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KEY SUCCESS FACTORS FOR LUXURY BRANDS STRETCHING INTO ATHLEISURE

By:

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ABSTRACT

Purpose

The purpose of this paper is to show how luxury brands can successfully enter the athleisure market, what is the impact on their brand perception, and develop a framework to guide other luxury brands.

Design/methodology/approach

The primary data is gathered through three qualitative interviews, which were analysed and used to identify the image of the selected luxury brands. The secondary data is collected from academic journals and books, to develop a theoretical framework.

Findings

The research demonstrates a framework consisting of key success factors for future luxury brand managers, who wish to enter the rapid growing athleisure market.

Limitations and future:

The scope of the paper is limited to only three cases, thus preventing the ability to give a holistic conclusion. The phenomena "luxury athleisure" is a new subject that has not been researched by other publicly available resources. Therefore, there is a lack of available theoretical framework and findings that has affected our subject. Conducting and analysing the interviews can be biased by the interviewers, as it was not an option to ask post-interview questions to the respondents. The paper has not reached total saturation as the paper opened new questions. Future research should ask questions that will (1) further explore the approaches to stretching and (2) how other luxury brands can apply same success factors.

Originality/Value

This paper is the first that defines a framework that gives an in-depth understanding of luxury athleisure and offers a framework to follow for future luxury brands wanting to enter the athleisure market.

Keywords: Athleisure, luxury, framework, brand management, brand perception, brand identity, brand stretching.

Paper type: Research paper

INTRODUCTION

In the past, it was fairly easy for the luxury brands to keep their image in line with their identity, as the users were more loyal and satisfied. However, this has changed. Today, they experience a high competition, globalised market and the consumer's desires are constantly changing (Kapferer & Bastien, 2009). The dilemma today is keeping a synergy between today's constant need for diversification and, maintaining the brand's heritage and long traditions, which act as a fundamental basis for the majority of luxury brands. The communication of luxury brands is different from that of a traditional brand. Luxury brands communicate in a way to empower their unique brand identity and create the perception of a dream (Kapferer & Bastien, 2009).

One example of the changing consumer desires and one of the latest fashion trends is "athleisure", which is also called activewear or sportswear. It is now an official word added to the Merriam Webster dictionary. According to Merriam Webster (2017), athleisure is related to casual clothing, for example, yoga pants, sweatpants, and hoodies, specially designed to be worn for other occasions than sports activities.

This new trend has its roots in the early days of 20th century, only called leisure. In the end of 70's - the beginning of the 80's the sports like tennis and jogging gained popularity (Highs Nobiety, 2017). The result was a combination of the best qualities of both tennis and jogging clothes, resulting in a new middle-class chic style. At the time, the style had a literal denomination: athletic clothing to be worn at leisure (Highs Nobiety, 2017).

Recently, Lululemon blew the door wide open, and nowadays, luxury brands have recognised that athleisure have consumers obsessed. The Euromonitor report (2017) "What is next for athleisure and how luxury is stepping in it" concludes that 68% of surveyed luxury consumers prefer to buy latest trends luxury products (Appendix 1). The report also confirms luxury brands see the athleisure market as a potential growth strategy (Edited, 2017). The sportswear market size is today equal to US$ 282 billion and it will further increase with 61 $ Billion in the next 5 years. Another report also confirms the global rise of activewear sales from US$197 billion in 2007 to over US$350 billion by 2020 (Quartz, 2017; Appendix 2).

According to the apparel analytics website, Edited (2017), the luxury and premium brands already occupy 16 percent of the athleisure market (Appendix 3). That increase shows that the consumer's needs of the luxury buyers have changed. One of the main reasons is because they want to show that "they live a healthy lifestyle, exercise and take pride in themselves" (Huffington post, 2014).

Athleisure presents a lifestyle shift, therefore its chances to disappear are minimal. For luxury brands to incorporate this change and remain successful, they have to keep on adapting through creativity and re-creation, but also be mindful about maintaining their tradition (Kapferer & Bastien, 2009). This equilibrium should be managed by differentiating the core identity traits from the peripheral traits, honour the core and continuously gratify the peripheral to continue appealing for the needs of the society (Kapferer & Bastien, 2009). The structure of this paper will start by presenting a literature review, based on which a theoretical framework will be developed. The developed framework will be applied to a qualitative case analysis, examining three existing luxury brands that have taken the athleisure leap. As a result, key success factors will be determined, and managerial implications will provide an insight into luxury brands stretching capabilities into the athleisure market.

LITERATURE REVIEW

Luxury brands

Luxury brands have a long history; Kapferer and Bastien argue, almost as long as humans have existed (Kapferer & Bastien, 2009, p.6). Its journey had evolved from Egyptians, who actively sought to invent new ways to display beauty and opulence, to the Greeks bilateral beliefs, viewing luxury as an aspirational force in society or as a strong opponent to virtue (Kapferer & Bastien, 2009, p.8). The trend of luxury democratisation appears ubiquitous thought-out all societies given enough time (Kapferer & Bastien, 2009, p.8). During the 19th and 20th century, this trend continues to spread, with an ever-growing population beginning to have access to luxury. Kapferer identifies that even though the smaller-than-ever gap between social classes should consequent in the disappearance of luxury, it, paradoxically, had the opposite effect. To explain this phenomena and luxury as a concept, he argues that although "…luxury may lead to social stratification...it also encourages humanity, something that is often lacking in our modern cities" (Kapferer & Bastien, 2009, p.8.) He refers to the effective relationship a luxury brand, a luxury product and the client form, in the absence of which a brand is not truly considered luxury.

Luxury brands – specific strategy

In the article, by Kapferer and Bastien (2008), it argues the success of luxury brands lays in their capability of satisfying the different luxury needs: "Luxury for others" (as a badge), considering luxury as a social market, and recreating social stratification; and "Luxury for oneself", where luxury constitutes a very strong personal and hedonistic component. In order for luxury brands to fulfil either or both those requirements, the authors argue a set of imperatives are to be followed:

- A strong focus on brand identity – and not on "positioning"
- Superlative, never comparative
- No flaws, no charm – products should not be perfect
- Resist client demands
- Dominate the clients – maintain the
- meritocracy status of luxury
- Make it difficult for clients to buy
- The aim of advertisement is not to sell
- Advertise to those who are not targeted
- Continuously raise prices to increase demand

By perusing this strategy, the luxury brands aim at creating the highest brand pricing power by leveraging all intangible elements of singularity (time, heritage, country of origin, craftsmanship, manmade, small series, prestigious clients) (Kapferer and Bastien, 2013).

While considering the strong impact such a strategy might have, it is also important to consider its limitations. Kapferer identifies two highly influential restrictions. First, managing a luxury strategy require remarkable marketing techniques, since powerful, well-known traditional means, such as benchmarking, do not apply. Second, growth opportunities are strictly limited for brands adhering to following a luxury strategy. Market penetration, especially regarding developing markets, is restricted for luxury brands waiting to maintain their aura. Market penetration through the fashion model, which has no volume limit, cannot be pursued by luxury brands, which are to offer limited availability and difficulty of purchase.

Brand identity

Although a brand orientated approach is considered a relatively new management path (Urde, 2013), luxury brands have always used their brand identity to define themselves. Using the "this is what I am" identity approach as opposed to, "that depends" on the perceived image positioning approach (Kapferer and Bastien, 2008, p.6), has enabled luxury brands to determine their own image born within itself, gain control over their business and become an expression of taste, of a creative identity, of the intrinsic passion of a creator.

