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國際學碩士學位論文

**Strategy to Enhance Brand Value of Korean
Luxury Goods in the Global Market:
by Applying Four Critical Characteristics of
Successful Luxury Brands**

해외시장에서 한국 명품제품의 브랜드 가치를 향상시키는 전략:

성공한 명품 브랜드의 4가지의 요인 대입

2012年 8月

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國際通商專攻

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Abstract

Strategy to Enhance Brand Value of Korean Luxury Goods in the Global Market:

by Applying Four Critical Characteristics of Successful Luxury Brands

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Today's luxury market is crucial not only in terms of market value, but also in terms of its growth rate. However, the Korean luxury brand has a lack of awareness, especially in the fashion industry. The purpose of this study is to investigate the brand strategies of successful luxury brands in the international market. In order to be a powerful luxury brand, the four most critical factors should be met which are quality, prestige, limited supply, and the background. This research further introduces the stage model of luxury brands, the 3PA stage model – Premium, Prestige, Preciousness, and Acknowledgement. The paper concludes by recommending current Korean premium brands based on this stage model.

Keywords: Luxury brand strategy, Premium, Prestige, Preciousness, Acknowledgement, the Korean luxury brand

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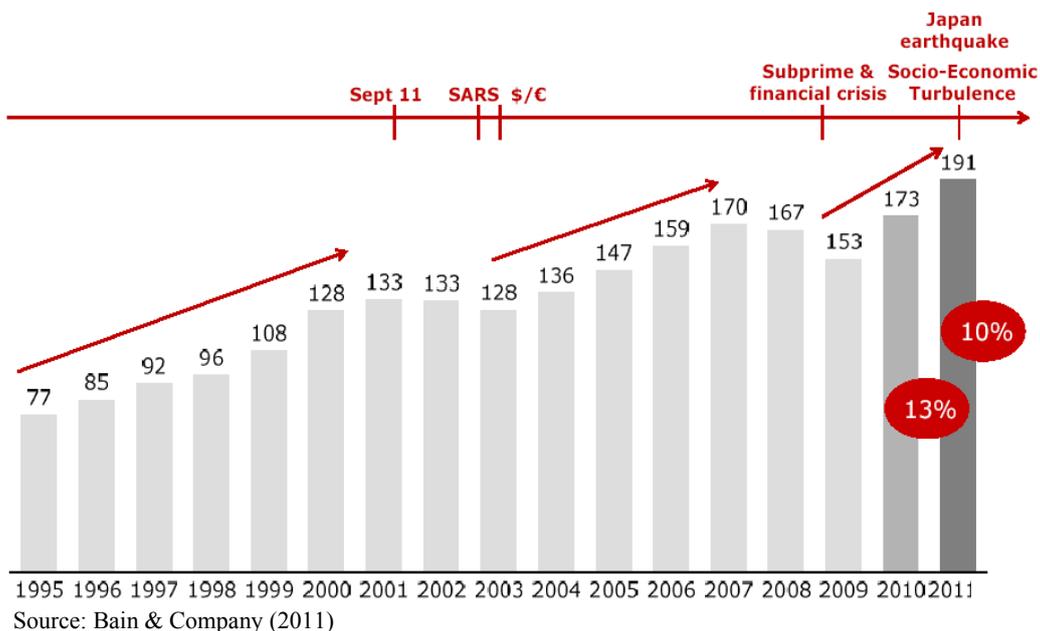
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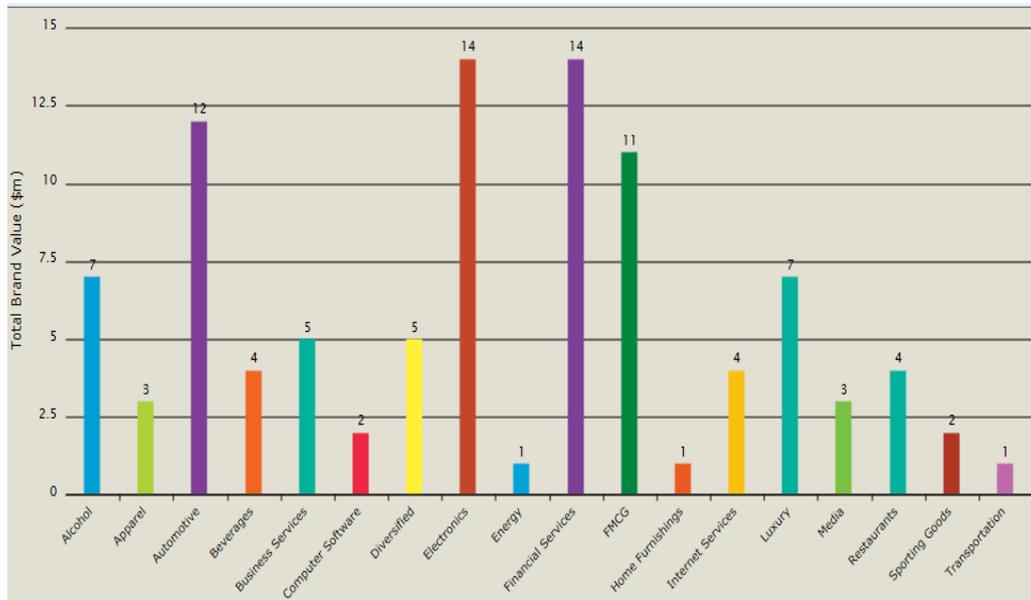
I. INTRODUCTION

Today, the luxury goods market has become more significant. This is because in terms of its market value, which has exceeded €191 billion in 2011 and in terms of total brand value, the luxury sector is in the top five of the best global brands in 2011 (see Figures 1 and 2). Moreover, luxury brands are crucial in terms of their rate of growth – since the early 1990s, the market for luxury goods has been growing at an unprecedented pace, from €77 billion in 1995 to €191 billion in 2011, and has considerably outperformed that of other consumer goods types (see Figure 1).

[Figure 1] Worldwide Luxury Goods Market Trend from 1995 to 2011



[Figure 2] Interact with the Best Global Brands of 2011, Brands by Sector



Source: Interbrand (2011)

The rate of growth has been driven by a variety of factors. Two main reasons may explain such growth. First, the major reason is because of the dramatic rise in the number of high-net-worth individuals with a desire for luxury brand consumption due to improved economic factors worldwide (Bain & Company, 2009). These factors include lower unemployment rates, lower production costs, increasing disposable incomes, a growing wealthy class in emerging countries and an increasing work rate among women (Fiske and Silverstein, 2003, 2004, 2005; Yeoman and McMahon-Beattie, 2006). Secondly, the consumption of luxury goods has increasingly reached

lower classes of society in most countries (Fiske and Silverstein, 2003; Nueno and Quelch, 1998).

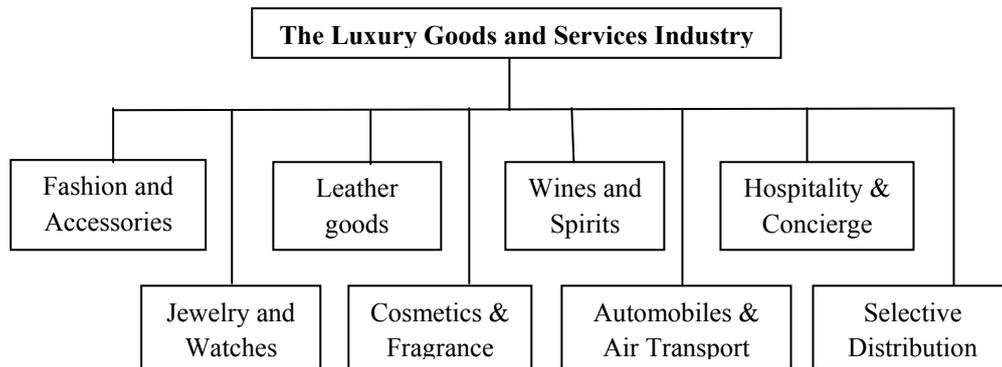
Today, consumers buy more luxury goods than before for diverse reasons, which could include a desire to imitate the lifestyle of the richest or the social class who is immediately above them (O’Cass and Frost, 2004; Amaldoss and Jain, 2005), the superior quality of the products (Vigneron and Johnson, 2004), or on more indulgence way on the basis of self-rewards (Fiske and Silverstein, 2005). Consequently, the luxury market may be seen as becoming a relative mass market, which not only includes members of the wealthiest social class, but also those who belong to more middle classes (Yeoman and McMahon-Beattie, 2006; Nueno and Quelch, 1998).

In addition, the richest 2 percent of adults in the world own more than half of the world’s wealth, according to a new study released by the Helsinki-based World Institute for Development Economics Research of the United Nations University. They found that the richest 1 percent of adults owned 40 percent of global assets in the year 2000, and that the richest 10 percent of adults accounted for 85 percent of the world’s total (Common dreams, 2006).

