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Introduction:

There is an old French proverb which states "*Il est impossible d'exagérer le luxe*," which translated means "It is impossible to overdo luxury." Most likely the proverb was created during a time when luxury was available only to the aristocracy, when the idea of luxury to the average person was nothing. It is doubtful that when the concept was first created, the inventors knew how much of an evolution luxury would undergo in the following years or that it would be the foundation of an entire business industry.

The business of luxury is simple: anything a person could ever want can be packaged and sold for a price. Henry Seager defined luxury as, "all economic goods which are not necessaries."[1] Though this is one definition, businesses today are more founded on the "you can dream it, we can do it" philosophy, which has created a level of specialization throughout the world, than the general thought that luxury is anything not needed for survival. Today a consumer can buy any luxury from yachts to hand soap. Luxury brands have taken on all established industries in business and using some form of modification created a luxury version.

Today a consumer is limited only by access to the internet and whether or not he has the fiscal means to pay for the luxury good or service. Luxury has expanded throughout the world. It is now an industry which makes over $157 billion annually, and with the recent investment from the luxury businesses into the emerging markets, the future looks limitless.[2] But with the luxury industry at a new level of economic success, how are luxury businesses affected?

The following thesis will use case study analysis to review the actions of four French luxury brands. The four brands discussed include Louis Vuitton, Chanel, Cartier, and Hermès.

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[1] Seager, Henry, *Principles of Economics: Being a Revision of Introduction of Economics*. NY: Henry Holt & Company, 1913, Pg.80

[2] Thomas, Dana, *Deluxe: How Luxury Lost its Luster*. NY: Penguin Books, 2007, Pg.3.

Within each case study the company, brand, and promotional strategy and overall strategy trends will be analyzed then compared to the remaining brand's strategies in order to answer how French luxury companies have adapted business strategies for emerging markets. The goal of this thesis is to analyze the various strategies and to provide some understanding of the adaptation of French luxury products in emerging markets based on case studies of Louis Vuitton, Chanel, Cartier, and Hermès.

Outline of the Thesis

Chapter one explores the concept of luxury. Therefore first the definition of luxury must be discussed. Within luxury there are multiple levels, in terms of the goods themselves and the consumer who buy them. The historical look at luxury will explain how the modern concept of luxury was created and refined, followed by a discussion about the power of luxury in society today with particular emphasis on its stratification effect.

Chapter two will discuss the current market situation of the luxury goods industry as a whole, exploring the markets in which the luxury businesses are investing and how companies enter these markets. Not only will this thesis look at which markets are key for business but also why these markets have attracted foreign attention. Much of the foreign interest comes from the many opportunities in the emerging markets. These opportunities have primarily arisen in recent years due to trade liberalization. Because the new markets have a high level of economic potential, businesses are entering using a variety of market penetration strategies. However, as a company is entering the market and establishing its presence there are many problems which the business may encounter. These problems can affect the business strategies of a foreign company at all levels of the enterprise.

In Chapter Three the case studies will be analyzed, namely the French companies Louis Vuitton, Chanel, Cartier, and Hermès. For each company, I will present a brief history of the company from its foundation to the creation of its modern structure, followed by a discussion of its company, brand, and promotion strategies with regard to India and China. India and China were chosen because the two countries are the emerging markets in which the four luxury companies are most active. At the end of the case study there is a general summary of the company's actions. The previous structure will be repeated for each company. I will end with a comparative analysis of the four cases and concluding remarks about the future prospects for the French luxury goods industry.

Chapter 1: Origin and evolution of the luxury goods industry

Living in a post-industrial country such as America, the concept of luxury is not difficult to grasp. Someone says the word "luxury" and immediately the average person thinks of a variety of fashion logos, movie stars, multi-billion dollar homes and yachts. The one simple word brings forth a multitude of images. Yet do such images of the glamorous high-society lifestyle truly explain luxury? Or do the images merely skim the surface of a concept much more difficult to define?

Defining Luxury: What is Luxury?

One of the most complex problems with luxury is creating a definition. The concept of luxury is fluid. The definition during the Roman Empire is hardly the same definition used today. In fact the definition of luxury at the end of the twentieth century would not even be applicable today, a decade later. According to Ian Yeoman, historically luxury "was the visible result -- deliberately conspicuous and ostentatious -- of hereditary social stratification."[3] Glyn Atwal defined luxury as a product that "has traditionally been associated with exclusivity, status, and quality."[4] The problem is both these definitions are outdated. Luxury changes across time and culture which means modern luxuries cannot be defined with the historical explanations.[5]

Though the definition of luxury changes quickly and often, there are certain elements that most definitions include: luxury is fine quality, exclusive, and represents a certain social and or economic status. When consumers buy a luxury product, they are buying a high quality service or good that is excluded from the majority. Some people buy luxury because he or she is at a

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[3] Yeoman, Ian and Una McMahon-Beattie. "Luxury Markets and Premium Pricing." *Journal of Revenue and Pricing Management*. 4.4 (2006): 319-328, p.320.

[4] Atwal, Glyn, and Alistair Williams. "Luxury Brand Marketing- The Experience is Everything!." *Journal of Brand Management*. 16:5/6 (2008): 338- 346, p. 339.

[5] Yeoman, p. 320

level of economic wealth that he or she can afford it, but most consumers buy luxury because they are aiming for a higher economic stratum or be viewed as someone at a higher level. People buy luxury because they believe they will be perceived to be on a higher economic caliber than an average citizen. Therefore, perhaps the best definition for luxury is simply to say it is a promise.[6] It is a promise that the buying experience is going to be better than imagined, that the product or service will exceed expectations, and that by publicly displaying such luxury the consumer will be viewed as someone of worth. However acknowledging that luxury is a promise and that the buyer will receive something beyond the purchase does not help businesses sell luxury goods. Businesses need something more structured than a concept.

The Different Types of Luxury

Modern luxury has seen the emergence of competition between two types of luxury, traditional and new luxury. Traditional luxury follows the typical concept of luxury as defined in the beginning paragraphs of this chapter. The goods or services are of high quality, often rare, and financially attainable for only a minority of the population. Traditional luxury is the one that has been around since luxury was created, going back to when the kings and courts were the elite and luxuries were precious gems that average people were not capable of owning.

New luxury is a concept for the modern world. In new luxury, the traditional level of quality and service is partially maintained at a lower, more affordable cost.[7] New luxury happens to be the style of luxury being promoted by the modern luxury companies who have

[6] Hader, Suzanne. "Wooing Luxury Customers," *Marketing Management.* July/August (2008) 27-31, p. 28.
[7] Atwal, p.339

democratized of the luxury market.[8] Luxury brands are selling different goods at a lower price level than traditional luxury. According to Ian Yeoman, “Luxury goods are no longer luxury goods but everyday household goods.”[9] An example of such actions would be the French luxury company Louis Vuitton selling a logo and using the brand equity in the name keychain for twenty-five dollars. By adding the Louis Vuitton logo, an everyday good has suddenly become a “luxury” item that is affordable by most consumers. The trend of democratizing luxury was particularly prevalent during the early 2000s, when the world economy was booming and luxury companies faced, “hordes of consumers, enjoying upticks in their net worth, [who] developed a seemingly insatiable appetite for products and services, which assured them that they were special and that they deserved to treat themselves to items of better quality and more exquisite taste.”[10] The luxury companies, used to a certain economic level of consumer quickly adapted to these new consumers by expanding product and price ranges, leading to democratized luxury.

But who are those consumers? Who exactly buys luxury? Though the names of the categories change depending on the academic reading, it can be established that there are three traditional types of luxury consumers and a fourth group that has become more apparent in recent years. The two types can once again be separated as tradition luxury consumers and new luxury consumers.

Types of Consumers

[8] Truong, Yan and Rod McColl. “New luxury brand positioning and the emergence of Masstige brands.” *Journal of Brand Management*. 16:5/6 (2008): 375-382, p.376.

[9] Yeoman, p. 320

[10] Kennedy, Dara, “Luxury Brands: How to Maneuver through this Moment of Austerity.” Interbrand, accessed 4/20/2012. Pg. 2 < http://www.interbrand.com/Libraries/Articles/52_IP_Luxury_Brands_pdf.sflb.ashx>.

In traditional luxury you have three demographics of buyers: the ultra wealthy, wealthy, and aspirational consumers.[11] The ultra wealthy is a small group of consumers who have so much money the consumers do not need to work.[12] This would include certain actors, politicians, or entrepreneurs. These consumers are largely unaffected by external economic factors, such as the crisis in 2008, and because of a level of economic stability the consumers maintain a steady revenue and loyalty toward luxury brands.

The wealthy is a slightly larger group of consumers that consists primarily of professionals. These consumers are doctors or lawyers who maintain a stable salary, despite economic downturn. Unlike the ultra wealthy, this level can be negatively affected by outside economic forces. One poor investment decision could ruin a person at this level; just as much as one good investment could take them up to the ultra level.

Then there is the aspirational consumer, also known as the middle class buyers. In the most recent decade there has been an increase in disposable income of the middle class that has created the concept of "trading up".[13] Trading up is defined as a consumer choosing to "go up-market" and buy "something better and more expensive" at the sacrifice of everyday house hold goods.[14]An example of an aspirational consumer would be a man that books a vacation at a five star hotel but then buys household items from Target.[15] According to Yeoman, "The basis of trading up is access and aspiration."[16] People in this group desire to be a part of the more affluent members of society. Therefore the consumers save money by going to more affordable bargain stores so the customers can eventually buy something luxury. However, these purchases must be

[11] Hader, p. 29
[12] Hader, p. 29
[13] Yeoman, p. 321
[14] Kapferer, p. 314
[15] Hader, p. 29
[16] Yeoman, p. 321

infrequent, otherwise the luxury will become diluted and lose its value to consumers.[17] A luxury company must always maintain a certain level of exclusivity to keep its luxury status, which means the recent trend in luxury democratization can be a threat to a company's luxury status.

With new luxury consumers there is no set structure of consumer demographics, nor is there truly a label that one could use. The group is best described as being in a pre-traditional state. Typically the consumers are citizens of a big emerging market, such as one of the BRIC (Brazil, Russia, India and China) countries. Overall it is a group that is making large first time salaries, has excess money, and is willing to spend it.[18] The group is also more focused on showing off a high level of wealth. This group tends to be motivated by status-recognition and appearance.[19] This group of consumers tends to be younger than previous luxury consumers, larger in number, is a group which makes money faster, has more flexible finances, and is more fickle in product choices.[20]

Basically the new consumers are coming from countries that do not have the set structure of a post-industrial market. Therefore consumers are grouped as a whole because there has yet to be a fully functional stratification throughout the market. But stratification is evolving, with many people earning more money than ever before, particularly in a younger generation, creating for the first time a middle class. With the emergence of a middle class, the luxury market will not only see more stability, but will also begin to see an economic separation beyond that of the haves and have-nots. The more levels of economic distribution, the more types of consumers a country will begin to see. But until emerging markets obtain more equal income distribution

[17] Truong, p.380
[18] Truong, p. 375
[19] Atwal, p. 339
[20] Truong, p. 375

among citizens, and thus create a more tiered system of consumption, the consumers will remain grouped together rather than separated.

These levels are an important aspect of luxury because without them understanding who buys luxury would be impossible and businesses need to understand who is buying the product. However, these levels of consumers are a fairly new concept. Businesses today need to understand the consumers, an act which is usually difficult due to the now-expected level of globalization needed for companies to compete. Yet, before globalization was even a concept, let alone a business requirement, there were not three-tiered levels of consumers. Back when luxury was created, at its most early point there were the haves and the have-nots. The haves had luxuries. The have-nots didn’t have much of anything. It was a simple system; influential and going back to the time of empires and kings. However, luxury has changed throughout the years, and modern luxury is vastly different from its origins.

The Role of Luxury in Society Today

No matter how someone tries to define the intangibility of purchasing a luxury good, there is little doubt that the product is being bought to fulfill one’s own desire. Based on that notion alone, there are hundreds, if not thousands, of luxury companies and brands to provide the consumer with whatever he or she could possibly desire. However, out of all the luxury brands around the world, there is only one country where luxury holds economic, social, and historical importance: France.

As previously established, luxury was originally “the visible result- deliberately conspicuous and ostentatious- of hereditary social stratification” that dissolved in France with the fall of the aristocracy.[21] Today, globalization has created a more fluid and materialistic society that has practically dissolved social stratification. However luxury has "this fundamental function of recreating this social stratification…in a democratic manner."[22]There has to be a form of hierarchy to differentiate men. Luxury is the perfect way to create social stratification for two reasons. First by definition luxury goods are rarer and more expensive than the average good, and therefore the luxury consumer is automatically placed at an economic level above the average consumer and second luxury items can be bought by anyone who can afford them; providing a man can afford it, he can chose his strata level. The end result is that luxury creates a type of democratic prestige for its consumers.

Jean-Noel Kapferer gave his own opinion as to why consumers are so interested in luxury when he said, "The DNA of luxury, therefore, is the symbolic desire to belong to a superior class, which everyone will have chosen according to his or her dreams."[23] Luxury has a contrasting affect on society and has never been more accessible than it is today. So long as consumers can afford it, they can buy a luxury good or service. There are no limitations; all consumers are equal providing payment for luxury goods can be made. Yet an inherent part of luxury is that it distinguishes those who possess it to those who do not. In the luxury stratification theory anyone who can afford luxury can choose where they want to position themselves socially by buying luxury.

But why bother buying something that will create a level of social inequality? According to Jean-Noel Kapferer, man has a need for stratification, if only to maintain a differentiation

[21]Kapferer, Jean- Noel and Vincent Bastien. "The Specificity of luxury management: Turning marketing upside down." *Journal of Brand Management*. 16.5/6 (2008): 311-322, p. 315

[22] Kapferer, p. 314
[23] Kapferer, p. 314

from his fellow man.[24] Man "needs to know his place in society."[25] In a world that has democratized business, meaning anyone can buy anything providing the buyer has the proper funds, there is little to distinguish oneself as a consumer above the rest. Luxury provides a way for a consumer to spend more money and make a distinction between himself and the average customer.

However, as previously stated, the price of an object does not alone make it a luxury good and spending more money will not automatically increase social strata. Today a luxury product must also have a level of exclusivity as well as contain some unique value that represents stratification. Those who sell luxury items, such as the companies mentioned later in this work, must first "encode social distinction" into the brands.[26] The general opinion of the people toward the good or service must reach a certain level of regard. Without some type of social stratification associated with a product, the good is not labeled as a luxury item. The good must bring a promise to the consumer that goes beyond the purchase; usually such a promise is that the luxury bought will bring a new and higher level of social perception. Meaning once the luxury is bought, society will view the consumer at a higher level economically and/or socially, than the consumer actually possesses.

Luxury is a difficult concept to understand. The definition is constantly changing, the traditional is constantly battling the new, and the types of consumers vary depending on level of market industrialization. Yet despite the fact that luxury is hard to define, its place throughout history is firmly established. Beginning at the time of kings, luxury was refined during the monarchical reigns in Europe, particularly in France. The French soon established a long and

[24] Kapferer, p. 313
[25] Kapferer, p. 314
[26] Kapferer, p. 314

opulent relationship with luxury, influencing the industry as much as the industry influenced its own industrialization. Today luxury is used not to distinguish royals from peasants, but to establish a desired place in the many levels of society. Those who wish to be viewed above a social class can buy luxury items and flaunt a position, be it real or perceived. Today France is still well known for luxury production, though luxury has expanded into a global trend. The globalization of luxury has occurred within the past 50 years, but in only the last decade have the luxury companies truly been able to expand into key emerging markets.

The Origins of Luxury and French Industrialization

Luxury was and remains an important factor in the French economy. The French luxury market has expanded first nationally and then internationally. Known for specialized handmade products, the French have turned the creation of luxury into an art that has yet to be surpassed even in today's global market. It is thus no surprise that luxury has had a large impact on many aspects of France's history, primarily in the economic and social areas.

During the nineteenth century, Britain was the leading industrialized country in the world -- far more advanced than France. This meant, "France entered the nineteenth century with a lag behind Britain."[27] Britain, well on its way through industrialization before France even began the process, quickly took the economic lead around the world by specializing in mass production. The French economy was heavily based on an agrarian structure that changed little until after the revolution in 1789.[28] Pre-revolution France was dived in three parts, the nobles, the church, and the peasants. The nobles owned the land and thus accumulated the wealth, but it was primarily the peasants who cultivated the farms. The feudal order was steadily decaying and the country

[27] Kemp, Tom, *Industrialization in 19th Century Europe*, Longman Pub. Group, 1985. pgs. 1-220, p. 49
[28] Kemp, p. 51

was stuck in a proto-industrialization phase of development, creating an authoritative system that was detrimental to the economic structure of the country.

Production before the French revolution resided primarily in small, artisan workshops. Goods tended to be made by hand and little was mass produced. The country was in a stage of proto-industrialization, a hybrid between an agrarian society and a fully industrialized one. Because the country did not immediately go to industrialization, the artisan workshops maintained a level of production and importance after the revolution not typical in industrialized countries. When mass production was truly an option after the revolution, specialized luxury goods made in artisanal workshops became a staple, allowing the French a global position that balanced with Britain. Britain provided the average, daily goods for the general public, and France provided the specialized goods for the select few who were able to afford such luxuries.

Also after the French revolution, the agrarian structure changed and the French people were not interested in investing further in the old economic structure.[29] The excess of money, due to the lack of investment in agriculture, created a new level of purchasing power for the nobility. The new funds from the nobility "found its way for the most part into consumption, principally, that is to say, of luxury article and of services."[30] The Church, as with the nobility, also began to spend more. The consumption of goods and services began to rise beyond the previous levels.

The French economy eventually reached full industrialization that went beyond the artisanal workshops. However, the impacts of the previous agrarian state as well as the industry of specialized luxury goods continue to influence France. Claiming eight of the top ten global

[29] Kemp, p. 51
[30] Kemp, p. 52

luxury brands, there is little doubt that France's current economic situation would not be the same without the previous fiscal structure. Certainly, the country's reputation would be vastly different.

