

Why Did You Do That? Luxury Brands Surviving Economic Crisis

Jennifer Worrell, Colorado State University, USA

BACKGROUND

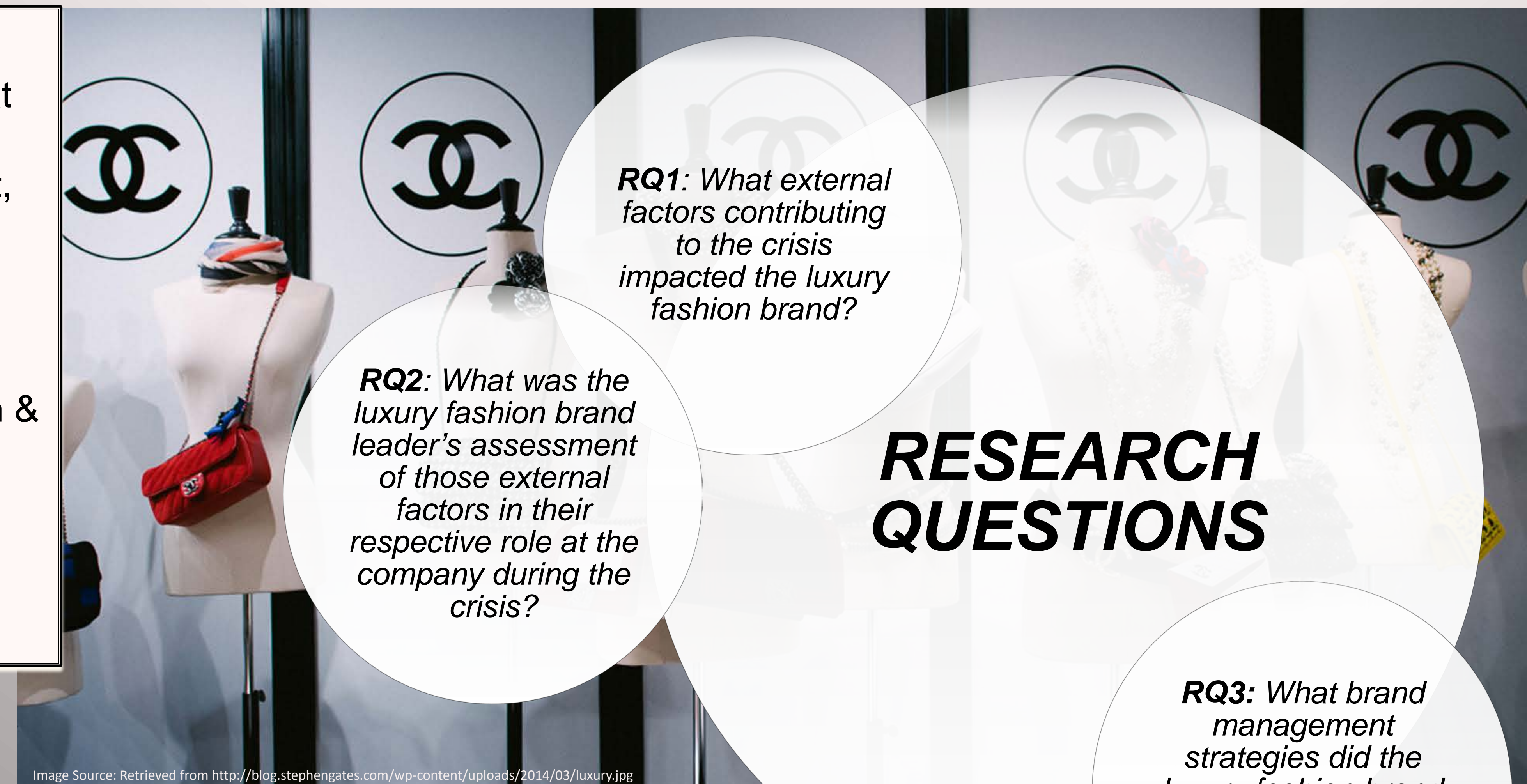
- ✧ Today's luxury fashion brands are faced with a great deal of uncertainty in the international political economy, from revised trade deals in the US, Brexit, and terrorism (D'Arpizio et al., 2016).
- ✧ History and research have shown that the luxury market is not immune, as with the Global Financial Crisis, 2007-2010 (Halliburton & Kellner, 2011; Som & Blanckaert, 2015).
- ✧ Brand management strategy is expected to be a significant source of competitive advantage in the future (D'Arpizio et al., 2016).