Moreover, the global luxury goods market is forecast to expand by 65 percent from 2010 to 2015, with most of this growth coming from emerging economies, especially in Asia Pacific excluding Japan (PR Newswire, 2011). Therefore, luxury brands, which target 10 percent of the world, are crucial to make more benefits

strategically for the companies rather than the 90 percent. On top of that, the expansion of the luxury customer base and the subsequent lowering of the entry barriers to the industry have resulted to a rise in both offerings and competition across all luxury categories such as fashion and accessories, leather goods, fragrance, skincare, cosmetic, automobiles, hotels, and so on (see Figure 3). This expanded offering of luxury goods allows a wider market, with accompanying complexities and expectations (Okonkwo, 2009a).

[Figure 3] The Scope of the Luxury Goods and Service Industry



Source: Okonkwo (2009a)

On the other hand, the Korean luxury brand has a lack of awareness, even though today's Korean brand in semiconductors, materials, automobiles, consumer durables industries, and banking industries are well-developed (see Table 1). Many well-known Korean companies try to launch their premium brands, but they could not

make genuine luxury brands. Many international luxury brands have entered the whole world, but Korea has not yet produced its own worldwide known luxury brand. Korea should consider how to create a luxury brand that will compete with other luxury brands such as of Louis Vuitton, Gucci and Chanel in the future.

[Table 1] Top Ten Korean Businesses in the World

	Company	Type of Industry	Sales (\$Billion)	Profits (\$Billion)	Assets (\$Billion)	Market Value (\$Billion)
1 (55)	Samsung Electronics	Semiconductors	97.28	4.43	83.30	94.48
2 (137)	POSCO	Materials	33.48	3.51	37.03	39.84
3 (187)	Shinhan Financial	Banking	17.16	1.62	208.99	16.95
4 (188)	Hyundai Motor	Consumer Durables	63.95	0.69	81.45	21.84
5 (278)	Hyundai Heavy Industries	Capital Goods	22.04	1.81	30.36	13.53
6 (298)	LG Corp	Conglomerates	72.36	0.73	50.92	9.07
7 (334)	Woori Financial Holdings	Banking	51.01	0.36	230.52	9.07
8 (363)	KB Financial Group	Banking	8.82	0.49	212.40	16.24
9 (512)	Korea Electronic Power	Utilities	25.31	-2.37	68.47	20.52
10 (519)	Industrial Bank of Korea	Banking	7.85	0.62	114.63	6.19

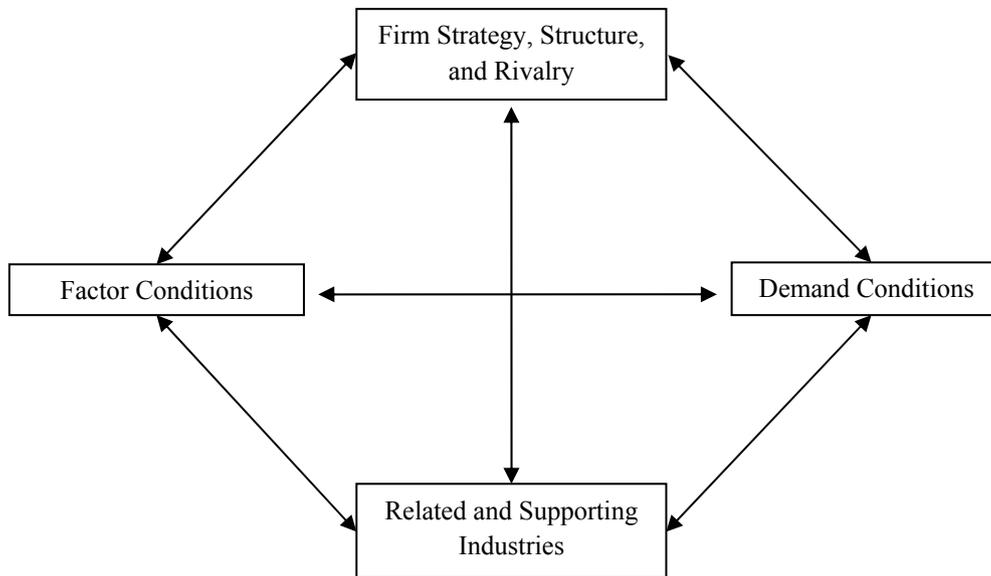
Source: Forbes Global (2010)

Note: () is World's Rank

Therefore, two principal objectives are identified for this study: to investigate the key factors of successful luxury brands in international markets; and to give the

guideline on how to enhance brand value of Korean luxury goods in the global market. This paper is structured as follows. First, existing literature review on brand equity and brand management, and the difference between definition of luxury and premium brand are revealed. Moreover, previous studies on luxury brands and the luxury brand strategy which makes differences from customers' goods are outlined. Secondly, this paper explores the characteristics of successful luxury brands by conducting the case study of the five best brands in the world's top ten luxury brands. Third, after analyzing the five successful luxury brands and the research on the characteristics of renowned luxury brands, four key factors of luxury brands – quality, prestige, limited supply, and the background, are classified. In this paper, the main characteristics of luxury brand are defined based according to Porter's (1990) diamond model, which emphasize four critical factors in the business industry, to suggest Korean brands to be global luxury brands (see Figure 4). Then, this paper illustrates how luxury brand evolves by applying 3PA stage model, which are Premium, Prestige, Preciousness, and Acknowledgement. Fourth, on the basis of these analyses, this paper examines at the current status of Korean premium brands, for example, Louis Quatorze, MCM, and Romanson, by applying four key factors followed by recommendation to Korean brands. Finally, we will conclude and discuss implications for the future for Korean luxury goods.

[Figure 4] Diamond Model of National Competitiveness



Source: Porter (1990)

