

**GLOBAL BRAND FORUM  
SINGAPORE  
14 AUGUST 2008**

## **Retail Strategies for the Future**

## **A CAVEAT...**

# The Evolution of Brands

# The 1980's: HUGE CREATIVITY+NO MARKETING

This was the era of GENUINE HIGH DESIGN, created exclusively for the cognoscenti, both critical and demographic. Brands like Halston, Bill Blass, Issey Miyake, Yves Saint Laurent flourished during this heady period.

BRANDS were synonymous with their creators – human beings.

Creativity and worthiness were judged by a select cabal of critics, intellectuals and socialites.

The idea of global domination by a brand had not arisen in the minds of the creative entrepreneur.

Designer brands were reserved exclusively for the elite in society – in terms of both price and conceptual accessibility.

Most importantly, brands were not defined by their advertising, but, rather, creativity, distinctiveness, the personality of their creators and the good opinion and critical acclaim by a narrow, select audience.

Designer brands were not intended to be consumed by everyone.

In short, brands were not yet big business.

## **The 1990's: HUGE MARKETING+LOW CREATIVITY**

This period heralded the arrival of the mega-brand, in the mold of Calvin Klein Jeans, Ralph Lauren, Tommy Hilfiger.

It was the first time that a brand created and mastered its image through the use of imagery created by itself, for above-the-line advertising. Heretofore, designer brands relied on the imagery generated by free editorial in influential media, with advertisers unable to influence editorial decisionmaking.

It was the first time that a message of comparatively high design was fed to the mass public.

Although some brands attained megabrand status, their creativity and innovation remained low – not a surprise, since products had to please 90% of the consuming audience.

## **SINCE THE 90s: SURVIVAL OF THE FITTEST (\$\$\$)**

**=> DECLINE IN ORIGINALITY, RISK-TAKING (AND THE OVERALL NUMBER OF GREAT BRANDS)**

Enormous increase in the number of competitive entrants in the prestige and luxury brand universe => concomitant increase in competitive pressure, which challenges brands, especially smaller ones, on two fronts: signal to noise ratio, when marketing products difficulty of securing good suppliers and distributors at competitive rates.

Small brand is penalized on both fronts: must pay extortionate prices to get its goods made, then, is hardly able to advertise. High price of niche products, especially, land small brands in a vicious cycle, where, because of high pricing, demand does not increase as much as it would have, had the brand had access to more competitive means of production.

***SMALL BRANDS LIVE IN A STATE OF CONSTANT PRECARIOUSNESS.***

## SINCE THE 90s: SURVIVAL OF THE FITTEST

Big brands: can only maintain market position through major, ongoing commitments to above the line advertising.

But at least big brands enjoy economies of scale and access to investment capital for retail expansion.

Downside of big brands: they need to respond to the demands of investors, should they be publicly held, frequently nipping creativity in the bud, for fear of short term declines in profitability.

***BIG BRANDS CANNOT TAKE RISKS => INHERENT TENDENCY TO REPEAT LAST SEASON'S SUCCESSES, RATHER THAN STRIKE OUT IN BOLD NEW DIRECTIONS***

## **SINCE THE 90s: SURVIVAL OF THE FITTEST**

Not surprisingly, there aren't many robust medium-sized brands, which are not owned by larger corporate entities.

IT'S A DOG EAT DOG WORLD, these days, where small brands have to fight to even tread water, before they get noticed by a larger company, which will lend its synergies and scale to them.

Sometimes the brand is acquired by a sympathetic and skilled investor like LVMH, the Gucci Group or Diesel.

All too often, however, brands are acquired by investors who are not particularly sympathetic to their creative or long-term branding goals. Rather, they insist on immediate returns, which hardly creates a robust environment for creativity and risk-taking.

***IT'S NO SURPRISE THAT THE MARKET HAS BECOME INCREASINGLY COMMERCIAL,  
HOMOGENEOUS AND CONVERGENT.***

***UNFORTUNATELY, THIS PHENOMENON HAS NOT ONLY AFFLICTED THE FASHION INDUSTRY, BUT IS A WIDESPREAD IN ALL FORMS OF CONSUMER CULTURE – FROM PUBLISHING OF MAGAZINES AND BOOKS TO FILM TO MUSIC.***

## **A NOTE (OR, EVEN, A TANGENT)**

### ***THE INEXORABLE MARCH TOWARDS SAMENESS IS DICTATED BY THE MODERN DEFINITION OF PROGRESS***

More than anything, what I describe is an inexorable phenomenon explained by the modern definition of progress, where the word is defined by an increase in efficiency. Obviously, increases in efficiency can only be netted by increasing economies of scale. Economies of scale can only be attained when sales of a product are sufficiently widespread. Economic necessity therefore dictates as widespread and mass of a distribution of possible. By definition, it results in design and products which appeal to the least common denominator.