Initial methodologies such as the Brand Concept-Image Model (Park et al, 1986) emphasised the importance of brand image and had little focus on brand identity (Urde, 2013). Later, models such as the Brand Identity Prism have been developed to offer a practical tool for describing, developing or aligning a brand identity. However, this theory only evaluates brand identity at a product level, and not at a corporate level. Other methodologies include also profitability analysis as a result of brand-orientation (Gromark and Melin, 2010) and evaluation of the brand equity of a brand-focused company. Through the Brand Orientation Index, this methodology is looking to identify how much as the company is focused on their brand identity and correlate it with financial success. It is however clear, that successful luxury brands, by definition (Kapferer, 2008) can only be identity focused.

The proliferation of luxury

Looking further into the limitations of luxury strategy today, Harvard Business Review (2003) identifies a developing trend of new-luxury goods. "Unlike old-luxury goods, these can generate high volumes despite their relatively high prices". (Harvard Business Review, 2003). The trend is believed to be consequent, among others, to rising income levels, "higher levels of taste, education, and worldliness, and Greater Emotional Awareness" (Harvard Business Review, 2003). This trend affects both how old luxury brands are to adapt their strategy, but also threatening them with many new entrants, as the process from concept development to practice is now faster than ever.

The products in the "Accessible Super Premium" are products are "priced at or near the top of their category, but middle-market consumers can still afford them, primarily because they are relatively low-ticket items". At the same, it is observed that more and more old-luxury brands are expanding downwards by providing "affordable products alongside their traditional ones" (Harvard Business Review, 2003). "Masstige" is another trend enabling wider access to luxury. The goods in this category are often premium-priced above conventional products, but below super premium or old-luxury goods. It appears a stratification to luxury level is developing, enabling more social classes to have access to "luxury". However, considering extensive research by Kapferer (2009) on luxury brands, he argues downward vertical brand extension is extremely threatening to the luxury brand's identity. Moreover, he identifies that a true luxury brand cannot exist below its own level of attributes and relations.

The authors have identified a list of existing theories and models related with a luxury brand and defining their identity, however the authors could not find an existing framework for defining the key success factors for luxury brands stretching into athleisure. Therefore, in the next section will be proposed a step-by-step framework.

THEORETICAL FRAMEWORK

Step 1: Qualification of the being a luxury brand

Step 2: Defining the stretching method of expanding into athleisure

Step 3: Defining the brand identity of the luxury brand

Step 4: Determine the brand image after expanding into athleisure

Step 5: Evaluation of the stretching method

Sub-step 5.1: Stretching- Relevance - Consumer needs

Sub-step 5.2: Stretching- Revenue- Financial impact

Sub-step 5.3: Stretching- Fit - Brand identity and Brand image

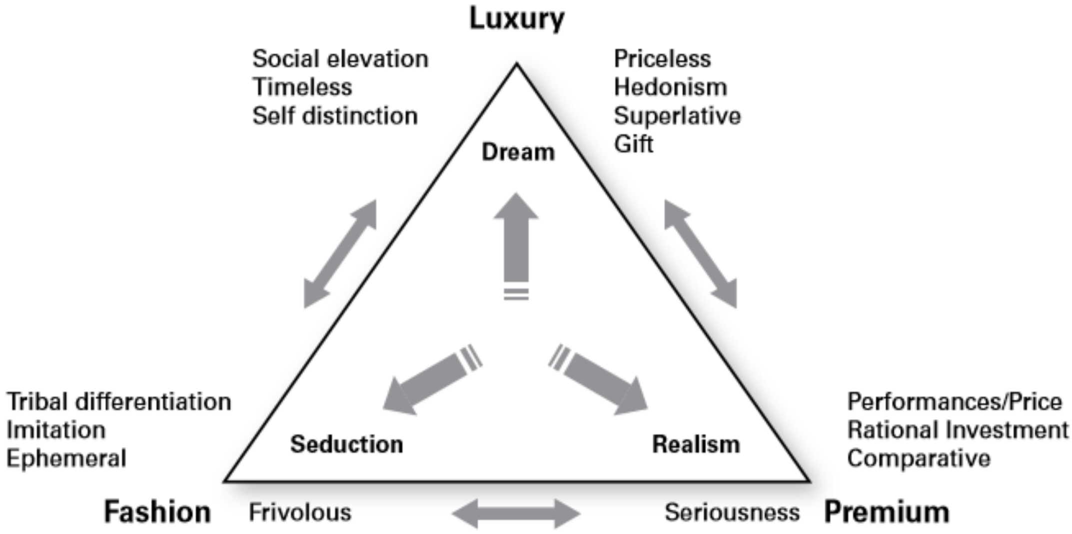


Figure 1: Differentiating luxury, fashion and premium. (Kapferer, 2014, p. 67.)

Qualifications of luxury brands

In this paper, the authors first start by using the "Differentiating between luxury, premium and fashion brands" model by Kapferer (2014). The model varies between the different types through an inside-out, triangular approach explaining the different characteristics of each brand type.

It entails that the luxury brand can aid the user to achieve a dream by providing unique brand characteristics such as timelessness, priceless, superlative, and unique user benefits such as social elevation, self-distinction and hedonism. This allows the luxury brand to provide the highest level of intangible value based on very high-quality products, which ultimately allows the company the freedom to fix its prices (Kapferer, 2014). The premium brand is grounded in realism, where the brands characteristic is its comparativeness and the price needs to match the level of performance. The premium brands require a rational investment from its buyers, as it is priced lower than luxury, but higher than regular fashion (Kapferer, 2014). Lastly, the fashion system stands at the opposite extreme of luxury. The fashion brands are often characterised by imitation and ephemerality, as opposed to luxury, which stand for endurance and timelessness. "Fashion is obsessed with being out of fashion", which means prices will be cut by 50 percent and low-quality items proliferate (Kapferer, 2014 p. 67). It is why fashion is grounded in the seduction of the customers, always providing something new at attractive prices.

This model is used to classify the brands chosen for the case studies and ensure they fall into the luxury category. The authors considered correctly classifying the brands of crucial importance when suggesting managerial implications. The strategy for luxury brands versus fashion or premium brands would greatly differ, therefore an incorrect categorisation could lead to unreliable advice.

The stretching method

In this paper, the term stretching is used when referring to the brand's actions of entering the athleisure market in different ways, whether through vertical or horizontal expansion, but also considering the different methods, line extension, co-branding or a new brand. Further, the framework contains the pyramid model by Kapferer and Bastien (2009) from his "The luxury strategy" book. This model identifies through unique level characteristics, whether a brand is moving vertically from a mythical brand, with true authenticity, to service the mass market. As explained by Kapferer (2014), a brand can move upwards or downwards on the vertical scale.