Today France is known for luxury and is the place where luxury was refined and made globally renowned. However luxury was well-known in French society before it became a staple part of its economy. France's reputation for luxury was established well before the revolution due primarily to the expensive and opulent tastes of its monarchs. Therefore, to study the social importance and history of luxury in France, it is necessary to return once again to a time before the French revolution.

In the eighteenth century, France was one of the most advanced countries in the world and while Britain was the leader in industrialization France was the leader in style. "In fact French culture was dominant; intellectual trends, as well as fashionable standards in dress and stylish living, were set by Frenchman for the whole of the upper-class Europe."[31] Already by the 1700's France was setting its definition of proper civilization apart from the rest of the world's view. Thus when the concept of luxury was created it is hardly surprising that it came from the French courts.[32]

Hennessey whiskey claims to be the world's first luxury brand, having been established in France in the mid-1700. However, before the rise of the luxury brands so well-known today, came the conception of luxury which according to John Shovlin originated with the French nobility. In his work Shovlin explains "the practice of using pomp to constitute hierarchical

[31] Kemp, p. 50
[32] Shovlin, John. "The Cultural Politics of Luxury in Eighteenth Century France." *French Historical Studies* . 23.4 n. 577-606, p.561. Print.

relation was usually referred to in France as *représentation*."[33] *Représentation* is the precursor of luxury stratification and one of the principal reasons the luxury market was so important in French history.

Throughout French history wealth was possessed by the few, usually those of noble lineage. The nobility would often show monetary worth by wearing items of extreme value, such as jewels or specialized gowns. The families were literally representing economic stability via material possessions. John Shovlin explained that, "Lacking a standing army or an effective police force, the social elite sustained its grip on power through the skillful manipulation of display."[34]

However, after the revolution, when the country changed economic structures the art of *représentation* disappeared and the concept of luxury began. Oddly enough, when luxury first became a concept, it was viewed as an equalizer rather than a type of stratification. Living in a world of "luxury, persons lacking virtue -- slaves, money-lenders, even women -- might rise out of their proper sphere and usurp authority."[35] No longer was it only those of noble birth, the people born with virtue, who were able to buy luxury goods, now the common man was able to buy luxury as well.

Of course, as can be expected, the remaining supporters of the pre-revolutionary regime who survived the revolution were against such an equalizing concept. The supporters argued that "in the broadest sense, luxury was a breach of the boundary between the economic and political spheres that threatened to corrupt the functioning of the political, thereby jeopardizing the health

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[33] Shovlin, p. 560
[34] Shovlin, p 560
[35] Shovlin, John. *The Political Economy of Virtue: Luxury, Patriotism, and the Origins of the French Revolution*. Ithica : Cornell University Pres, 2006. P. 18

of the community as a whole."[36] The anti-luxury group believed that luxury would reduce the social hierarchy to nothing, and that without a social hierarchy there could be no government authority or economic structure, because both require a certain level of stratification.

The debate between anti-luxury and pro-luxury supporters subsided, due to the rise of a revolutionary trend which saw a "temporary abandonment of magnificence as a way to constitute social relationships of power and subordination."[37] The pomp and flash of the eighteenth century *représentation* moved to a more muted and plain sense of luxury focused on quality and not looks, in the nineteenth century. As luxury rose it obviously did not remain an eternal equalizer, as in the beginning, and in modern France luxury creates a type of stratification.

Chapter 2: Current Market Situation

France is a post-industrial country, which means its home market either has little growth or no growth at all. Slow growth is typical for post-industrial countries. For French businesses to remain competitive or make a profit, companies typically have to globalize. Businesses need large markets that are growing rapidly. These types of markets are called emerging markets. If the market has a particularly high number of people as well as a vast geographic area, the name Big Emerging Markets, or BEMs, can also be used.

Emerging Markets: China and India

Of all the emerging markets in the world China and India are currently the most important. These two countries have the largest populations and the most potential for economic expansion. The size alone provides profit potential for any foreign company who manage to penetrate the markets. Furthermore, considering the effects of the 2008 financial crisis and the

[36] Shovlin "Virtue" p.18
[37] Shovlin, "Cultural" p. 604

global economic slowdown due to the aftermath, emerging markets such as these two have become more important, because those markets are of the few still growing rapidly. Thus there is more foreign interest than ever before toward these markets.

But the question is why are French luxury brands so focused on the big emerging markets? After all, the economic disparity in these countries between citizens means that there is not that perfect three tiered system of consumers…yet. Plain and simple, right now emerging markets are the future of all goods. “Emerging markets account for almost 40% of world GDP at purchasing power parity…While these economies are already large, they continue to grow vigorously, at more than 7% per annum on average over the past six years, over 2 percentage points above the world average.”[38] The primary emerging countries are the BRIC countries: Brazil, Russia, India, and China.[39] The BRICs are the world’s biggest emerging market economies with the most future economic potential.[40] It is these four countries that will support the continued growth and globalization of the rest of the world in the immediate future.

As is stands today, seven of the ten largest metropolitan areas are located in emerging markets.[41] Not to say economic markets like France and the United States are not growing, but in comparison to emerging markets’ vertical rise, developed markets’ growth looks like a plateau. Companies need to expand in a growing, profitable market where people buy goods. Today those

[38] Trichet, Jean-Claude. "Charting a new global landscape: the growing impact of emerging markets on the world economy." 75th anniversary of the central bank of the Republic of Turkey. European Central Bank. Ankara. 1 June 2007. Speech.
[39] Kapferer p. 318
[40] Wan, Xueli. “FDI in BRICs.” International Journal of Business and Management. 5.2 (2010): 168

[41] Trichet, Jean-Claude.

markets are emerging where there is a new, steadily growing, wealthy class who are willing to spend new money on luxuries.[42]

Since the 2008 financial crisis most markets have been hit hard. Luxury has all but lost its middle class consumers and is looking at markets that have not had as many economic problems; emerging countries are just those markets. Of course even emerging markets were unable to completely avoid the detrimental aspects of the 2008 financial crisis, however, the BRICs "appear well positioned to weather the global economic downturn."[43] This means luxury companies will be more focused on creating or expanding previous interests in emerging countries, because that is where consumers are still spending.

So why are companies doing business in these emerging markets? The answer is simple: because it is worth it. China has over 1.3 billion citizens, ranking it the largest country by population in the world.[44] India has over 1.2 billion citizens, the second largest country by population.[45] Any businesses wanting to grow, particularly those from plateauing post-industrial countries should look at countries that offer the most potential. The markets with the most potential are the big emerging markets that are rapidly expanding. Though countries such as India and China currently have a fair number of barriers that make it difficult to do business, the potential in those two countries makes working through the issues worth the risk. The following table shows just a few of the demographics that make India and China desirable markets.

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[42] Truong p. 375
[43] Wan p. 168
[44] Central Intelligence Agency. The World Factbook- China. <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>, accessed 1/5/2012.
[45]Central Intelligence Agency. The World Factbook- India. <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html> accessed 1/5/2012.

TABLE 1

	Number of Millionaires (2011)	Number of Billionaires (2011)	Average Salary amt (Jan. 2012)	Expected number of millionaires by 2015	Avg. age of consumer	Avg. age of millionaire
India	1.16 million	55	$ 8, 000	2.82 million	26	31-45
China	960,000	115*	$ 14,000	2.82 million	35	39

*excludes Hong Kong [46]

As Table 1 shows, though the average salary for an Indian or Chinese consumer is only $8,000 and $14,000 respectively, the two markets still have many consumers who can afford luxury goods. Not only do the two countries have a large number of millionaires for potential consumers, but the number is increasing. Furthermore, the average age of the consumer is someone in his mid-twenties and mid-thirties, a group which is more influenced by social

[46] Nishant, Kumar, "Number of Indian Millionaires to double by 2015," Rueters.com, Aug. 31, 2011, accessed 4/16/2012.<http://in.reuters.com/article/2011/08/31/idINIndia-59068720110831>; Flannery, Russell, "It's China's Year on the 2011Forbes Billionaires List," Mar. 10, 2011, accessed 4/16/2012. <http://www.forbes.com/sites/russellflannery/2011/03/10/its-chinas-year-on-the-2011-forbes-billionaires-list/>.; Central Intelligence Agency. The World Factbook-China; Central Intelligence Agency. The World Factbook- India; Bihardays, "Indian Millionaires are the Youngest in Asia," Oct. 14, 2011, accessed 4/21/2012. <http://www.bihardays.com/2crrnt/indian-millionaires-youngest-asia-latest-figures/>; United Press International, "Number of Chinese Millionaires nears 1M," Apr. 12, 2011, accessed 4/21/2012.< http://www.upi.com/Business_News/2011/04/12/Number-of-Chinese-millionaires-nears-1M/UPI-91891302666877/>; Vallikappen, Sanat, "China may become home to half the millionaires in 10 major asian economies," Bloomburg, Aug. 31, 2011, accessed 4/21/2012. <http://www.bloomberg.com/news/2011-08-31/china-to-have-half-of-asia-s-millionaires-by-2015-baer-says.html>; Rapoza, Kenneth, "Chinese Millionaires Younger than US Report Says," May 14, 2011, accessed 4/21/2012, <http://www.forbes.com/sites/kenrapoza/2011/05/14/chinese-millionaires-younger-than-us-millionaires-report-says/>; "Average Salary in China," Average Salary Survey, Jan. 4, 2012; accessed 4/22/2012, http://www.averagesalarysurvey.com/article/average-salary-in-china/15201531.aspx>; "Average Salary in India," Average Salary Survey, Jan.3, 2012; accessed 4/22/2012, http://www.averagesalarysurvey.com/article/average-salary-in-india/28162105.aspx>.

perception of wealth. Even the millionaires within India and China are younger and presumably more understanding or interested in various fashion trends and luxuries.

Emerging markets look to be in great economic shape now, but the future potential is what really makes them attractive and important for foreign investment. “The projections for long-term growth based on demographic trends and models of capital accumulation and productivity, tell us that emerging markets are likely to become even weightier in the world economy tomorrow than they are today.”[47] There is no doubt that emerging markets will see increases in growth in the next few decades. Currently emerging markets are primed and ready for foreign investment. While the economic conditions could be less biased toward native companies and more open to foreigners, that has yet to keep foreign direct investment, or FDI, away from the markets that companies around the world recognize as the future of global economic investment.

These emerging markets would not be a factor were it not for the recent trend of new markets opening to the rest of the world. This trend is called trade liberalization and it is the primary reason these markets are now so recently important. Both China and India have only recently become more liberalized. Today the countries are opening markets for foreign companies at levels previously never experienced, effectively creating more interest from foreign investors than ever before.

[47] Trichet, Jean-Claude. "The growing importance of emerging economies in the globalised world and its implications for the international financial architecture." Tenth L. K. Jha Memorial Lecture. European Central Bank. Mumbai . 26 November 2007. Lecture.

Market Liberalization

"A significant initiative sweeping across many parts of both the developed and developing world in recent years has been the process commonly referred to as economic liberalization."[48] Countries have been opening markets globally to increase foreign direct investment and achieve higher economic gains. Though developed nations such as the United States and many European countries have had liberalized economies since the end of World War II, big emerging countries like China and India have only recently started following this trend and opening themselves to potential foreign interests.

Before the recent market liberalization, China (with the exception of Hong Kong) was closed to nearly all outside markets, while India had too much red tape and too many taxes to attract foreign investment. The markets were effectively closed to all outside foreign investment. Therefore, before liberalization occurred, despite the obvious potential, there were far too many barriers for FDI to occur.

Yet in the past twenty-five years both China and India have liberalized markets. India was the first of the two to join the World Trade Organization (WTO) in 1995. But the act of joining the WTO alone was not enough to draw interest in India. The country still had massive amounts of red tape, in the form of protectionist tariffs that made going into the market more expensive than any profits a company could have hoped to retain. Throughout the end of the 20th century and the beginning of the 21st century India has been trying to make its market more inviting to outsiders by relaxing many of its previously established protectionist measures.

[48] Dabir-Alai, Parviz . *Economic Liberalization and Labor Markets*. Westport, CT: Greenwood Press, 1998.page 7. Print.

Despite the fact that India still has many protectionist measures in place, liberalization over the past two decades has indeed led to an influx of foreign capital.

China followed India many years later, becoming a member of the WTO in 2001. Interestingly, it is the recent addition of China, not India, which has had the most impact on the global economy. Of course there are certain issues a company will have when dealing with China. However none of those issues make penetration of the Chinese market as difficult as it is in India. Additionally, given the fact that the Communist government controls the country the creation of a country-wide infrastructure, can be established properly and in little time, there is little surprise more foreign investment would rather deal with China rather than India.

Market liberalization has helped achieve "not only economic growth and efficiency, but also political freedom and social justice."[49] Liberalization provides countries whose markets are too poor the opportunity to obtain a global position of power. Such an opportunity is particularly important for countries, such as India and China, which are in the process of industrializing. The more foreign direct investment, or FDI, the countries can obtain, the quicker the markets will industrialize. In general, it is the goal of all countries to reach a state of post-industrialization because it is that state which is the most stable.

Market Problems: IP theft, Government Regulation and Protectionism

For emerging markets, reaching a stable level of economic and market development hinges on one thing: acquiring foreign investment. As previously stated, both India and China have certain issues that make doing business in markets difficult. Companies and brands, luxury or not, that do business in emerging markets face many difficulties to establish and maintain a

[49] Rankin, Katherine . *The Cultural Politics of Markets: Economic and Social change in Nepal*. Toronto : University of Toronto Press, 2004 . p 1.

foreign presence. Not only do companies face a completely new culture, but also a new legal system. Each country has its own distinct laws and regulations which often differ from markets around the world.

In general, free trade is the most lauded and accepted form of trade today. Being the chosen form for the post-industrial countries and the World Trade Organization, many emerging countries are pressured to adapt and create policies which lead markets toward free trade. However, just because emerging markets adapt new policies, does not mean the policies are properly enforced. Different cultures, dissimilar regulatory and legal systems, poor enforcement, various economic approaches are all potential problems a company or brand can face when doing business in emerging markets. However, there are certain issues that stand above the rest and some in particular that are particularly detrimental within India and China.

Intellectual Property

An important issue for businesses entering emerging markets is intellectual property (IP) protection, or rather the lack of IP protection. Intellectual property is basically any original idea, invention or process created by a person or company. It ranges from song lyrics to architectural blue prints. In the case of French luxury brands, intellectual property are the designs, be it for jewelry, fashion, logos, or leather goods.

The problem with IP in emerging markets is quite simple: IP is not properly protected. The most common form of IP theft is counterfeiting. Linda Turunen explained, “Counterfeits are considered to be imitated products of low quality and low price and that those are a common sight on the street."[50] Counterfeit products typically come from emerging markets, particularly China. Counterfeiting has become a major problem in the world for many reasons, but the most applicable issue is the amount of potential revenue it takes away from the original businesses. Over 7% of world trade, exceeding 600 billion dollars is counterfeit.[51] The luxury industry alone loses billions to counterfeit products.[52]

Still, there is a large market willing to purchase known counterfeit goods. In fact, buying a counterfeit good has become more and more acceptable in society. People want to own a form of luxury without paying the high price. Thus the consumer settles for fake goods as an alternative form of aspirational luxury. Rather than save money for months the consumer continues life as is, and buys a fake product that looks similar enough to the original to fit in with the elite. From suburban purse parties in Dallas, Texas to a questionable shopping center called "Silk Market" in Beijing, counterfeit products are more accessible and acceptable than ever.[53]

So if counterfeiting, and through it IP theft, is such an issue in emerging market, why has it not been fixed? First off it's not that the emerging markets are not trying to contain IP theft. Most countries have created a variety of regulations that make IP theft an illegal and punishable offense. Even China has initiated multiple programs such as "IPR Protection Week," a billboard advertising campaign against IP theft, and many police based raids.[54] From 2001 to 2002 alone

[50] Turunen, Linda Lisa Maria, and Pirjo Laaksonen,"Diffusing the boundaries between luxury and counterfeits,"*Journal of Product & Brand Management*, Vol. 20/6. 468-474. p.468

[51] Turunen, p. 168

[52] Turunen, p. 168

[53] Forney, Matthew, "Faking it." Time on the web. 6 Jun. 2005. accessed 3 Jan. 2012. <http://www.time.com/time/magazine/article/0,9171,1069142-2,00.html>.

[54] Forney, Matthew.

the country had a 75% increase in IP prosecution.[55] China even went so far as to tear down its famed counterfeit area "Silk Alley."[56] Unfortunately most of these actions aren't enough. Silk Alley was replaced by a five story shopping center where counterfeit goods are still sold, and though the police make many raids there is not enough manpower to fully regulate and enforce IP laws. Emerging markets just don't have the level of administrative authority and man-power needed to enforce IP protect at the level desired by foreign companies.

Due to the lack of enforcement and recent economic difficulties, not only has counterfeiting continued to grow despite many governments and businesses trying to enforce regulations, but the counterfeit trade is even expanding into new sectors. No longer are counterfeit products primarily fake luxury and designer goods. The past couple of years have seen a trend of mid-range products being counterfeited as well.[57] No doubt this trend and the continued theft of intellectual property will continue as long as governments are unable to enforce the intellectual property regulations.

But many luxury brands and other businesses aren't willing to wait for governments to take action. Businesses are losing billions of dollars to counterfeit products and the companies want that missing revenue. Louis Vuitton, Chanel, Cartier, and Hermès are all in some form of litigation against the production of counterfeit products. However, the companies are limited by who can be connected to the fakes. There is currently no way for any of these companies to track down the fakes on a production level, so the businesses have settled for retail. E-bay, Amazon,

[55] Forney, Matthew.
[56] Forney, Matthew.
[57] Silverstein, Barry, "Fake Out" Brand Channel. 23 Dec. 2010. accessed 24 Oct. 2011. <http://www.brandchannel.com/features_effect.asp?pf_id=518>.

and even the infamous Silk Market have been or are being sued for IP theft.[58] Hermès has already won a case against E-bay, and though the remaining cases are on a much larger scale, thousands in comparison to Hermès' two, the ruling in favor of the luxury company lends a more positive outlook for future rulings.[59] Unfortunately true victories like Hermès' are few and far between but that doesn't keep the companies from trying to protect the designs.

