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Article

Japan Has developed Luxury Brands

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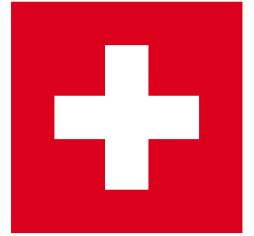
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Japan Has developed Luxury Brands

LVMH Moët Hennessy-Louis Vuitton SA is the world's largest luxury brand conglomerate. Although it is not widely known, it was Japanese consumers that developed the market for this luxury brand group. This paper will reveal the birth and developmental history of luxury brand conglomerates. This paper describes "Louis Vuitton and Japan in 1970s," "The Coming of Arnault, the leader of the 'Brand Empire,'" "Those who Own the Japanese Luxury Brand Market will Own the World," "Necessities for Success in Japan," "Japan's Luxury Product Distribution Network," "The Consumptions Behavior of the Wealthy Class: Freestanding Stores or Department Stores," and "Department Stores and Luxury" was invented in Japan.

Shin'ya Nagasawa

Louis Vuitton, Christian Dior, Gucci, Cartier... The world of luxury brands which consumers from around the world gaze at with envy. It is not widely known that it was Japanese consumers that developed this market.

It was Japan's period of rapid economic growth that triggered the development of this market. After World War II, the Japanese government placed strict regulations which prevented Japanese citizens from traveling abroad or taking foreign currencies abroad. After those restrictions were eased, an unprecedented overseas travel boom developed during the 1970s. Japanese people, who were now able to live comfortably thanks to their country's strong economic growth, began traveling abroad one after another. During this time, it was the Louis Vuitton bag that became the symbol of what people aspired for.

By the early 1970s, Japanese parallel importers were going to the Louis Vuitton flagship store in Paris and buying as many bags as they could. They did this to sell the bags in Japan at 3 to 5 times the selling price in France. By the late 1970s, Japanese tourists were also rushing to the flagship store in large numbers.

Louis Vuitton is old, as it was founded in 1854. However, its only store locations at the time were the two in France. It was by no means the gigantic brand it is today.

Then suddenly, Japanese people began coming in flocks. Because they continued to buy up the bags, there was a constant shortage of stock. Louis Vuitton, as a last resort, placed purchase limits of "2 items per person." This, however, caused the stock to be scarcer and the boom continued to heat up.

It was probably Louis Vuitton itself that was the most surprised by the sudden boom and frenzy. In 1976, Henry-Louis Vuitton, the 4th generation of Vuittons who was operating the company at the time, requested a consulting firm to come up with measures to deal with Japanese tourists. The person that responded to this request was Japanese consultant Kyojiro Hata, who would later serve as the president of Louis Vuitton Japan.

Hata suggested opening a store in Japan. He said that if a Louis Vuitton store opened in Japan, the number of tourists who were lining up at the flagship store in Paris would decrease. After this suggestion was made, in 1978, Louis Vuitton opened 6 stores at once in Japan. This was the first time that Louis Vuitton opened numerous stores overseas.

By this time, Japan's period of rapid economic growth was in full swing. Backed by the luxury brand boom which began in the late 1970s, Louis Vuitton's expansion to Japan was a complete success.

Another decision that served as a significant turning point was dividing the responsibilities of the ownership and business operation of the brand.

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Contrary to this traditional method, while owning the brand, Louis Vuitton decided to entrust the operational duties to professionals. The Louis Vuitton family stepped away from business operation duties.

At the time, the majority of luxury brands in Europe were family operated. A brand was a family business. Manufacturing and business operation were sustained through blood ties that continued over many generations, and the history of the blood ties was considered to be one aspect of the brand value.

In 1977, Henry Racamier, who married a descendant of Louis Vuitton, was summoned to serve as president. It was at this time that the luxury brand industry began to make great strides.

2. The Coming of Arnault, the Leader of the "Brand Empire"

The Louis Vuitton (LV) Group grew rapidly thanks to the skills of Henry Racamier. By 1987, it merged with Moët Hennessy (MH), a company that sold luxury liquor. This was the birth of LVMH Moët Hennessy Louis Vuitton SA (LVMH).

