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STRATEGY

How emerging luxury brands can go-it-alone internationally

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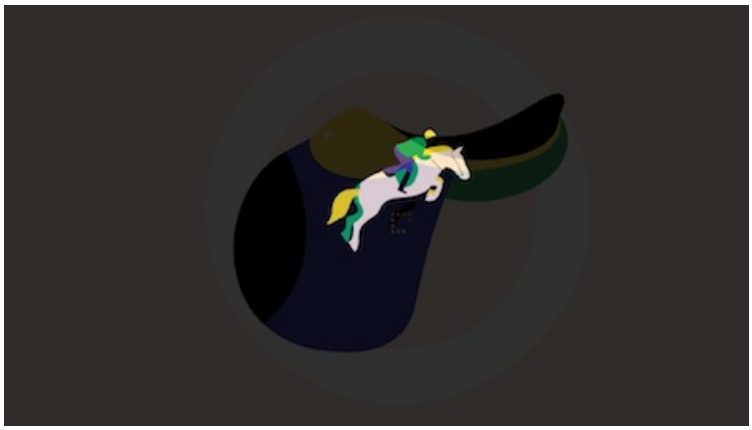

Herms takes pride in its equestrian roots. Photo credits: Herms

By Ashok Som

Despite the safety of seeking partnerships and conglomerates, with all their knowledge of Western markets, another option for an emerging brand to expand internationally is to break into international markets by itself.

This is a difficult process given the amount of resources, networks, and franchise value required to start from scratch in a new market. And in order to make it successful, up-and-coming luxury brands must follow these key steps.

Excellence first, legitimacy second
First, it is essential to ensure that the brand has recognized excellence, is differentiated from similar products within the same category, and portrays a set of distinct and unique value propositions, both in its product and service offerings on their home market.

For example, Louis Vuitton proposes that its roots are in travel bags, whereas Herms proposes that its roots are in its craftsmanship of leather saddles and its accessories.

The emerging market brands not only need to capture the unique spirit of the respective region, their country and place of origin, they also need to lead the way by creating that spirit, much in the same way as Shiseido took the road to expansion.

Moreover, emerging market brands have to overcome their liability of foreignness.

The negative perception of the "Made in China" tag, for example, and the associated linkage to intellectual property rights and counterfeit markets remains a challenge and is detrimental to China's aspirations to become a branded giant.

Secondly, emerging market brands need the know-how and legitimacy present in Western markets, especially from France and Italy where the industry was born, while balancing local specificity.

This can be gained through either the acquisition of an existing luxury brand from a Western country or part or

complete integration into a conglomerate.

To be considered a luxury watch brand, for example, association with the Swiss watchmaking industry is a must with the brand having to build an affinity for the host culture.

Of consumer perception and reception
Thirdly, emerging brands need to be positioned in consumers' minds. There may be more than one way to do this.

Due to the geographic spread of emerging market countries, a critical parameter is distribution strategy. This requires considerable investment in directly operated stores to establish themselves as legitimate brands abroad.

In this way, Coach, an American brand, grew by the power of association of its stores with major luxury brands in the U.S., Japan and Asia following the COJAC model*. Until early 2011, it was not present in Europe, but it launched its Paris outlet in the famous Printemps store adjacent to Dior and LV and on Rue Saint Honor.

Finally, brand awareness and a clear communication of the DNA of the brand is key.

A stated long-term and shared strategic vision that moves from fragmented marketing activities to totally aligned branding activities is mandatory.

Brand awareness and brand building is perhaps the most critical element for a new emerging market luxury brand.

The right marketing mix is almost mandatory. Companies should tap into these specific details and incorporate them in their brand personalities and identities so that customers can be offered an authentic experience.

Gazing into the future of the luxury crystal ball
It is difficult to precisely predict the future of emerging markets.

Today, China is maturing, Russia and Brazil are still emerging, Iran is promising, while India is yet to be a promising market for European brands.

Although it might seem surprising, even the U.S. can be considered an emerging market for luxury brands, as the American consumers represent a large untapped potential for personal luxury goods.

However, it is beyond doubt that China will continue to be a key market for luxury following adjustments, especially as the development of the Internet allows an increasing share of the population to gain access to luxury brands online.

As for India, it was the most dynamic luxury market over the 2008 to 2013 period.

Studies are predicting that, based on how fast the region is growing, Asia-Pacific will be the biggest region in the world for luxury goods by 2018.

Moreover, it is assumed that luxury brands will also discover the potential of Iran, Nigeria and South Africa, followed by several other African countries as the region grows and develops.

In Asia, Vietnam and Mongolia will soon join the club of fast-growing Southeast Asian countries such as Indonesia, Thailand, Cambodia and Malaysia.

THE EMERGING MARKET story is therefore here to stay in the long-term, even if it shifts location in the future.


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