Government Regulation

Though Intellectual Property theft is a huge problem for companies trying to do business in emerging markets, there are many others. Another problem is government interference, a major issue in both China and India. However, the way the government meddles within the two countries is unique to each, though it poses an equally dangerous and difficult business challenge for foreign investment.

China being a Communist government automatically makes it a country where the administration has more power than is usually accepted globally. With a more powerful administration come more trade regulations. In a world based on open market and free trade, where many countries are striving to diffuse trade barriers, the fact that China maintains a large amount of trade regulation is viewed as a detrimental action, as well as unfair.

Much of the blame for such intense regulations can be placed on the political party, particularly at the local level.

> "Although Beijing holds a monopoly on politics, local Communist Party officials enjoy wide latitude over social and economic affairs. They also have huge professional and

[58] Silverstein, Barry.
[59] Goodin, Dan, "French court fines eBay for sale of counterfeit handbags: ordered to pay for sins of its users" The Register on the web. 5 June 2008, accessed 16 Dec. 2011 <http://www.theregister.co.uk/2008/06/05/ebay_counterfeit_ruling/ >.

> financial incentives to spur GDP growth, which they often do by ignoring regulations or lavishing companies with perks. As a result, China has built a bureaucratic machine that at times seems almost impervious to reform."[60]

Due to the unlimited power of the government the country has made poor economic choices. A severe regulation on trade is just one of many issues that make international business in the country more difficult.

For instance, "in some other areas they are forced to form joint ventures with Chinese companies and are forced to hand over critical technology to Chinese partner."[61] In order to do business in China, a company will often have to join a joint venture or licensing. However, if the business does not want its technology to be bought and used without its supervision, the only choice a company has is to join with a previously established Chinese company as a partner in a joint-venture. If the company chooses licensing instead, despite regulations that require it be processed in a matter of weeks, many companies will end up waiting months for approval.[62]

Once established in the country, foreign businesses face a lack of legal transparency, IP theft, restrictions on areas where investment is "encouraged" and of course, competition. China doesn't have the normal type of competition; many companies are state run, state owned, or linked in some other way to the state. When Businessinsider.com polled a sample of people who had previously worked in China for at least two years, 72% admitted to being in direct

[60] "Broken China" Bloomberg Businessweek on the web. 23 July 2007. Accessed 14 Jan. 2012. <http://www.businessweek.com/magazine/content/07_30/b4043001.html >.

[61] "US President asks China to follow 'same rules' in trade," BBC news on the web. 14 Feb. 2012. Accessed 17 Feb. 2012. <http://www.bbc.co.uk/news/business-17036837>

[62] "The 10 Biggest Problems With Doing Business in China," Business Insider on the web. Accessed 16 Feb. 2012. <http://www.businessinsider.com/the-us-china-business-council-report-on-the-top-ten-issues-with-doing-business-in-china-2011-10#2-administrative-licensing-including-difficulties-gaining-business-licenses-and-product-approvals-9#ixzz1mbibmkz >.

competition with state run enterprises.[63] But, oddly enough, of all the issues listed, there is one in particular that has been recently debated, the currency issue.

The United States in particular is against China's control exchange rate. According to President Obama, "China needs to follow fair trade practices as it plays an increasingly important global role."[64] By controlling the exchange rate China is undervaluing the yaun. By keeping the currency at an artificially low level, China essentially has an unfair advantage over other countries, because the lower the yaun the cheaper goods can be produced and the more the country will be boosted by foreign trade.[65] President Obama said that China needs to open its market even further, referencing the difficult regulatory sanctions. Overall the conclusion is that "there is an uneven playing field for regulations in China. Foreign companies cannot participate in a whole range of industries."[66] Other countries, the United States in particular, view China as an opportunity that by the use of intense government regulation is closing off part of its economic potential and thus part of the world's economic potential.

Protectionism

China is not the only emerging market with a heavy government hand. In fact, in relation to regulations, it is not even the worst. Upon attaining independence in 1947 India initiated protectionism.[67] Protectionism is, "the policy of limiting all importing and exporting within both

[63] "The 10 Biggest Problems with doing Business in China"
[64] "US President asks China to follow 'same rules' in trade"

[65] "US President asks China to follow 'same rules' in trade"

[66] "US President asks China to follow 'same rules' in trade"

[67] "Protectionism, Defined: Indian Economics," Indian Economics. Accessed 26 Feb. 2012. <http://www.indianeconomics.org/protectionism-defined-indian-economics.htm>.

a specific country and the ones that surround it."[68] In protectionism the government, "controls all wares, demanding tariffs and quotas to ensure that there is not waste of resources -- and not temptation to send these resources to outside nations. The area becomes insular, relying purely on itself."[69] The protectionist reforms shored up the struggling Indian economy, but the laws did not allow it to grow, nor did it add anything besides tentative stability to the market. Though the reforms officially ended in 1991, India still has an intense amount of protectionist measures that keep FDI out of the country. [70]

When closed, tariffs in India ranged from 71% to 340%, with the average being around 200%.[71] [72] By 1998 the tariffs were down to 35%.[73] The drop in percentage is proof that India is actually attempting to do away with part of its intense protectionism. However, in comparison to other countries, India still has some of the highest tariffs globally. The WTO member also instigated the largest amount of anti-dumping laws in the organization to use as a form of protection, a feat which the WTO plans to eventually make illegal.[74]

The main problem is that by being a member of the WTO, there are certain regulations a country is supposed to follow, including a lessening, if not a complete dissolution, of protectionist regulations. But India, having used protectionism for 50 years, either does not know

[68] "Protectionism, Defined: Indian Economics"
[69] "Protectionism, Defined: Indian Economics"

[70] "Protectionism, Defined: Indian Economics"

[71] "India's hesitation: the trouble with free trade," The Economist on the web. Accessed. 19 Feb. 2012. <http://www.economist.com/node/605243>.
[72] "India: Foreign Trade Policy," World Bank website. Accessed 15 Jan. 2012. <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/EXTSARREGTOPINTECOTRA/0,,contentMDK:20592520~menuPK:579454~pagePK:34004173~piPK:34003707~theSitePK:579448,00.html>.

[73] "India's hesitation: the trouble with free trade"

[74] Kanth, Ravi D, "EU concerned over 'rising protectionism in India'," 7 May 2009. Accessed 23 Oct. 2011. <http://www.business-standard.com/india/news/eu-concerned-over-rising-protectionism-in-india/357331/>.

how to stop or is unwilling to cease protection completely. “India retains its right to protect when need arises,” appears to be the motto used, and apparently the need arises rather often.[75]

Some of the most radical protectionist measures in India are in retail regulation. Until 2011 it was illegal for foreign businesses to own 51% of a retail based company that operated in India.[76] The regulation protected the market from large hyper-markets such as Walmart and Carrefour. However, in November 2011 the government made an executive decision to allow foreign companies to posses 51%.[77] This was a land mark decision that created a whole new level of openness for the country. With the passing of the new proposal, India opened an entirely new market exactly where foreign businesses were willing to invest.

The ruling lasted three weeks.[78] During those three weeks, the opposition to the ruling made a stance. The belief was that the new law would destroy most local businesses and hurt, if not destroy, the “mom and pop” type of stores throughout the country.[79] The opposition also believed that companies would enter the market and import the necessary goods and products rather than buy locally.[80] So the overall situation would be Indian consumers who are able to buy what the people want at the expense of Indian merchants, with little to no money being sent out into the community. Not surprisingly the government withdrew the proposal. The government does, after all, want to make sure it can protect its own communities and businesses.

[75] “India: Foreign trade policy”

[76] Advani, Ashish, “Politics, Protectionism Create Chaos in India.” Money News on the web. 7 Dec. 2011. Accessed 16 Jan 2012. <http://www.moneynews.com/Advani/Politics-Protectionism-Chaos-India/2011/12/07/id/420213>.

[77] Advani, Ashish.
[78] Advani, Ashish.
[79] Advani, Ashish.
[80] Advani, Ashish.

Despite its overwhelming amount of protectionist measures, India has been trying to open its markets and relax some of the previously established regulations. The country is a member of four, soon to be five, different trade agreements with countries, ranging from Bangladesh to Chile.[81] However, the relaxation of protectionist measures is not at the level it needs to be for the country to continue its economic expansion. As long as India still has some of the world's highest tariffs, the most anti-dumping laws, and limitations on retail competition, the country will never reach its maximum potential.

In sum, the current market situation for luxury goods is as interesting as it is complex. Though there is little doubt that the future of business currently resides in the steadily growing emerging markets, particularly China and India, there is more to business than knowing where to go. For instance, choosing the correct entry mode in a specific market is key for a company to expand. These modes of entry are often dependant on the level of liberalization that has occurred in the individual markets. More liberalization in a market will allow foreign companies to be run with little to no influence from the host country, but a less liberalized market means the company must enter using specific methods often partnering with a local company and giving up a bit of company autonomy. Yet choosing the proper entry mode is necessary if a company wants to try to avoid any issues.

Unfortunately, potential problems can arise beyond the choice of entry mode. In particular, emerging markets have seen a rise in intellectual property theft that threatens every company within the host country's borders. Furthermore, due to the political system in China and the amount of government control, companies working within its borders are often faced with a

[81] "India: Foreign Trade Policy"

high level of government interference with business. Nonetheless, that pales in comparison to the effect of protectionism in India on foreign businesses. Due to the protectionist measures in India many businesses, particularly those dealing with retail, find it almost impossible to work within the country. These main issues have led varying level of foreign investment within China and India and could, in the future, create a problem in the emerging markets.

Chapter 3: Case Studies

The following case studies detail the history and strategies used by four of France's most profitable and well-known luxury brand companies. The companies are Louis Vuitton, Chanel, Cartier and Hermès. Each study will discuss the history of the company from its formation to its present structure. Following the history, the studies will turn to the individual strategies of the four companies. With the history and the current actions of the companies explained, the reaction, or inaction, toward the Chinese and Indian markets will be evident.

Division of strategies

When a company expands to new countries it uses certain entry strategies to penetrate the market. There are strategies for all types of commercial actions that reach all levels of commerce. However, for the sake of simplicity, in the following case studies the actions of the companies have been divided into three types of strategies. The three strategies are the company strategy, the brand strategy and the promotional strategy.[82]

The company strategy deals with the actions of the company as a whole. The company strategy focuses on how the company is trying to expand, what is the structure of the company, and whether or not the company is looking at long-term or short-term goals. It is the company strategy that will explain if there are any subsidiaries or acquisitions, and if the company is trying to maintain its image or focus on the accessibility of its products. The company strategy is the foundation upon which all other strategies are built.

The next strategy is the brand strategy. Unlike the company strategy, the brand strategy focuses on only a part of the overall company. The Louis Vuitton brand is vastly different from the luxury conglomerate Louis Vuitton Moet Hennessy (LVMH). Many times, especially in the

[82] These strategies were divided into company, brand, and promotion at the suggestion of Dr. Rachel Smith, March 2012, University of Mississippi

case for luxury companies, there are many individual companies that are acquired under a single company name. If these individual companies have a decent level of profitability the businesses tend to be given autonomy. This means that while the acquisitions are owned by LVMH, the companies can still maintain individual brand identity. Brand strategies only affect a part of the brand, often involving the creation of a new product line. When dealing with brand strategy in the following case studies, there is an obvious pattern of brand strategy that relates to the various fashion lines or collections of the luxury companies.

The final strategy discussed is the promotional strategy. Like brand strategy the promotional strategy is a more refined plan. In fact, most promotional strategies are specific not for the company, but for the brand. Yet despite being an even “smaller” strategy than brand, the promotional aspect is the one people recognize. Promotional strategy is what gets the brand name out to the people. It is the advertising and general promotion of a brand, good, or service. It is the way a company chooses to get its name out to the people. From advertising print campaigns, to television, sponsorships, and celebrity endorsements, if a company wants to get its brand out to the people, an active promotional strategy is needed.

Because the case studies are about four prominent companies coming from the same country, dealing with the same industry, and going into the same markets, it should not be a shock that there are many of the same strategies. To keep the confusion to a minimum, before the individual case studies begin it is best to explain the general strategies used by all the companies. Once that has been established, then the strategies in the case studies will be the specific actions of each brand.

Commonalities within the business strategies of Louis Vuitton, Chanel, Cartier, and Hermès

One trend within the four companies was already mentioned in the introduction, the democratization of luxury. Of the four companies, Louis Vuitton is the most obvious democratize of luxury goods, partially due to the wide product differentiation under the conglomerate Louis Vuitton Moet Hennessy. With so many subsidiaries underneath one banner, LVMH has expanded its reach to all levels of income, which has lead to the democratization of luxury within the original brand Louis Vuitton, allowing customers to buy $30 city guide books, or $50 agenda refills.[83] Though Cartier and Hermès are two companies that prefer to stress an image of quality and exclusivity rather than deep price range, even those companies have embraced democratization, as shown by Hermès selling a $50 scented drawer liner.[84]

This democratization is aided in part by another trend, cross-selling. Cross-selling occurs when a customer buys a purse from Louis Vuitton and the company tries to get the consumer to buy another product from the same company in a different sector. Democratization is about lower price points but cross selling is about convincing consumers to buy other goods offered in the same price range offered by the same company. For example, Louis Vuitton may advertiser a woman carrying a Louis Vuitton bag, wearing a watch by Tag, one of Louis Vuitton's subsidiaries. By presenting the two together, Louis Vuitton is attempting to cross-sell two products to the same consumer.

Due to the similarities between the four luxury companies there should be no surprise that each employ many of the same global strategies. The following section will proceed to explain

[83] "Books & Stationary," Louis Vuitton.com , accessed 4/22/2012. <http://www.louisvuitton.com/front/#/eng_US/Collections/Women/Books--stationery>.
[84] "Art of Living," Hermes.com, accessed 4/22/2012. < http://usa.hermes.com/house/art-of-living/scented-drawer-liners/vetiver-drawer-liners-2250.html>.

the similar trends in strategy on a company, brand, and promotional level. These strategies are used in general by the companies and are not designed or adapted for a specific market.

By this point it has been well established that the four case study luxury companies are focusing on expansion. But how have the companies chosen to expand? Not surprisingly the majority have chosen to expand using an acquisition strategy. When a company would like to expand there are many options but one of the main choices involves acquiring another company. In an acquisition, a larger company will buy another company. Such a takeover can be friendly or hostile, and the company that was acquired will then be placed under the banner of a much larger company. Once acquired, the smaller company will then become a subsidiary. All four companies in the following case studies use an acquisition-based strategy when it comes to expansion.

There are many reasons to acquire subsidiaries. By purchasing an established company which is unrelated, the acquiring company is able to expand its presence into industry sectors previously untouched. The company can expand easily if it is no longer limited to a single industry. Such a strategy is favored by Louis Vuitton Moet Hennessy, Chanel S.A. and Hermès. Cartier will be discussed at a later point due to the uniqueness of the company.

LVMH began as a singular company under the name Louis Vuitton just over 150 years later it has more than 60 brands beneath its banner.[85] The general strategy by LVMH is to acquire appropriate companies as its subsidiaries. Some of the companies judged appropriate for acquisition may be competing with a previously acquired company and therefore are now competing with LVMH. Other reasons that make a company appropriate enough to be acquired

[85] "LVMH Companies and Brands," LVMH.com, accessed 19, Oct. 2011< http://www.lvmh.com/>.

could be to help the production capabilities of the company or to expand the industry reach of LVMH.

Chanel appears to have done its best in recent years to emulate the strategy of LVMH. The company is trying to acquire other brands under the Chanel S.A. banner, such as gun maker Holland and Holland (1996), a high-end swimwear company named Eres (1997), a luxury watchmaker Bell and Ross (2001) and most recently, milliner A. Michel et Cie and an embroidery company Lesage (2002).[86] The company has a long way to reach the size of LVMH due to nearly half a century of poor management, but it is on its way, as shown by the varying industries in which the company is gathering acquisitions.

Meanwhile Hermès makes luxury goods in leather goods and saddles, silk and textiles, clothing and accessories, perfumes, watches, and the most recently added sector, house wares.[87]The company is most famous for its bags, perfumes, and silk scarves, though its watches are also reputable. In order to supply the company with the required materials for all its products, Hermès has been steadily acquiring and making subsidiaries.

Although the four companies have developed similar company strategies, there is little doubt that each company has chosen the same brand strategy for emerging markets which is the creation of a new line or collection that somehow relates to the new markets. The actual lines will be introduced later in the individual case studies. For now, it is only necessary to understand

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[86] *International Directory of Company Histories*, Vol. 49. St. James Press, 2003.

[87] *Hermes International (RMS)- Financial and Strategic Analysis Review*, Global Data Publisher. Oct. 2010. <http://www.just-style.com/market-research/hermes-international-rms-financial-and-strategic-analysis-review_id97143.aspx>.

each of the four companies Louis Vuitton, Chanel, Cartier and Hermes have chosen to represent the new markets by designing lines around the Asian culture.

Finally are the promotional strategies of the companies. When it comes to promotion it is difficult to narrow down exactly what the companies have chosen to do; the amount of advertising is nearly impossible to list and understand in an orderly manner. Considering the size of the brands' promotions, it is no surprise that the four overlap many times in the promotional strategies. The areas of promotion commonalities include the use of interactive media, print campaigns, and celebrity endorsements.

There is little that needs be explained about print advertising campaigns. Print campaigns are probably the most common form of advertising used when dealing with fashion products, such as the ones produced by the four companies discussed in this work. Therefore it is not surprising that each of the four companies use some form of print advertising for the various products. The only question is whether the companies have adapted campaigns to appeal to the Asian markets? That is a question that will be answered in the promotional strategy section of the case studies.

