

PGDM – Retail management 2017-2019  
Luxury Retail and Brand Management  
RM 402

Trimester IV – End – Term Examination, September 2018

Time allowed: 2 Hrs 30 Min  
Max Marks: 50

Roll No.: \_\_\_\_\_

**Instruction:** Students are required to write Roll No on every page of the question paper, writing anything except the Roll no will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5	3*10	30
B	Compulsory Case Study	20	20
		<b>Total Marks</b>	<b>50</b>

**Section A (attempt any three)**

**[10 marks each]**

1. Louis Vuitton is a globally renowned Luxury brand which attained a 'premium' image in Japan. Discuss the major reason(s) behind this phenomenon and suggest possible measures that LV can take to regain a 'Luxury' Image in Japan.
2. Using a relevant example and the Kapferer's Prism, discuss how a Luxury brand can create a Unique Identity amongst consumers.
3. Ralph Lauren Homes was launched to give the brand a greater exposure amongst its target consumers. **Briefly** discuss the mode of expansion used by Ralph Lauren for its growth strategy along with the role played by each product used for expansion.
4. "The concept of 'consignment' is changing the current dynamics of Luxury Retail, especially in the Online Markètspace." Discuss whether you agree or disagree with the statement citing examples & reasons.
5. Discuss the roles played by Diffusion and Bespoke ranges for a Luxury Brand and their importance in creating a balanced 'Brand Portfolio' (use examples for each range).

**Section B: Case Study**

Gucci's youth-led resurgence has laid to rest fears, widely whispered in luxury circles just two years ago, that millennials are more interested in accumulating experiences than handbags. Investors are driving up the valuations of flagging labels like Burberry and Prada in the belief they can pull off the same trick. Alas, neither quite has the Gucci factor.

Gucci's growth under Creative Director Alessandro Michele, who was appointed in 2015, has defied all expectations. In 2017, sales reached €6.2 billion (\$7.3 billion)—up 45% from 2016 excluding currency movements—and the label has kept the pace this year.

Younger consumers have been central to the rebound. Buyers aged 35 and under contributed 57% of Gucci sales last year, baby boomers just 8%. This is unusual: Most fashion brands derive less than 40% of sales from millennials.

One explanation is the way the new Gucci aesthetic, both edgy and retro, chimes with millennial values like creativity and inclusivity. Another is careful planning under Chief Executive Marco Bizzarri, who joined alongside Mr. Michele. The new boss relaunched Gucci's online stores and made aggressive use of social media. He also invested in more affordable products: Although millennials dominate Gucci's client list, they spend less than the average buyer.

Some elements of Mr. Bizzarri's playbook are now mainstream. Brands spent 30% of their ad budgets online last year, up from 24% in 2015, according to agency Zenith Media. The industry has also been investing heavily in new ways of reaching consumers through social media, such as events for trendy Instagrammers.

Other elements can be seen in today's turnaround candidates. A bit like Gucci, Milanese fashion house Prada "priced itself out of the market" with an ever tighter focus on high-end leather goods, says John Guy at brokerage Mainfirst. Now, its new leather bags are on average 24% cheaper than the previous range, he calculates, making them more competitive with similar products from Gucci, Fendi and Valentino. After years of decline, first-half sales were up 9% year over year.

Meanwhile, ailing U.K. trench coat maker Burberry has hired a new chief executive and designer in an effort to reboot growth. A hint of their aesthetic came in an early August Instagram post that revealed a simpler, bolder new logo that eliminates the knight on horseback. If this is anything to go by, the new Burberry could look very different

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But investors should be wary of seeing either company as the next Gucci.

One problem is valuation. The Florentine brand's revival coincided with an upswing in the entire luxury industry as spending by Chinese consumers recovered from a clampdown on corrupt gift-giving and the 2015 devaluation. Without that upswing, Prada and Burberry are unlikely to see a

Gucci-style surge in profits and stock-market value even if they win over consumers. Investors are already very bullish, valuing them at 29 and 28 times prospective earnings, respectively.

The other problem is that neither company can reset itself as radically as Gucci did. Prada is a family-controlled company whose two brands, Prada and Miu Miu, are both inextricably linked to its lead designer, Miuccia Prada, granddaughter of the founder. Her husband is the company's chief executive officer. As Erwan Rambourg at HSBC points out, a strategic and design re-launch of the kind Gucci undertook is out of the question.

Burberry faces another barrier: It wants to move upscale. This will be tough as the wider industry subtly shifts in the other direction in search of younger consumers.

**In context of the case, answer the following (cite relevant examples),**

- a. Discuss the major reasons which, in your opinion, led to the positive growth outlook for Gucci [6]
- b. "Understanding the differences in consumer segments and the values they seek from luxury brands has played a major role in Gucci's rebound" Justify your agreement or disagreement with this statement with the use of relevant theories/ principles/ models of Luxury Brand Management. [8]
- c. In context of this article, suggest possible ways for Burberry to move upscale in the Global retail market and achieve a 'Luxury Brand Image & Equity' amongst millenials using an appropriate theoretical concept/ model. [6]