II. LITERATURE REVIEW

1. Brand Equity and Brand Management

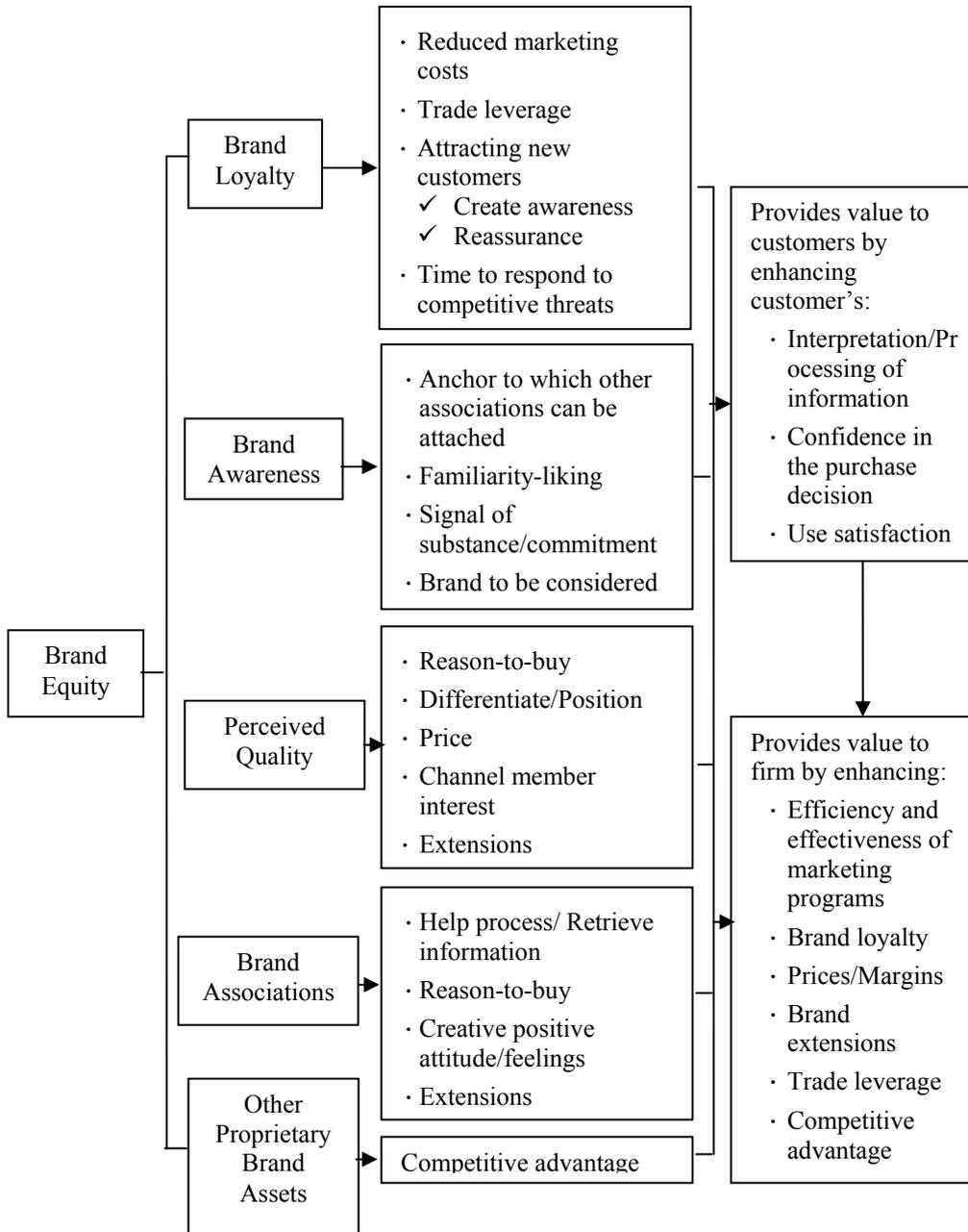
i) Brand Equity

Generally, brand equity is defined as fame of brand, which means if brand is well-known and it has reputation, brand equity is high. Also, brand equity is the willingness for someone to continue to purchase the brand. Thus, the measure of brand equity is strongly related to loyalty and extends divisions on a range from standing customers of the brand to changeable users. According to Aaker (1996), brand equity is a set of assets linked to a brand's name and symbol that adds to the value provided by product or service to a firm and/or that firm's customers. He says that the major four assets are categorized by brand name awareness, brand loyalty, perceived quality, and brand associations (see Figure 5). First, brand awareness refers to the strength of a brand's presence in the consumer's mind (Aaker, 1996). Also, he mentions that the customer loyalty creates the brand value of a firm. Third, perceived quality is what makes customers buying and the measurement of the impact of a brand identity. Finally, brand associations that customers make with a brand, include product attributes, a celebrity, or special symbol.

Since these existing studies are based on regular goods, it is not appropriate to explain the characteristics of luxury goods. This is because

popularity of powerful brands and prestige of luxury goods are different. Maintaining a high price is not enough to be qualified as luxury, but it must possess a cultural guarantee accepted as a social stratification (Kapferer and Bastien, 2009). Luxury brand has a reputation with the cultural, political and financial power, which differentiates it from quality artisanship. For example, English Morgan car is very unique, full of history, made by hand, and genuine, but they are not factors of social stratification. They build purchaser's identity but do not create vertical distance (Kapferer and Bastien, 2009). Moreover, luxury brand should have "brand" first, and then "luxury" second, which is another fundamental difference between luxury and artisanship. For instance, India has extremely high quality of craftsmanship, but it still has not developed luxury brands since infrastructure is lacking.

[Figure 5] How Brand Equity Generates Value



Source: Aaker (1996)

ii) Brand Management

According to Malaval (1998), brand management is the actions to build awareness, image, and associations, which is the part of the larger plan. Brand management consists of giving life to the brand, from its birth through to its development and evolution (birth of related brands, brand extensions, brand, and suppressions).

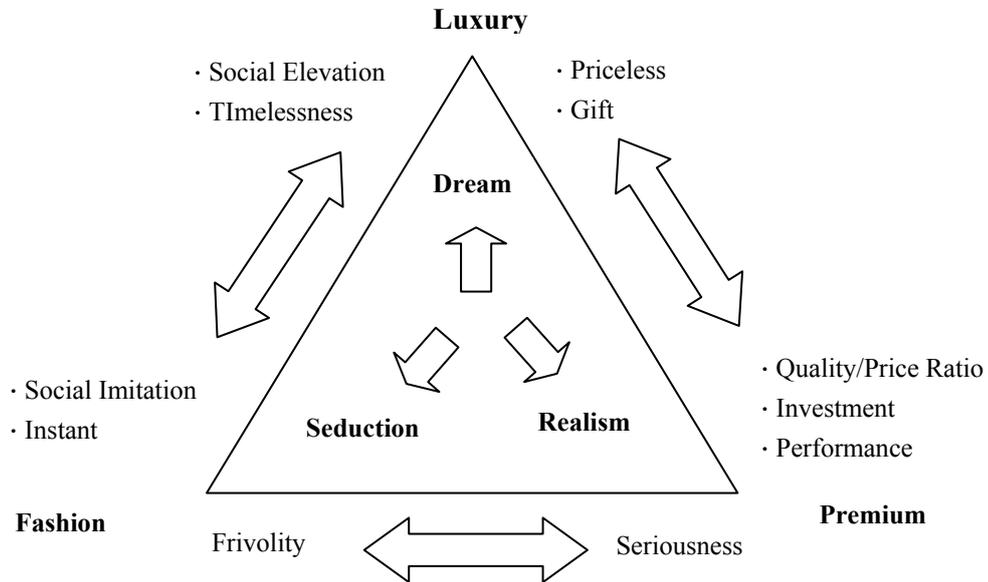
Some goods have high quality of products, but they are not successful in the scope of international market due to poor brand management. Other goods which do not have good quality, but thanks to respectable brand management, they can be famous. Therefore, having high quality of product is crucial, while maintaining proper brand management.

2. Defining Luxury Brand and Premium Brand

A Korean company considers premium brands as luxury brands, since the casual wear Bean Pole, Samsung Anycall, and Kimchi from Chonggafood are known for reputation goods. However, according to Kapferer and Bastien (2009), premium is not luxury. Today, as “luxury” became commonplace, people do not speak of “luxury,” but speak of “accessible luxury,” of “true luxury,” of “new-luxury,” and so on.

A key component of this paper is to understand the difference between a *luxury* and a *premium* brand. In the consumer perspective, the definition of *luxury* can embrace a variety of characteristics. *Luxury* is often defined by something expensive and extravagant that is hard to obtain; an hedonic rather than a necessity (Corbellini and Saviolo, 2009), and these items are known to provide consumers with extra pleasure compared to ordinary products, aiming to not only be functional but to flatter all senses at once (Stegemann, 2006). Also, *luxury* is defined as “an expression of individuality, through the unique and highly personal experience that luxuries provide...a means to personal aspirations (Graham and Matthews, 2004).” Brands in this classification include Prada, Gucci and Louis Vuitton, which are extremely high priced, but still accessible to only those who are willing to pay for them. On the other hand, brands that satisfy to the masses are considered *premium* brands, such as Polo Ralph Lauren, DKNY and Calvin Klein. These products may be expensive, but reasonable, and there is a larger market for them than for the luxury items. *Premium* brand is newly positioned brand, whose positioning strategies often combine a high perceived prestige with reasonable price premiums in order to attract middle-class consumers (Truong, McColl, and Kitchen, 2009). This comparison that highlights the “exclusivity factor” of luxury is critical to understand the difference between *luxury* and *premium* brands. Moreover, Figure 6 shows *luxury* and *premium* which are unlike positioning (Kapferer and Bastien, 2009). *Luxury* is more likely to be related to dream of social elevation; on the other hand, *premium* is likely to be realistic in terms of price that one can afford.

[Figure 6] Luxury, Fashion and Premium Positioning Triangle



Source: Kapferer and Bastien (2009)

3. Existing Research on the Luxury Brands

Many studies have been carried out on conceptualization of luxury goods either in terms of customer's perspective (Vickers and Renand, 2003; Vigneron and Johnson, 1999; Gutsatz, 1996; Dubois, Laurent, and Czellar, 2001; Nia and Zaichkowsky, 2000) or from an application as a product branding device (Jackson, 2001, 2004; Allers, 2003; Nueno and Quelch, 1998).