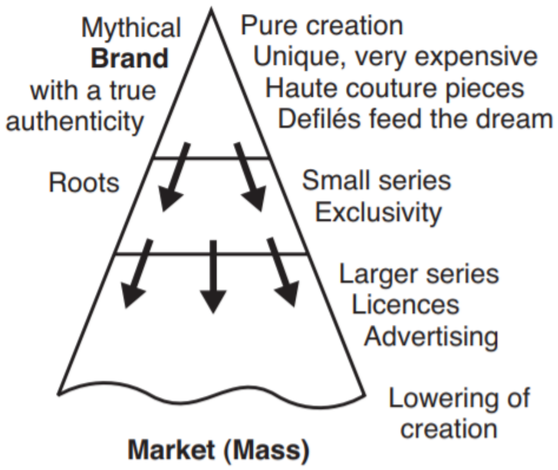


Figure 2: The pyramid model (Kapferer and Bastien, 2009 p. 141)

The pyramid model is financially tempting, by offering brands the opportunity of a rapid increase in turnover and profits through low-cost lines, while priced above average due to the luxury brand halo. In turn, the brand risks destructing its value, by reducing or excluding three essential elements of luxury: creativity, excellence and selectivity.

It is, therefore, strong luxury brands do not follow this model. They adhere to their long-term vision and seek to maintain their reputation. They often stretch horizontally, by adopting the same luxury strategy for expanding into other product categories.

The “From close to remote extensions” model (Kapferer and Bastien, 2009 p. 149) is also used to assess the brands’ horizontal expansion. The model describes the criteria luxury brands need to fulfil in order to expand to relatively unconnected product categories in reference to their main offering, or product prototype. The brand can assess the stretch in a four-step approach. First, the company must evaluate what are its long-term goals and create a plan of successive stretches to fulfil it. Secondly, the brand must research the stretching compared to its sources of legitimacy and its available resources. Thirdly, the company must ensure coherence between the brand identity and the stretching. Fourthly, a risk evaluation process must be performed.

In the framework, these models are used to determine the stretching method of the selected brands during the case study. Identifying these methods will provide the paper with unique insights into how existing luxury brands have introduced athleisure.

Corporate brand identity matrix

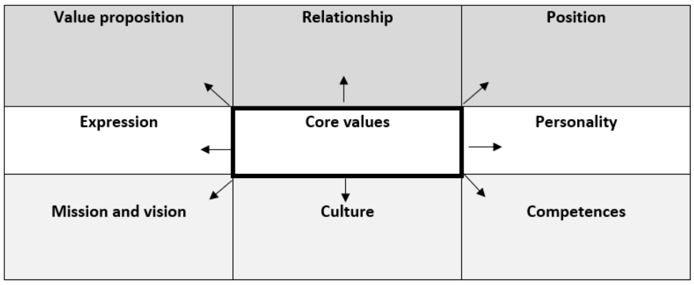


Figure 3: The Corporate Identity Matrix (Urde, 2013)

The Corporate Brand Identity Matrix (Urde, 2013) is used to identify and describe the luxury brand's identity. The CBIM enables the evaluation of the brand identity both from an internal and also an external perspective (Urde, 2013). The matrix consists of nine elements.

The internal components are mission and vision, culture and competencies. The mission and vision define the commitment to support the internal and external stakeholder in the organisation. The role of the mission is described by Urde (2013, p. 751) “why the corporation exists and what engages and motivates it, beyond the aim of making money". Further, the vision extends the mission by showing what inspires the company to move forward. The culture describes how the organisation behaves, the attitudes, values and beliefs. The more distinct the organisation culture, the more it will differentiate from its competitors (Urde, 2013).

The following three elements are both internal and external. Personality is the “combination of human characteristics or qualities” (Urde, 2013 p. 752) that forms the corporate character. The element that portrays the tangible and intangible features of the brand in verbal and visual manner is the expression (Urde, 2013). The core values are strategically placed in the middle and have a crucial role in the CBIM, illustrating the promise of the brand and what it stands for. It should be consistent with all the other elements in the matrix (Urde, 2013).

The last three components relate to the external perception of the company’s business model and brand image. The attractive arguments addressed to all the stakeholders are defined by the value proposition (Urde, 2013). The relationships and how they are established over time define the company's’ behaviour with others. The internal culture component defines how the company builds relationships. Positioning expresses how the management envisions the brand to be positioned on the market in the mind of both the customers and the stakeholders (Urde, 2013).

The CBIM will be applied for the purpose of describing the brand’s identity of the three luxury brand in the case study. It is crucial for the purpose of this paper to identify the brands identity in order to identify key success factors, which include displaying a match between the brands’ identity and its perceived image after introducing athleisure.

Image

Kapferer (2014) discusses positioning in terms of how the brand is perceived in the mind of the consumers. To assess the athleisure introduction positioning impact on the luxury brands, this paper developed a two-axis positioning matrix, availability and exclusiveness. Availability (y-axis in Figure 4) is identified through the stretching method; (low) introducing a new line to the already existing brand, (medium) co-branding and (high) introducing a new brand. This provides the paper with an identification of the different stretching methods the selected luxury companies have chosen to pursue, and which one provides the most availability for the customers in terms of quantity. Exclusiveness (x-axis in Figure 4) is defined in percentage and refers to what extent the brands are likely to ‘stay the same’, become ‘less exclusive’ or “become ‘more exclusive’. These parameters express brand dilution, considering the lower the level of “stay the same” the higher the chances of brand dilution. It is beyond the scope of this paper to interpret the results referring to a brand becoming more, or less exclusive.

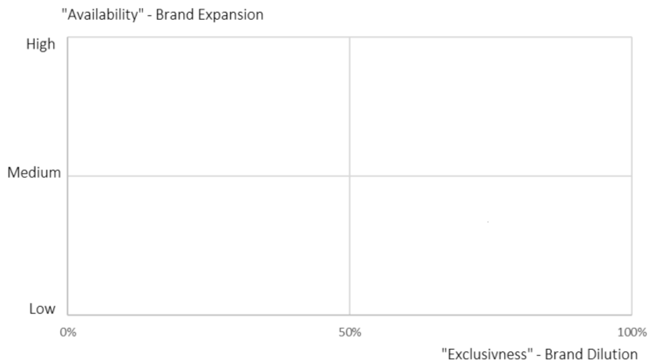


Figure 4: Positioning Matrix

In order to examine the brand image of the three luxury brands, the authors chose to pursue interviews with individuals with an active interest in fashion. The primary data obtained is based on four multiple-choice questions and three open-ended questions (Appendix 4).

The first three questions are aimed at qualifying the interviewees, by evaluating their knowledge on the phenomenon of athleisure, their knowledge of the brands and their presence in the athleisure industry. Furthermore, the interviewees were asked about their overall perception of the brand and whether or not, their impression has changed after they gained awareness of the brand’s presence in the athleisure market. The interview concluded by evaluating the interviewees’ perception about the brands’ exclusivity after the brand has been observed to promote athleisure products.

The scope of the interviews is to evaluate and quantify a change in perception, in respect to exclusivity, after the brands' athleisure expansion. The results from the primary data were used to support the application of the theoretical framework.

Evaluating stretching methods

To determine the key success factors and advise managerial implications, the framework uses an adapted version of Figure 5 (Kapferer, 2014). The model focuses on evaluating the expansions' success derived from three criteria: (1) fit - evaluating the match between brand identity with brand image, (2) relevance - how relevant the stretching is for the brand, and (3) revenue - to determine if a positive financial impact of the stretching can be observed and to what extent can it create the sustainable advantage.