However, the road to the birth of LVMH was by no means a smooth one. This was because Racamier, the president of Louis Vuitton, and Alain Chevalier, the CEO of Moët Hennessy, began to fight over leadership.

While Racamier was in his seventies and was an accomplished businessman, Chevalier was in his fifties and had youth and exuberance. In the beginning, Chevalier appeared to have the advantage. Racamier, his opposition, set his eyes on a young man who was under the spotlight at the time as the most promising businessperson in France. This young man was Bernard Arnault, who was the president of Christian Dior. He is currently the CEO of LVMH and was the key figure that made LVMH into the world's largest luxury brand conglomerate.

Arnault was 39 years old at the time. He was young and had great ambitions. In 1988, Arnault, who teamed up with Racamier, used those skills immediately and countered against Chevalier. After this, Chevalier left LVMH. Racamier left the group in 1990, which officially put Arnault at the helm of LVMH.

However, it was in the construction and real estate industries that Arnault refined his skills as a businessman. It was 1985 when Arnault was first involved in operating luxury brands. This was only five years before he would be at the helm of LVMH.

Arnault, who experienced operating a business in the United States during his 20s, returned to France and after several ventures became the president of Christian Dior in 1985. Business at Dior, after the brand's founder and designer passed away in 1957, had gone stagnant.

In response to this, Arnault brought in Beatrice Bongibault, Chanel's competent businessperson, to Dior. Bongibault had the track record of resurrecting the Chanel brand, which had gone stagnant after the death of Coco Chanel, by hiring young designer Karl Lagerfeld. Arnault decided to concentrate on the operation of the brand, while entrusting Bongibault with the design and resurrection of the brand.

Bongibault lived up to Arnault's hopes. She resurrected Dior by hiring Italian designer Gianfranco Ferré and terminating its licensing agreement with companies such as Kanebo to enhance its brand strength.

Operating the business on your own and entrusting creative duties to professionals. Buying brands through mergers and acquisitions and entrusting professionals to resurrect the brands. The original form of this business model, which would later serve as the driving force behind the surge of LVMH, was developed through Arnault's experiences at Di-

or. Arnault, who had become the head of the LVMH Group, continued to buy and resurrect brands. During the 1990s, Arnault hired American designer Michael Kors for the design of Céline. He hired Englishman John Galliano at Dior after Ferré left, and hired Englishman Alexander McQueen at Givenchy. The history and popularity of luxury brands, and the craftsmanship of designers were in their prime. With this combination, the brands under the LVMH umbrella began to resurrect themselves one after another.

By buying more brands with the profits from the resurrection of brands and repeating this virtuous cycle, LVMH became the world's largest luxury brand conglomerate in the blink of an eye.

The business model that Arnault developed became a pattern for success for the luxury brand industry. In addition to LVMH, the Kering (former PPR) Group, which owns Gucci and Saint-Laurent Paris and so on, and the Richemont Group, which owns brands such as Cartier and Piaget, emerged. Over the past 20 years, luxury brands have formed conglomerates at a rapid rate.

In the world of luxury brands, Arnault is described in the following way: There is only one man that transformed luxury brands, which were operated as family businesses until the mid 20th century, into global conglomerates.