However, previous studies have recognized a lack of clarity with respect to what defines a luxury brand (Vickers and Renand, 2003; Vigneron and Johnson, 2004;

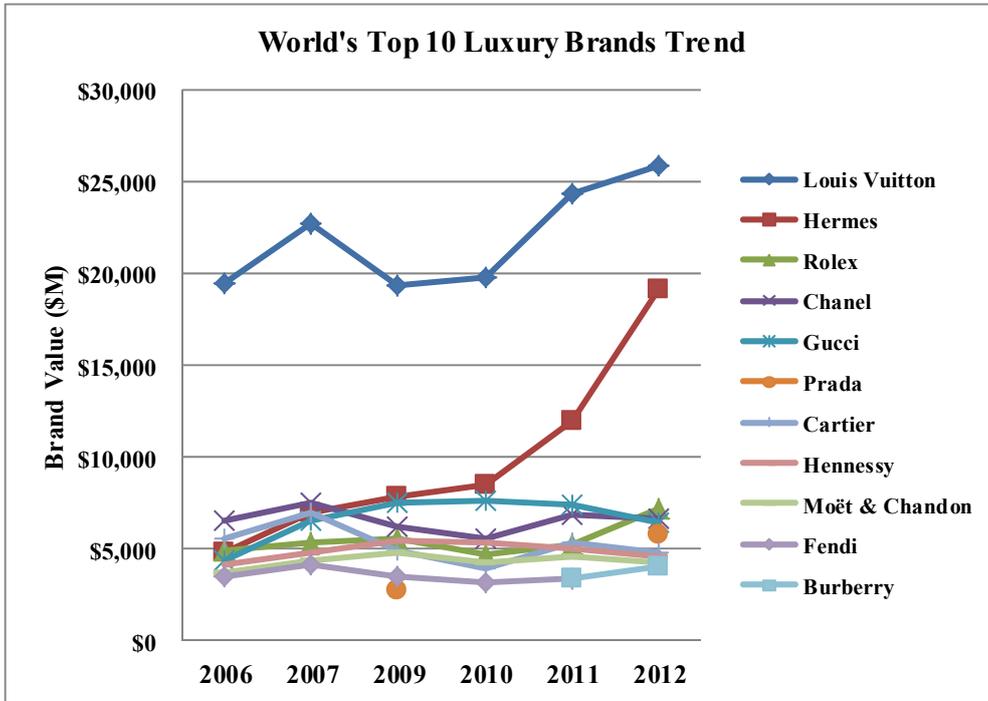
Phau and Prendergast, 2000). Previous research shows the characteristics of luxury brands, but some factors are overlapped to define key characteristics. Moreover, the limitation of these studies has been the incomplete consideration of the creation and development of Asian luxury brands (Moore and Birtwistle, 2005; Beverland, 2004; Kapferer, 2008) and some existing literature have been done on the lack of Asian global brands and critical issues for companies to focus on (Ewing, Napoli, and Pitt, 2001; Roll, 2006).

III. CASE STUDIES OF SUCCESSFUL LUXURY

BRANDS STRATEGY

To select the sample luxury brand, first, the trend of six years from 2006 to 2012 is examined, except 2008 due to missing data. However, noticeable trend below rank three is not founded (see Figure 7). Therefore, the Milward Brown Optimor's "World's Top Ten Luxury Brands" list, which analyzes the world's leading brands with the economic and competitive dynamics that influence value fluctuations, is used (see Table 2). The list is based upon market share, consumer feedback and other composite scores. The list indicates the luxury brand's brand value, and the percentage of brand value change comparing to previous year (Milward Brown Optimor, 2010). In this paper, among ten international successful luxury brands, five of them – Louis Vuitton, Hermès, Chanel, Cartier, and Rolex, which dramatically increase their brand value compared to previous year, are analyzed and are used as representative of successful luxury brands.

[Figure 7] The World's Top Ten Luxury Brands Trend



Source: Millward Brown Optimor (2006-2007, 2009-2012)

[Table 2] The World's Top Ten Luxury Brands

Rank	Brand	Brand Value 2011 (\$Million)	Brand Value Change	Country of Origin
1	Louis Vuitton	\$24,312	23%	France
2	Hermes	\$11,917	41%	France
3	Gucci	\$7,449	-2%	Italy
4	Chanel	\$6,823	23%	France
5	Cartier	\$5,327	34%	France
6	Rolex	\$5,269	11%	Switzerland
7	Hennessy	\$4,997	-7%	France
8	Moët & Chandon	\$4,570	7%	France
9	Fendi	\$3,422	7%	Italy
10	Burberry	\$3,379	N/A	United Kingdom

Source: Millward Brown Optimor (2011)

1. Louis Vuitton

Louis Vuitton is a French brand and one of the world's leading international fashion houses, which was founded in 1854 by Louis Vuitton. For sixth consecutive years, Louis Vuitton is still at number one of the ten most powerful brands published by the Millward Brown Optimor's 2011 BrandZ with a value of \$24.3 billion (see Table 2). It was more than double in value from the second rank. Louis Vuitton brand

is well known for its LV emblem, which is featured on most of its products – which ranges from luxury trunks to shoes, watches, jewelry, accessories, sunglasses, and books. LVMH Moët Hennessy manages over 50 brands, including Christian Dior, Givenchy, Céline, Fendi, Donna Karan, Loewe, jeweler Chaumet, Fred, watchmaker Zenith, Tag Heuer, and alcoholic beverage maker Moët & Chandon.

Since the 19th century, Louis Vuitton goods have been hand-made. Louis Vuitton's main motto is to have "absolute quality." The wooden frames of each trunk are made of 30-year-old poplar that has been allowed to dry for at least four years. Each trunk has a serial number and can take up to 60 hours to make, and a suitcase as many as 15 hours (Martin, 1995). Many of the philosophy for products derived from the challenging preferences and policies of Louis Vuitton, as well as the creativities of Mark Jacobs, the artistic director of Louis Vuitton since 1997. Louis Vuitton brand aims to esteem the brand's historical prestige and give superiority to traditional artisanship rather than mass production through machines. Therefore, not any customers can purchase the high priced items in its collection line.

Louis Vuitton pursues royalty management, which does not provide to the demands of the masses so that it can focus its attention on interacting with good customers. Louis Vuitton destroys all the unsold stocks at the end of a season rather than sell them at a discounted price, which gives benefit to its image. Ever since Louis Vuitton was established, it has not held a bargain sale a single time because the core of Louis Vuitton's pricing policy lies in selling products to all of the customers at the

identical price. Louis Vuitton does not allow set sales since they lead to price reductions. Louis Vuitton products are only offered through limited distribution channels. The establishment of large-scale flagship stores gives Louis Vuitton with bases from which to convey a more influential and clearer image and to comprehensively ensure a sense of high added value.

2. Hermès

Hermès is one of the world's notable fashion houses, which is established in France in 1837. Hermès embraces various luxury goods segments, which specializes in a variety of products, including silk and textiles, ready-to-wear clothing, leather goods, accessories, perfumes, watches and tableware. All these products are accessible worldwide through a network of 304 exclusive stores and watches, perfumes and tableware are sold through a network of specialized stores.

Since its origin, Hermès has established a reputation for high quality and luxurious style. Hermès is well-known for its handmade luggage and handbags. The company does not use assembly lines, instead, only one craftsman, who may have been worked for the company for decades, makes a single handbag one at a time, hand-stitching individual pieces with linen thread. One bag might require 18 to 24 hours to fabricate. Customers must wait one year for delivery of the “Kelly” and “Contance” if

bags are not true. The bags are highly popular with people, regardless of their extremely high cost.

The brand is a high-status product and their products accommodate exclusively only to the elite such as the rich and famous people in society. Even though the products are expensive, those who can afford their prices do not hesitate to buy. They think possessing a Hermès product is to own one of the best in the world, and hardly any are given that privilege. Moreover, Hermès pursues the marketing strategy that shows the prestige factor to make their products more desirable. Hermès usually advertise its brand through high-end fashion magazines and its own website, but it does not advertise on television or on radio. It creates word-of-mouth to spread by itself. However, the main advertisement of Hermès is to have celebrities use their products.

3. Chanel

Chanel is the French house of high fashion that specializes in haute couture and ready-to-wear clothes, luxury goods, and fashion accessories. As a fashion designer, Coco Chanel delivered to a woman's taste for elegance in dress, with blouses and suits, trousers and dresses, and jewelry of simple design that replaced the opulent, over-designed, and constrictive clothes and accessories of the 19th century fashion (Luxury Shopping Paris, 2012). The shops are located in wealthy communities, usually in department stores, shopping districts, and inside airports.

Chanel wanted to create an image for her brand and did so by using six strategies, ensuring: 1) excellent quality, 2) high price, 3) scarcity and uniqueness, 4) attractive aesthetics, 5) they had an ancestral heritage and personal history, and 6) her garments were superfluous and spectacular. Chanel has always ensured that its creator's personality is evident in the brand and the logo for Chanel has not changed since its inception and so has created a world recognized brand (Chanel blog, 2011).

Chanel's marketing strategy has always been one of innovation, in spite of her unchanging label; Coco Chanel has regularly re-invented herself to align her fashion with current trends. Chanel's innovation and penchant for re-invention and moving into new markets saw her release perfumes and move into the area of dress jewelry. This expansion into new markets helped the Chanel brand to grow and prosper (Chanel blog, 2011). She even introduced men's fragrances and aftershaves, unheard of for a woman designer to do at the time. It is this constant reinvention and fearless ability to change with the times that saw Chanel and her marketing strategy succeed. (Profil Produk/Usahawan Popular, 2010).

