

CORPORATE BRAND MANAGEMENT
AND REPUTATION

MASTER CASES



**The Russian Roulette of The Fashion
Industry
The Case of Balmain**

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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Lund School of Economics and Management

The Russian Roulette of The Fashion Industry

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WRITTEN CASE

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MANAGEMENT DECISION CASE

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The Russian Roulette of the Fashion Industry: The Case of Balmain

The words replay in Balmain's owner and CEO Alain Hivelin's head. "He's tired, after working on the collection." He has silenced the critics words for now, but he knows their thoughts are anything but silent, as are his. After appointing and replacing numerous creative directors from the Balmain fashion house, he reflects upon the transformative journey Christophe Decarnin has taken Balmain on. Hivelin at this point is vastly aware that Decarnin's inspiring creativity and celebrity following elevated the Balmain brand, revitalising and saving it from failure. With the years preceding Decarnin's appointment highlighting the brand's faltering sales, and poignant in the managements minds; losing him and his creative direction, as well as his celebrity following could be detrimental to the brand. But a replacement is needed, especially as the competitive position of Balmain still remains a contentious subject. The weight of the decision will be significant for the future direction of the Balmain fashion house.

Background and History of Balmain

Founded in 1945 by Pierre Balmain, the privately held Balmain name has become synonymous with the quintessential Parisian style, of which transcended from World War 2 inspired utilitarian designs to bold, feminine opulence of aristocrats (see Exhibit 1).

From a young age, French-born Pierre Balmain was inspired by the femininity of design and fashion, inspiration which can be attributed to his fashion-store-owning parents. However, discontent with his appeased enrolment in architecture at École des Beaux-Arts in Paris, Balmain passionately sought the mentorship of English fashion designer Edward Molyneux, who subsequently introduced him to the now widely known influential fashion designers Lucien Lelong and Christian Dior.¹

It was the strong relationship he established with Christian Dior that inspired him to create his own name. From this moment, 'Balmain' was officially born. Balmain's drive led him to run his fashion show, held on October 12th, 1945 at rue François 1er, Balmain's boutique salon located in the heart of Paris. The dark richness of the collection and the sombreness of the colours used was a huge success, leading famous photographer Cecil Beaton and illustrator Christian Bérard to amplify Balmain's name in the fashion industry, inevitably accelerating his career as a top Parisian fashion designer.

His later designs arising from the perils of World War 2 celebrated new modes of design, and awakened understanding and the intensification of the female form. Eloquent in form, but audacious in personality, Balmain successfully gained the right contacts and financing to enable him to fully own his own label just six years after his first fashion show.

With heightened awareness, Balmain gained international attraction, of which could afford the luxuries of Balmain's haute couture designs. His customer base consequently became saturated by British and American women, providing them with bespoke couturier. Expanding his international reach in 1949, Balmain opened a boutique in New York, and two years later outsourced a ready-to-wear line based on couture designs. Balmain's focus on international socialites was negatively perceived by French designers, as contentions arose regarding his seemingly lack of empathy towards French high-fashion.

Nevertheless, Balmain's success continued until he passed in 1982, leaving his position of creative director open for the next candidate. Balmain's 'right-hand-man', and assistant Erik Mortensen stepped in to lead the awe-inspiring fashion brand into the 90's. However, after winning two Golden Thimble accolades, Mortensen stepped down passing his creative leadership over to Hervé Pierre Braillard, who maintained the Balmain brand until 1993.

Arguably the most influential designer in Balmain house was the infamous Oscar de la Renta, who took creative control for nine years from 1993 with the support of Andrew Gn, Gilles Dufour and Laurent Mercier (**see Exhibit 2**). Whilst de la Renta's leadership reinforced the epitome of Balmain's eye for detail and classic design, and led them through the troubling decline of the couture industry; Laurent Mercier's tenure at Balmain is largely recognised as a catastrophe. As a result, Balmain teetered on the edge of bankruptcy during the early 2000's, and was characterised as an irrelevant brand.