3. Those Who Own the Japanese Luxury Brand Market will Own the World

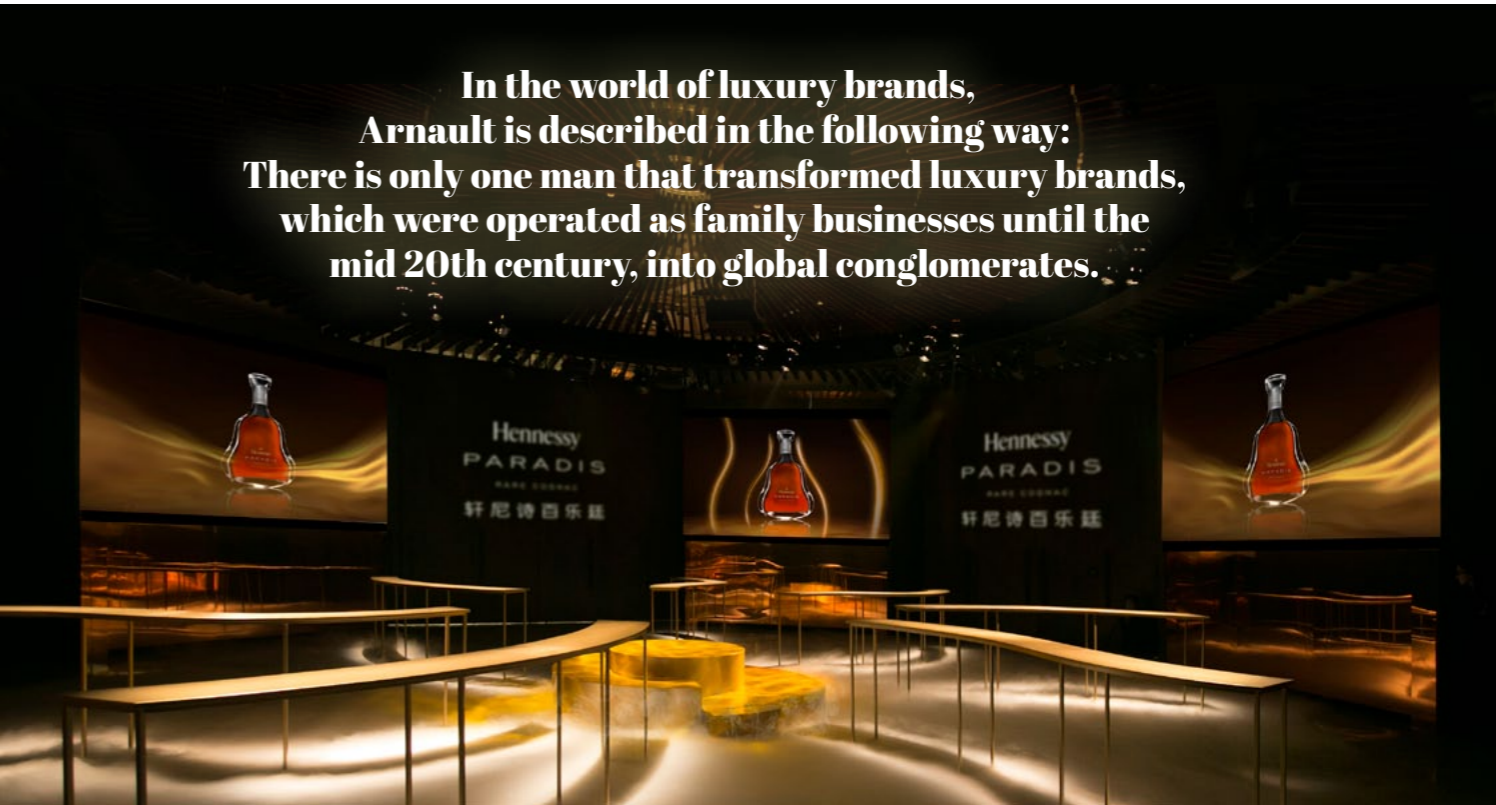
Businesspersons as well as leaders in the luxury goods industry consider Japan to be an important market in terms of global strategies. This is not only because Japan has the highest sales, but because they view Japan as an experimental laboratory for the global scene, and use it as a touchstone or benchmark for the rest of the world.

For instance, Yves Carcelle, CEO of Louis Vuitton France, pointed out in his interview in Japan that "Japanese people look at product quality and new products or concepts more severely than anywhere else in the world" (Carcelle 2010). In addition, Chanel Japan President Richard Collasse has said: "Japan has the highest standards in the world. If you match your standards with Japan, I think you will be able to make it in the United States or Europe" (Nagasawa 2010).