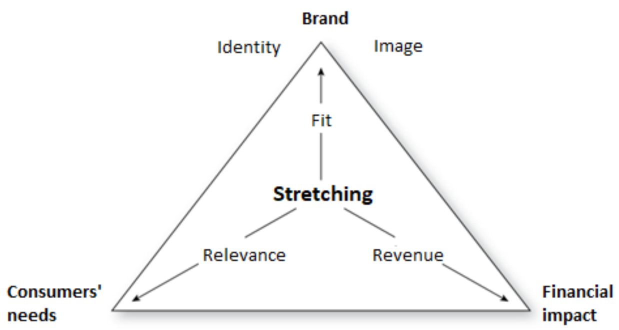


Figure 5: An adapted version of Framework for evaluating extensions (Kapferer, 2014, p. 295.)

To provide a better understanding of the theoretical framework and evaluate its feasibility, this paper focuses on three different luxury brands with different approaches towards their athleisure expansion.

Financial impact

As many scholars agree, profitability is the ultimate goal of a company (Kapferer, 2014). Considering the high investments, a brand must undergo in order to become and remain luxurious and the long-term vision associated with luxury brand identity, luxury profitability appears to be of significant importance and interest.

Figure 6 by Kapferer serves a basis for understanding and assessing the financial impact athleisure had on the company's financial situation.

Brand assets →	Brand strength →	Brand value (financial equity)
Brand awareness Brand reputation (attributes, benefits, competence, know-how, etc). Emotion Perceived brand personality Perceived brand values Reflected customer imagery Brand preference or attachment Patents and rights	Market share Market leadership Market penetration Share of requirements Growth rate Loyalty rate Price premium Percentage of products the trade cannot delist	Net discounted cashflow attributable to the brand after paying the cost of capital invested to produce and run the business and the cost of marketing

Figure 6: From awareness to financial value (Kapferer, 2014, p. 14.)

The framework keeps the focus on the brand strengths, specifically quarterly revenue before and after the introduction of athleisure to ensure a more accurate assessment of the effects. The quarterly revenue will also be compared with the same period last year in order to offer a point of reference and a deeper understanding of the financial performance. As per the model, brand value is a direct consequence of the company's financial strength (Kapferer, 2014). The brand assets identified in this model have been evaluated through other methods throughout this paper, and are therefore not considered. For the sake of simplicity and time constraints, this framework will only analyse revenue, which the authors perceived to be the most explanatory parameter regarding the purpose of this paper.

CASE STUDIES

The first model of the theoretical framework is applied in order to determine the luxury brands analysed in the case studies. After in-depth research on the luxury market, sustained by reports detailing the biggest luxury brands, Gucci, Louis Vuitton and Armani have been chosen for the qualitative case analysis. Moreover, these brands have also been

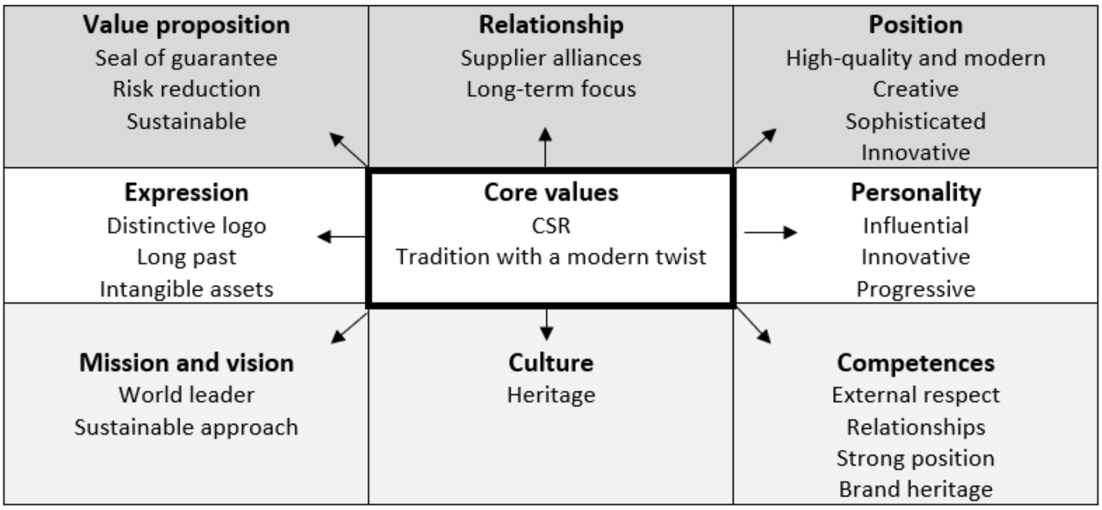


Figure 7: CBIM of Gucci

selected due to their different stretch approach when expanding into athleisure and their different financial situations (Deloitte, 2017). By applying the first model in the framework, the authors determined the three brands indeed match the definition of luxury.

Gucci is an Italian luxury brand of fashion and leather goods, which is owned by the French company Kering (Kering, 2017b). Gucci was founded in Florence in 1921, by Guccio Gucci (Fragrancex,n.d). Gucci is number 41 on the "Top Global 100 Brands" and is the biggest-selling Italian brand (Rankings, 2017).

Stretching method

Gucci's brand architecture (Gucci, 2017a) indicates a single brand level, as the products are not represented by daughter brands, which Kapferer (2014) describes as an umbrella brand. Affirming, the idea that Gucci is the dominant brand and not just a name but also a frame of reference. Gucci introduced athleisure through line extension. The new athleisure line was introduced in Spring 2016 and contained 20 clothing pieces, including hoodies, sweatpants and skirts in line with Gucci branding (Vogue, 2016). As aforementioned, line extension only includes introducing new products in the same category. As such, Gucci introduced a line of Activewear, which had no impact on their brand architecture. Following the vertical versus horizontal extension defined in the theoretical framework, it has been identified Gucci follows a horizontal extension as the brand appears to use the same luxury strategy to market and price the new line.

Brand identity - Gucci

One of the core values of Gucci is to put a lot of focus on Corporate Social responsibility. These forces policies from Gucci that touch upon respect for human rights, workers, diversity, equality, environment and stakeholders to name a few (Gucci, 2017b). Furthermore, 'Tradition with a modern twist' originates from the new, 2015, creative director Alessandro Michele (Kering, 2017a), who defines the new path for Gucci and an idea to regain the reputation as one of the most influential luxury brands.

Mission and Vision for Gucci have changed after the hiring of Alessandro Michele. The company's vision is therefore defined to become the world leader and influencer in the luxury market (Kering, 2017a). Whereas, the mission is to take a sustainable approach to redefining the luxury market (Kering, 2017a).

The culture within the organisation has shown, an increase in focus on the heritage, as they launch new handbags and ready-to-wear products that are inspired by their products from 1940's and 1950's (Euromonitor, 2010).

The competencies of Gucci are based on respect for customers, environment and stakeholders while having a focus on strategic supplier relationships with the suppliers in Italy. That is supported by the strong financial position and brand heritage (Euromonitor, 2010).

The value proposition of Gucci could be defined, adopted from Melin (2002) the seal of guarantee, risk reduction and Italian craftsmanship, based on the core values and competencies.

Relationships are of importance to Gucci. An article from 8 Ways Media (2015), elaborates on the strategic supplier alliance of the company with a focus on a long-term relationship with customers by adopting, what Urde, Baumgarth and Merrilees (2011) refers to, as a market-driven approach. An approach with more focus on customers needs and wants.