With Balmain enshrined with a poor reputation and the financial results to match, CEO and owners Alain Hivelin and Alexandre Allard envisioned a new strategic direction of the Balmain brand, wanting to focus on haute couture as ready-to-wear. Surprising to many, the quiet and ageing Olivier Decarnin was regarded as the man to change the future of Balmain. Many believed Decarnin's direction would be rooted in the DNA of the sixty-year old house, but instead he chose to completely disregard the legacy of Pierre Balmain.ⁱⁱ

Upsetting the status quo of legacy brands whom employed rising stars to inject youth, with the aim to appease pre-existing clientele, Decarnin was uninterested, substituting stuffy couturier for casual and trendy designs. His exuberant designs carried the price premiums to match, gaining the reputation of being the 'it-girl' brand. Those who could afford the brand could not get enough, and he gained an increasing fan base including celebrities such as pop-singer Rihanna and model Kate Moss. Decarnin notably brought sex back into fashion, and only after three-seasons and unprecedented growth, the "Balmainia" era had begun.

Success after success, the now unstoppable Decarnin did the impossible in 2008, and expanded the Balmain brand to include menswear. Just as his womenswear had done, celebrities flocked to buy into his fashion forward, but easily understood designs.

Christophe Decarnin leaves the company

Decarnin's failure to attend Balmain's March 2011 fashion show has caused the speculation of rumours around both Decarnin's health problems, and supposed conflicting views with Balmain's management. Balmain's CEO Alain Hivelin has explained Decarnin's absence with the tiredness of the designer, which did nothing to appease the critics.

In April 2011, after a month of uncertainty for the future of Balmain's creative designer, the house has announced the end of their collaboration with Decarnin. The decision added to a row of dismissals of star designers, such as the scandalous case of John Galliano's firing from Dior. At least four other luxury fashion houses have parted from their designers in the beginning of 2011. Balmain was now facing the challenge of filling the large gap that prominent designer Christophe Decarnin had left behind.

The challenge for Balmain

A change of the creative helm within a luxury fashion brand may imply many opportunities, such as revitalisation of a brand, possible image transfers or attraction of new clients. However, depending on the chosen solution it may also entail extensive financial investments and a great number of risks. All options for this change must therefore be carefully examined upon their risks and benefits.

The very first and important decision in such a case is to decide whether it is a designer or a creative director that the brand is looking for. The difference between these two positions lies in their scope of responsibility. While a designer or a designing team are responsible for the creation of clothing collections, acting strongly coordinated with the objectives given by the strategic management – the role of a creative director lies in designing those strategies, including marketing and advertising, retail decisions, realisation of fashion shows and further events. The position of a creative director, thus, implies much more than the mere design of clothes, but is concerned with the maintenance and development of the brand in changing market conditions.

Very often, the positions of a creative director in luxury fashion houses are occupied by prominent famous designers, as it was the case with Alexander Wang at Balenciaga, Karl Lagerfeld at Chanel and Marc Jacobs at Louis Vuitton. The advantages of such liaisons are self-evident and have already been mentioned – they entail a possibility for positive image transfers, more publicity and gaining new customers.

However, there are also downsides of such collaborations. One of them is the dependency that a brand, represented by a prominent designer, develops. Creative directors possess colossal power and can damage business through their actions. John Galliano, for example, put Dior into bad light in the beginnings of 2011 by making anti-Semitic statements. Dior, which has been represented by Galliano for over 15 years to the point of incident, has fired the designer in order to protect its image and distance themselves from his controversial beliefs.

Moreover, appointments of new creative directors with big names are costly, as often those come along with a whole fixed team that also needs to be taken over and accommodated. Further costs could be incurred, for example, when setting up a new design studio to the designer's comfort and liking, not mentioning that their wages often succeed millions of dollars.