PURPOSE

- ✧ The purpose of this study is to gain experiential insight into the decision-making of luxury fashion brands senior leadership during the Global Financial Crisis of 2007-2010 in the selection of brand management strategies.

RELATED LITERATURE

- ✧ Global Financial Crisis, 2007-2010, caused 8% decline in luxury overall (Business Think, 2010). Slowed growth rate of \$840B industry in 2004 from reaching \$1 trillion by 6 yrs. (D'Arpizio, et al., 2016; Truong, McColl, & Kitchen, 2009)
- ✧ Crisis fundamentally changed business landscape for luxury (Savelli, 2012). Consumers became austere in attitude & purchase behavior. Brand saw increased competitive pressure and decreased capital for investment.
- ✧ Brand management strategies appeared to be key in survival of crisis. Christian Lacroix closed in 2009, but Prada grew with globalization (Som & Blanckaert, 2015)



METHODS

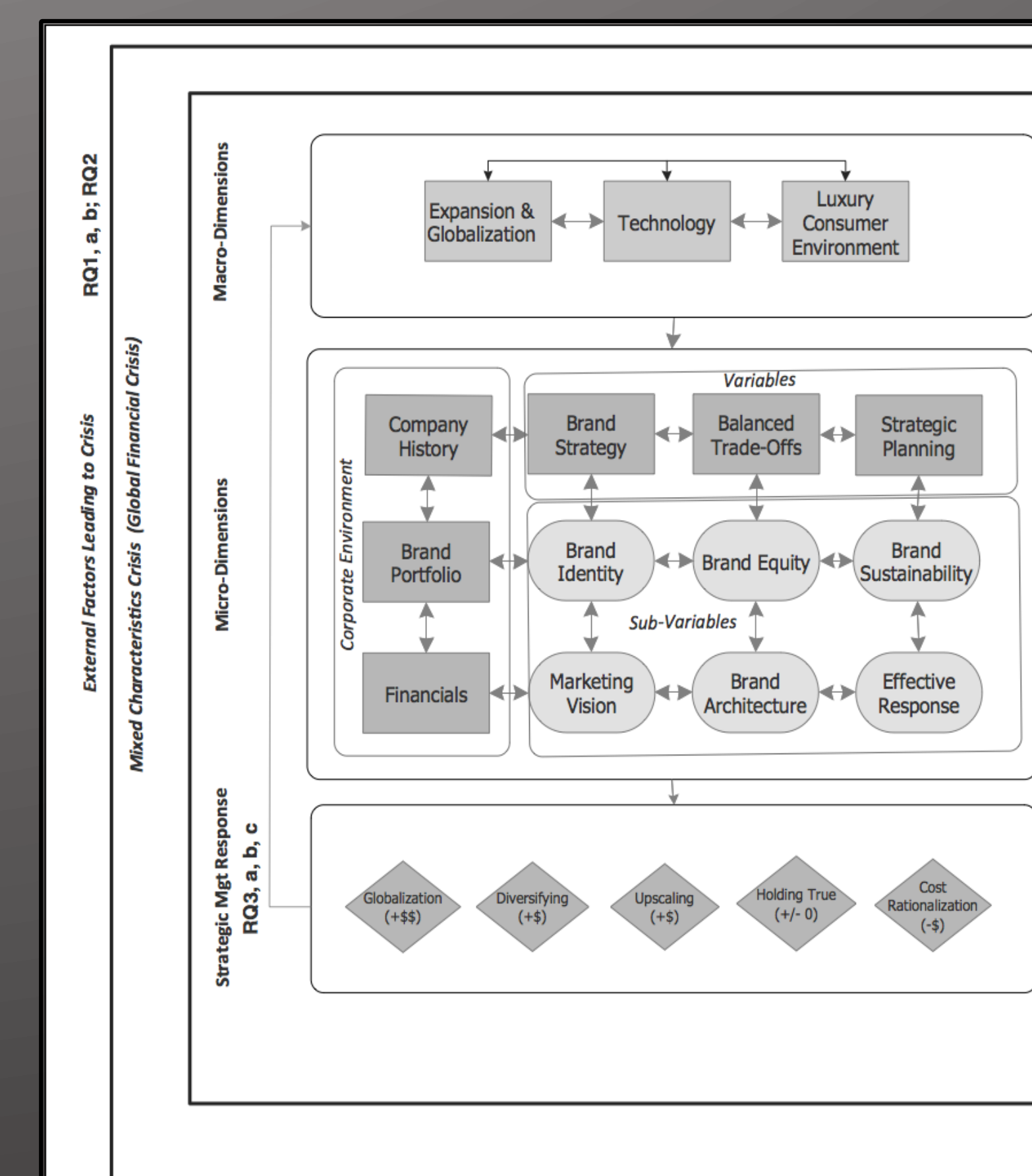
- ✧ This study will utilize qualitative methodology with a multiple case study approach.
- ✧ Three luxury fashion brands were selected using purposive sampling, where case companies operate retail locations in domestic and international markets, identify as a luxury fashion brand, endured the Global Financial Crisis, and boast a 40+ year business history.
- ✧ Eight to twelve open-ended, semi-structured face-to-face interviews with senior leadership, e.g. Chief Executive Officer, centered on the perceived impact of the factors of the crisis, the assessment of those factors when choosing brand management strategies, and the reasons behind their choices.