In this way, success in Japan serves as grounds for global success. While sales in Japan have continued to dip, they are confident that Japan will continue to lead the world in enhancing product development and customer service in the coming years.

Then, what do luxury brands need to do to be successful in Japan? There must be, of course, individual conditions and

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endeavors. Among those things, it is believed that there are four essential, important points.

1. Persuading and convincing people about the value

The most important thing for luxury brands is how to persuade and convince people about the value of the brands. In order to do this, it is of course important to provide customers with products of the highest quality. However, it is also necessary to persuade customers about the value of luxury products and convince them by explaining the brand's tradition and scarcity, providing flawless customer services at stores, and providing complete after-sales services. In particular, fulfilling the responsibility of companies following the Great East Japan Earthquake has become an important element. For instance, Louis Vuitton is carrying out environmental activities such as the "Louis Vuitton Forest" project in Nagano Prefecture (Nagasawa 2009b). In addition, LVMH Moët Hennessy-Louis Vuitton SA Japan announced that it received 500 million yen in relief donations following the Great East Japan Earthquake.

2. Adapting to the needs of the new generation

It is necessary to create and put in place an environment (both tangible and intangible) in which people of the new generation with new values will be able to talk about and buy the brands in surroundings that they feel comfortable in.

3. Optimizing the distribution network

It is necessary to change tangibles (e.g. stores) and intangibles (e.g. provision of services) into ones that match the needs of the age or the region.

4. Streamlining the work duties

It is necessary to continue with investments while aiming to streamline work duties.

4. Japan's Luxury Product Distribution Network

There is a variety of distribution networks for selling luxury products.

1. Wholesales companies

In this method, wholesales companies are entrusted with selling the products. While the advantage of this sales method is that sales can be increased through minimal investments, it is difficult to control the image and prices.

2. Shop-in-shop stores

A shop-in-shop store is a partnership with department stores. Historically in Japan, it has continued to be the main method for selling luxury goods. It becomes extremely important for brands to make the best use of large amounts of space through negotiations with department stores.

Fotos: Unternehmen, © iStockphoto

Management Summary

1. Louis Vuitton opened 6 stores at once in Japan in 1978. This was the beginning of the globalization of luxury brands.
2. In order to launch the business in Japan Louis Vuitton has changed from a long-standing and family-owned company into the luxury brand in 1977.
3. In terms of product quality, Japanese consumer look at product quality and new products or concepts more severely than anywhere else in the world. As for distribution channel, the success of the Japanese department stores was imitated by Printemps and Galeries Lafayette and so on.

3. Freestanding stores

While brands continue to grow, over the past decade, there has also been a trend for brands to open freestanding stores as directly-managed stores and in many cases as flagship stores. Although this requires large investments, it allows brands to enhance their image by showing their world view.

4. Shopping malls

Recently, some brands have opened stores in shopping malls in front of train stations and in suburban areas.

5. Television shopping or E-commerce

Recently, brands that have adopted television shopping or e-commerce have also increased.

In this way, methods for sales and distribution for luxury goods have become diverse. The last two methods can be said to have resulted from trying to find new distribution networks to add to the traditional methods.

Controlling distribution is extremely important in managing the brand image and prices. This has made it possible to have direct contact with customers, which has made it possible to grasp the needs of customers accurately.

For luxury brands, expanding a distribution network in Japan to achieve the scale and quality that exists today required large investments. Even if that were not the case, the distribution system in Japan (e.g. distribution to stores and wholesalers) is a "dark continent" that cannot be found anywhere else in the world, and renting let alone purchasing land

or buildings for freestanding stores is very expensive in Japan, where land prices are very high. That is to say, having a successful business in Japan is difficult unless you make a commitment in the Japanese market for many years.

It can be said that creating a distribution network in this way will lead to the globalization of luxury brands.

The best land in Japan is the best land in Asia. Many tourists from Asian countries visit Japan to go to brand streets as well as the flagship stores of the world's leading brands. This means that in order to open a freestanding store in the best land in Japan, the country with the most consumption of brand products in the world, it is necessary to focus on enhancing the brand image rather than increasing revenue and that a great deal of capital strength is required.