On top of that, a new creative leader most likely has a different vision than his or her successor. This implies that there can be a problem of introducing new styles to the existing line of products and potentially involves extensive changes to retail channels, such as renovation of stores, change of visual merchandise and so forth. Investments in communication may also represent further expenses connected to a new creative vision.

Since a change of a creative director ordinarily involves high capital expenditures, the ambition is to have a very low rate of fluctuation for this position and establish a long-term partnership – long enough to yield financial results and capture the return on investment. It is said that “a long-term collaboration between a designer and a house [...] usually yields a much higher chance of creative and commercial impact”.ⁱⁱⁱ

Regardless of the prominence, the most challenging part of finding a new creative director is undoubtedly finding the perfect fit, with the right chemistry between the designer and the fashion brand. Creative direction is one of the most important tasks within a fashion brand, it is its driving force that, in the end, generates sales and represents what the brand stands for. Kim Winser, an expert in the field, has captured this importance in a nutshell^{iv}:

“The art of a good Creative Director [is] innovating the vision while remaining true to its roots. To be a good fit in the role, you need to have an innate passion for the beating heart of the brand. You need to respect the archive of the atelier - that should be paramount - but be committed to driving it forward. That balance must be finely-tuned and equal – focusing too much on one or the other is potentially very dangerous. You need someone who has a personality that sits well with the brand philosophy and operational structure, and whose design handwriting echoes the long-standing character of the business.”

Taking all these considerations in mind, it becomes apparent that a decision of creative helm is one that includes many aspects and considerations. Nevertheless, try to put yourself in the shoes of Balmain’s management of 2011 and find an answer to the following question concerning the houses future:

How is the position left by Christophe Decarnin to be filled? Weigh all options that Balmain is facing in this decision by their benefits and risks.

Exhibit 1 Balmain Through The Years 1940's - 2010's

1940's	1950's	1960's	1970's
			
1980's	1990's	2000's	2010's
			

Exhibit 2 Positions Held: Creative Director and Chief Executive Officer

Held Position: Creative Director		Held Position: CEO	
Pierre Balmain	1945 – 1982	Pierre Balmain	1945 - 1982
Erik Mortensen	1982 – 1990	Erich Fayer / Copeba	Late - 1980's
Hervé Pierre	1990 – 1992	Alain Chevalier	1990 - 1992
Oscar de la Renta	1993 – 2002	Erich Fayer	1992 - 1995
Andrew Gn	1997 – 1998	Alain Hivelin* (Owner and CEO)	1995 -
Gilles Dufour	1998 – 2000		
Laurent Mercier	2001 – 2003		
Christophe Lebourg	2003 – 2005		
Christophe Decarnin	2005 – 2011		
		*Still maintains majority ownership	

End Notes

ⁱ McDowell, C. (2016). Pierre Balmain (1914 - 1982), *Business of Fashion*, 02 March, Available Online: <https://www.businessoffashion.com/articles/education/pierre-balmain-1914-1982> [Accessed 12 February 2018]

ⁱⁱ Rotman, A. (2017). The Rise, Fall And Return Of Christophe Decarnin, *Grailed*, 17 August, Available Online: <https://www.grailed.com/drycleanonly/christophe-decarnin-master-class> [Accessed 12 February 2018]

ⁱⁱⁱ *Business of Fashion* (2016). The Risks of Changing Creative Directors, 08 February, Available Online: <https://www.businessoffashion.com/articles/bof-comment/in-fashion-the-risks-of-changing-the-guard> [Accessed 12 February 2018]

^{iv} Winsor, K. (2013). Why Do Luxury Brands Need High Profile Creative Directors?, *Forbes*, 09 July, Available Online: <https://www.forbes.com/sites/kimwinsor/2013/07/09/why-do-luxury-brands-need-high-profile-creative-directors/#3c2434033a48> [Accessed 12 February 2018]