Luxury Marketing & Management

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Brand Switching

EMBA
Fall 2019
Class time: Thursday 6-9 p.m.
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Office hours: by appointment
COURSE OBJECTIVES

By luxury marketing and management we mean a manager's constant effort to understand ever changing desires of luxury consumers/costumers as well as to understand the challenges posed by old, new and, especially, potential luxury competitors.

Thus, the overall objective of the course is to introduce you to the state-of-the-art substantive and procedural aspects of luxury marketing management and luxury strategy. As a result, you will sharpen your skills for critical analytical thinking, become an effective communicator with consumers/costumers, luxury competitors, fellow managers in your company as well as with other stakeholders of your luxury firm.

More precisely, our goals include:

To familiarize you with the vital elements of strategic luxury management, especially luxury consumer/costumer analysis, luxury competitor analysis, developing a competitive advantage for your luxury brand and optimizing your future competitive interactions in your luxury market.

Currently, in an increasing number of luxury markets rather new drivers emerge for luxury consumption, e.g. luxury products must have sufficient sustainability, offer creative consumption experiences, possess limited footprints, provide information about and access to the entire value chain, lack cultural appropriation, signal political correctness, etc. Thus, we aim to deepen your sensitivities for the long-term generation of revenue and profits via the satisfaction of luxury consumers' ever evolving preferences. For example, Dolce & Gabbanna's recent difficulties in China due to an advertisement illustrate one such driver.

Importantly, new and old competitors turn up the heat on competition. Competitive pressure increases not only due to competitors' efforts to gain competitive advantages in a luxury market but also as an unprecedented number of new competitors that arrive from all over the globe. Importantly, one competitive threat stems from new competitors out of Asia, Africa, the Far East of Europe, India, etc. Yet another threat is caused by premium companies trying to become luxury firms or maisons. To illustrate, Mademoiselle is a rather new arrival in the luxury fashion market and is based in Hong Kong yet manages to compete with established French makes. Also, Rimowa luggage may be well on the way to successfully move from premium to luxury.

To effectively and synergetically combine so-called brick-and-mortar constellations with the challenges and opportunities provided by the digitalization of business—esp. as many luxury brands have traditionally dealt less with the internet. For example, Rolex sells luxury watches largely via brick-and-mortar outlets while Tesla sells luxury cars almost only through the internet.

To familiarize you with the elements of the marketing mix (strategic pricing, product strategy, promotion & advertising, channel selection, segmentation, positioning, etc.) as the basis and gateway to the development of a viable luxury strategy. That is, the marketing mix is the basic tool kit for luxury management.

The course will expose you to the latest analytical techniques that allow you to constantly und quickly monitor market changes and evolutions, start and/or optimize limited editions, facilitate entry and exit decisions, allow the identification of profitable niches in your market as well as prevent entry in seemingly
attractive niches that prove unprofitable later on, deal with counterfeits, etc. For example, Porsche learned that limited editions can be too large and Lamborghini learned that limited editions can be too small.

**FORMAT OF THE COURSE**

To help achieve the objectives of the course, we will use traditional lectures, discussions and case studies.

**Lecture/Discussion:** One portion of the course sessions follows a lecture/discussion format. These sessions are devoted to the presentation and discussion of theories, concepts, analytical techniques and empirical findings related to luxury products and luxury strategy. The lecture/discussion sessions are often supported by assigned reading materials which will be chapters, notes, news articles, etc. Class sessions will be devoted to consolidating and extending the topics delineated in the reading materials. Naturally, it is expected that participants have studied the assigned materials prior to class.

**Case Studies:** Another major portion of the sessions follows a case discussion format. The case method is an effective means of sharpening your decision-making abilities, requiring you to be an active participant when we develop a case-related marketing strategy. The assigned cases let you practice the development of luxury strategies and support the developmental path that you prefer.