# TODAY'S WORLD

Other pressures and factors to consider in today's world of branding –

## ***THE INFORMATION AGE MILITATES AGAINST INVESTMENT IN CREATIVITY***

More difficult to harvest investment in creativity because of the advances in communication and technology:

Just-in-time manufacturing and merchandising, introduced by the Gap in the 1990s and now mastered consummately by Zara, H&M and Top Shop; immediate dissemination of original designs via internet.

## ***THE RULES OF THE (MEDIA) GAME HAVE CHANGED – DRAMATICALLY***

Increasingly, advertisers have media in their pockets – more and more difficult for small brands to get air time on the editorial pages unless they are brand new and super creative OR friends with the editors.

Celebrities are THE most important opinion leaders these days.

## OTHER OBSERVATIONS (NO MORAL JUDGMENT INVOLVED)

- “Anyone can join the club, as long as they have money”  
The phenomenon of **MASSTIGE** - your secretary has a handbag by Louis Vuitton or Gucci.
- Because of the availability of good design at low prices, **DESIGN HAS BECOME MORE DEMOCRATIC**, with the High frequently coexisting happily next to the Low. You buy your Frank Geary kettle at Target, but also a sofa from B&B.

## LOOKING AHEAD

The most affluent, elite consumers have always functioned as the avant-garde weathervane of consumer interests and demands. They initiate trends which then percolate down to the general public, in less expensive form.

In a world of easy accessibility, the very wealthy seek to separate themselves from the general consuming public, who can too easily purchase commonplace “luxury” items like expensive handbags.

They are looking for more rarefied experiences which cannot be easily consumed by others: these experiences or objects are unattainable in one sense or the other: either they are super-expensive or in dramatically short supply, so that they are beyond the reach of the ordinary, aspiring consumer.

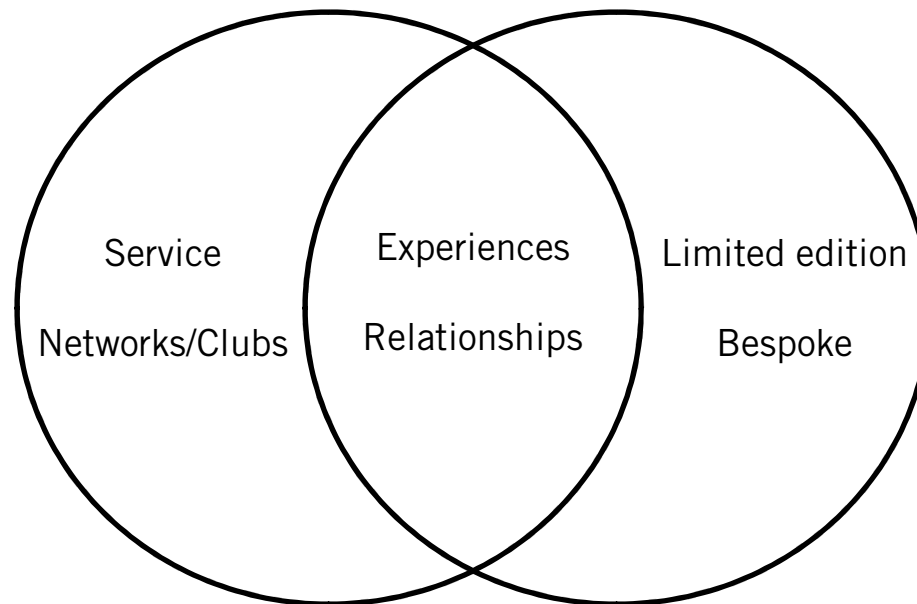
# LOOKING AHEAD

## REAL VALUE (“Stealth Wealth”)

There is a return to the appraisal of the real value of an object, rather than a status-driven acquisition of logo, accounting for the continued success of such brands as Bottega Veneta, Berluti, Hermes.

## EXQUISITE (HAND)CRAFTSMANSHIP

THE PERSONAL/  
EMOTIONAL



THE UNIQUE

## **AN ASIDE – but an important one**

*ART IS THE ANTI-COMMODITY AND THE ONLY “PRODUCT” WHICH ACTUALLY SATISFIES ALL THESE CRITERIA, ACCOUNTING FOR NOT ONLY THE HUGE BOOM IN THE ART MARKET IN THE PAST TEN YEARS, BUT THE PARTICIPATION AND COOPTION OF ARTISTS AND ART INTO THE BROADER CONSUMER WORLD IN RECENT YEARS.*

*NB.* decorative arts are now attaining the status of fine art in a category called “design” (Lockheed lounge by Marc Newson, furniture by Zaha Hadid), so when I say “art”, I also mean design.