The position of Gucci can be identified through a closer look at the ‘Mission and Vision’ and ‘Core Values’. The keywords and findings from 8 Ways Media (2015), cover the following words; High-quality, modern, creative, sophisticated and innovative.

The famous double-G logo has grown significantly and has become a recognised logo across the world (Logo My Way, 2016). Additionally, the logo has been around for more than 80 years according to Logo My Way (2016) and ties perfect with their strategic use of brand heritage. Along with their heritage, one of the intangible assets can be identified, as being associated with Italy and Italy’s image. These two create the expression of Gucci.

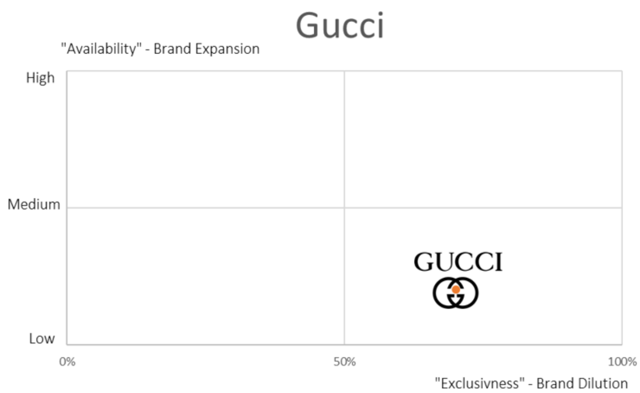
Personality, according to Luxury Heterotopia (2017), can define as wanting to be important and influent the market by being innovative and progressive in their strategy

Gucci follows a brand-orientated approach. They have a rooted identity, communicating a perception of high-quality sustainable craftsmanship along with innovative, bold design with a modern twist.

Brand Image of Gucci after expanding into athleisure

Gucci’s image after introducing athleisure is identified through the positioning matrix, on the availability and exclusiveness axis, indicating findings from interviews conducted. Based on that, the exclusiveness of Gucci showed that 72 percent of the respondents perceived the brand not to be diluted after introducing athleisure into their category. Thomas Andersen (Interview, October 4, 2017) did not think the image changed and described it as being high-quality clothes that are expensive. Line Schou (Interview, October 4, 2017) still thinks the brand is exclusive with focus on wealthier people. Availability of Gucci is determined to be low, due to their line extension and limited assortment.

Figure 8: Positioning matrix of Gucci



EVALUATION OF THE STRETCHING METHOD

Stretching - Relevance - Consumer needs

Based on the finding in this paper’s introduction the Stretching Relevance relating to fulfilling customers’ needs is met for all examined brands. This was determined by the athleisure market findings, showing it is of high relevance and interest for luxury brands. Kapferer (2014) further argues the necessity of stretching as a strategic move, to be able to sustain the brand’s growth.

Stretching - Revenue - Financial impact

A revenue analysis for Gucci considering the periods before and after introduction, shows the impact athleisure line had on their financial performance.

Evaluation the first half year of 2016, Gucci grossed a 1,90 billion EUR revenue, compared same time a year in 2015 when the revenue was 1,80 billion euros (Kering, 2016). It is possible to calculate a growth of little over 5,5 percent. Although there are multiple variables influencing the revenue, it still acts as an indicator that the stretching was beneficial.

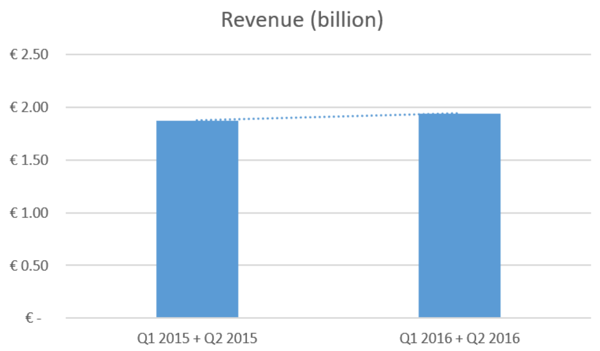


Figure 9: Financial report of Gucci (Kering, 2016)

However, when looking at Q1 2016 and Q2 2016 (Kering, 2016), before and after the athleisure is introduced, the difference is almost insignificant, indicating a positive impact. Even though Gucci shows limited short-term growth, the stretch into athleisure can have great long-term potential considering the market size and expansion rate.

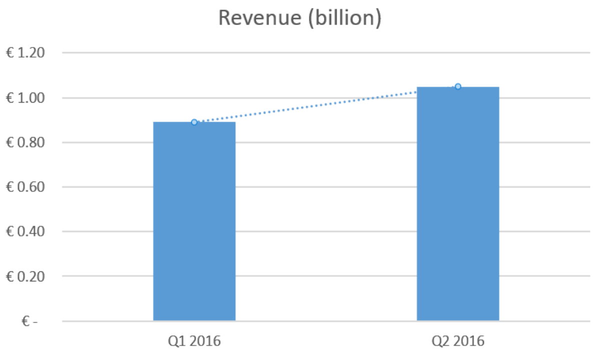


Figure 9.1: Financial report of Gucci (Kering, 2016)

Stretching - Fit - Brand identity and Brand image

After determining Gucci's brand identity and matching it against the perceived image after the athleisure introduction, it is clear that, to a large extent there is a fit. Gucci's brand identity, high-quality and innovation align with the brand perception. Different cases supporting this argument:

> "No, my perception of the brand has not changed. Many premium brands develop different lines with different price categories – runway, casual etc. and the price varies accordingly and it still is premium in my mind." (Interview, 5 October, 2017)

Based on the Stretching evaluation model, Gucci meets all criteria, making it a successful stretch regarding, fit, relevance and revenue.

Louis Vuitton is ranked the world's most valuable luxury brand in the world and is a division of the group LVMH Moët Hennessy Louis Vuitton SA (Forbes, 2017). At the same time, is one of the most profitable brands in the world with profit margins north of 30 percent (Forbes, 2017). LVMH Moët Hennessy Louis Vuitton SA (LVMH) is the world's largest luxury goods operator (Forbes, 2017), with a broad portfolio of brands including Moët & Chandon, Bulgari and others.

Stretching method

Louis Vuitton is LVMH's main revenue generator (Euromonitor International, 2017) and follows an umbrella brand architecture.