When speaking of interactive media there is little that limits the companies. All four have an active Facebook page, as well as a website. The websites of the brands have a link to an online retail store for the users' specific region, as well as many links explaining the recent campaigns and news relating to the company. Certain companies are a bit more active when it comes to the websites such as Cartier and Louis Vuitton which have interactive areas on the individual websites allowing users to explore the relationship the company has with a specific region or celebrity respectively. Chanel and Cartier have also focused on creating online videos for the individual companies posted on Facebook or YouTube. All four companies have some form of interactive media that can be accessed by an internet user. But whether or not this type of interactive media promotion has been used to work with the Asian market will be discussed later.

Finally, there is the importance these brands place on celebrity endorsements. Due to the position of luxury in society it is not surprising that the following luxury brands place a particular importance on being linked to celebrities. The connection is purely related to image. Luxury came about primarily from the royalty and aristocracy and although the aristocracy of the past is dead, the aristocracy of the present is alive and well in modern celebrities. By being connected to high-class individuals, a brand's reputation and level in society is automatically linked to celebrity users. For some brands, such as Louis Vuitton this connection is very important, to the extent that the celebrities are even "honored" in a specific section of the website.[88] However, even in companies where the celebrity endorsers are not as prevalent, such as Cartier, the company is still known to sponsor certain high-society events, that are attended only by celebrities and the highest level of the social elite, such as award shows.[89] Therefore the use of celebrities is not an uncommon promotional strategy amongst luxury companies.

Now that is has been established that the following four companies are rather similar in a variety of the general strategies, it is time to look at the specific actions within India and China. All actions and strategies explained in the following case studies are mentioned because the actions of the company are singular. If the strategy is not mentioned in relation to another company, it is because said company has either not chosen to follow the same strategy, or the strategy has seen a specific adaptation that occurs in one company but not the others.

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[88] "Friends of the House," Louis Vuitton website. Accessed 3 Dec. 2011. <http://www.louisvuitton.com/front/#/eng_US/Journeys-section/Friends-of-the-House>.
[89] Jane,"Rachel Weisz Flexes Her Style Muscles: At a Cartier Party," *The Fashion Cult* on the web. 1 May 2009. Accessed 20 March 2012. <http://www.thefashioncult.com/2009/05/rachel-weisz-flexes-her-style-muscles/>

CHAPTER 3.I Louis Vuitton

Louis Vuitton: History

Louis Vuitton was founded in 1854 by a young French carpenter of the same name.[90] The young Louis made his brand famous by creating trunks and accessories directly associated with travel. At the time, most travel for holiday was done by only the wealthiest members of society, automatically making Louis Vuitton a specialized brand affordable by few.[91] The company continued to expand in Paris and London and was taken globally in 1892 by George Vuitton, Louis's son, when he presented the family's work at the Chicago World's fair. [92]By 1978 Louis Vuitton had expanded as far as Japan and Korea.[93] In 2003 and 2004 Louis Vuitton further expanded its presence in Asia by establishing stores in India and China.[94]

In 1987 Louis Vuitton merged with the previously combined group of Moet et Chandon Champaign and Hennessy Whiskey forming Louis Vuitton Moet Hennessy, or the LVMH Group.[95] The Vuitton-Moet-Hennessy union was just the beginning of many mergers and acquisitions that occurred in the following two decades. Today "LVMH Group is the world's largest luxury goods group, with a portfolio of over 60 prestigious brands."[96]

It should be noted that there is a big difference between Louis Vuitton and Louis Vuitton Moet Hennessy. LVMH is the conglomerate that has over 60 different brands globally. LVMH is a conglomerate because it consists of two or more corporations that are involved in different

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[90] Matt Haig, *Brand Success How the Worlds Top Brands Thrive and Survive*, Philadelphia : Kogan Page Limited, 2004, p.116.

[91] Haig, 116.
[92] Senft, Ashley. "History of Louis Vuitton." Fashion Collections . Marquis of Fashion, 29 May 2011. Web. 28 Dec 2011. <http://www.fashioncollections.org/fashion-houses-and-brands/history-louis-vuitton/>.
[93] Senft
[94] Senft
[95] Senft
[96] Haig, 118

businesses. The conglomerate structure allows LVMH to sell leather goods with one brand and jewelry or watches with other brands.

Today Louis Vuitton is no longer an independent company. It operates under the LVMH group, and is so entwined that its financials are not listed separately from other brands in the category of Fashion and Leather Goods.[97] However, Louis Vuitton has maintained its individual brand status. Some of the 60 plus brands operating under LVMH, such as Le Bon Marche or Sephora, are not always viewed as luxurious as others. By maintaining its own brand identity, Louis Vuitton is able to maintain its higher level luxury status.

But how exactly has Louis Vuitton been managed, as a brand and as a company, which has led it to reach its luxury status? Its success is largely due to the company philosophy toward growth. As previously established, all the four case study companies have an acquisition strategy for expansion, but none of the others come close to mastering acquisition like Louis Vuitton. The acquisition mentality behind every business venture, and the continuous orientation to future expansion of the company, reflect the philosophy behind the company's strategies, both in general as well as in the individual markets.

Louis Vuitton: Company Strategy

Typically, Louis Vuitton acquires new subsidiaries in a new industry sector or ones that are in direct competition with a part of the LVMH Group. Certainly since such a strategy is the backbone of the company, it would remain an important aspect in all of Louis Vuitton's markets. But are there any changes in the company strategy when dealing with India or China?

India

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[97] LVMH Website. "Investor Relations, Key Figures." Accessed Dec. 12, 2011. <http://www.lvmh.com/investor-relations/lvmh-at-a-glance/key-figures>.

The company is expanding its physical presence globally, including in India. However, due to the protectionist measures in India, the number of Louis Vuitton stores is rather low in comparison to the number in China (only five stores in India and over twenty in China).[98] Despite the company's barriers with India, the fact that Louis Vuitton has multiple stores in India is not only impressive, but also important for its strategy. The typical Indian consumer tends to be more focused on the relationship aspect of a brand, meaning that the first brand that can establish a legitimate presence in the country tends to have better sales than the others. By establishing an early presence, LVMH is creating the foundation of what will become a long-term relationship with Indian consumers.

It is no surprise that LVMH's main company strategy in India is acquisition. However, unlike the typical acquisition by LVMH, in which a previously known and well established brand was taken over by the luxury conglomerate, Louis Vuitton has only bought a single subsidiary in India. The subsidiary specializes in fine goat leather, a material that has been used in India for centuries.[99] The company has bought an Indian based company to use local materials to create its products. Buying a subsidiary to help with production capabilities is a bit different from the typical Louis Vuitton strategy of buying a brand. Normally the subsidiaries acquired are purely for expansion, not to help production. The fact that Louis Vuitton has a subsidiary in India that specializes in a type of goat skin unique to the area means the company expects the Indian market will continue to be important in the future, perhaps to the extent that certain products will be designed purely for that market.

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[98] Mystore.com, "Louis Vuitton India" Apr. 19, 2012. <http://mystore411.com/store/listing/187/India/Louis-Vuitton-LV--store-locations>; Mystore.com, "Louis Vuitton China" Apr. 19, 2012.<http://mystore411.com/store/listing/187/China/Louis-Vuitton-LV--store-locations>

[99] Inkpen, Andrew. *Global Strategy Creating and Sustaining Advantage Across Borders*. Oxford: Oxford University Press, 2006. Print. Case Study

China

Like in India, Louis Vuitton has continued to expand its presence in China by increasing the number of stores. The expansion has been much more profitable in China simply because of the lack of protectionist measures there Louis Vuitton does not have the same problems in establishing stores in China as it does in India.

Proof that China is important to Louis Vuitton is the specific placement of its main Asian headquarters in Hong Kong. “Hong Kong is a strategic market for the group in the Asia-pacific region.”[100] The large metropolis is the headquarters for 14 countries throughout the region. According to Yves Carcelle, the chief executive of Louis Vuitton, it was chosen for its “strategic location, its importance as a fashion capital in this part of the world, couples with its efficient communications [which] make it the perfect city for us to do business.”[101] The already established history of the brand (it’s been in Hong Kong since the 1970’s) coupled with more flagship stores in Hong Kong than elsewhere, in addition to the geographically close position to the stores throughout China, makes the city itself a wise choice for the brand’s headquarters. By establishing headquarters in a new market, LVMH is not only creating and nurturing its relationship with China, but also showing confidence in future markets.

Louis Vuitton: Brand Strategy

As explained earlier, the brand strategies used by each company are very similar. Each company has created some form of a new fashion or accessory line. These new lines are either designed specifically for the new Asian markets or inspired by them for the regular markets. The

[100] Xinhua, “Louis Vuitton eyes HK as strategic market.” Xinhua, April 16, 2004 accessed 27 Nov. 2011.
[101] Xinhua

hope of the companies is that the creation of these new lines will either interest the new markets or show that the companies are acknowledging the new Asian influence on the luxury industry.

India

Louis Vuitton has created multiple new fashion lines based on the history of a specific region. In the case of India, Louis Vuitton created two different collections, the Diwali collection and the Suhali collection. The Diwali collection was created with Indian famous artist Rajeev Sethi for fall 2010.[102] The collection featured vintage Sauris, trunks hand painted in India, and a global window treatment in all Louis Vuitton stores paying homage to India.[103] The Suhali collection, "named after a wind that sweeps the Sahara to India," is a collection made from Nepalese goat skin, which comes from the recently acquired Indian subsidiary, paired with the signature locks of Louis Vuitton luggage.[104] However, even though the collections are made specifically for an Asian audience, all models depicting the collections have had a distinct European and Caucasian look, isolating the target market.

China

Louis Vuitton's brand strategy in China came not from its sector of leather goods, but its fashion. In spring 2011 Marc Jacobs, fashion designer for the brand, created an entire fashion collection inspired by Shanghai.[105] The collection itself was a more European take off of stereotypical Chinese fashion. However, in an odd twist, Jacobs admitted he did not design the

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[102] Sunadh, Latha. "The Louis Vuitton Diwali Collection." Vogue, accessed Dec. 5,2010. <http://www.vogue.in/cont213263/ent/louis-vuitton-diwali-collection>.
[103] Retail Angle .com "Louis Vuitton worldwide does Diwali windows." Oct. 22, 2010, accessed Dec. 14, 2011. <http://www.retailangle.com/Newsdetail.asp?Newsid=3288&Newstitle=Louis_Vuitton_worldwide_does_Diwali_windows>.
[104] Inkpen; and Brown, Heath. "East, West." The Times. London, 13 Sept. 2003. Accessed 14 Oct. 2011.
[105] Petcu, Oliver. "Is the Chinese Influence in Luxury going too far?" Cpp-Luxury.com,16 Jan. 2011. Accessed 16 Jan. 2011. <http://www.cpp-luxury.com/en/is-the---chinese-influence---in-luxury-going-too-far_1045.html>.

collection for the Chinese consumer. When asked about the expected Asian reaction to the new collection, the designer said it's "probably the least appealing thing to the Chinese market."[106] In the case of this particular Louis Vuitton collection, the goal was not to interest the Chinese market in the product. Instead, the goal was to show the global impact of China. The collection brought to light the global influence of China in the luxury fashion industry today and in the future. Therefore, Louis Vuitton has not produced a line targeted at the Chinese consumers, but rather created a line honoring the culture.

Louis Vuitton: Promotional Strategy

The promotional strategies of the companies vary for each brand. Mostly the promotional strategy depends on the image the company wants the public to see, and each company has a different image. For Louis Vuitton the main use of promotion are celebrity endorsements and sponsorship of high-society events like yachting. However, Louis Vuitton has also followed the trend of using a form of interactive web-media, while print campaigns remain a staple part of its advertising. But what, if any, changes have the company made for the new Indian and Chinese markets?

India

In India Louis Vuitton has incorporated a geographically focused and interactive video. The video, linked directly to the Louis Vuitton website, takes viewers on a mini tour of the Indian city of Jaipur. Interestingly, Louis Vuitton currently does not have a store in the featured

[106] Odell, Amy. "Was the Spring 2011 Louis Vuitton Show Meant to Appeal to Chinese consumers- or not?" New York Magazine. Oct 18, 2010. accessed 17 Nov. 2011. <http://nymag.com/daily/fashion/2010/10/was_the_spring_2011_louis_vuit.html> .

city however luxury businesses are being created for the area.[107] Jaipur is one of the fastest growing cities in India; many claim it to be the next big area for tourism and business. [108] Therefore, by creating an interactive tour, Louis Vuitton is showing current customers a new potential market, as well as earning good will from the city of Jaipur for linking it to a highly esteemed company. Such connections will be beneficial if the company decides to expand into Jaipur at some point in the future.

The company has continued with its typical strategy of using sponsorship to promote its brand, but it has adapted it for the new region. In India the most recent sponsorship was in Mumbai. The company supported the first Indian exhibit by Anish Kapoor, an Indian born British Sculptor.[109]While not at the social level of yachting, the sponsoring of a ground breaking art exhibit in one of India's richest cities does follow the typical pattern of Louis Vuitton sponsorships.

Louis Vuitton is also continuing its tradition of creating relationships with famous people from the region. Oddly enough, the brand has yet to create a long list of celebrity endorsements, normally a key factor in its promotion. Considering that the company's history of celebrities endorsing products, the fact that there is a lack of action in India is unusual. Perhaps Louis Vuitton is not yet familiar with the Indian culture to know which celebrities would be the best choices for endorsement. However, the company has managed to create a link between Louis

[107] Mystore.com, "Louis Vuitton India" Dec. 16, 2011; and Sharma, Anil. "First World Trade Park Unveiled in Jaipur." *Business Standar*. 01 Jul 2005: n. page. Web. 26 Jan. 2012. <http://www.business-standard.com/india/news/first-world-trade-park-unveiled-in-jaipur/213263/>.
[108] Sharma, Anil. "First World Trade Park Unveiled in Jaipur." Business Standard. 01 Jul 2005: n. page. Web. Accessed 26 Jan. 2012. <http://www.business-standard.com/india/news/first-world-trade-park-unveiled-in-jaipur/213263/>.

[109] Walsh, Kate. "The World's not Big enough for Louis Vuitton." The Sunday Times. London, 21Nov. 2010, accessed 1 Dec 2011.

Vuitton and a famous Indian artist named Rajeev Sethi who is known for his culturally based work.[110] Unfortunately this connection has yet to be exploited to its utmost potential.

China

Louis Vuitton has also continued its interactive reach, as in India, with China. However, rather than have a simple video touring a major city, Louis Vuitton has reached out to the Chinese consumers via *Youku*, a Chinese version of Youtube that targets wealthier young professionals.[111] Louis Vuitton was the first luxury company to ever reach out to consumers using such media.[112]The company created a specific interactive channel that not only airs videos related to various products, but also creates sub-channels, divided by content. For example, the Louis Vuitton channel also has six other sections: LV Voyage, LV Recommended, LV Travel, LV Tradition, LV Fashion, LV Art, and LV Story.[113] Each of these sections is designed to appeal to all types of consumers who view the channel.

Furthermore, on the Louis Vuitton website there is a list of people referred to as “Friends of the House.”[114] By clicking on the link the viewer is presented with famous figures that either are endorsing Louis Vuitton, or have an active role in the advertising and promotion of the brand. There is typically at least one person per region where the company is based. In the case of China, there are two representatives. The first is Wong Kar-wai, a young Chinese filmmaker and producer who judged a short-film competition sponsored by Louis Vuitton.[115] The second is a

[110] Sunadh, Latha.
[111] Lamb, Rachel. “Louis Vuitton, Dior, Cartier hit Chinese market with targeted video channel.” June 27, 2011. <http://www.luxurydaily.com/louis-vuitton-dior-cartier-hit-chinese-market-with-targeted-video-channel/>.
[112]Lamb, Rachel,
[113] Lamb, Rachel.
[114] Louis Vuitton : Journeys
[115] Louis Vuitton : Journeys

young Chinese actress named Gong Li, who collaborated with the brand to create a video guide in Beijing in 2008.[116]

In addition to the interactive media, the brand has paid homage to its biggest market by launching a 2011 advertising print campaign starring a male Asian model, Godfrey Gao, a Taiwanese-Canadian actor.[117] He is the first Asian man represented in Louis Vuitton advertising.[118] Considering the Asian market gives Louis Vuitton more revenue than the European or American markets, it is more fitting the company uses a model more oriented toward its current largest source of revenue. Gao is even more appropriate for China, where it was reported that more young profession men bought Louis Vuitton products than women.[119] It is a brand viewed as a status symbol and Asian men of all ages are buying the product to showcase worth. There are other general strategies of Louis Vuitton adapted for the region. For China, the most obvious traditional strategy being used is celebrity endorsement. One of the more obvious celebrities is the previously mentioned Godfrey Gao. Of course Goa is famous for his roles in Taiwanese based entertainment projects and thus might not have as much recognition within China, but for the Asian region in general he is an obvious endorser of Louis Vuitton.

Louis Vuitton: Conclusion

There are 518 stores in Asia, not including Japan, that carry LVMH brands.[120] 46% of the total revenue of the region is under Fashion and Leather Goods, the category for the Louis Vuitton brand.[121] At present, there is an overwhelming trend in all areas of business to expand to other markets, particularly the big emerging markets, and Louis Vuitton is following the trend

[116] Louis Vuitton : Journeys
[117] Chow, Jason. “At LV, This Year’s Man is Chinese.” Wallstreet Journal. January 14, 2011. <http://blogs.wsj.com/scene/2011/01/14/at-lv-this-years-man-is-chinese/>.
[118] Chow, Jason.
[119] Chow, Jason.
[120] LVMH Website: Key Figures
[121] LVMH Website: Key Figures

with its expansion in India and China. The following graph shows the percentage of Louis Vuitton annual sales revenue from 2007 to 2011, as reported in the company annual financial report, divided by various geographic regions.