For instance, Hermès and Coach have seen dramatic increases in sales after opening flagship stores in Ginza. The idea is not to open stores in the best land after being profitable. It is, rather, to open stores in the best land in order to be profitable. This "realization" is a tranformation that resembles Nicolaus Copernicus's philosophy. Moreover, even if one realizes this, it does not mean that anyone can execute their plans based on this realization. The strengths of LVMH and PPR, which enhanced their capital strength to enormous levels by establishing luxury brand conglomerates, are also apparent in these respects. Only the brands with enormous capital earn the right to have freestanding stores on the best land and can relish the joy of the best land. That is the biggest reason why luxury brands around the globe are forming groups (Nagasawa 2009b).



Flagship store of Louis Vuitton in Omote-sando, Tokyo
(Source: Nagasawa (E.), 2007. The Principles of Louis Vuitton: The Strongest Brand Strategy, Toyo Keizai Shinposha: Tokyo, p.116, Photo)

5. The Consumptions Behavior of the Wealthy Class: Freestanding Stores or Department Stores

Some customers buy luxury products at freestanding stores, others buy them at shop-in-shop stores in department stores. Because Luxury products are generally expensive, it is often the case that customers assess the products beforehand. However, they do not necessarily look at the products at the store they make their purchases at.

This means that there are four patterns of consumption behavior, based on a combination of where customers assess the products and where they make their purchases. The patterns are listed below.

1. Customers assess the products and make their purchases at department stores

If department stores carry luxury brands, which wealthy customers like, those customers will be happy to come to their stores. If the customers are happy, sales will increase, which will increase the store's image. This virtuous cycle will lead to the department store's next investments. Carrying luxury brands also has a valuable advantage for department stores. Since luxury brands for the moment have not opened many

stores in commercial establishments in front of train stations or station buildings, shop-in-shop stores which only exist in department stores, serve as one of the few reasons for customers to go to department stores.

2. Customers assess the products in freestanding stores and make their purchases at department stores

It is believed that many customers get a taste of the world expressed by the brand and become satisfied with the brand at freestanding stores before making their purchases at shop-in-shop stores in department stores. For customers, the benefit of making their purchases at department stores is being able to use the department store's courtesy services such as membership cards. For department stores, they are happy to have more customers. Shop-in-shop stores in department stores involve various constraints such as not having enough space or issues with the location of the store inside the department store. For department stores, efficiency is also very important. In those respects, it can also be said that shop-in-shop stores in department stores have handed over the responsibility of expressing the world view of brands to the freestanding stores for brands.

For the brands, creating a clear image of the brand and expressing its world view are the biggest roles of freestanding stores. If you were to ask if increasing sales takes a back seat, that is not the case. It goes without saying that by creating such a clear image, freestanding stores have generated more sales than shop-in-shop stores. However, positive results in terms of profit should not be expected, as the costs for opening stores and maintenance are high. It is believed that freestanding stores are running their businesses with the understanding that they are helping shop-in-shop stores in department stores by "making the best of a bad bargain."

3. Customers assess the products in department stores and make their purchases at freestanding stores

This is the opposite of case (2). When customers have not decided on what brands to buy, it is too much of a hassle to go from one freestanding store to another. Department stores, however, are more convenient because shop-in-shop stores for many different brands are located next to one other. Even if customers have decided on what brand they will buy, if they have not decided on what product they will buy, they will feel more at ease at department stores when having store clerks take out the products for them to look at. Freestanding stores are very inconvenient for customers who are not very familiar with brands and wish to choose a product after looking at many different brands and for "entry users" who will buy brands for the first time by starting out with affordable "entry products" such as small articles. The doormen that

resemble actors or wrestlers, and the polite mannerisms of the store clerks make such customers reluctant to enter the stores. In those respects, customers feel at ease when entering department stores because the shop-in-shop stores are located in one particular area of the department store where different brands are sold and because there is a more open feel to the entrance. However, shop-in-shop stores in department stores have space constraints and many different customers go in and out of the store. In this regard, there are some customers who wish to take their time with their shopping in the spacious areas of freestanding stores for brands where the brand's world view has been created clearly. In fact, there are probably many customers, if they are indeed rich, who would rather buy brand products in an environment where such a world view is expressed.