Louis Vuitton has introduced athleisure in June 2017 as a horizontal co-branding collection called Louis Vuitton X Supreme. As defined above co-branding has been identified to provide medium availability, as the pieces number increase compared to a line extension. In the case of Louis Vuitton, the LV X Supreme collaboration contained a total of 55 pieces, ranging from all types of clothing items, such as sweaters, sweatpants and denim to an actual skateboard. The collection also contains travel

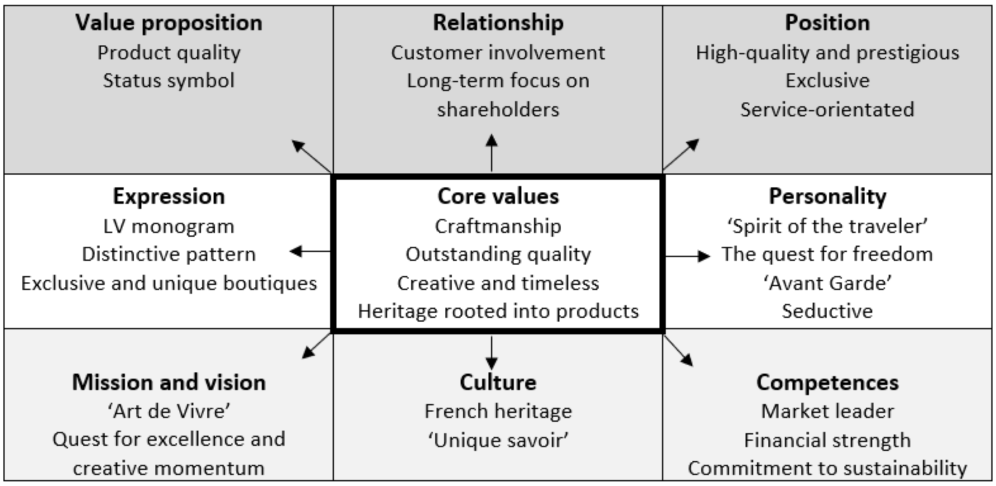


Figure 10: CBIM of Louis Vuitton

luggage's, branded through the intense red of Supreme.

It appears that Louis Vuitton followed the same luxury strategy for creating, communicating and distributing this collaboration, by taking ownership of the collection's name and distribution channels (High Nobiety, 2017).

Louis Vuitton's core values are represented by craftsmanship, outstanding quality and creativity, timeliness and heritage in every product (Louis Vuitton. Brand image, 2017).

What inspires of Louis Vuitton to move forward is represented by its vision "quest for excellence and creative momentum" (Spellbrand, 2017). The way they want to achieve their aim is "to represent the most refined qualities of Western "Art de Vivre" (The Art of Living) around the world at the same time to be synonymous with both elegance and creativity; to blend tradition and innovation, and kindle dream and fantasy" (Spellbrand, 2017).

The cultural spirit of Louis Vuitton is the unique savoir-faire (expertise) embodied in all their products and communication. That carefully preserved French heritage and the lively engagement with modernity creates the feeling of "art de vivre" (Louis Vuitton, 2017).

As defined already Louis Vuitton occupies the position of a market leader in the luxury good market (Deloitte, 2017). That approved by their financial strength together with the innovative commitment (5R model; recycle, reduce, review, repair and renew) (Louis Vuitton, 2017).

The main appealing triggers for the customers and other stakeholders is first the quality of the Louis Vuitton products, starting from the sourcing of the raw materials to the guarantee for lifetime repair (LVMH. Company analysis, 2012). Then the status symbol, that creates the sense of superiority (Louis Vuitton Business model, 2012).

The relationship that Louis Vuitton creates with its customers is based on involvement, through personalisation of products (E.g. adding of the customer's initials on the bags, selecting a colour) (Louis Vuitton, 2017). They also focus on long-term relationships with shareholders by creating a shareholder's club.

Louis Vuitton wants to position themselves as a high-quality, prestigious, exclusive and service-orientated company (Louis Vuitton brand positioning, 2012).

The brand of Louis Vuitton can be recognised from distance first when you see the monogram of the LV symbols, that represents retro and simplicity (LVMH. Company analysis, 2012). Secondly the brown pattern of their flagship products. Visual identification is inspired also from the Louis Vuitton recognisable, exclusive and unique boutiques, cultivating the art of living as a lifestyle.

The combination of characteristics that form the corporate character is represented by the spirit of the traveller, the quest for freedom and adventure at the same time 'Avant Garde' and seductive (Luxury insider, 2015).

The brand identity of Louis Vuitton is defined to represent an outstanding quality, innovation, timeliness and heritage rooted in product excellence.

Brand Image of Louis Vuitton after expanding into athleisure

Louis Vuitton's image after introducing athleisure is identified through the positioning matrix, on the availability and exclusiveness axis, indicating findings from interviews conducted.

In the positioning matrix, Louis Vuitton occupies a middle position on both for availability and exclusivity axis, as they created a new collection of athleisure clothes together with another company. 50 percent of interviewees answered that the brand will stay in the same position of exclusiveness after introducing athleisure, scoring the lowest of the examined brands. This was further confirmed through some of the answers in the interviews, which detailed how the opinion of the respondents will change, with the brand losing its luxury appeal (Anthoine, Josephine Interview, 5 October 2017).

Figure 11: Positioning matrix of Louis Vuitton

EVALUATION OF THE STRETCHING METHOD

Stretching- Relevance -Consumer needs

Based on the finding in this paper's introduction, the Stretching Relevance relating to fulfilling customers' needs is met for all examined brands. This was determined by the athleisure market findings, showing it is of high relevance and interest for luxury brands. Kapferer (2014) further argues the necessity of stretching as a strategic move, to be able to sustain the brand's growth.

Stretching- Revenue- Financial impact

In Figure 12, the company's revenue is presented in Q1, two and three, considering that the co-branding was introduced in June 2017 (end of quarter two). It can further be observed that Q3 revenue was higher than Q1 or Q2, concluding the collaboration had an impact on the company's revenue, although very minor. (Financial report, 2017)

On the other hand, Figure 13 displays a comparison between the revenue for the first half year of 2016 to the first half of 2017 (Financial report, 2016). In this analysis, a much higher increase can be identified, emphasising a positive change in the company.

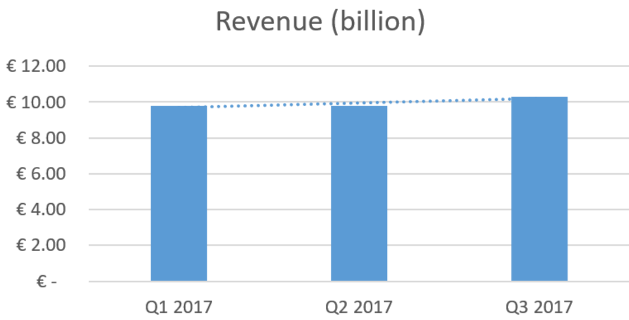
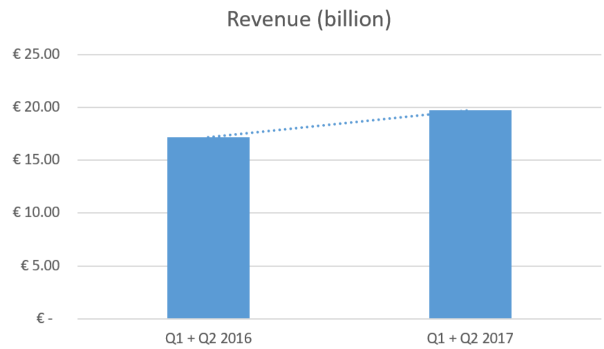


Figure 12: Financial report of Louis Vuitton (quarterly) (Financial report, 2017)



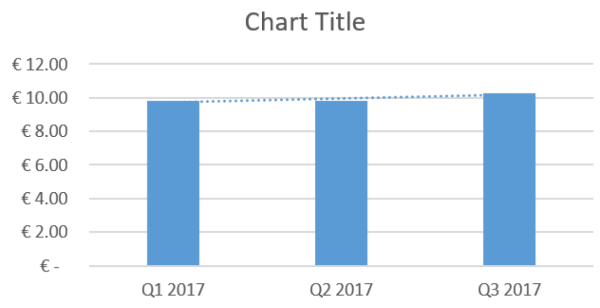


Figure 13: Financial report of Louis Vuitton (same period last year) (Financial report, 2016)

Stretching- Fit - Brand identity and Brand image

The brand identity of Louis Vuitton is defined to represent an outstanding quality, innovation, timeliness and heritage rooted in product excellence. On the other hand, the perceived brand image after the athleisure introduction shows interviewees are starting to misinterpret the messages Louis Vuitton is trying to send. As one respondent mentioned, "...I'm not quite sure about the partnership with Supreme...In France, this brand is associated with skateboarding lifestyle" (Anthoine, Josephine Interview, 5 October 2017). It appears the company's identity does not quite fit with the image consumers perceived subsequent to the launch of the collection, mostly due to a significant discrepancy between Louis Vuitton's brand identity and Supremes' identity.