4. Cartier

Cartier is one of the biggest names in the world of jewelry and timepieces. Cartier was founded in 1847 by a 28 years old Louis-Francois Cartier who took over the jewelry workshop of his teacher, Adolphe Picard (Product Paradise, 2010). In 1853,

he opened his own boutique and, quickly, Cartier became the “Master jeweler” to Europe’s Crowned Head of State, including customers such as Empress Eugenie, spouse of Napoleon III (LinkSnoop.com, 2010). Since its creation, Cartier enjoys an international reputation and set up itself as the leader and the symbol of superiority and mode. Cartier is the international market leader of jewelry and watch making. Cartier jewelry had been divided into two subdivisions, which are traditional jewelry and new jewelry, and has developed each in a specific manner.

Cartier covers various sectors including watches jewelry, leather products, perfumes, pens, eyewear and lighters. It tried to focus on main sectors not to damage the brand identity and prestige. The advertisement campaign is a pure product campaign, presenting the watch on a red background. Cartier’s jewelry and timepieces are considered as art pieces and they use celebrity marketing. Cartier has a representation contract with Monica Belluci, so whenever she wears it, it becomes hot issue. There are many celebrities who wish to contract or ask to borrow their jewelry. Cartier is also the sponsor of various events, like the Cartier Polo World Cup on Snow. Another key success factor is to have a selective distribution strategy (Gautschi, 2005).

5. Rolex

In 1905, Hans Wilsdorf, a German citizen, establishes with his brother in law a firm called Wilsdorf & Davis and specializing in the distribution of watches. Their

main business at the time was importing Hermann Aegler's Swiss movements to England and placing them in quality watch cases made by Dennison and others. These early wristwatches were sold to jewelers, who then put their own names on the dial. In 1908, he makes up a logo and a name that is easy to pronounce in every language and short enough to figure on the dial of the watch: it is the birth of Rolex (Gautschi, 2005).

Rolex adhere to a long tradition of "one brand and one product," except "Tudor" brand, which is Rolex's second brand. Rolex produced only round watches for more than 40 years. The brand covers only two collections: the Oyster that represents around 140 models and 80 percent of the sales and the Cellini. The design has always been very conservative and the only radical innovation was brought in 2000 with the launch of a colorful Oyster Daytona (Gautschi, 2005).

Conservatism and tradition are the philosophy of the Rolex strategy: same product and same communication in the last four decades. Its distinctive communication strategy and differentiation allowed the company to gain a continuous competitive advantage over the years. Rolex has succeeded in becoming the global number one luxury watch making brand without launching any stores under its own name, but by counting on a network of high quality exclusive distributors. The current strategy features two unique categories of advertisement. The first shows personalities or events that are associated with the watch. Personalities and events can be divided into three categories: celebrities, events and philanthropy. The communication strategy of Rolex is very sophisticated and precise. The key points of their strategy depend on

the use of sponsorship and particularly celebrity advertising and the emphasis on being a mysterious brand. Another significant premise of the strategy is the backward vertical integration in order to secure future supply.

To summarize above five brands' characteristics, refer to below Table 3.

[Table 3] Case Study of Five Successful Luxury Brands Characteristics

Louis Vuitton	Hermès	Chanel	Cartier	Rolex
Since 1854	Since 1837	Since 1909	Since 1847	Since 1908
French	French	French	French	Switzerland
Hand-made	Craftsmanship	High quality	Considered as art pieces	Swiss made
No-sale	Good material	No-sale	Sponsorship	Prestige sports
Royalty management	Celebrities marketing	Celebrities marketing	Celebrities marketing	Selective celebrities
Limited distribution	Limited distribution	Innovative strategy	Selective distribution	Limited collection
Repair service	Word-of-mouth	Personal history	New design and style	Conservatism and tradition

IV. CREATING AND MAINTAINING LUXURY BRANDS

1. Existing Literature on Key Characteristics of Successful Luxury Brands

According to Porter (1996), the competitive strategy is about being different, which means choosing different activities to deliver a unique mix of value to differentiate from the rivals. Porter (1985) applies the principles of strategic advantage and strategic target to define three fundamental competitive strategies for surpassing competitors in a long term view (see Figure 8). Porter (1985) emphasizes the two basic types of competitive advantage combined with the scope of activities to lead three generic strategies for attaining outstanding performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus. The cost leadership and differentiation strategies seek competitive advantage in a broad range of industry segments, while focus aims at cost advantage and differentiation (Porter, 1985).

[Figure 8] Three Generic Strategies

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3A. Cost Focus	3B. Differentiation Focus

Source: Porter (1985)

The main difference between the luxury brands and customer goods is that luxury brands focus on differentiation, while other regular brands emphasize the cost leadership (Kapferer and Bastien, 2009). Differentiation of a luxury brand aims to create the largest gap between the buyers values created, which leads premium price, and the cost of uniqueness (Porter, 1985). Luxury brands focus on differentiation which creates the uniqueness. And this uniqueness is from the quality of products and design. However, only choosing a unique position is not enough to promise a sustainable advantage, since a valuable position attracts imitation by competitors, who are likely to copy. To sustain a strategic position, trade-offs with other positions occur.

According to Fionda and Moore (2009), as Table 4 highlights, there are a number of overlapping and various well-known key attributes within the literature, in

order to build and maintain luxury fashion positioning. Within the luxury goal, the concept of brand – specifically the brand name and identity – is considered fundamental (Okonkwo, 2007; Jackson, 2004; Alleres, 2003; Dubois and Laurent, 1994). The luxury brand requires a related, apparent and definite marketing strategy (Moore and Birtwistle, 2005; Beverland, 2004; Nueno and Quelch, 1998). The strategy is formed to assist in increasing the global reputation and presence of the brand, and to leverage the brand status and awareness (Chevalier and Mazzalovo, 2008; Phau and Prendergast, 2000). To build a luxury brand, many attributes are crucial including product, design, quality (Okonkwo, 2009b; Jackson, 2004; Mintel Report, 2004; Moore and Birtwistle, 2005; Beverland, 2004; Jackson, 2001; Nueno and Quelch, 1998; Chadha and Husband, 2006; Radon, 2002; Phau and Prendergast, 2000; Dubois and Laurent, 1994), craftsmanship (Okonkwo, 2007; Jackson, 2001, 2004; Nueno and Quelch, 1998; Kapferer, 2008; Dubois and Laurent, 1994), and innovative, creative and unique products (Okonkwo, 2007; Moore and Birtwistle, 2005; Alleres, 2003; Nueno and Quelch, 1998; Dubois and Laurent, 1994; Kent, Macdonald, and Deex, 2002). The luxury product offers authentic, quality and exclusive traits (Kapferer, 2008; Radon, 2002; Dias and Ryab, 2002) that are aspirational. These key products often symbolize the brand signature or “brand DNA” (Nueno and Quelch, 1998), as they can help depicting the personality and values of the creators (Okonkwo, 2007; Bruce and Kratz, 2007). The appointment of the sophisticated fashion designer boosts the appeal of the products (Jackson, 2004; Bruce and Kratz, 2007), and consequently enhances their relevance to a current market. The premium price of luxury goods is only clearly

referenced (Okonkwo, 2007; Moore and Birtwistle, 2005). Although a high price positioning does not necessarily need a luxury positioning, there are the studies that luxury goods normally grasp a premium price differential, compared to other products within the same category (Jackson, 2001; Kapferer, 2008; Erickson and Johansson, 1985). The elements of rarity and exclusivity are considered a significant characteristic of luxury brands (Jackson, 2001; Nueno and Quelch, 1998; Kapferer, 2008; Radon, 2002). Okonkwo, Nueno and Quelch identify that limited assembly is basically linked to the preservation of the brand exclusivity. The impression of scarcity heightens the appeal of luxury brands (Hanna, 2004). Brands can prolong the exclusivity of the brand through advertising, endorsement, controlling distribution and price (Hanna, 2004), and producing limited editions lines (Okonkwo, 2007; Nueno and Quelch, 1998). The environment and service provided by luxury brands are considered crucial attributes in the luxury proposition (Okonkwo, 2007; Moore and Birtwistle, 2005; Alleres, 2003; Kent *et al.*, 2002; Broughto, 2002). Luxury stores are considered shopping minsters (Zola, 1883) that use architecture to express a sense of dignity, and describe the lavish shopping experience for rich customers (Bruce and Kratz, 2007; Zola, 1883). Customer service is also critical in buying the luxury experience (Okonkwo, 2007; Danziger, 2005a).