## AN ASIDE

The use of ART as a marketing vehicle has become more and more prevalent collaborations between the consumer and art worlds are becoming increasingly popular. (Gap t-shirt collection, Marc Jacob's well-known collaborations with leading artists)

Brands are using art to burnish their reputation as leaders of culture - LVMH art galleries and Prada Fondazione .

Fine art's continuing seduction of the high-end consumer world illuminates the challenge confronting brands – how to create meaning and allure around its products.

Brands choose to work with artists because they are the newly anointed rock stars of product design who dare to thumb their nose at convention and prediction to create purely subjective, sometimes controversial, even divisive, expressions of their individuality which the public can take or leave. At least that's what art represents in principle.

What artists bring to the table are the unexpected, the refreshing, the emotional – in short, a highly charged, individualistic, subjective aesthetic statement, which doesn't seek to please everyone – ***THE ANTIDOTE TO TODAY'S CONSUMER CULTURE.***

*Maybe we need to go back to lessons from the past?*

*The last ten years have become increasingly saccharine, prepackaged and DULL .*

*Possibly, for the great majority of brands, the way has been lost.*

*It's time to put together the lessons learned in the past 20 years...*

# **BUILDING GREAT BRANDS IN TODAY'S MARKETPLACE: *GREAT PRODUCTS + GREAT MARKETING***

## **GREAT PRODUCTS**

Remember the 80s – the heyday of great design, at least in fashion, with the genuine imprint of human personality.

Invest in creativity (vision) => Stick to your guns (stamina) = the consumer will understand what you stand for and return to your brand, time and time again. It's ok, too, if your brand doesn't please everyone, because niche brands, these days, can be quite large.

CHALLENGE: TO BE UNCOMPROMISING! Sacrificing short-term sales for a longer-term view of building brand.

***SHOW LEADERSHIP THROUGH EXPERIMENTATION AND INNOVATION***

# **BUILDING GREAT BRANDS IN TODAY'S MARKETPLACE: *GREAT PRODUCTS + GREAT MARKETING***

## **A GREAT MESSAGE (EMOTION & DISTINCTIVE POINT OF VIEW)**

- The high-end consumer is definitely looking for an emotional connection to the shopping experience.
- Idiosyncrasy, humanity, PERSONALITY are to be cherished. The customer seeks a dream, rather than a collection of products pre-ordained by last season's sell-through statistics.
- Customers are looking for IDENTIFICATION AND ASPIRATION (that's why it's important to stick to a clear message, when you're a brand – the customer regards the best brands as unfailing dispensers of a certain philosophy of beauty, luxury, experience, when you shop within their walls. DO NOT DISAPPOINT THAT CUSTOMER) .

# **BUILDING GREAT BRANDS IN TODAY'S MARKETPLACE: *GREAT PRODUCTS + GREAT MARKETING***

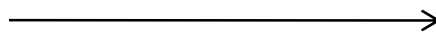
## **ADEPT, SYNERGISTIC AND DYNAMIC COMMUNICATION**

Embrace (and harness) today's media and internet culture. Marketing tools have proliferated greatly and become quite complex. Brands must take advantage of this new arsenal, rather than shying away from technological challenges.

- Internet
- Celebrities
- Cross-promotion
- Seduction of media opinion leaders

## SUMMING IT ALL UP ....

- Shortened Mfg lead time
- Lower Prices
- Proliferation of Offering



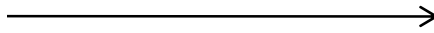
**packed competitive universe with lots of margin pressure**

### **How to cope:**

Greater brand differentiation and highly value-added products (better design or functional/qualitative superiority) --> perception of enhanced price-value rapport-->better margins

## SUMMING IT ALL UP ....

**Information age:  
Immediate dissemination  
of info**



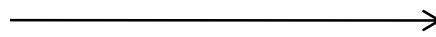
**Shorter harvesting time  
for creativity**

### **How to cope:**

There isn't a direct solution. Pioneering creativity and innovation are indispensable to creating brand loyalty.

## SUMMING IT ALL UP ....

Too much information



Information overload:  
Low signal to noise ratio

### How to cope:

strong concept/message

resourceful, efficient marketing coupled with guerrilla marketing

## **AND LAST BUT NOT LEAST.....**

1. THE IMPORTANCE OF EMOTION AND THE HUMAN PERSONALITY
2. STAMINA