To summarise the case analysis for Louis Vuitton, it appears the financial impact of the athleisure stretch can be assessed as highly beneficial. Although quarterly revenue did not show a significant increase, the comparison between the same periods from one year to the prior demonstrates a greatly improved financial performance. However, this can lead to a decreased long-term performance due to the misalignment between the brand identity and the image. Since only two out of three criteria have been met, we can conclude an unsuccessful stretch.

Giorgio Armani is an Italian fashion house founded in 1975 by Giorgio Armani. The brand is associated with high-fashion, benefiting from its prestige in the fashion industry (Fortune, 2017).

Stretching method

The corporate brand Giorgio Armani contains several sub-brands catering to different sets of target groups (Martin Roll, 2016), with Giorgio Armani being the source brand. The daughter companies are Giorgio Armani Privé, Giorgio Armani, Armani Collezioni, Emporio Armani, AJ | Armani Jeans, Armani Junior, AX | Armani Exchange (Fortune, 2017).

Athleisure was introduced in 2010 as a new brand daughter, EA7, a brand under Giorgio Armani. The new brand contains approximately 200 clothing items, confirming that this method provides the highest level of availability. Moreover, the products were also priced well below the luxury level of Giorgio Armani, concluding a downward vertical extension.

Brand identity- Giorgio Armani

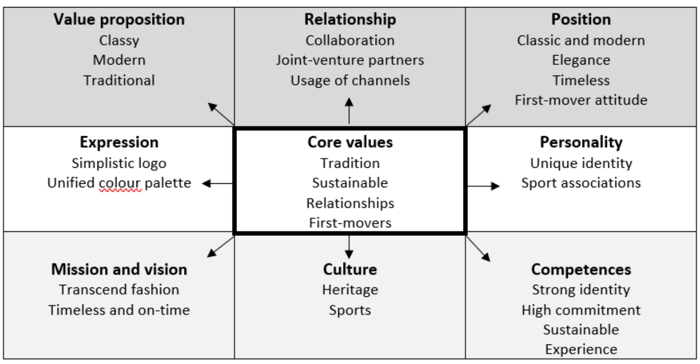


Figure 14: CBIM of Armani

Core Values are defined with emphasis on Armani's identity and position. First-movers within online luxury shopping when it comes to luxury sports clothes. Having strong relationships and a sustainable approach further helps them in creating a sustainable advantage.

Mission and Vision. A clear mission to continually create clothes and aspire for a future with perfection that will transcend fashion (Luxury Brands, 2013). An even stronger vision to crystallise the approach towards fashion as timeless, yet always according to the current fashion (Luxury Brands, 2013).

Culture for Armani is a little different from the two others, as the brand is only from 1975. Thus, making it a newer company that also does not associate themselves with a geographical location (LV with France and Gucci with Italy).

A high interest in sports as Mr Armani (CEO) is engaged with multiple sports teams.

The CEO has multiple titles; sole shareholder, managing director and chairman of the board. Providing him with the opportunity to aspire the people around him and take actions with high commitment (Luxury Brands, 2013). Whereas this high commitment becomes one of their main competencies. Being sustainable is a trait for all the luxury companies mentioned but for Armani, their 'fur-free policy' was one of the first among their competitors to take that action (Armani, 2017).

The value proposition can be described as a classy, jet traditional luxury fashion brand (SCRIBD, 2014).

Relationships and collaborations with various retailers, distributors, as well as joint venture players, proving the company has a strengthful relationship management system (Luxury Brands, 2013). Moreover, reaching and building customer relationships through different channels, to further strengthen the bonds (Luxury Brands, 2013)

The position of Armani is a combination of classic, modern and chic through a variety of different sub-brands. Elegance and timeless style with a twist of first-mover attitude is defined, as Armani's position (Vision Value, 2017)

Expression through Armani's logo pursues a simplistic and elegant approach to the design. The symbolic "G" and "A" helps giving grace and style to the brand (Famous Logos, 2012). Additionally, all the shops use the same range of basic black and white, leaving a classier and distinctive impression. (Famous Logos, 2012)

Personality is helping to make Armani distinctive by building brands primarily on the unique personality and identity of, the committed CEO Giorgio Armani, himself (Martin Roll, 2016). The keen interest in sports; through being a president of a Milano basketball team to designing suits both worn by the Chelsea F.C. players and the national team of England (Luxury Brands, 2013).

Having a foot in the sporting world creates a competitive advantage for Armani. Along with their traditional, yet modern approach to their design, they can influence the market, whilst focusing on traditional clothes and timeless design.

Brand Image of Armani after expanding into athleisure

Armani's image after introducing athleisure is identified through the positioning matrix, on the availability and exclusiveness axis, indicating findings from interviews conducted.

Armani is placed high on availability, as introducing athleisure as a new brand offers the most available item. Furthermore, scoring around 60 percent on exclusiveness discloses that communicating and maintaining a distance between Giorgio Armani and EA7 should not change the perception of the source brand. (interview, 4 October, 2017) She adds, however, that the brand in its full denomination, Emporio Armani 7, can have an impact on her opinion of Giorgio Armani.

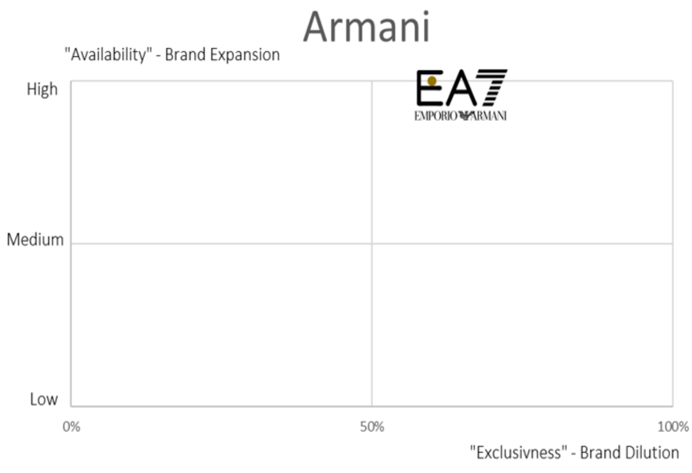


Figure 15: Positioning of Armani

Evaluation of the stretching method

Stretching- Relevance -Consumer needs

Based on the finding in this paper's introduction, the Stretching Relevance relating to fulfilling customers' needs is met for all examined brands. This was determined by the athleisure market findings, showing it is of high relevance and interest for luxury brands. Kapferer (2014) further argues the necessity of extension as a strategic move, to be able to sustain the brand's growth.