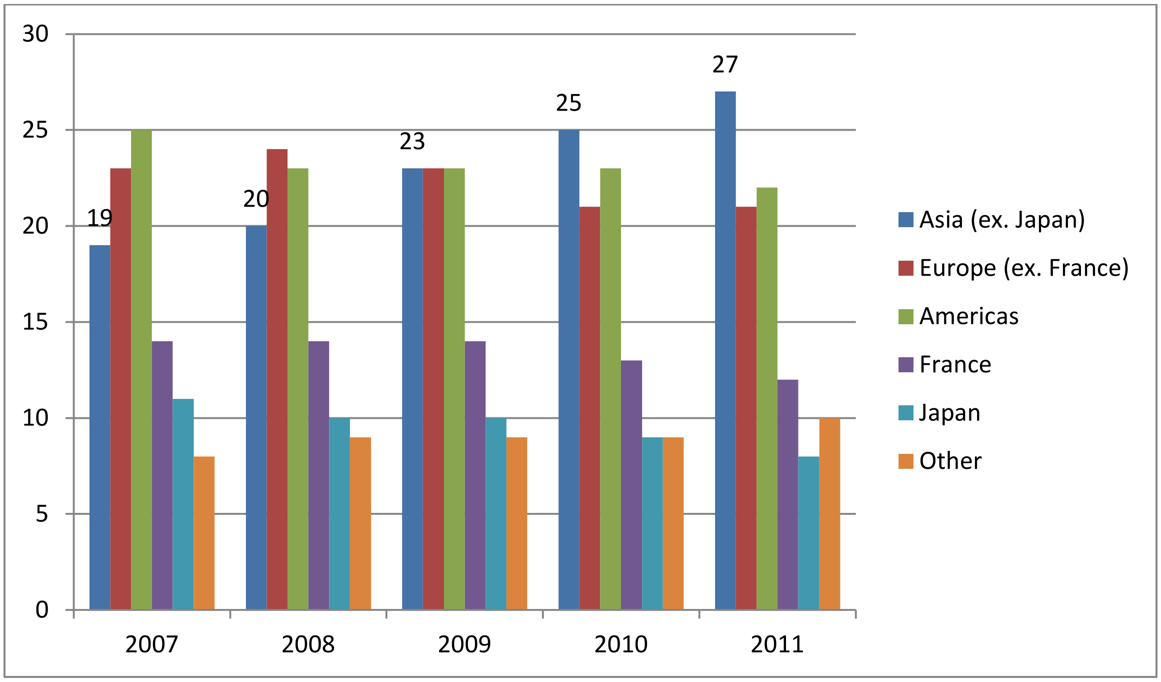

Figure 1- LV % of Sales by Region[122]

There are a few noticeable trends, the primary being a decrease in percentage of sales from Japan and an increase in percentage from Asia. There has also been a trend of decreasing percentage in the Americas and, since 2009, in Europe and France. Unfortunately, the data specifically for India and China is not accessible to the public, and the company failed to respond when contacted, therefore the data is not specific for the emerging countries featured in this work. However, the rising percentage in Asia excluding Japan is proof that the region is and will continue to be an area of interest for Louis Vuitton.

[122] LVMH Website: Reports, " 2007, 2008, 2009, 2010, and 2011 Annual Reports," accessed 4/21/2012, <http://www.lvmh.com/investor-relations/documentation/reports>.

Unfortunately, Louis Vuitton has many problems with India, including poor infrastructure and protectionist regulations, but the government is attempting to make things easier for foreign direct investments by lightening the regulations.[123] The country is still developing and despite Yves Carcelle, the chief executive at Louis Vuitton, being worried about an economic plateau in the near future, the "company believes it has significant growth potential."[124] True to its strategy, the brand will be ready to expand as soon as the Indian market is ready for more Louis Vuitton.

However, one market that no one doubts in regard to future growth is China. Louis Vuitton has been in Hong Kong since 1979.[125] It was the first luxury brand established in the country, which has aided its continued growth due to the Chinese focus on long-term based relationships.[126] "China has become the brand's biggest growth market in the past decade," with Asia as a whole accounting for more than 25% of the brands revenue.[127] Today Louis Vuitton has over 40 stores throughout China alone.[128]

Globally Louis Vuitton's brand appeal is one of the strongest in Asia. China is by far the largest market for the company, providing a near constant increase and growth for the company. However India is a market full of potential where Louis Vuitton has already established a presence. Recognizing the Indian and Chinese markets' importance, it's no surprise that Louis Vuitton has created new strategies to appeal to new consumers. But have the other brands been just as active toward the new markets?

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[123] Inkpen
[124] Wlash, Kate; and Inkpen
[125] Xinhua.
[126] Walsh, Kate.
[127] Walsh, Kate.
[128] My store. Com, "All Louis Vuitton Locations in China." Dec. 18, 2011. <http://mystore411.com/store/listing/187/China/Louis-Vuitton-LV--store-locations>.

CHAPTER 3.II CHANEL

Chanel: History

Chanel S.A., also known as The House of Chanel, is a private company that operates a variety of global fashion boutiques.[129] The company was founded in 1939 by a young designer named Gabrielle Chanel, nicknamed Coco.[130] Using money given to her by a lover, young Coco Chanel began her business by opening a small store that quickly grew. Known for her simple designs, Coco soon made waves with her simple styled fashions that were designed for women to "live in, breathe in, feel comfortable in, and look young in."[131] However, Chanel's success was stopped in the midst of World War II. The designer closed shop and moved to the Ritz, then occupied by the German army.[132] Before the war ended Coco moved once again, this time out of the country, to avoid prosecution if not rumors about being a Nazi collaborator.[133]

The House of Chanel remained silent until 1954 when Coco launched her comeback collection, a complete failure.[134] Despite the poor reviews, Chanel was back and Coco began to rebuild its reputation once again. When the designer died in 1971 the company began to flounder, unable to truly maintain or innovate the brand. One executive described Chanel in the seventies as a company that, "was dead…nothing was happening."[135] Nothing continued to happen with the company until Karl Lagerfeld took over as house designer in 1983.[136] Since then

[129] Bloomberg Businessweek."Chanel S.A. Private Company Information" Bloomberg Businessweek, Jan 2, 2012. <http://investing.businessweek.com/research/stocks/private/snapshot.asp?privcapId=5490782> .
[130] Plunkett, Jack W. *Plunketts Retail Industry Almanac*, Plunkett Research, Ltd. Texas. "Chanel."

[131] Picardie, Justine. *Coco Chanel, the Legend and the Life.* Haper Collins Publishers, London. pg 283.

[132] Madsen, Axel. "Chanel A Woman of her own." Henry Holt and Company, LLC. NYC, NY. pg 238.
[133] Madsen, Axel. Pg. 261-279.
[134] Picard, Justine. Pg. 283.
[135] Mazzeo, Tilar J. "The Secret of Chanel No. 5, The Intimate History of the World's Most Famous Perfume." Harper Collins Publishers, New York, NY. 2010. Pg. 197.
[136] Plunkett, Jack. "Chanel."

the company has done its best to return to the brand's luxury image and status while maintaining global expansion.

Chanel: Company Strategy

Today, Chanel S.A. is beginning to take a more acquisition based strategy for the company, similar to LVMH.[137] Where it is easy to separate LVMH and Louis Vuitton, for the time being it is nearly impossible to separate the brand Chanel from the private company Chanel S.A.. Chanel is not only a young company in comparison to Louis Vuitton, but due to the managerial issues in the seventies and its complete closure during and after World War II, the company is still much smaller than LVMH. That being said, the company is trying to acquire other brands under Chanel S.A. and as is having some success.

With the new acquisitions and global expansion, where is Chanel going? The answer is of course where all the other business is heading, Asia. The company has over 94 different Chanel stores in Asia, though the majority is in Japan. China only has five Chanel stores, while India only has a single store in New Delhi.[138] Needless to say the company has plenty room for expansion in these markets.

India

Chanel in India is nowhere near the level of Louis Vuitton. The company only has a single store in the city of New Delhi. Chanel opened the store in April 2005 in the Imperial Hotel.[139] Despite the known potential of the Indian market, little action has been taken to expand Chanel beyond the singular store in India. In fact, the next expansion plans are scheduled to be in

[137] Ramchandani, Nisha. "The Brands keep marching on; The Louis Vuittons and Chanels in no mood to scale back expansion plans." The Business Times Singapore. Dec. 27, 2008.
[138] "Chanel: Store Locator," Chanel website. Accessed 12 Dec. 2011. < http://www.chanel.com/en_US/customer-service/store-locator>.
[139] Hall, Cecily, "Far East Fashion- Forward." WWD: Women's Wear Daily. 6/1/2006, Vol 191 Iss. 116, p.12.

Dubai, Moscow, and Japan.[140] Perhaps it is Chanel's seemingly lack of interest in the country that has India ranking the brand 8th out of the ten most recognized luxury brands, essentially tied for last with Prada and DKNY.[141] Even in the fragrance department, an area where Chanel almost always succeeds due to its renowned Chanel No. 5, the company is ranked 3rd, falling behind Unilever and LVMH.[142]

Chanel has not changed much in its company strategy to appeal to India. Perhaps it is because of the country's protectionist measures or because the company is simply focused on growing in other markets. Maybe Chanel simply entered the market too recently and thus has not formed enough of a relationship with the people; perhaps it's not seeing the response it likes and due to a lack of profit the company is not focusing on the market. Either way, there is little doubt about India's potential and for Chanel to be miserly in its investing will only cause the company problems in the future.

China

Perhaps a reason Chanel has little interaction with the Indian market is because the company is too focused on the ever expanding Chinese market. Where India ranked Chanel in a three way tie for 8th in brand recognition, China listed Chanel as number one.[143] This is an appropriate ranking since China had much more influence over Coco Chanel. The founder once said "I've loved Chinese screens since I was eighteen years old," as she proudly displayed all kinds of Chinese art she had collected throughout her life.[144]

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[140] Hall, Cecily.
[141] Hall, Cecily.
[142] "Fragrances in India to2011," M2PressWire. 24 Oct 2008.
[143] Hall, Cecily.
[144] Delay, Claude, *Chanel Solitaire*, Harper Collins, 1973. p.12.

For Chanel, China is the emerging market upon which the company is focused, not India. Beyond the simple fact that China is the world's largest growing emerging market, the company has a rich history which it can exploit. Because Coco Chanel was so fascinated by Chinese art, Chanel can manipulate a historical link to the country. As mentioned previously, Asian markets are very relationship-oriented. What better way to increase the Asian market than for Chanel to remind the Chinese consumer of a relationship between his or her homeland and the founder of the company? So Chanel's company strategy is falling flat in India, but the company's focus on China has seen rising growth. The real question is if the other strategies follow the same pattern?

Chanel: Brand Strategy

Keeping with the same brand strategy as Louis Vuitton, Chanel also has new lines dedicated purely to the specific markets of India and China. In one line the designer focuses not on making a line to interest the Asian consumer, but to acknowledge the new culture present. In the other line, the company creates a bit of a hybrid line, meant to show the influence of the Asian market, but also meant to create more interest in potential Asian buyers.

India

The best example of Chanel acknowledging the Indian market occurred as recently as December 2011. Karl Lagerfeld created a new collection entitled "Paris Bombay Métiers d'Art."[145] The collection is inspired by 1900 India and the Vice-Queen Lady Curzon.[146] Lagerfeld combines English, Parisian, and Indian fashions to form a coherent collection. He believes this move is not purely business, but a continuation of tradition via Coco Chanel, who "had played with the sari idea back in 1939 and had done a few India inspirations in the early

[145] "Chanel News: India," Chanel website. Accessed 4 Jan. 2012. <http://chanel-news.chanel.com/en/?s=INDIA>.
[146] "Chanel News: India."

1960s."[147] Yet the collection was less intended to attract interest from Indian consumers and more to acknowledge the Indian presence as a large consumer influence on the rest of the world. However acknowledging the presence of a market group is not enough. If the company truly wants to convince Indian consumers to buy Chanel products, it has to go beyond a simple recognition strategy.

China

Chanel's strategy in China began earlier than its Indian interaction. The most brand-related interaction between the Chinese market and Chanel began in 2009. Karl Lagerfeld launched a new line inspired solely by China, just like what was recently launched in India. The name of the collection is Paris-Shanghai Métiers d'Art and it was launched December 3, 2009.[148] According to Lagerfeld, "The French have always liked Chinese art and all that side of the world has been really inspiring for decoration in Europe since the 17th and 18th century."[149] The collection included a mix of Parisian and Chinese fashions, with the majority of the inspiration coming from Chinese influences such as the "Terracotta Army," Chinese cinema, and the over-the-top opulence of the Imperial Court."[150] Chanel combined Paris with Shanghai once again, linking the two through the supposedly shared history via Coco's interest in the Asian country's art.

Furthermore, Chanel has also created an educational exhibit in China. This exhibit is purely to showcase to the Chinese public the history and works of Chanel from its foundation to its most recent global expansion. The goal of the exhibit it to educate the Chinese public about

[147] Menkes, Suzy. "Exotic India, wrapped in Chanel; Karl Lagerfeld's vision is more Maharajah than Bollywood." The International Herald Tribune. 13 Dec. 2011. Accessed 8 Jan. 2012. nexis
[148] "Chanel News: China," Chanel website. Accessed 4 Jan. 2012< http://chanel-news.chanel.com/en/?s=CHINA >
[149] "Chanel News: China."
[150] Haight, Sarah, "Shanghai Chanel." WWD: Women's Wear Daily. 12/4/2009. Vol 198 Iss. 116, p.6.

Chanel as a company and brand so the Chinese people will understand the level of prestige that is an integral part of the Chanel history and brand. Once again the exhibit will be examined in more detail in the following section.

Chanel: Promotional Strategy

Chanel's general promotion strategy tends toward a print advertising campaign as well as interactive web-media. The company also tends to use, in its print advertising and other forms of promotion, celebrity endorsements. But has Chanel gone beyond its typical promotional strategy in India or China?

India

Prior to the Paris Bombay collection being released, the only promotional interaction Chanel had with India was the endorsement of Freida Pinto, the young actress who gained notoriety and success after her role in Slumdog Millionaire.[151] The company did an interactive photo gallery on its website, showing 24 hours with Freida Pinto; the gallery shows the young actress dressed in Chanel, attending a Chanel fashion show, and meeting Karl Lagerfeld. The gallery follows the traditional celebrity endorsements of the brand, and truthfully the choice to follow Freida Pinto was most likely because she was a young, recently famous actress rather than her being Indian. In the years that have followed the young actresses rise to fame, there has been little shown of her relationship with Chanel and even less promotion by Chanel in India.

China

[151] "24 Hours with Freida Pinto," Chanel News website. Accessed 7 Feb. 20120. <http://chanel-news.chanel.com/en/wp-content/themes/chanel-news/gallery.php?id=75#http://www.media.chanel-news.com/media/1258733528/en/2009/11/24_heures_avec_freida_pinto.jpg>.

Chanel's promotional interaction in China is the complete opposite to India. To honor the influence Chinese art has had on Chanel, specifically the founder Coco, Lagerfeld created a short film. The film, titled "Paris-Shanghai: a Fantasy," details a fictional meeting between Coco and the Duchess of Windsor where the Duchess details her own adventures in China; Coco, after the meeting, proceeds to fall asleep and dreams of China.[152] It is homage both to Coco and China, extolling the virtues of both and the relationship between the two.

In addition to the short film and the collection as of 2011, Chanel has created an educational exhibition called "Culture Chanel" which recently opened in Shanghai.[153] The goal of the exhibit is to help Chinese consumers better understand the Chanel brand. The exhibit begins with the early influences on Coco's life when she was in an orphanage and continues with the various influences she had throughout her life, such as Marcel Proust, Pablo Picasso, and Jean Cocteau.[154] In addition to the exhibit, there is a catalogue; a 400 page book made with five different papers printed in Bejiing.[155] The goal is, of course, so the consumer will always be able to look through the history of Chanel, even when not visiting the exhibit.

Furthermore, the company has proceeded to adapt one of its typical promotional methods for the region, celebrity endorsement. Yet even when using a promotional method common within the company, Chanel has still managed to give the endorsements more attention than its Indian counterpart. In 2011 Chanel made a young Chinese actress and singer named Zhou Xun a "Chanel Ambassadress for China."[156] Zhou Xun became famous in China in the early 2000s for her work on screen. The young actress has been attending Chanel events since before 2009, and

[152] "Chanel News: China."
[153] "Chanel News: China."
[154] "Chanel News: China."
[155] "Chanel News: China."
[156] "Chanel News: China."

Kurt Lagerfeld said she “is a mix of a young Coco Chanel and Zizi Jeanmarie.”[157] By choosing her for an ambassador and celebrity spokeswoman, Chanel is appealing directly to one of its largest markets, young adult, female, and Chinese. It is a twist on the previously more European based marketing and celebrity endorsers and proof that the company is taking a rather active step with the Chinese market.

Chanel: Conclusion

Chanel has an odd history for a business. It began, then ended, tried to come back, nearly failed, floundered, before eventually beginning all over again -- almost at square one -- and building its way back. Since Karl Lagerfeld became creative director and house designer, the company has gained not only stability, but a whole new global recognition. With the new global focus, the company adapted to the new Asian markets. Currently, there has been a definitive lack of adaptation in the Indian market as of late, but that just means there is more future potential for the company in India. When dealing with the Chinese market, the company has invested quite a bit in stores and educating the public about the brand, as well as adapting traditional methods to include an actress more recognizable to the Asian public. Despite these changes and adaptations, both Asian markets still have a large untapped potential that Chanel would be wise to exploit before other companies and brands take its place.

[157] “Chanel News: China.”

CHAPTER 3.III Cartier

Cartier: History

Cartier S.A., also known as The House of Cartier, is a private company specializing in jewelry. Cartier was founded by Louis Francois Cartier in 1847.[158] Louis was a descendant of a court metalworker for King Louis XV and King Louis XVI.[159] To found Cartier, Louis took over the workshops of his mentor Adolphe Picard.[160] In 1898 the company relocated to Paris, and then soon expanded to London in 1902 and New York in 1909.[161] During the late 1800s and early 1900s there was no other company in the world that could equal Cartier the closest was the House of Faberge, but it was not a direct competitor because it specialized more in bejeweled objects than in jewelry.