Further, the case method provides a vehicle by which to apply the theories, concepts, and analytical devices discussed in a class as well as in the reading materials. Finally, the discussion forum provides an opportunity to argue your position and to discuss problems pertinent to your particular job or industry experience. In general, the lessons to be learned from the cases are expected to be universally relevant and transcend particular situations, thus helping you to improve and sharpen your strategic marketing skills for your future career.

For a typical case study, one or more participants may be asked to start class by answering a specific question or series of questions. Each participant is expected to have thoroughly prepared the case and should be able to handle this lead-off assignment. After a few minutes or so of initial analyses we will build an initial strategic analysis of the situation and address the strategic problems and challenges embedded in the case. During these discussions, each person is expected to be prepared to share his or her individual views with the class. The principal objective of the discussions is to examine all aspects of the situation: facts, suppositions, tactics, alternative options, final actions to produce a marketing strategy.

A typical request at the end of a case discussion is: What is the biggest problem or challenge that you identified? Or what could be the best solution or luxury strategy and why? And, importantly, what are potential pitfalls of the proposed? The emphasis here entails that the case method of learning typically does not provide a simple and unique answer—case challenges often amount to "shades of grey" as opposed to clear-cut solutions. In most case discussions several viable answers will emerge and be supported by different participants within the total group. It is important that you know what you would have done in that specific marketing situation.

As often in actual practice, cases may not have all the data you would like. Nevertheless, it is critical that you develop a reasoned strategy on the basis of the data/information available in the case. The information contained in the case is the relevant information as it is reflective of the knowledge at
the point in time the case was written. Generally, thus, you should be careful using "current" information when discussing the case. That said, you need to come up with a pretty good comment to get an exception to that rule.

### COURSE REQUIREMENTS & GRADING

Each student's overall course grade will be based upon the following:

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<th>Component</th>
<th>Percentage</th>
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<tr>
<td>Class Participation</td>
<td>40%</td>
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<tr>
<td>Project</td>
<td>60%</td>
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<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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**Class Participation.** Although grading class participation can be viewed to be, to a degree, subjective, several criteria for evaluating class participation objectively and effectively do exist. These criteria include:

- Do comments show evidence of strategic perspective of a case/reading?
- Do comments add to our understanding of the case's/reading's strategic aspects?
- Does the participant go beyond simple repetition of case's/reading's facts?
- Do comments show an understanding of theories, concepts and analytical devices presented in class lectures or reading materials?
- Is the participant a good listener?
- Are the points made relevant to the discussion?
- Are the points linked to the comments of others?
- Does the participant interact with other class members synergetically and respectfully?
- Is the participant an effective communicator?
- Does the participant appear to be open, curious and receptive to new comments and ideas?
- Are concepts or ideas presented in a concise and convincing fashion?
- Do the participant's comments move things toward the development of a strategy?

Keep in mind that your grade for class participation is not simply a function of the amount of "air time" you take up. In general, I will evaluate you on how well you respond to questions and on how effectively you take into account the comments and analyses of your classmates and move things forward.

**Examination/project:** This course will have neither a midterm nor a final examination but a final project instead. That is, the major portion of the course grade will be based on your or your group's luxury project.

Projects will be reflective of much of the learning of the course. Projects will be designed and decided upon as the course develops. One avenue leading to a project entails that a student, based on his/her work experience or based on his/her future interests or job opportunities proposes a project. The project may be completed either at the individual level or—ideally—at the group level.
Another avenue for a project is that a group will be given a project that has been brought to the attention of the school. Yet another final avenue can include a more scientific project that addresses current research challenges in the area of luxury marketing management or luxury marketing strategy.