Stretching – Revenue - Financial impact

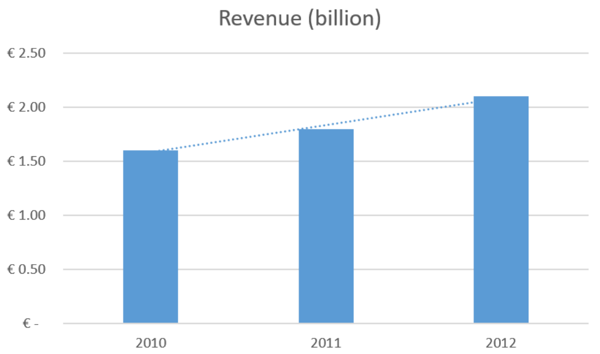


Figure 16: Financial report of Armani (Business of Luxury, 2012) & (Business of Luxury, 2013)

No available data was available for the EA7, therefore the financial impact is performed using the source company, Giorgio Armani's revenue. More, because the firm is privately owned by Giorgio Armani, the data reliability could be questioned.

Giorgio Armani's 2010 revenue stands at 1.59 billion euros (Business of Luxury, 2012). During the following years after the launch of EA7, a significant increase to over 2 billion EUR can be observed (Business of Luxury, 2013). Considering no other major launches could be identified in that period, the revenue increase can conclude the success of the launch.

Stretching- Fit - Brand identity and Brand image

Giorgio Armani's identity as a classy, traditional, yet modern brand ideally fits with their perceived image of classy, sharp and traditional clothes. By introducing athleisure through a new brand, the Giorgio Armani brand ensures their identity will not be lost. Their creation of a dedicated activewear brand, channelling the sports linkages of the brand creator, Armani, secure a new brand identity for EA7 is created and the luxurious Giorgio Armani brand is not affected. Minor criticism can be placed regarding the usage of the Armani name usage considering some sort of associations can be made to Giorgio Armani. On the contrary, the firm followed a successive downward vertical expansion, following a step-ladder model introducing their sub-brand, which gradually decreased from the original brand.

To evaluate if the stretching fits Armani, the results of the brand identity is defined as being classy, traditional yet with a modern design. Whilst the image of Armani is portrayed as classy, sharp and traditional clothes, it's to conclude that the identity and image of Armani, after the stretching, are still aligned.

The Giorgio Armani created a match between their identity and image while stretching into athleisure by creating a new brand, which represents only that. The athleisure expansion has also been proven to be financially profitable, thus all three criteria of the stretching evaluation model have been proven successful.

Conclusion

While it appears both Gucci and Giorgio Armani had successfully stretched into athleisure, the paper concludes Louis Vuitton lacked to fulfil the fit between their identity and the image perceived after their athleisure stretch. Most importantly, they failed at ensuring their perceived identity matched with the perceived image of the Supreme brand, which ultimately affected Louis Vuitton perceived image.

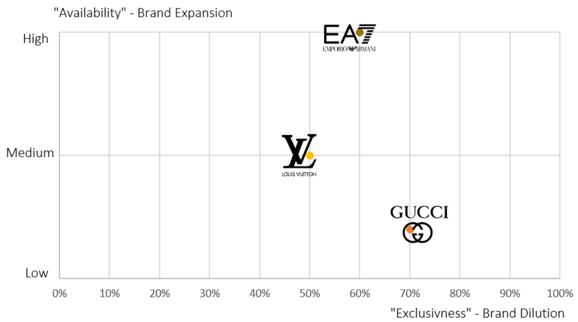


Figure 17: Positioning of all three brands

The paper also concludes that the financial results in terms of revenue are directly proportionate to the availability of the products, ranging from a low for a simple line extension to a high for developing a new brand. It is also important to mention, the investment in the stretching method is likely also directly proportionate with the revenue.

To conclude, the paper identifies the luxury brands are able to expand into athleisure as long as they carefully evaluate the consumer's desires for the athleisure products, the match between their identity, their luxury strategy and their possible perceived image with an athleisure association.

Using the case studies as a basis for analysing, the framework concluded key success factors:

- Awareness of the luxury brand's' identity and the brand's intangible values is imperative when expanding into athleisure
- A match between the brand identity and image is crucial to ensure stretching success for strong brand-orientated luxury firms
- Maintaining the brands luxury image entails a strong focus on the expansion method, considering vertical and horizontal expansion
- A company's expansion method needs to match with their financial capabilities to support it long-term

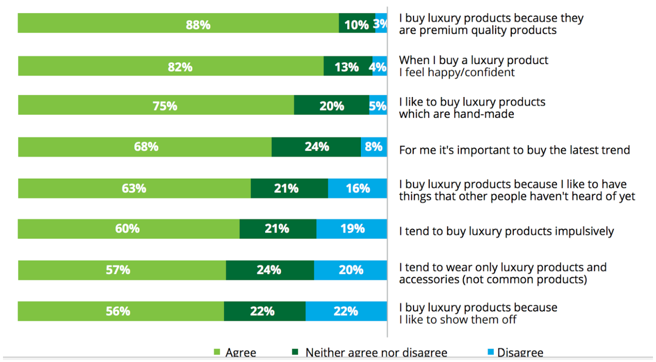
MANAGERIAL IMPLICATIONS

With this paper, the authors have provided an applicable framework for luxury companies to evaluate their expansion into athleisure. While Kapferer work can be used to assess a firm's stretching capabilities, no previous work has been fulfilled regarding specifically luxury brands and athleisure. This paper also provides indicators of success factors luxury firms can consider when stretching their brand into the athleisure market. While the paper has presented the market's attractiveness in both size and match for luxury brands, the emphasis is placed on the importance of choosing the right method is imperative.

Appendices

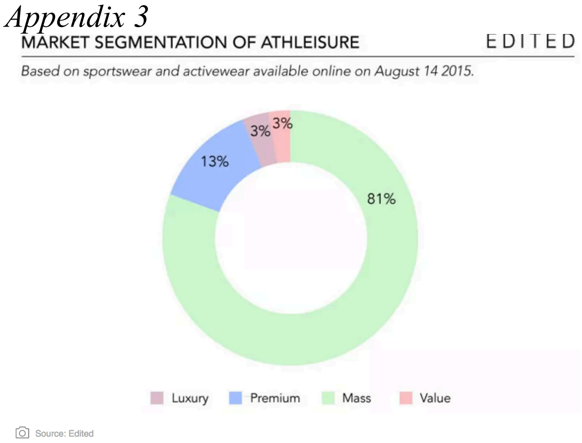
Appendix 1

Figure 5. Here is a list of statements about the relation you might or might not have with luxury products, please let us know to what extent you agree with each of them.



Appendix 2

Appendix 3



Appendix 4

Q1. Are you aware of the athleisure (sportswear for everyday use) concept?

Q2. Do you know the following luxury brand: Gucci?

Q3. Do you know that they are also present in the athleisure industry?

Q4. Can you describe what your perception of the brand is? (What do you think of this brand? Why?)

Q5. Has your impression of the brand changed after you found out that they are expanding into athleisure? In what way?

Q6. Do you think introducing an athleisure line to a luxury brand makes it less or more exclusive or it stays the same?

Q7. What is the reason for your previous answer? (Was your opinion on the brand or your opinion about athleisure that has influenced on your answer?)

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