci group becoming a multi-brand company, which consists of several well known brands, such as Alexander McQueen, Stella McCartney and Yves Saint Laurent. While the Gucci brand represents the core business of the Gucci Group (accounting for 65% of total revenue), the Gucci Empire now consists of eleven leading brands and the channel of distribution for differs 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.

A major influence on the success of Gucci in the 90's can be attributed to 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. However, Ford vacated his position in the Gucci Group in 2004 due to issues of control in the renewal of contracts could not be resolved between the two parties,

32-year-old Frida Giannini, who originally joined Gucci in 2002 as Handbag Design Director now serves as Creative Director for the entire Gucci brand and to date she served the company well, transforming Gucci classics into modern, successful designs. In addition to the role she plays in the creation of new Gucci products, Giannini immerses herself in other aspects of the business; she has taken an active role in developing new design concepts for Gucci stores, as well as taking responsibility for the creative direction of all advertising campaigns. She has also been responsible for the brand's increased use of celebrities to promote the brand, including Drew Barrymore and Clare Danes for their jewellery campaigns and singers Rihanna and Madonna for their Unicef initiatives.

So what is the key to Gucci's success? The essence of Gucci is its exclusivity. The brand portrays a sexy and vibrant image, which is communicated through their designs, fashion shows and advertising. The importance of the Gucci brand's positioning is that is distinctive and has an aura of exclusivity amongst its target audience.

The image and aura of prestige surrounding Gucci gives added value to their 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 brand awareness.

Typically, the Gucci brand tries to appeal to women in their 20's or 30's with high quality, fashionable products, and those 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. Gucci achieves this in many ways; 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 its 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. 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 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. The brand is estimate to be worth approximately \$19 billion.

Louis Vuitton stand 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. All Louis Vuitton products contain the eponymous LV initials and many of the products use the brown Damier and Monogram Canvas materials, which were first used by the company in the 80's. The company markets its products through its own stores, which allows it to control quality and pricing. In maintaining the prestige image of the Louis Vuitton brand, 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**

**Like other premium brands, such as Gucci, Louis Vuitton has also turned to the use of celebrity's to market the brand, with the likes of Madonna, Jennifer Lopez and Gisele Bundchen featuring in advertising campaigns. Over recent years, the brand has tried to modernise its image by utilising the talents of young designers and artists to rejuvenate the image of some of their products, whilst maintaining the classic designs. An example of this was the use of designer Marc Jacobs who created a limited edition handbag range with featured graffiti over the monogram pattern in 2001. Other limited editions patterns created by designers for the brand include the Monogram Multicolore range and the Cherry Blossom Range, which were only made available to VIP customers, further enhancing the exclusivity of the brand. Hermes, a key rival of Louis Vuitton, 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 their appeal even further. The reinvention and rejuvenation of Louis Vuitton in more recent years has assisted the brand in attracting a younger target audience, thereby increasing customer base. However no one designer has eclipsed the powerful brand image of Louis Vuitton itself, unlike other design brands.**

### **Vertu**

Vertu is a unique luxury brand specialising in top of the range, deluxe mobile phones. Established in 2000, the Vertu brand was a big gamble for Nokia, its parent company, to take. 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. However, Nokia does not publicise the linkage between Nokia and Vertu and therefore does not gain from any brand linkages or associations. In essence, their products are jewellery-like mobile telephones. Vertu headquarters are located in the United Kingdom with several offices situated worldwide including: Paris, New York, Hong Kong and Singapore. As a new entrant to the market, Vertu's main focus was 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.

Vertu's concept is to make mobile phones in the same vein as prestigious watch brands such as Rolex and Patek Philippe. 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 most expensive model ever made by the brand is the Signature Cobra, which retailed at a massive €217,000! The most expensive 'regular' model made by Vertu is the Signature Diamond, at a more affordable €62,000. 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, then why not a mobile phone. With mobile phone penetration constantly on the increase and having surpassed 100% in Europe alone, phone manufacturers need new strategies to get people to buy newer phones. Newer technology was a prime motivator in consumers buying a new phone. Vertu have taken a different approach; they want their phones to be status symbols. For a technology product, this is a first, as products lose their value very quickly, with constant technological advances offering new and improved product features. Rather than launch their new product range at technology shows, which is 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, in an attempt 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 use 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 upgradability 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 focused an enormous amount of attention onto 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.

Vertu announced the opening of its flagship stores in Paris and Singapore in October 2002. It has since opened new channels of distribution, with over 600 retail outlets worldwide and 400 employees and it intends to continue to build on this. 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. 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. 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. Vertu phones are also available to purchase through their website. With the aid of this distribution channel, customers can now personalise their mobile phone to their own individual tastes

## Conclusion

In order to retain product exclusivity it is clear that you need to provide an excellent product and exceptional service experience, as this creates an emotional attachment between the customer and the brand. 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. The emergence of the so-called “chav” subculture has garnered the Burberry brand unwanted press coverage. The Ben Sherman brand also fought hard to overcome its association with ‘job’ 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, all brands are consistent when it comes to retail environment and channels of distribution. The store design and layout plays a crucial role in creating an image of exclusivity to appeal to the high-end market. It is essential 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? Use 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?**

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