4. Customers assess the products and make their purchases at freestanding stores:

Freestanding stores are of course very alluring for heavy users of brands; i. e., customers that love a particular brand such as Louis Vuitton. This is because the range of products is plentiful and because they are able to choose the products in an environment that is similar to that of the main store location in the home country (source: Open lecture: "Department Stores and Luxury Businesses," an endowed lecture on LVMH at Waseda University, conducted in October 2012).

In shop-in-shop stores in department stores, services can be provided in special VIP rooms (in which there is not enough space for) and special VIP spaces which are divided like dead spaces. If customers sign up to become VIPs, they will be invited to closed events. This type of exclusive treatment is an essential element of luxury (The Luxury Strategy). Wealthy people love this exclusive treatment. Furthermore, truly wealthy people prefer discrete luxury. That is to say, made-to-order bespoke luxury (e.g. men's shoes) targets people who want their fashion to be recognized only by people who are familiar with the product. In contrast, you see many people in town who wear the products as if to show it off. People from Asian countries purposely wear clothes inside out so that people are able to see the brand logo or do not cut off the price tag so that people are able to see what they are wearing. Truly wealthy people dislike this type of boastful behavior more than anything.

6. "Department Stores and Luxury" was Invented in Japan

It is estimated that 70% to 80% of sales of luxury products in Japan take place at department stores. Therefore, depart-



Omotesando, Tokyo where there are many freestanding stores selling luxury products (Source: Nagasawa, S. (ed.), 2007. The Principles of Louis Vuitton: The Strongest Brand Strategy, Toyo Keizai Shinposha: Tokyo, p.119, Photo)

ment stores are important business partners for luxury brands. Under such circumstances, how the luxury brands are selected and the configuration of their selling area are of great importance to department stores. On the other hand, in terms of strategies for luxury brands, partnerships with department stores and harmonious operations with directly-managed stores are also important. In comparing the conditions of luxury brands from the perspective of department stores and the conditions of department stores from the perspective of luxury brands, it can be concluded that luxury brands and department stores share customers and responsibilities harmoniously. Furthermore, the relationship between the two can be described as a win-win situation in which one requires the other.

Initially, when brands were establishing freestanding stores, there were apparently many people from department stores who opposed the idea. For instance, if a brand were to open a freestanding store in Ginza, there is already a department store in Ginza. There is also a department store in nearby Nihonbashi. Many argued that establishing freestanding stores in areas in close proximity to department stores with shop-in-shop stores would create difficulties and problems because the market areas would overlap. Interestingly,

however, the outcome was quite the opposite. If the brand image is clearly expressed and the world view of the brand is created in the freestanding stores, the value of the brand will rise. The image of the brand will be enhanced. As a result, the people of the department stores gradually began to understand that in those respects the freestanding stores were benefitting the shop-in-shop stores in department stores rather than hurting them. In other words, having luxury brands open freestanding stores will enhance the brand image, which will lead to increased sales at shop-in-shop stores for brands.

Emphasizing that luxury products sell well at shop-in-shop stores in department stores in Japan make it sound like the Galápagos syndrome of recent years, implying that only Japan is unique. The model of selling luxury models at department stores, however, has actually been exported. In fact, Printemps and Galeries Lafayette in Paris have imitated Japanese department stores.

Long ago, most department stores in Europe did not have luxury brands. In particular, Printemps and Galeries Lafayette carried products that aimed for middle-class or upper middle class markets. This was also the case for Selfridges in England as it also targeted the middle class. The only department store that had various luxury brands was Harrods.

Under such circumstances, Japan's success model for having luxury brands in department stores spread widely and influenced many department stores. If you go to Printemps in Paris now, you will see a stairwell and surrounding it are many luxury brand shops and boutiques.