EXPECTED IMPACT

- ✧ This study aids the practitioner with insight for "what if" scenario planning, strategic development, and information for pro-active crisis preparation.
- ✧ The academic knowledge base is broadened with the inclusion of a variety of luxury fashion brand retailers in the sample, which has not been done in previous research. Further, it contributes to theoretical development through a conceptual framework.

CONCEPTUAL FRAMEWORK

- ✧ Luxury Brand Management (LBM) Framework depicts the interplay between the macro and micro dimensions of luxury brand management. The outcome is strategic management response (Cavender & Kincade, 2015).
- ✧ Five emergent strategies found for luxury brands response to crisis: Globalizing, diversifying, up-scaling, holding true, and cost rationalization (Som & Blanckaert, 2015).
- ✧ This study proposes a modified luxury brand management framework in the crisis context.



REFERENCES

- ✧ Business Think. (2010). Luxury brand survival strategies: A sense of security at a premium price. *UNSW Business School*. Retrieved from <https://www.businessthink.unsw.edu.au/Pages/Luxury-Brand-Survival-Strategies-A-Sense-of-Security-at-a-Premium-Price.aspx>.
- ✧ Cavender, R., & Kincade, D.H. (2015). A luxury brand management framework built from historical review and case study analysis. *International Journal of Retail & Distribution Management*, 43(10/11), 1083-1100.
- ✧ D'Arpizio, C., Levato, F., Zito, D., Kamel, M., & de Montgolfier, J. (2016). Luxury goods worldwide market study, fall-winter 2016. *Bain & Company*. Retrieved from <http://www.bain.com/publications/articles/luxury-goods-worldwide-market-study-fall-winter-2016.aspx>.
- ✧ Halliburton, C., & Kellner, K. (2012). Are luxury brands really immune to financial recession? – A comparative empirical investigation of luxury and non-luxury brands in the downturn. Retrieved from www.marketing-trends-congress.com
- ✧ McCarthy, K., Perkins, B., Pope, N., Portaluppi, L., Scaramuzzi, V., & Su, L. (2017). Global power of luxury goods 2017: The new luxury consumer. *Deloitte*. Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/consumer-industrial-products/gx-cip-global-powers-luxury-2017.pdf>.
- ✧ Savelli, E. (2012). Role of brand management of the luxury fashion brand in the Global Economic Crisis: A case study of Aeffe Group. *Journal of Global Fashion Marketing* 2(3), 170-179. <http://dx.doi.org/10.1080/20932685.2011.10593095>.
- ✧ Som, A., & Blanckaert, C. (2015). Introduction: Definition and crisis of luxury. In *The road to luxury: The evolution, markets and strategies of luxury brand management* (pp. 5-27). Singapore: John Wiley & Sons Singapore Pte. Ltd.
- ✧ Truong, Y., McColl, R., & Kitchen, P.J. (2009). New luxury brand positioning and the emergence of massige brands. *Journal of Brand Management*, 16(5/6), 375-382.