[Table 4] Overview of the Key Models Identifying the Luxury Fashion Brand Dimensions

Critical Dimensions	Nueno & Quelch (1998)	Arnault (2000)	Stanley & Witter (2000)	Phau & Prendergast (2000)	Alleres (2003)	Beverland (2004)	Moore & Birtwistle (2005)	Oknokwo (2007)
Brand/Marketing Strategy	<ul style="list-style-type: none"> · Relevant marketing strategy · Global reputation 	<ul style="list-style-type: none"> · Brand image · A drive to reinvent oneself to be the best 	<ul style="list-style-type: none"> · Critical mass · Global recognition 	<ul style="list-style-type: none"> · Well-known brand identity 	<ul style="list-style-type: none"> · The brand name 	<ul style="list-style-type: none"> · Marketing · Value driven emergence 	<ul style="list-style-type: none"> · Marketing 	<ul style="list-style-type: none"> · A distinct brand identity · A global reputation · Emotional appeal
Product and Design	<ul style="list-style-type: none"> · Premium quality · Heritage of craftsmanship · Element of uniqueness to each product · Recognizable style or design · Ability to time design shifts when category is fashion intensive 	<ul style="list-style-type: none"> · Product quality · Creativity 	<ul style="list-style-type: none"> · Core competences and other products 	<ul style="list-style-type: none"> · Quality 	<ul style="list-style-type: none"> · Recognition symbols · Creations 	<ul style="list-style-type: none"> · Product integrity 	<ul style="list-style-type: none"> · Product integrity · Iconic products/design · Control over product manufacturer 	<ul style="list-style-type: none"> · Innovative, creative, unique and appealing products · Consistence delivery of premium quality · Heritage of craftsmanship
Price Exclusivity	<ul style="list-style-type: none"> · Limited production run 			<ul style="list-style-type: none"> · Evoke exclusivity 			<ul style="list-style-type: none"> · Premium price 	<ul style="list-style-type: none"> · Premium price · Exclusivity in goods productions
Communications Strategy			<ul style="list-style-type: none"> · Powerful advertising 	<ul style="list-style-type: none"> · Increase brand awareness 		<ul style="list-style-type: none"> · Endorsement 	<ul style="list-style-type: none"> · Endorsement: fashion shows, store displays, PR, product packaging 	<ul style="list-style-type: none"> · High visibility
Brand Leadership/ Designer	<ul style="list-style-type: none"> · Personality and values of its creator 	<ul style="list-style-type: none"> · Company spirit 			<ul style="list-style-type: none"> · The creators 	<ul style="list-style-type: none"> · Culture 	<ul style="list-style-type: none"> · Culture · Designer PR face of the brand 	
Distribution Strategy			<ul style="list-style-type: none"> · Immaculate flagship stores · Superb customer service 		<ul style="list-style-type: none"> · Locations 		<ul style="list-style-type: none"> · Flagship stores and stores brand concept · Controlled distribution of the brand 	<ul style="list-style-type: none"> · Tightly controlled distribution
Heritage					<ul style="list-style-type: none"> · History 	<ul style="list-style-type: none"> · History 	<ul style="list-style-type: none"> · Heritage 	

Source: Fiona and Moore (2009)

2. Four Critical Factors of Successful Luxury Brand Strategy

Based on the literature reviews and five case studies of international successful luxury brands, four critical factors – quality, prestige, limited supply and the background, are extracted (see Table 5).

i) Quality

Product and Design

Most brands use quality as a core identity element because the product is the primary influence of what consumers experience with a brand. Quality includes high quality of product and excellent design which create brand equity. Maintaining a premium image for luxury brands is crucial; controlling that image is thus a priority. The success of a luxury brand is predicated on demonstrating a finest image that can substantiate a luxury price. This image often revolves in distinctive product or service features. Marketers of luxury brands must ensure that brand's image, especially its more intangible aspects, is strong, consistent and cohesive over time.

Brand elements aside from brand names – logos, symbols, packaging, and signage and so on – can be important drivers of brand equity for luxury brands. These factors may help for luxury brands to convey a premium, prestige image. They can assist brand awareness, and can serve as important signals of

quality and prestige to customers themselves or to people who customers care about.

Premium prices necessitate in some extent, but luxury brands must be sure to not raise any doubts in customers' mentality as to the merits of their purchase. Because of these high expectations, all aspects of the purchase and consumption experience matter, putting pressure on marketers of luxury brands to achieve perfect value delivery.

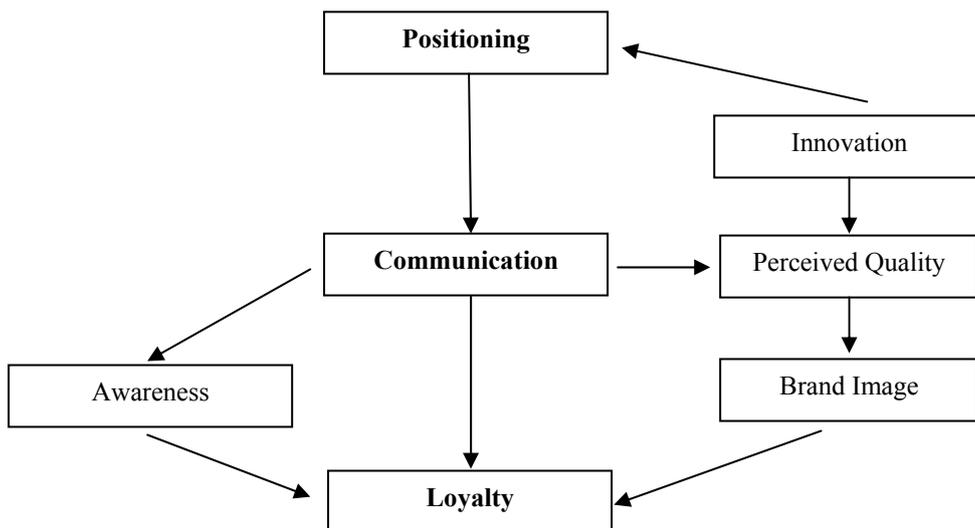
ii) Prestige

Brand loyalty

Loyalty is the result of constant investment in the customer by creating uniqueness with awareness, image, and quality of products (see Figure 9). To create brand loyalty, consumers' experiences with the product has to meet. Loyalty is based on repeat consumption behavior which is defined as adhesiveness to the brand and has the potential to lead to the positive outcomes. A review of the literature reveals three major factors leading to loyalty: performance, connections, and incentives (Loken, Ahluwalia, and Houston, 2010). The performance is based on consumers' experience with the brand directly or indirectly. Positive and consistent performance is known to result in the development of brand trust, leading to experience-based loyalty. The second factor focuses on the development of a connection between the brand and

consumer, which typically tends to affect laden and hence enables the development of affective loyalty. The third path focuses on economic incentives that are likely to create switching barriers that enhance customer retention, inducing economic or behavioral loyalty (Loken, Ahluwalia, and Houston, 2010).

[Figure 9] Diagram Showing How the Brand Functions



Source: Aaker (1991)

Brand image

Brand image is defined as consumer perceptions of a brand as reflected by the brand associations, which reflect characteristics of the product or aspects independent of the product itself, held in consumers' memory (Keller, 2007). According to Keller (2007), positive brand image is created by marketing programs that links strong, favorable, and unique associations to the brand in memory. Creating a quality product or service is only a partial success; perceptions must be created as well (Aaker, 1996) because perceived quality may differ from actual quality for a variety of reasons. Perceived quality has been defined as customers' perceptions of the overall quality or superiority of a product or service relative to relevant alternatives and with respect to its intended purpose (Keller, 2009).

In luxury, there is no positioning strategy because the luxury brand fosters its uniqueness; it prefers to be truthful to an identity rather than constantly concern about superiority over a rival, which is its competitive advantage. On the other hand, a brand can only be built through coherence. Luxury branding typically engages in the formation of many intangible brand associations and an aspirational image. Many luxury brands not only have storied histories and flourishing heritages, but also convey symbolic value in their status and achievement.

iii) Limited Supply

Limited Marketing Strategy

All aspects of the marketing program for luxury brands must be aligned to guarantee quality products and services, and pleasurable purchase and consumption experiences. The brand image can be created via public relations, word-of-mouth, and so on. Non-users become prospects, partially, by virtue of a desire to follow or at least enjoy the same rewards as current luxury brand users. Much of the transfer of this brand affiliation from current users to prospects is carried out via nonpaid media channels and interpersonal influences of mixture methods. Through these social influence resources, many prospects add the luxury brand to their consideration set of possible flexible purchases. The more important marketing strategy is that there is no sale in luxury because the price and the value of a luxury product should increase over time, and should not suddenly crush. Therefore, any brand that goes on sales cannot be a luxury brand.