This was taken directly from the image of Takashimaya in Nihonbashi which once had a business partnership with Printemps. In this way, luxury brand shops were opened in Printemps, which was a success, and more and more luxury brand shops were opened. Following Printemps' footsteps, Galeries Lafayette also increased the number of luxury brand shops. Le Bon Marché also followed suit. Although it was a little behind, Selfridges also opened luxury brand shops one after another. In such a way, department stores in Europe have a history of incorporating luxury brand shops into their stores based on Japan's successful experience of opening luxury brand shops in department stores (aforementioned open lecture "Department Stores and Luxury Businesses").

Japan's business model for opening luxury brand shops in department stores was such a success that it was imitated by Printemps and Galeries Lafayette. It is strongly considered that the fact that people are able to go to Paris and buy a variety of luxury brands in Printemps is possible only because of the success of the Japanese department stores, and in particular, Takashimaya, Nihonbashi.

7. Conclusion and Implications

This paper reveals the birth and developmental history of luxury brand conglomerates. Main conclusions of this paper are as follows:

1. According to the suggestion by Japanese consultant, Kyojiro Hata, Louis Vuitton opened 6 stores at once in Japan in 1978. This was the first time that Louis Vuitton opened numerous stores overseas and was the beginning of the globalization of luxury brands. It was Japanese consumers that have developed the market for this luxury brand. In a sense Japanese consumer has developed the luxury brands and at the same time the luxury brands has discovered the global market.
2. According to the suggestion by Kyojiro Hata, Louis Vuitton divided the responsibilities of the ownership and business operation of the brand in 1977. In consequent the brand has changed from a long-standing and family-owned company into the luxury brand. Later Louis Vuitton merged Moët Hennessy then LVMH Moët Hennessy-Louis Vuitton, the first conglomerate came into being. In a sense Japanese guy has contributed the birth of the luxury brands and the luxury conglomerates.
3. In terms of product quality, Japanese consumer look at product quality and new products or concepts more severely than anywhere else in the world. As for distribution channel, the success of the Japanese department stores, in particular, Takashimaya, Nihonbashi was imitated by Printemps and Galeries Lafayette and so on. In a sense, businesspersons in the luxury goods industry view Japan as an experimental laboratory for the global scene, and use it as a touchstone or benchmark for the rest of the world.

Lessons Learned

1. It was Japanese consumers that have developed the market for Louis Vuitton. In a sense Japanese consumer has developed the luxury brands and at the same time the luxury brands has discovered the global market.
2. Louis Vuitton changed into the luxury brand in 1977 then the brand merged Moët Hennessy in 1987 then LVMH Moët Hennessy-Louis Vuitton, the first luxury conglomerate, came into being.
3. In terms of product quality for Japanese consumer and distribution channel of the Japanese department stores, businesspersons in the luxury goods industry view Japan as an experimental laboratory for the global scene.



Implications and recommended actions are follows:

1. There are many long-standing companies and family-owned companies, especially in Japan, which provide distinguished products, but they are not yet luxury brands. Only 40 years ago or so, roughly the same as Louis Vuitton, which has become a leading luxury brand. So it is significant for them to learn what Louis Vuitton has done for these 40 years or so for long-standing companies and family-owned companies to change into global luxury brands.

2. Bulgari had been one of the largest family-owned luxury brands but was took over by LVMH Moët Hennessy-Louis Vuitton in 2011. The rest of the largest family-owned luxury brands such as Salvatore Ferragamo, Giorgio Armani, Versace, Furla, should decide to divide the responsibilities of the ownership and business operation of the brands or to join the conglomerate or not in near future. Therefore it is significant for them to learn why and how Louis Vuitton has done for these 40 years.

3. As mentioned above, Japanese market has been an experimental laboratory for the global scene, and use it as a touchstone or benchmark for the rest of the world. At present time, Japan is suffering the declining birth rate and Japanese population is rapidly aging. Therefore Japanese market is changing into mature market and Japanese luxury market is changing from conspicuous showing-off into discreet luxury. In the near future Chinese luxury market will change from conspicuous showing-off into discreet luxury due to the "one child policy." It is sure and significant that Japanese market will be still an experimental laboratory for the global scene, and use it as a touchstone or benchmark for the rest of the world.