"The work of Louis Francois and his grandsons… was so distinctive, so finely crafted, and so classy, that it became the definition of elegance itself."[162] The Cartier elegance was one wanted by royalty around the world, so the company designed crowns, rings, and more for various royalties. Queen Victoria was a prominent customer and by the reign of her son Edward, Cartier was called the "Jeweler of Kings and King of Jewelers."[163] It is a title that worked for the company throughout the 20th century as it provided the jewels for maharajas, kings, queens, and czars, in addition to its wealthy clientele.

Today Cartier is a subsidiary of Compagnie Financier Richemont SA. Cartier joined Richemont in 1990 as an operating division of the luxury company.[164] Richemont is the third

[158] Miller, Judith. *Art Deco*. DK Publishing, Inc. 2005.p. 152
[159] "The House of Cartier," Life Magazine. Dec. 22, 1947. 61-65 p. 61.
[160] Miller, Judith. p. 152
[161] Miller, Judith. p. 152
[162] Hesse, Rayner W. *Jewelry Making Through History: an Encyclopedia*. Greenwood Press, 2007. p 194.
[163] Hesse, Rayner W, p 194
[164] "Cartier : Brand Snapshot," Ad Brands website, accessed 18 Feb, 2012. <http://www.adbrands.net/fr/cartier_fr.htm>.

largest luxury conglomeration, behind LVMH and Hermès, though the company only has around 20 subsidiaries and therefore is much smaller than the other two.[165] The conglomerates' primary products are luxury objects such as jewelry from Cartier and pens from Mont Blanc.

Despite being a subsidiary under Richemont, Cartier, along with all other subsidiaries, still maintains its independence. As explained on the company's website, "the independence of each Maison within the Group is fundamental to Richmont's overall growth strategy."[166] The structure of the conglomerate is that each company, called a maison, is run as independent entity with products being sold through a variety of global boutiques owned by the group.[167] By allowing subsidiary autonomy, the individual companies are able to maintain a brand identity completely separate from Richmont.

Cartier: Company Strategy

The general company strategy of Cartier is based on accessibility. The company has done its best to be fairly accessible to the consumers. Cartier has over 200 stores globally, maintaining a mixture of retailers who sell products and actual Cartier stores.[168] If someone is interested in buying a piece of Cartier jewelry, the company has made it fairly easy to find a vendor. The company has also expanded its stores, but by selling products at other jewelers, the company is able to have larger geographic coverage without having to spend the money needed to enter a new market and build a store.

India

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[165] Joseph, Tara. "Cartier says China stores could double in 4 years," Reuters on the web. 3 Sep 2009, accessed 18 Feb. 2012. <http://www.reuters.com/article/2009/09/03/us-china-summit-cartier-idUSTRE58222920090903>.
[166] "Strategy," Richemont website. Accessed Feb. 12, 2012. <http://www.richemont.com/about-richemont/strategy.html>.
[167] "Strategy,"Richemont.
[168] "Cartier Stores," Cartier website. Accessed 23 Jan. 2012. <http://www.cartier.com/en/jeweler-watchmaker/cartier-stores#/en/jeweler-watchmaker/cartier-stores>.

Cartier's company strategy in India is basically non-existent. The company has looked at expanding into the country, but due to the protectionist measures has been reluctant to participate in the market. There are reportedly about twenty stores in all of India that sell a Cartier product, only one of which is an actual Cartier boutique.[169] This goes against the typical company strategy of the jewel company, where there would normally be a much larger number of stores selling Cartier products. However it is not surprising considering the typical issues, particularly in retail, within India.

China

In general Cartier's company strategy in China is simply expansion. In 2009 Bernard Fornas, the president and chief executive of Cartier said, "China could become our first region in the world," he went on to point out Cartier's already expanded reach in the market as well as its expectations for further growth.[170] The company has already established itself in top-tier cities like Hong Kong and Beijing, and its next plans include second, third, and fourth-tier cities throughout the country.[171] Unlike in India where the company is hesitant to expand while such protectionist measures are still in place, Cartier is more than willing to broaden its presence throughout China.

Cartier: Brand Strategy

Despite Cartier having only a miniscule presence in India, the company has managed to create a brand strategy that is unique to that region. Specifically the company created a new line

[169] "Cartier, India," Cartier website. Accessed 23 Jan. 2012. <http://www.cartier.com/boutique/india#/boutique/india>.
[170] Joseph, Tara.
[171] Yan, Cathy. "Interview: Cartier's Courtship with China" The Wallstreet Journal on the web. 24 Nov. 2010. Accessed 4 Dec. 2011. <http://blogs.wsj.com/chinarealtime/2010/11/24/interview-cartiers-courtship-with-china/>.

that was heavily influenced by India. The company also made multiple lines that are unique to or influenced by China.

India

In 2008 Cartier launched a new line called “Inde Mysterieuse,” or Mysterious India.[172] The collection and associated advertising campaign show a jewelry collection, “that has been engraved, ribbed and cut in the Jaipur style.”[173] The overlying theme of the entire series is the “Mystery and Majesty of India.”[174] Each print ad shows a young woman with a semblance of Indian heritage wearing opulent jewels in extravagant places that hint at an India during the reign of Maharajas. The jewelry follows suit, involving opulent jungle themed pieces often based around the image of a tiger. [175] It is a collection in which the Indian influence is evident, but not so boorish that potential Indian customers will be turned off by the designs.

China

Cartier’s brand strategy in China is much more evident and extensive than it is in India. In an interview with Cartier’s Regional Managing Director of Far East operations, a young Nigel Luk, born and raised in Hong Kong, the director was asked about mixing orientalism in with Cartier jewelry.[176] His response was that he didn’t believe the Chinese consumers would buy foreign brands that are incorporating too many oriental references. “If we do something Asian-inspired, we use very strong European execution with oriental materials or design,” he

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172 “Cartier’s Plans in India Interview,”[Video](2008). Retrieved Dec. 5, 2011, from <http://www.youtube.com/watch?v=IV5UCFfau3o>.

173 Pande, Manisha. “Cartier’s second coming in India.” 17 Mar, 2010. Accessed 17 Nov. 2011. <http://www.business-standard.com/india/news/cartier%5Cs-second-coming-in-india/388789/>.

174 “Cartier Print Advertising Campaign. “ Blurr Creative. 27 April 2011. Accessed 13 Nov. 2011. <http://www.blurrcreative.com/2011/04/27/cartier-print-ad-campaign/>.

175 “Cartier- Inde mysterieuse collection,” Luxury Gadgets. 11 July 2009. Accessed Jan 4 2012. <http://www.luxury-gadgets.com/2009/07/11/cartier-inde-mysterieuse-collection/>.

176 Yan, Cathy.

said.[177]The company followed through with that very belief when it introduced the “Le Baiser du Dragon,” or Kiss of the Dragon line. The line was most famous for its Dragon perfume; however the famed jeweler did make a small additional jewelry line to match. Kiss of the Dragon was launched in 2003, and is still being bought in China.[178] The perfume has been an overwhelming success.

In addition to Kiss of the Dragon, in the near future the company is launching a new Panther de Cartier collection in jade. The collection will be out of jade, diamonds, and jadite. It’s not a design made specifically to appeal to the Chinese, or other Asian, markets. However, Luk said, “It’s an Asian approach with European design. I wouldn’t says it’s a specially collection for mainland Chinese, but jade is in a way more Asian.”[179] Thus the company is not necessarily directly appealing to the Chinese market, but will be creating a few new pieces that are more Asian based. It will be interesting to see how the jade collection fares, being a combination between European style and typical Asian materials. If the company can find the appropriate balance, the line has great potential.

Cartier: Promotional Strategy

When discussing the general promotional strategy of Cartier it is best to defer to an old article in Life magazine that said, “Cartier’s holds warrants as jeweler to half a dozen European and Asiatic royal houses, and it is not infrequently commissioned to reset the crown jewels of Indian potentates who desire a change of headgear.”[180] From the very formation of the company, Cartier has had strong relationships with royals. The strategy of Cartier to use its previous connection with royalty to maintain its luxury image has not changed drastically from

[177] Yan, Cathy.
[178] Yan, Cathy.
[179] Yan, Cathy.
[180] “The House of Cartier,” Life Magazine. Life Magazine

the beginning. The company still makes jewelry for the few remaining royals as well as those who have replaced them, celebrities. The company has also taken to sponsoring a variety of high level events, from concerts to sports. One of its premier sponsoring events is British polo, a sport the company has been sponsoring for over 25 years.[181] Using the connection to the elite of society, Cartier continues to prove it is the jeweler of high society and collect the all the prestige that comes with such a reputation. However, has the brand done much to maintain is prestige in the new markets?

India

When it comes to India and China, Cartier has not made many changes in its promotional strategy. The company is honoring the host country by providing an interactive web-history. The interactive web-media displays a history section on the Cartier website made specifically for India. Called "Exotic Splendor -- Cartier and the Indian Style" there is a short series of four different areas the user can read.[182] Each section details the history of Cartier in India and the influence India has had on the luxury company. The areas explain the company bejeweling the maharajas and shows the Indian influence on the company from its choice of gemstones to the company's now iconic panther figurine.

China

In China the company promotion has followed the actions of Louis Vuitton and joined Youku, the Chinese equivalent to YouTube. Cartier has created its own channel on the

[181] Neel, Julia, "Twenty-five years of Cartier Polo- A retrospective," UK Vogue, on the web. 24 July 2009. Accessed Dec. 17 2011. <http://www.vogue.co.uk/spy/celebrity-photos/2009/07/24/25-years-of-cartier-international-polo>.
[182] "Cartier: Inspiration," Cartier website. Accessed Dec. 7 2011. <http://www.cartier.us/#/tell-me/inspiration/exotic-splendor-intro/exotic-splendor?indexContent=0:/tell-me/inspiration/exotic-splendor-intro/exotic-splendor/symbols-motifs>.

interactive web video service. Its channel shows the company strategy "consists of three sections on different product lines and a section for announcements."[183] It is surprising that a company that has been so focused on its company and brand strategies in a market would be so negligent in adapting or creating promotional strategies. Perhaps Cartier believes its general strategies are already creating a good response in China and need not be adapted to the market.

Cartier: Conclusion

So with a company whose typical strategy involves the availability of its products, a high-class reputation due to its celebrity and royal consumers, and the use of emotional new media, is there anything being changed for new markets? The answer is: not really. Asia, despite being the largest growing economy today, is not the leading market for Cartier; Europe still maintains the leading market position.[184] So it's no surprise that Asia has not captured the main focus of the company. That being said, the company still invests in the potential Asian markets. If the market continues to grow at the same rate, within a year Asia should usurp Europe as Cartier's leading market.

Cartier has had a long history with India. Dating back to 1911 when founder Louis Cartier first visited the country, the relationship between Cartier and India has been one of mutual influence.[185] Cartier provided the maharajas and other Indian elite with more European styled jewels, while India provided Cartier with new inspiration for his products. Despite the history, Cartier did not establish a store in India until 2008, nearly 100 years after the brand was first introduced in the country.[186] Despite coming late to India, following Louis Vuitton and

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[183] Lamb, Rachel. "Louis Vuitton, Dior, Cartier hit Chinese market with targeted video channel." June 27, 2011. <http://www.luxurydaily.com/louis-vuitton-dior-cartier-hit-chinese-market-with-targeted-video-channel/>.
[184] "Sales by region," Richemont website. Accessed 12 Jan 2012. <http://www.richemont.com/investor-relations/key-figures/sales-by-region.html>.
[185] "Cartier's Plans in India Interview"
[186] Pande, Manisha.

other luxury brands, Cartier expects the history between the two will only aid in future growth. Unfortunately, the company will not see any growth soon, unless it takes a more active strategy.

Other than the two campaigns, Cartier has made little progress within India. Part of its inaction has to do with the strict government regulations that discourage foreign direct investment. Another reason was because there was not one specific geographic area for luxury goods. There was no Indian equivalent to 5th avenue and therefore the company did not have one area that stood out against the rest. However, when a luxury emporium was created in New Delhi, Cartier professed a willingness to establish a new store.[187] The company has not expanded since the first store, though there are a few retailers who will sell Cartier goods. The company is waiting for consumer response before it begins to establish other stores, though its is looking at other places and other cities in case of future expansion.[188]

Cartier's history with China pales in comparison to its history with India. However, the company has been established in Hong Kong for the past 40 years, so the brand is well known.[189] The company has expanded throughout China, and the number of stores and retailers for Cartier is well over 50. But despite Cartier investing in more stores in China than India, the company has done very little to change or appeal to the Chinese customers.

Overall, Cartier has not really changed or adapted its strategies for new Asian markets. The company has a play-it-safe strategy that might not turn out to be safe at all. In India the company waited to enter until regulations were lessened and there was a place created for luxury retail. In China, the company has focused only on its expansion strategy. In one country Cartier is basing its recognition and singular campaign on a century old relationship, while in the other

[187] "Cartier's Plans in India Interview"
[188] "Cartier's Plans in India Interview"
[189] Yan, Cathy.

the company is simply creating more Chinese-based, European-styled items. The company is not appealing to its new market. Instead it using miniscule actions that show the company is not really genuinely adapting for these markets, nor is it taking extra stops to do anything beyond opening more stores to ensure its products are available. The lack of adaptation for these markets may prove harmful for the company in the future.

Chapter 3.IV Hermès

Hermès: History

The final company is the Hermès Group, a public company that sells a variety of leather goods, fragrances, and accessories. When the company was founded in 1837 by Theirry Hermès, it only made saddles.[190] Later the company expanded production to include special bags to be used by its customers when the customers were riding, as well as other travel based items such as trunks and overnight cases.[191] The family continued to expand its business by buying the exclusive rights to the zipper and creating multiple fragrances, eventually gaining a reputation for excellence.[192]

Hermès had a worldwide distribution network by the late 1970's conducted by the 5th and 6th generations of the Hermès family.[193] Part of its distribution network involved a variety of subsidiaries, some begun by Hermès itself while others were acquired. In 1993 the company went public, yet the Hermès family managed to obtain 73% ownership.[194] However, in October 2010 competitor LVMH managed to obtain 17% of Hermès, in 2011 its stake was raised around 20%.[195] LVMH is interested in adding Hermès to one of many acquisitions. Hermès has not taken kindly to this act by LVMH, with the chief executive Patrick Thomas openly stating it was a hostile move.[196]

[190] Plunkett, Jack W. *Plunketts Retail Industry Almanac*, Plunkett Research, Ltd. Texas."Hermès"; "Thierry Hermès," Fashion Model Directory website. Accessed 12 Jan 2012. <http://www.fashionmodeldirectory.com/designers/thierry-hermes/>.
[191] "Thierry Hermès."
[192] Gris, Agathe "Enter the Luxuous World" Slide Share website. Accessed 6 Jan 2012. <http://www.slideshare.net/sebzim/hermes-study9>.
[193] Gris, Agathe.
[194] Gris, Agathe.
[195] Alderman, Liz, "Off the Catwalk, The Battle for Hermes," The New York Times. 6 March 2011. Accessed Feb.7 2012.
[196] Alderman, Liz.

Until 2010, when LVMH began to obtain stake in the company, Hermès had been functioning with only slight worry about a future attempt at acquisition. Prior to the threat from LVMH, the company's main worry was the lack of product for demand and maintaining the same level of craftsmanship that made the brand famous. To fight off a potential hostile takeover, the family is trying to create "a special company to hold more than 50% of its shares in the business."[197] The following graph shows the annual sales revenue in millions of Euros for LVMH and Hermès.

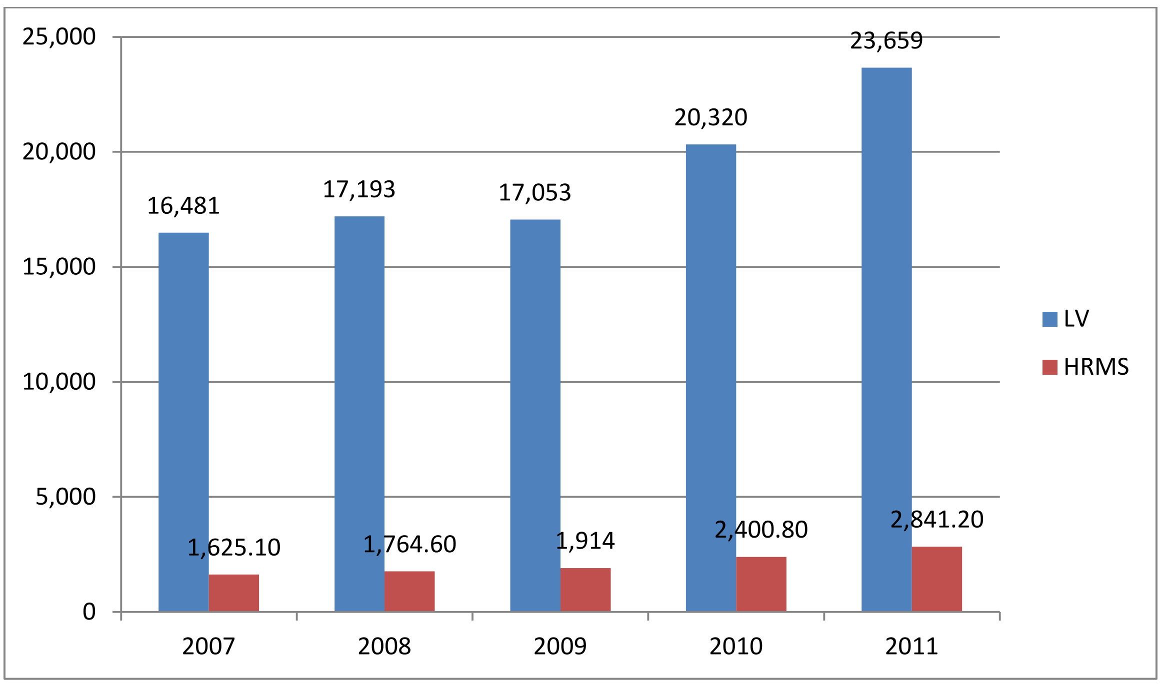

Figure 2- LVMH and Hermes, Annual Revenue in € 2007-2011[198]

It is easy to speak about luxury companies competing against one another when size is not an element strictly shown. LVMH has over 60 companies under the corporation, Hermès has

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[197] Alderman, Liz.