Limited Distribution Channels

The luxury sells in limited distribution to make product exclusive and the customer think that he is the unique person to own the product, which excludes others. However, for the emergent luxury brand, it is difficult to know when to open up to be less exclusive, and to become profitable. Luxury brands must carefully control distribution via a selective channel strategy. Because of

the highly targeted market segments involved and the need for exclusivity, prestige, and retail distribution are usually highly selective and controlled to make sure that it closely aligns with the brand promise. To maintain its status, a luxury brand must justify privilege through price or initiation effort by devoting time and patience; for example, a waiting list. For maximum control, most of luxury brands have their own retail outlets and company stores.

iv) Background

Heritage

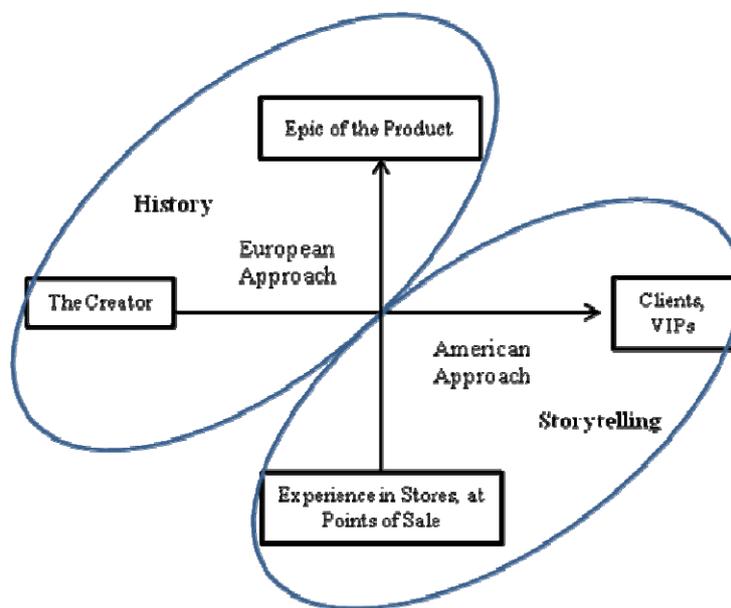
Many luxury brands have storied histories and rich heritages because being luxury takes time. This distinguishes luxury from the productivity logic of industry, where efficiency is the standard of good management. However, for luxury, it takes the time to offer the very best according to the brand's own conception, and it is nourished and matured over time (Kaferer and Bastien, 2009). It also pays regular allegiance to the spiritual legacy of its founder, who is embodied in a new creator to reincarnate the original spirit of the brand.

Storytelling

History and tradition only can build value through relevance today; therefore, a new luxury lacks of a history (Kaferer and Bastien, 2009). However, by creating an atmosphere and genuine impression, it can increase the brand value (see Figure 10). As luxury brand gains its value in its intangibles,

communication also can play an important role for new luxury brand to match or exceed customer expectations.

[Figure 10] The Two Modes of Luxury Brand Building

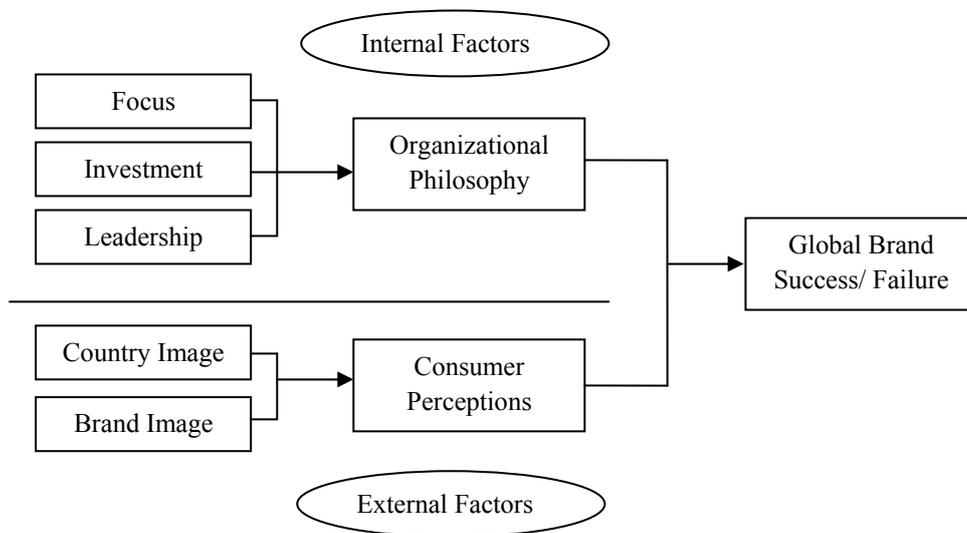


Source: Kapferer and Bastien (2009)

Country of Origin

The country or geographical location from which it is seen as coming from also may become linked to the brand and generates secondary associations (Keller, 2007; Ewing *et al.*, 2001). Ewing *et al.* (2001) grouped these factors into two broad categories: internal and external factors. Internal factors include organizational philosophy; on the other hand, external factors focus on consumer perceptions (see Figure 11).

[Figure 11] Factors Influencing Global Branding Success and Failure



Source: Ewing *et al.* (2001)

Some countries have become known for specialty in certain products or for delivering a particular type of image. For example, Italy and France are known for fashion industry, and internationally well-known fashion designers and brands, are usually from Paris, Milan, and New York. In the luxury brand, the positive brand image of a country can help strengthening brand awareness. For example, France has image who initiates luxury, where history, know-how and details are consumed. Also, Italy is inspired by art and Germany is recognized for fascinating the car industry. Moreover, as above Table 2 shows, world's top ten brands are all made in Europe and Europe has high recognition of opulence. On the other hand, in the newly industrialized Asian countries such as Korea and Japan, automobiles, consumer electronics and services are well-developed but the same cannot be applied for fashion.

[Table 5] Applying Four Critical Factors on Porter's (1990) Diamond Model

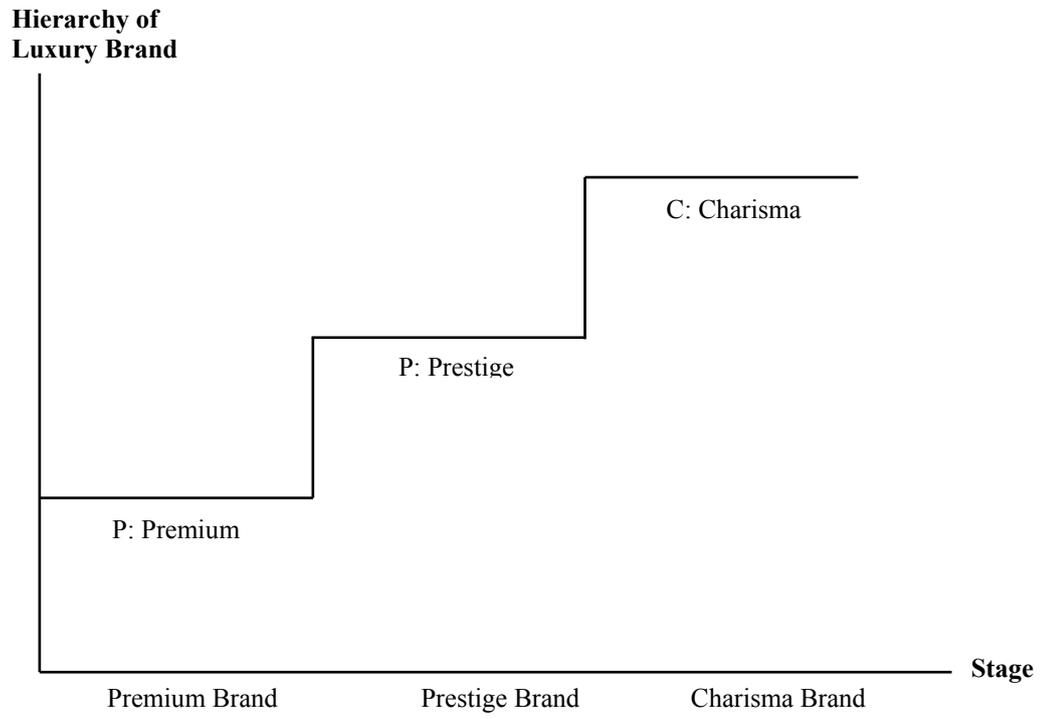
Factor Conditions	Quality	Product
		Design
Demand Conditions	Prestige	Brand Loyalty
		Brand Image
Related and Supporting Industries	Background	Storytelling/Heritage
		Country of Origin
Firm Strategy, Structure, and Rivalry	Limited Supply	Limited Marketing
		Limited Distribution

3. 3PA Stage Model – Time Series Analysis of Four Critical Factors

Jeon and Kim (2005) emphasize PPCA model, which are Premium, Prestige, Charisma stage, and Acknowledgement (see Figures 12 and 13). This model introduces that there are three steps to be a luxury brand with acknowledgement. However, in this PPCA model, the last stage, the Charisma stage is an abstract concept compared to other two terminologies. Moreover, it is hard to obtain the acknowledgment at the beginning of the stage as it is mentioned in the Introduction stage (see Figures 13).