8. Further Discussion

If a brand with high technical standards and eminent quality adopts a low-price strategy aiming at the bottom-of-the-pyramid (BOP) market, it will be involved in endless cost competitiveness and there will be no way to beat commodities from developing countries whose product quality has been showing remarkable improvement. In addition, low-price

strategy will cause not only a weakening of manufacturing but also a lowering of brand value. In order to create a breakthrough in such conditions, it is necessary to add value to products, in other words to produce commodities which can be sold even at high prices, and to aim at the top-of-the-pyramid (TOP) market rather than the BOP market.

Precisely because this is a time of economic stagnation, it is essential to climb out of horizontal competition with other companies, using the concepts of original products which other companies cannot copy: unique value, independent distribution channels and independent promotion. Such strategies of ‘not competing in terms of price’ and ‘being armed with creativity and uniqueness’ have been used by luxury brands including Louis Vuitton. Their strategy is, in short, to work in opposition to ordinary marketing theory and brand theory; to manufacture products with high quality, meticulous taste and rich background stories; and to sell them at high prices through selected distribution channels with almost no advertising. The ‘luxury strategy,’ which systemizes such principles as ‘anti-laws of marketing,’ is fundamentally different from the mass marketing of common mass consumption commodities. Luxury strategy also differs from both premium strategy, which people tend to lump together with luxury strategy, and from common fashion strategy.

Just as marketing for mass consumption commodities was created in the U.S.A., and massive enterprises such as P & G were developed and conquered the world, the luxury strategy was conceived in Europe and was realized during the process in which small family businesses, mainly

Main Propositions

- 1. It is significant for long-standing companies and family-owned companies which are not yet global luxury brands to learn what Louis Vuitton has done for these 40 years or so.
- 2. Like Bulgari the rest of the largest family-owned luxury brands should decide to join the conglomerate or not in near future. Therefore it is significant for them to learn why and how Louis Vuitton has done for these 40 years.
- 3. Businesspersons in the luxury goods industry has used Japanese market as a touchstone or benchmark for the rest of the world. It is sure and significant that Japanese market will be still an experimental laboratory for the global scene.

in France and Italy, grew into world class brands within less than a half century. That unique method is in fact applicable to many businesses in almost all cultural spheres around the world. For example, it has been applied to enterprises such as the flagship shop of Apple Inc., design audio of B & O, Nestle's Nespresso machines, BMW's Mini and Lacoste brand's penetration of the Chinese market (Kapferer and Bastien 2009).

The focus of this research is to conduct interdisciplinary research on innovative products (unique products which no other company copies) and on brands with ardent admirers. This research takes directions such as:

1. Luxury business theory

The aspect of family business, the aspect of indigenous and traditional industry, and the aspect of conglomeration; M & A and internationalization of luxury industry as seen in brands such as Louis Vuitton and Channel.

2. Luxury strategy

The essential quality of luxury, luxury as different from premium goods and fashion; customer strategy, brand equity strategy, brand stretch strategy, product strategy, price strategy, distribution channel strategy and communication strategy, financial and human capital strategy, business models, luxury market entry and exit strategy, application to other industries than luxury, and strategy in response to environmental issues.

3. Emotional business theory

Production with meticulous taste and background story, offering manufacturing techniques utilizing creator emotion and appealing to buyer emotion, and high value-added industry represented by luxury business.

4. Luxury communication strategy

Management of PR (press) strategy, placing value on publicity and one-to-one marketing rather than advertisement.

5. Luxury culture and art theory

The luxury industry's close relationship with culture and art and its management, such as the establishment of Fondation Cartier Pour L'art Contemporain and Fondation Louis Vuitton Pour La Création.

6. Fashion business theory

Practical business theory of fashion, whose problem is its dependence on popular emotions and trendiness and the intentional decline of those factors.

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