[198] LVMH.com, "Investor Relations: Annual Reports, 2007-2011,"accessed 4/20/2012. http://www.lvmh.com/investor-relations/documentation/reports>; Hermès website "Informations financiers: Resultat Annuel: 2011, 2010, 2009, 2008, 2007," accessed 4/21/2012. < http://finance-fr.hermes.com/2011/RESULTAT-ANNUEL>.

less than 10.[199] Though figure two shows Hermès has seen a positive growth in sales revenue since 2007, a feat which LVMH was not able to maintain as shown by a decrease in 2009 – presumably due to the economic crisis occurring – , Hermès is nowhere near the fiscal level of LVMH. So when it is reported that today the company fears a looming presence from LVMH that threatens the company structure, the management, and the strategies, is should be recognized that Hermès is facing a very real threat.

Hermès: Company Strategy

When speaking of Hermès and its strategies, the primary factor to understand is the company is not focused on the short term. The company has a "long-term strategy, based on the mastery of the know-how and the control of the distributor's network."[200] The company is more focused on maintaining the quality of its products than making acquisitions. Hermès stresses "the creativity, the quality of the product and the reinforcement of the know-how and the art craft spirit," in each activity and product produced by the company.[201] The brand Hermès has a reputation for taking luxury to the extreme; bags are made to order, and just because someone can afford a piece such as the famous Birken Bag, does not mean the consumer will receive it any sooner than the other people on the two-year long waiting list. In a statement by Patrick Thomas, the chief executive of Hermès said, "there is a part of our world that is playing on abundance, on glitz and glamour, and there is another part that is concentrated on refinement, and making beautiful objects."[202] Louis Vuitton would be the former while Hermès is, as implied, the latter. The two types are "access luxury" versus "prestige luxury," and it is a battle

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[199] Reuters.com, "Company Profile: Hermes," accessed 4/22/2012. <http://www.reuters.com/finance/stocks/companyProfile?symbol=HRMS.PA>.

[200] Hermès website "2009 annual report," Hermès website, accessed 13 Feb 2012. _< http://finance-fr.hermes.com/2011/RESULTAT-ANNUEL>.

[201] "2005-2008 report," Hermès website, accessed 13 Feb 2012. < http://finance-fr.hermes.com/2011/RESULTAT-ANNUEL>.

[202] Alderman, Liz.

between the two that occurs among luxury companies, a fight which Hermès is losing as more companies are democratizing luxury.[203]

However, just because Hermès balks at the thought of mass production does not mean the company is not investing.[204] Hermès International is a company with over 300 stores globally.[205] Of the more than 300 stores, roughly 180 are branches, 120 are concessionaires, while 20 are other retail outfits such as the specialty duty free stores in airports that sell watches and perfume.[206] The Hermès brand and stores are following the trend in expansion with the other major luxury brands and delving into new markets.

When it comes to strategy, Hermès is planning for the future. The company is expanding its physical presence and market presence by entering into more sectors. To support production, the company is also expanding by acquiring more subsidiaries to provide more materials. In addition to its expansion strategy, the company is also focusing on continuing production of high quality products. Hermès places its product value at such a level of importance within the company that the whole business is essentially tied to quality. The level of quality has to be maintained or surpassed by every product, a mentality that in itself leads to quality-based strategies, such as the acquisition of other subsidiaries to continue quality production levels. But has the company included any Asian markets in its long term strategies? The answer is simple: specialization…and that is about it.

India

[203] Gris, Agathe.
[204] Alderman, Liz.
[205] "Hermes International (RMS) Financial and Strategic Analysis Review."
[206] "Hermes International (RMS) Financial and Strategic Analysis Review."

The Hermès company strategy in India is similar to Cartier; the company is only looking at expansion, and even that is limited. Also similar to Cartier, the lack of action by Hermès could stem from the same two reasons. The first reason is the protectionist measures. Hermès is a very traditional company that is still controlled by only a few people despite being a public company. As shown by the company's reaction to the Louis Vuitton threat, Hermès does not like giving up control to anyone, a requirement when dealing with India. So a lack of action could easily be linked to the company refusing to be controlled by outsiders. The second factor that has led to inaction in India could also simply be that Hermès is too focused on China, where the company has created an entirely new strategy.

China

In China, Hermès is expanding its physical presence. There are around 20 Hermès stores in China.[207] The stores are a mixture of duty-free, flagship, regular stores, and retailers -- all of which have aided the company's current expansion. However the biggest difference with the strategy of Hermès in China, what makes its strategy stand apart from not only its strategy in India but also the other three case studies, is the company's creation of an entirely new brand, Shang Xia.

Shang Xia, meaning "Up Down" in Mandarin, was launched in 2010 with the help of famed Chinese designer Jiang Qiong.[208] Shang Xia is focused on preserving "the historical beauty and craftsmanship born of Chinese ingenuity, to provide a simple, elegant 21st century

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[207] "Store Locator," Hermes website. Accessed 22 Feb 2012. <http://lesailes.hermes.com/us/en/55-00_Store_Locator>.

[208] "Shang Xia," Shang Xia website. Accessed 16 Feb 2012. < http://www.shang-xia.com/en>.

aesthetic."[209] What the brand is meant to do is bring Hermès to mainland China, Hong Kong, Macau, and Taiwan -- the company's new "principal market" -- by creating a Chinese Hermès.[210] Essentially, Hermès is growing a local brand in China.[211] The creation of a Chinese brand is an odd situation. Usually companies acquire subsidiaries, rather than beginning from scratch and creating a new brand -- associated, but not under, the same name as the parent company. The creation of the new brand is supposed to expand Hermès' business without hurting its reputation of exclusivity.[212] However, while Shang Xia "sales have exceeded expectations," it is not yet profitable.[213] But Hermès has high expectations for the new brand and in 2011, on the Shang Xia boutique one year anniversary, the company announced plans to expand the brand to Paris.[214] Whether or not Hermès has made the right choice to create a new brand, rather than market the original Hermès to China, is yet to be decided. For a company so focused in the long-term, Hermès has seemingly not realized the long-term danger of creating what will be, essentially, another competitor in a market where competition is already extreme.

Hermès: Brand Strategy

The explanation of the brand strategy for Hermès in China is a bit complicated due to Shang Xia. However there are not such problems discussing the brand strategy in India. As following the trend of the three prior case studies, Hermès has created multiple lines that were influenced by and created for the Indian culture.

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[209] "Shang Xia."
[210] "France's Hermes introduces new Shang Xia brand in China," The China Post on the web. 18 Sept 2010. Accessed 15 Feb. 2012. <http://www.chinapost.com.tw/business/asia-china/2010/09/18/272935/Frances-Hermes.htm> ; and"Hermes lauches new brand in China," Channel News: Asia. 17 Sept 2010. Accessed 15 Feb. 2012.< http://www.channelnewsasia.com/stories/beautynfashion/view/1081740/1/.html>.

[211] "Hermes to expand Shang Xia to Beijing and Paris," Red Luxury. 16 Sept. 2011. Accessed 21 Jan 2012. <http://red-luxury.com/2011/09/16/hermes-to-expand-shang-xia-to-beijing-and-paris/ >.
[212] "Hermes to expand Shang Xia to Beijing and Paris"
[213] "Hermes to expand Shang Xia to Beijing and Paris"
[214] "Hermes to expand Shang Xia to Beijing and Paris"

India

On the week of October 8th, 2011, Hermès launched a new collection of special edition saris to be sold to customers in India.[215] Each sari, of which there are five designs, is based off the famous Hermès scarves.[216] Patrick Thomas explained the history of the new line by stating, "Designing these saris for Indian customers is a way to pay light homage to India, and say 'Hermès admires India and has a lot to learn from India.'"[217] The saris are sold at the flagship store in Mumbai and particular cultural attention has been paid so that even the traditional extra meter of fabric has been included to tailor a top. [218] So far the response has been positive, despite the beginning price of 6000 U.S. Dollars.[219]

But the creation of a line of saris was not the first time Hermès made a line influenced by the India, nor was it the first time saris were used in a Hermès line. In 2007 Hermès created a new fashion line that showed a heavy Indian influence.[220] Though the line was not purely made up of saris, elements from a typical Indian wardrobe were used. These elements included not only the addition of saris (which probably acted as a trial run for the most recent line), but also included traditional headwear.[221] Perhaps it was the '07 line that was used as a trial run to see if the Indian market would be interested in a future line of saris.

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[215] "Hermes launches limited edition Indian sari at Mumbai flagship store," CPP Luxury. 8 October 2011. Accessed 14 Jan 2012. <http://www.cpp-luxury.com/en/hermes-launches-limited-edition-indian-sari-at-mumbai-flagship-store_1750.html>.
[216] ANI, "Hermes unveils limited edition luxury saris for Indian customers," News Track India. 12 Oct. accessed 14 Jan 2012. < http://newstrackindia.com/newsdetails/245312>.
[217] ANI.
[218] ANI.
[219] Stancati, Margherita and Preetika Rana, "Hermes Goes Local With India Sari Launch," Wallstreet Journal on the web. 12 Oct. 2011. Accessed 12 Jan. 2012. <http://blogs.wsj.com/indiarealtime/2011/10/12/hermes-goes-local-with-india-sari-launch/>.
[220] Phelps, Nicole, "Hermes," Channel News. 6 Oct. 2007. Accessed 15 March 2012. < http://chanel-news.chanel.com/en/wp-content/themes/chanel-news/gallery.php?id=75#http://www.media.chanel-news.com/media/1258733528/en/2009/11/24_heures_avec_freida_pinto.jpg>.
[221] Phelps, Nicole.

China

Because Hermès created a new Chinese brand, Shang Xia, there appears to be no Hermès brand strategy in China. However, that is obviously not the case, considering the company is active in China, but active under a different name. The China specific brand line under the parent company is proof that Hermès has been far from negligent in China.

Hermès: Promotional Strategy

The promotional strategy of Hermès as with the others typically is based on print advertising campaigns and celebrity endorsements. Though the company does in fact have a rather interactive webpage, the site is more entertaining (or flat out frustrating) to use than informative. Still, Hermès has managed to establish an active web presence, effectively keeping up with the competition.

India

Unfortunately Hermès has not managed to go beyond its typical promotional strategies when dealing with India. Of course, the company has managed to adapt them to fit the market better, but the promotional aspects are still limited.

For instance, one of the promotional adaptations was the creation of an Indian-based advertising print campaign. A print campaign tends to be the most basic form of promotion used by companies. This particular campaign tried to send a message about the connection between Hermès and India. The campaign used a mixture of bright orange and bright pink in various combinations with a message that said "*Orange Hermès et Rose Indien*."[222] The goal was, obviously, to try and show, i.e. create, a supposed relationship between the typical orange color

[222] Patel, Priya, "Hermes Orange, Indian Pink," Nirali Magazine on the web. Accessed 16 March 2012. <http://niralimagazine.com/2008/02/hermes-orange-indian-pink/>.

of the Hermès logo and a color prevalent in Indian culture, pink. However, there has been little connection between Hermès and India until now, so the company is showing less a previous relationship and more the creation of one.

Another type of promotion used is celebrity endorsement. Hermès is not as focused as Louis Vuitton when it comes to celebrities. The company uses them for promotion, but the company's ads are not focused on having a celebrity, which is why it is a bit of a surprise that Hermès already has an Indian celebrity endorser. The celebrity is a young woman named Lakshmi Menon who is a famous Indian model.[223] She is also the main person used in the previously mentioned advertising campaign.

China

The promotional strategy of Hermès once again faces the same problem as its brand strategy; meaning that due to the creation of Shang Xia there does not appear to be any specific strategies that have been modified for China. However that is, once again, obviously not the case. The company has simply used Shang Xia to create an interest by the Chinese people, rather than try to adapt one of its general strategies under the Hermès brand to the Chinese market.

Hermès Conclusion

As of 2011 Hermès only has three stores in all of India.[224] Yet the company has not been running advertising campaigns designed to appeal to Indian customers. In fact, not only has the company not been directly advertising to its potential Indian market, but it is also extremely late in entering India. But what the company has done to appeal to India is create a completely new

[223] Patel, Priya.
[224] "Store Locator: Hermes."

addition to its fashion sector: saris. The new line has shown a more active approach that, if Hermès acts logically, the company will continue.

In China the company has taken a completely new strategy by creating a new brand. Shang Xia, while a subsidiary under Hermès, has enough independence that the average person would not know its connection to the parent company. The creation of a new brand in China has been successful enough that Hermès is planning to expand its new subsidiary’s presence globally. However Hermès needs to think about what such an expansion means to them, not as its parent company but as its competition. Because Hermès has been so focused on Shang Xia, the company has been borderline negligent in its brand and promotional strategies in China for itself. Of course Hermès still receives a profit even if it comes from Shang Xia. However it stands to reason that if Hermès does not try to appeal to the Chinese market for its own brand, the market will lose interest. The following graph shows the percentage of sales from Hermès between the years 2007-2011 and divided by geographic region.

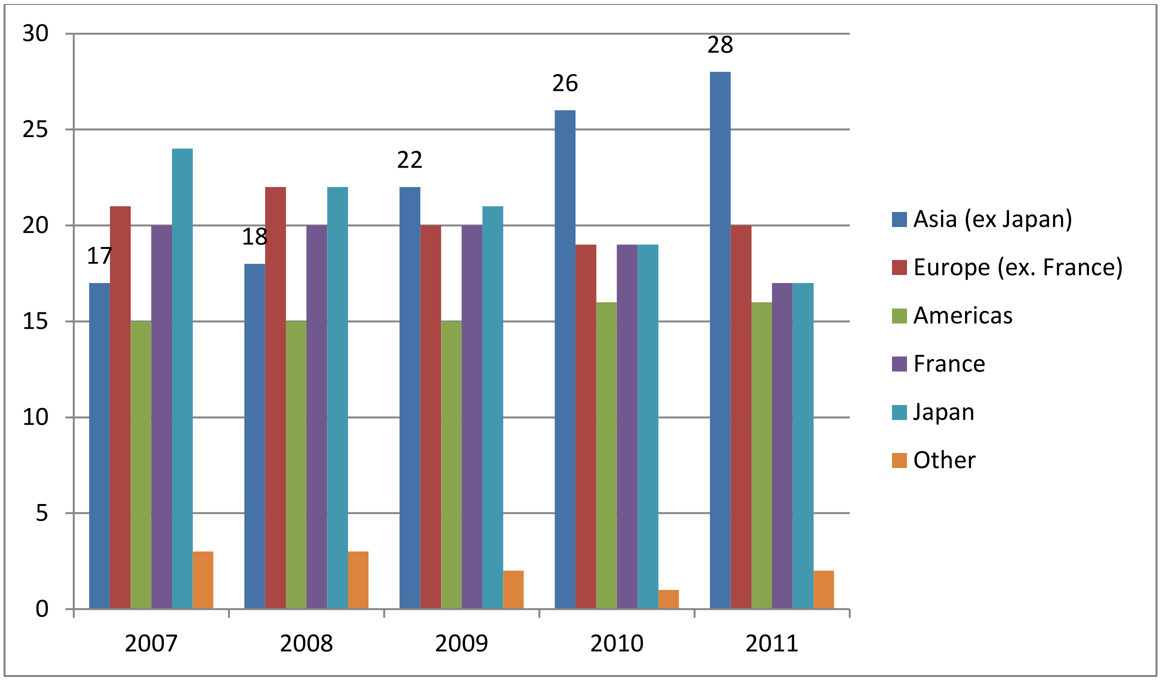

Figure 3- Hermes % of Sales Revenue 2007-2011 by Region[225]

When looking at the graph, there should be little surprise that Asia excluding Japan has seen an increase in percentage of sales over the past few years. However, what is also interesting is the increase in percentage in the Americas. Perhaps this increase is due to the focus of Hermes on the more traditional markets. If that were the case, it would also explain the apparent stability of France's market percentage from 2007 to 2009, and perhaps even the increase in the European markets which occurred in 2011.

Hermès has one of the most unique strategies in the luxury goods business purely because it has not changed drastically. The company has always been and still is focused on the long-term. Though its strategy has briefly adapted to some industry trends, such as global expansion, as a whole the Hermès strategy remains as focused on long-term quality as ever. The brand's interaction with its Asian markets has led to the design of a new line of fashion as well as a

[225] Hermès website "Informations financiers: Resultat Annuel: 2011, 2010, 2009, 2008, 2007," accessed 4/21/2012. < http://finance-fr.hermes.com/2011/RESULTAT-ANNUEL>.

completely new brand. However, despite these two actions obviously made specifically for potential Asian markets, the company has had limited interaction beyond the new line and brand creations. This of course means the potential for future growth has never been higher than right now, if only the company would take advantage of the opportunities.

Chapter 4: Strategy trend comparisons and concluding remarks

As shown by the case studies, there are a plethora of business strategies a company can use to enter and appeal to new consumer markets. Typically a company will use many different strategies in its domestic operations. Therefore it is no surprise that the four companies have different strategies when it comes to foreign investments. Though every strategy used by a company will be adapted to create a unique business plan, there are still certain strategy trends that have come to light.

Based on the case studies of the four companies, this section will analyze the strategies most commonly used. Each strategy used has its own advantages and disadvantages which will be discussed and compared to the other strategy of the remaining companies. The goal will be, at the end of the comparison, to understand and analyze the strategies that would best work for French luxury brands which continue to expand in emerging markets. The strategic choices include: for company strategy, expansion through store implementation versus expansion through acquisition of subsidiaries; for brand strategy, the creation of a new global line influenced by the Asian market or the creation of a new line designed for the new Asian market; and finally for promotional strategy, the adaptation of traditional promotions or implementation of a new type of promotion.

Expansion: Store Implementation or Acquisition?