**COURSE MATERIALS**

Reading-pack for luxury course
- selected news articles & research articles
- several cases (all materials available online)
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<tr>
<th>WEEK</th>
<th>Topic</th>
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<tr>
<td>1</td>
<td><strong>Introduction/overview: course &amp; week 1</strong>&lt;br&gt;<strong>Topics:</strong>&lt;br&gt;Foundations of luxury management—traditional view &amp; current perspective&lt;br&gt;Definition(s) of luxury&lt;br&gt;Luxury brands, -consumers &amp; competitors&lt;br&gt;Drivers of luxury markets &amp; status as key driver&lt;br&gt;Assessment &amp; perspective of global luxury markets 2019/2020&lt;br&gt;Luxury value chain&lt;br&gt;Current evolution of luxury—new foci: long-term, footprint, &quot;waste&quot; potentially uncool, cultural appropriation, political correctness, sustainability, knowledge of complete value chain, etc.&lt;br&gt;Emerging segments for traditional luxury brands, e.g. Rolex with ice&lt;br&gt;Different approaches to luxury production and luxury marketing &amp; management&lt;br&gt;Hybrid-luxury, e.g. Aston Martin &amp; AMG or Grieb &amp; Benzinger with Patek Philippe movement inside. Risky or creative?&lt;br&gt;&quot;Traditional&quot; luxury businesses (cars, beauty, design, fashion, architecture, watches, wine, jewelry, etc.) and emerging luxury industries (adventure travel, limited access, difficulty of consumption, one-of-a-kind).&lt;br&gt;<strong>Case:</strong>&lt;br&gt;Black toilet paper&lt;br&gt;<strong>Summary week 1</strong></td>
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<td>2</td>
<td><strong>Overview week 2</strong>&lt;br&gt;<strong>Topics</strong>&lt;br&gt;Limited Edition (LE)&lt;br&gt;General concept of LE, e.g. size, timing, season, etc.&lt;br&gt;New developments of LE: LE &quot;within&quot; a larger LE, various other new forms of LE&lt;br&gt;Optimal LE at category level&lt;br&gt;Management of LEs&lt;br&gt;<strong>Case</strong>&lt;br&gt;Patek Philippe&lt;br&gt;<strong>Summary week 2</strong></td>
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<td><strong>Overview week 3</strong>&lt;br&gt;<strong>Topics</strong>&lt;br&gt;Luxury &amp; internet, luxurios internet-malls, prive-sites&lt;br&gt;Influencers. social media, privacy&lt;br&gt;Counterfeit luxury: Not a completely bad thing?&lt;br&gt;Luxury consumers who can &quot;afford&quot; counterfeits&lt;br&gt;Moving from premium to luxury&lt;br&gt;Small case: Rimowa&lt;br&gt;<strong>Projects</strong>&lt;br&gt;Selection of projects&lt;br&gt;Initial discussion &amp; first directions for projects&lt;br&gt;<strong>Summary week 3</strong></td>
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<td>Week</td>
<td>Overview</td>
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| 4    | Overview week 4  
Topics  
Special features and competitive advantages on national luxuries (Swiss, American, French, Chinese, Indian, Arabian, etc.).  
Cultural luxuries, e.g. male vs. female, Asia vs. Europe/USA, provocation vs. humor, longevity vs. experiential.  
New product strategies for luxury products  
Disruptive changes in luxury markets, e.g. watches, diamonds  
Luxury and gender  
Everyday luxuries such as luxury coffee, -cheese, -chocolate, -chocolate vs -cheese & red wine, cookies, cherries, etc.  
Case  
Starbucks developing a new service strategy and selling luxurious coffee | Summary week 4 |
| 5    | Overview week 5  
Topics  
Market research in luxury markets  
Depicting evolution of luxury markets and -brands  
Unique challenges and risks in luxury branding  
Often very, very small samples  
Importance and challenges during personal interviews  
Experiential luxury  
Techniques: Chance Criterion and NeuroChance, MDS, Regression, Luxury Index | Summary week 5 |
| 6    | Overview week 6  
Topics  
"Surprising" luxury products: Luxury vodka, water, cutlery, unique wedding gifts,  
Ultra-luxury: jets, yachts, but also bicycles ...  
Luxury auctions & art (esp. secondary luxury art market)  
Non-authentic luxury  
Too many to be luxurious  
The power of unattainable luxury  
Designing unattainable luxury  
Brand Love  
Projects  
Presentations and hand in | Summary week 6 & course |