The four companies have one similar goal: expand into the new emerging markets of India and China. Though expansion of a company can occur in a variety of ways, the two main trends are opening new stores or acquiring subsidiaries. The question is, would the company strategy be more efficient if only one of the two was the focus? To answer the question it is necessary to look at each strategy more in depth.

Store Implementation

When a company creates more stores, it is expanding its physical presence in the market. More stores make the company's products more accessible and, in theory, create more company recognition in a new market. Another reason for adding new stores is to meet demand. When a company is newly established in a previously untapped market, there tends to be a great demand for the new goods or services. This is particularly true with luxury goods in India and China, where domestic policies had kept foreign luxury businesses away. Once policies became more liberalized and the luxury industry expanded, demand for luxury began to grow. In order to meet demand in the new markets, as well as increase revenue for the company, the logical next step is to expand the company presence in the market by creating new stores. More stores mean more accessibility, allowing consumer demand to be met fully or at least partially.

However, by creating a large physical presence the company is also incurring a high cost which, if the market slows and/or demand decreases, will be difficult to cover. These are the costs to build and maintain the new store and also to enter into the new markets. The companies could be over investing in a country that will not meet the required returns. More stores mean more access to the company's products which, if unable to maintain a proper balance of supply and demand could lead to saturation of the markets. Considering an important aspect of a luxury good is the intangibility that luxury is something rare and not accessible to all, making more stores could decrease the intangible prestige of luxury goods or services.

Acquisition

Another trend in expansion, as shown by the case studies, is the strategy of expanding by acquiring other companies. Once a new company is acquired, it becomes a subsidiary and takes its place beneath the banner of the company doing the acquiring. Companies which use acquisition do so for a variety of reasons – to increase production capacity, to enter a new industry sector, or perhaps to enter a new market by acquiring a local subsidiary. Acquisitions help a company expand by simply taking over a new company.

Yet even acquisition, the most frequently used company strategy of the four French firms studied here, has its own issues. Much like opening new stores, acquisitions entail high costs that can make the takeover less advantageous for the acquiring company. Furthermore, the company also has to deal with adapting the new subsidiary to the acquiring company's style of management and level of quality. Rarely will a company that has recently been acquired maintain its independence. There will always be some type of restructuring, which is difficult, expensive and time consuming. If the acquiring company fails to implement the changes properly, there will almost certainly be repercussions.

So of the two expansion trends, which one is more efficient? The truth is… probably a combination of the two, in particular because the two strategies are not quite on the same level of expansion…yet. Currently, in the general company strategy, all four companies are using acquisition and expansion at the same time. However, the businesses are not using the strategies in the same place. Except for the single Louis Vuitton production-based subsidiary in India and the single new Hermès subsidiary in China, the four brands have stayed away from acquiring other companies within the host markets. Instead, the companies have expanded by creating more places where goods can be bought and have saved acquisitions for business in the home country. By not actively pursuing local companies in China and India, the companies are only hurting themselves. Considering these two countries make foreign investment difficult, by normally requiring foreign companies to work with a local company to enter the market, an acquisition is a good and more efficient way to enter the market. If the foreign companies would use a combination of the two strategies, acquiring local companies in addition to opening new stores, the businesses would be able to attain a higher level of efficiency as well as more consumer interest in the new market.

Made for Asia or Influenced By Asia?

The next trend occurs in the brand strategies of Louis Vuitton, Chanel, Cartier, and Hermès. Hermès, Cartier and Louis Vuitton have all created new lines specifically for one or more of the Asian markets, and all four companies have created new collections inspired by the new Asian markets. But is one of the strategies better than the other? Is it better for the companies to honor new markets by creating lines that pay homage to China or India? Or is it better for the companies to design specific lines for the Asian markets?

Made for Asia

Designing for a specific market requires a deep understanding of its culture and consumer spending trends. A company has to create a product that the people will buy. For instance, Hermès designed a line of saris for its Indian market. Saris are a typical part of Indian culture and therefore Hermès knew the Indian public would accept and buy its product. It would not have made sense if Hermès had created that line in China. Although it can be extremely difficult to create a product for a single market, the public will often respond positively. But the company places itself at risk by producing a single line for a country. Should said line be perceived as clichéd by the target market, consumers will not buy the line and may take it as culturally offensive. If the line is view negatively the backlash could interfere with company's reputation, damaging relations and future profits. But this may be a risk worth taking, since the specialized line shows not only recognition but also appreciation of the Asian presence in the global market.

Influenced By Asia?

On the other hand, as shown by all four case studies, there is also a recent trend to create a line that has been influenced by the Asian markets. Lines that have been influenced by either China or India are not lines that will be sold in either of those markets, or at least not exclusively. The lines that used Asian influence are lines launched like normal brands lines, globally and to all markets. The lines tend to be a bit clichéd, enough so that Asian markets do not have interest in them, such as the Louis Vuitton Shanghai line. The sole purpose of these lines is to recognize the new emerging markets and the rising consumer importance. Yet, the risk in creating a global brand inspired by a single market is the chance that the remaining markets are not interested in the style. Western and Eastern styles are so different, that designing for one entails a significant chance that the other will not accept the style. Obviously, considering the role emerging markets are playing in business, the markets ought to be recognized. Certainly the market consumers appreciate the acknowledgement that the culture is different from the western counterparts. However, the companies could honestly do a bit more than simply recognizing the countries that are about to become the largest markets in the world.

When it comes to the introduction of a new line which is either created for or influenced by a specific market, there is a certain level of risk which the company must take. Choosing either method could lead to a line that is not accepted by either the new or old market. Creating lines for a specific market involves a deep understanding of the new market's consumers and culture, but it must be neither clichéd nor insulting. On the other hand, creating a line that is inspired by a specific culture, but is targeted toward the rest of the world, could lead to a collection that is not accepted by the old markets because the style is too different. Which choice is best?   No doubt the "influenced" line requires less market research, is less expensive to develop, and is more appropriate at the beginning of a company's relationship with a new market. Recognition should occur at the moment when a brand is just entering or is about to enter into a new market; it brings a message of celebration for the future. The four brands studied here, however, are already fairly established in India and China and should therefore be going beyond the stage of recognition and on to designing specifically for each country.

Adaptation of Tradition vs. Introduction of Something New

When it comes to the final conflicting strategy trends, we need not look further than promotion. The promotional strategies of the four companies are in some ways unique to each company. There are nonetheless two prevalent and contrasting trends, namely the adaptation of traditional promotion methods versus the introduction of new promotions.

Adaptation of Tradition

Certain methods of promotion were used by all four companies -- interactive media, print campaigns, and celebrity endorsements. These three types of promotion, along with sponsorship, are considered "traditional promotions." As discussed in the cases, each company had promotions that were specific for India and China, but some of them were just adaptations of the company's traditional methods, such as Louis Vuitton using a Taiwanese model in its advertising print campaign, Hermès using a famous India model as a celebrity endorser, or Cartier creating an interactive history of India on the company website. Certainly the companies were right to adapt to new markets, but is the adaptation of tradition methods really enough? The answer is yes…and no. There are many companies that will do fine if the business continues to use the traditional promotions with which it is comfortable. But entering a new market means there are new promotional routes that are open for use. By only adapting traditional promotions the company is limiting itself and consumer reactions.

Introduction of Something New

It is difficult for companies to create a new type of promotion for a specific market. First, the company has to find appropriate new promotion sources that attract enough attention. This can be difficult because there are many places a company can advertize. Once the source is chosen, the company has to create an entirely new type of promotion, one in which it may not have any experience. For instance, Chanel created an entire exhibit in China detailing the history of the brand and its relation to the host country. Through the exhibit, the company was branching out and creating a new style of promotion. Furthermore, the company also created a short film. Though companies often use video to create commercials, the creation of a short film dedicated to China and Coco Chanel is a bit beyond the typical promotional strategy of the company. When a company enters into a new market, it is logical to also create a new promotional strategy. As previously stated, the adaptation of tradition promotions is by no means a poor decision on the part of the company. However, entering into a new market is the perfect opportunity for the company to expand a promotional plan or try something new all together.

So is it better to adapt a company's traditional methods or create new promotions? The honest truth is that is does not matter, because the more adaptation that occurs the better off the company will be, no matter what strategy is used. Adaptation is the key to being accepted in other societies. If a company tries to enter into a market without changing a single part of its promotion, the new market may be aware of the company's name but it will most likely not be very interested. If the company does not care enough to adapt to the new consumer market, why should the new market buy the product? Of course, finding where, how, and what part of the promotional strategy needs to be adapted can be difficult. But if a company has the means to go global, it should have the means to research new markets' consumer mentality. Not only is adaptation of promotion a sign of the company's respect for the new market, but it is also is likely to create more interest in the good or service being sold.

Conclusion:

Luxury companies have a strong historical link to France, but companies are not able to survive off of history alone. In the post-industrial nations where the French luxury brands are well known, there is limited amount of consumer growth occurring. For example, Europe's luxury market is expected to see only a 4% growth in the coming year.[226] Due to the lack of consumer response in the more traditional markets, the companies have had to look elsewhere, such as in emerging markets.

Emerging markets have doubtlessly had important effects on firms in recent years. These markets have created many new opportunities for growth and development of companies in all industries. The BRIC countries in particular will have a large impact, one that businesses have only recently begun to develop. Due to regulations and protectionist measures, many markets are still difficult to penetrate. On the other hand, many of the emerging markets have also undertaken significant economic liberalization. As long as these new markets remain relatively open and it is easier for foreign companies to penetrate and navigate them, businesses will regard emerging countries as the future key markets. With such vast potential, there is little doubt that the emerging countries are the future of not only luxury companies, but business in general.

[226] Roberts, Andrew, "France's 17 Billion Luxury Goods Become Election Losers," Bloomberg. 19 March 2012. Fax.

As shown in the case studies, there is more to business in emerging markets than using a simple penetration strategy. Although the four companies use certain strategies on a global basis, most important are the strategies the companies have developed for specific emerging markets and in particular for China and India. The markets importance is recognized by the four French luxury companies, which is reflected by the development of particular strategies specific to each market. The following two tables summarize the previous information about the individual companies and the business strategies.

TABLE 2

	Louis Vuitton	**Hermes**	**Chanel**	**Cartier**
Year Founded	1854	1837	1909	1847
Founder	Louis Vuitton	Thierry Hermes	Gabrielle "Coco" Chanel	Louis-Francois Cartier
Year entered India	2003-(New Delhi)	2011-(Mumbai)	2005- (New Delhi)	2008- (New Delhi)
Year entered China	1992- (Beijing)	1996- (Beijing)	1999- (Beijing)	1970- (Hong Kong)
Sales Revenue 2011 (if public)	2.5 billion €	2.8 million €	Private	Private
Products the company sells	Luxury goods, clothing	High-fashion clothing and accessories	Haute couture, jewelry, accessories, and perfume	Jewelry, perfume

[227]

[227] Senft, Ashley; LVMH.com; Hermès website; Plunkett, Jack W; "Thierry Hermès"; "Store Locator," Hermes website; Miller, Judith; Cartier.com, "Through Time," accessed 8/23/2011. <http://www.cartier.us/#/tell-me/through-time>; Chanel, "CORPORATE," E-mail, Humaira Rahman, 4/16/2012; Chanel, "CORPORATE," E-mail, Customer Service, 4/17/2012.

Table 3

	Louis Vuitton	**Hermes**	**Chanel**	**Cartier**
Company Strategy	Subsidiaries Expansion Acquisition	Expansion Subsidiaries Shang Xia	Access Expansion	Subsidiaries Access Expansion
Brand Strategy	Diwali Collection Suhali Collection Shanghai Inspired Collection	Sari line 2007 Indian Inspired line	Paris Bombay Métiers d'Art Paris-Shanghai Métiers d'Art Culture Chanel exhibit	L'Inde Mystérieuse Le Baiser du Dragon Line Jade Panther de Cartier
Promotional strategy	Interactive video Sponsorship, art exhibit Youku Celebrity endorsement Asian print campaign-	Print ad campaign Celebrity endorsement Shang Xia	Celebrity Endorsement Short Film Culture Chanel exhibit	Interactive web-history/ "Exotic Splendor—Cartier and the Indian Style" Youku

[228]

The four companies are not, as show by Table 3, using the same strategies in the Chinese and Indian markets. These varying trends beg the question: which strategy is best for emerging markets? The truth is, choosing the "best" strategy for a market depends on a variety of factors, from the structure of the company to its current market position. A strategy used by Louis Vuitton may work perfectly it, but if it is applied to a company with a completely different structure and focus, such as Hermes, it could prove to be disastrous.

[228]Sunadh, Latha; Brown, Heath; Petcu, Oliver; Sharma, Anil; Walsh, Kate; Lamb, Rachel; Louis Vuitton : Journeys ; Chow, Jason; Ramchandani, Nisha; "Chanel News: India;" "Chanel News: China;" "24 Hours with Freida Pinto;" "Cartier Stores;" Joseph, Tara; "Cartier Print Advertising Campaign; Yan, Cathy; Neel, Julia; "Cartier: Inspiration;" Hermès website; "Shang Xia;" "Hermes launches limited edition Indian sari at Mumbai flagship store;" Stancati, Margherita; Patel, Priya

Therefore it is impossible to determine a specific strategy that works best. However, what can be said is that the key to success in new markets is adaptation. Adaptation is key to many of the region-specific strategy trends used by the four companies -- adaptation of fashion lines, advertising, and even company strategies. Though the companies have embraced adaptation to varying extents, with some such as Cartier barely adapting while others like Chanel have been more active, each company has recognized that to stay competitive it must be adaptable.

But is adaptation all a company needs to do for emerging markets? Or are there other potential issues that can affect the future of business and more specifically the future of these French luxury brands? For instance, according to Bloomberg, regardless of who wins the upcoming French presidential election, it could prove detrimental for luxury companies. Both of the frontrunners, President Nicolas Sarkozy and the Socialist candidate Francois Holland, have committed to tax increases. Holland has said that he plans to limit deductions and increase taxes for the upper-middle and higher income members of society.[229] This will doubtlessly mean less domestic discretionary income for French luxury companies. Many consumers will delay purchases because of the expectation that taxes will be higher in the future. The people will save money today and will not purchase luxury products currently so the consumer can afford luxury in the future. If either candidate enacts these tax increases, the slow growing domestic market will become even less of a focus for the four companies, which can force the companies to expand even further into emerging markets.

Certainly these four companies are looking at the emerging markets of India and China. However, there are many emerging markets beyond those two -- particularly the other two "BRIC" countries, Russia and Brazil. However, the four companies have shown little interest

[229] Roberts, Andrew.

toward these countries so far. Initially this thesis had intended to study the four companies' strategies toward all four BRIC countries. It soon became evident that there was little, if anything, to report regarding activity in Russia or Brazil. Currently it appears these companies are focusing solely on China, with a minor focus on India. Many companies should look into expanding a presence and relationship with India, because most are lacking when compared to the actions taken in China. But China and India can only take a company so far, especially when the industrialization growth period begins to slow; then the companies will need to look elsewhere for business. The next obvious choices are other similar emerging markets. However, there are no examples of the four luxury companies attempting to gain ground in other emerging markets. This could be detrimental for the companies and could lead to them entering these markets too late.

Once the four companies enter into these new markets, the businesses will have to begin adapting strategies for the new markets. The companies must also understand that while certain business strategies will be able to 'roll over' to other emerging markets, such as Brazil preferring relationship-based consumerism, the majority of the strategies will have to be changed. Adaptation of strategies is based on in-depth understanding of a culture. It is often expensive and time consuming. Therefore it makes sense for companies to begin studying other emerging markets today, to be fully prepared for market penetration tomorrow.

Furthermore, for every strategy that can be adapted for new markets, there are at least twice as many that will have to be invented. Brazil and Russia, for all the general similarities to the four companies' markets in Asia and Europe, are still vastly different in culture and politics, and also in areas as minute as shopping style. For instance, in Brazil there is a new trend to create all-in-one luxury department stores. Hundreds of luxury brands share the same floor, as customers are matched with personal valets. The combination of mall and personal assistant is a mixture between the shopping practices of the 1920's salons of Paris and more modern department stores. It is an entirely new experience that is unique to Brazil and may cause luxury companies problems if businesses fail to understand the proper way to approach this new style of shopping.

Luxury has shown throughout its long history that adaptation and reinvention are necessary in an industry that has yet to be crushed despite global wars, the fall of aristocracies, and multiple economic crises. Today luxury goods are more common today than ever before. But has luxury become too common? Charlie Chaplin once said, "The most depressing thing I can imagine is to get used to luxury." Is that the position the world is in right now? Certainly in developed markets there is a certain level of expected luxury, but an inherent part of luxury is the *inability* of the masses to posses it. We live in a world where luxury is only a click away for anyone who can afford it, and many companies have embraced luxury democratization and created lower priced, more common items. If you cannot afford a $150,000 Hermes Birkin bag, then perhaps a $345 Hermes hat! Certainly $345 for a hat is still a lot of money, but it is much more affordable for the average person than the $150,000 Birken bag. At what point does luxury begin to lose its meaning because it has become too normal? All four of French luxury companies studied here have delved into democratization, making regular items of reasonable quality with only a luxury brand symbol and a price increase to differentiate them from something bought at an average department store.

Luxury has existed for thousands of years and it will probably continue to exist for another thousand. The question is not in the existence of luxury, but its state in the future. Luxury is a fluid concept that is applied at a specific period of time to a physical product or particular service. Some concepts of luxury have been maintained throughout the years, such as precious jewels, while new versions, such as handbags, have arisen. Today the concept of luxury is threatened not only by the new markets in which it must adapt, but also by the new availability of what is currently labeled luxury products. Luxury is reliant on an innate “uncommonness” and in an effort to globalize luxury and expand the companies; the previous French luxury brands may have destroyed that which luxury is dependent upon, meaning its high level of quality and exclusivity. Though economically the future of luxury appears to be bright due to the companies’ continued adaptation and expansion toward new markets, the definition of luxury may be in the process of changing, effectively threatening the very existence of the previous brands.

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