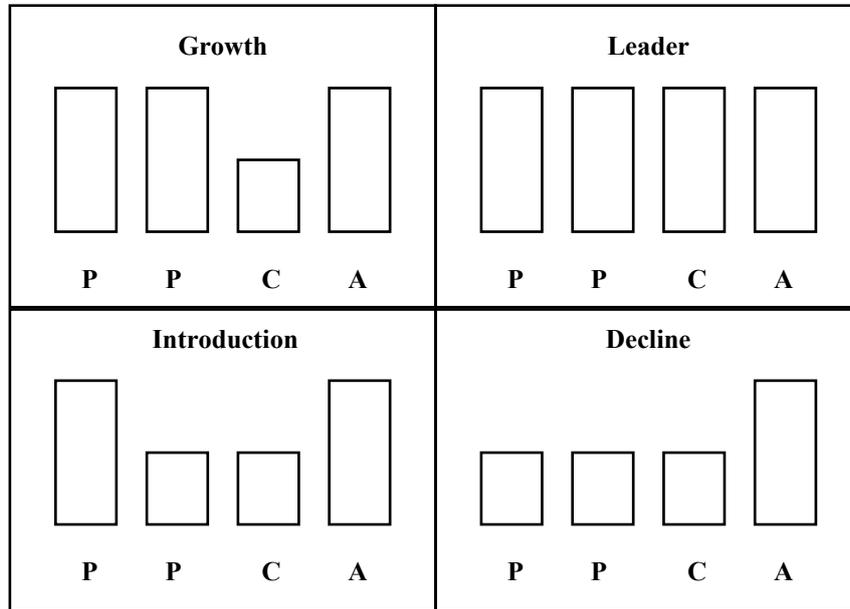
Therefore, in this paper, the terminology, Charisma is changed to Preciousness to avoid implicative word. Moreover, the growth of acknowledgement is modified to gradual growth rather than high recognition in the beginning. From this PPCA model modification and previous analysis, 3PA stage model, which is Premium, Prestige, Preciousness, and Acknowledgment, is developed as a new model (see Table 6). According to 3PA stage model, a successful luxury brand is built through specific progress of consumer perceptions: first Premium, then Prestige, and, finally, Preciousness, while Acknowledgement is gradually increasing (see Figure 14). Each step is enhancing from the previous stage without losing any critical factor. The examination of the relationship between these four measures reveal about the current and future status of a brand. New luxury brands that have just been launched show low levels on all four measures, while determined luxury brands have increased capabilities in each stage.

[Figure 12] Hierarchy of Luxury Brand: PPCA Model



Source: Jeon and Kim (2005)

[Figure 13] Stage Model of Luxury Brand

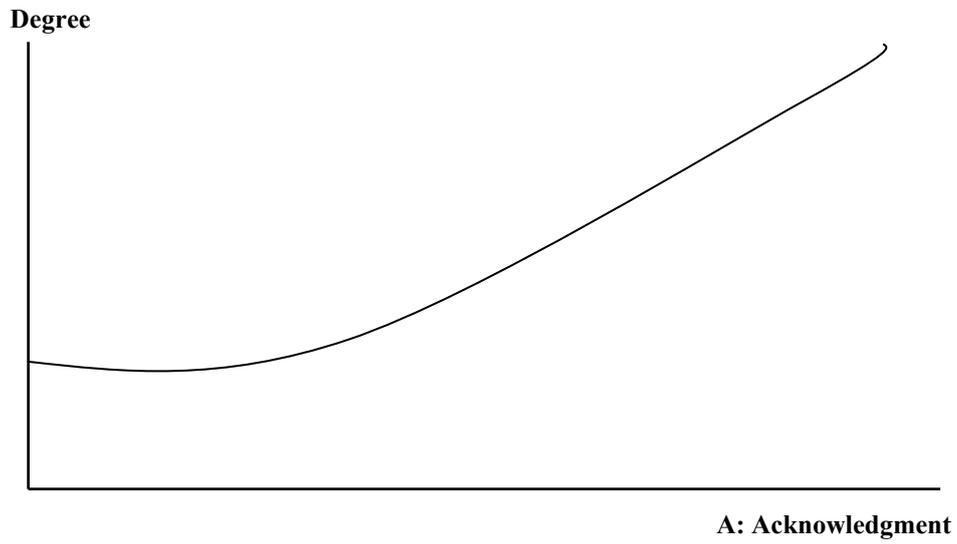
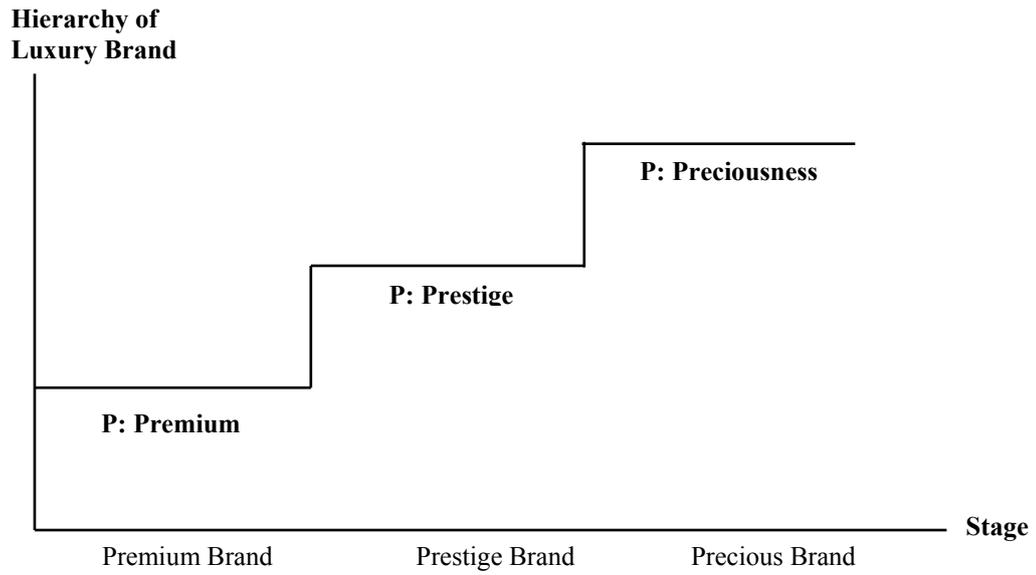


Source: Jeon and Kim (2005)

[Table 6] 3PA Stage Model – Premium, Prestige, Preciousness, and Acknowledgement

Premium	Quality	Product
		Design
Prestige	Prestige	Brand Loyalty
		Brand Image
Preciousness	Limited Supply	Limited Marketing
		Limited Distribution
Acknowledgement	Background	Storytelling/ Heritage
		Country of Origin

[Figure 14] 3PA Stage Model – Premium, Prestige, Preciousness, and Acknowledgement



i) Premium

Premium stage includes high quality of product and design. The quality always has to be maintained as the best to be successful. This condition can be explained in terms of practical function. This practical function guarantees the actual quality and perceived quality by customers. The brand primarily satisfies consumers' functional needs. Even though the brand has high quality, Acknowledgement of the product is relatively low in this stage as it is showed in Figure 13.

ii) Prestige

The brand should be able to express an image for its customers through brand personality. Premium alone is not the key to brand success. Rather, Prestige together with Premium represents brand strength as the brand combines high quality with brand's recognition. Once the brand has the reliable high quality, it can appeal positive brand image to customers and attracts brand loyalty. The brand should ensure that it has a view about how the brand's image will be managed over time. As the sales of products grow, the brand's image needs to be protected against inferior, competitive, look-alikes. Moreover, in Prestige stage, Acknowledgement gradually has increased not only with excellent quality, but also with its brand image and loyalty.

iii) Preciousness

Previous research shows the Charisma stage after the Premium and Prestige stage. However, the terminology of Charisma is too ambiguous. Therefore, this paper presents the Preciousness instead of Charisma. Preciousness can be created by restricted supply and discriminatory marketing strategy.

Ultimately, if a luxury brand has established Premium and Prestige, and customers have high Acknowledgement, the final stage, Preciousness can be developed. Preciousness stage can be formed, if a brand is successful in creating exclusivity with limited supply, consumers will hold the brand in high regard and show high levels of esteem. Customers tend to desire the products more, if the quantity of brand is scarce. They are willing to wait for long period to have one. However, this Preciousness stage should be controlled well based on reliable value and image, because if the product is too random, the company cannot make profits.

iv) Acknowledgement

Acknowledgement is defined by brand awareness, which reflects the salience of a brand and facilitates consumers' capabilities to identify the brand with a specific product category (Aaker, 1996). Aspects of brand awareness can be measured through brand recognition, brand recall, brand dominance, and

brand knowledge. All these can be created by heritage and/or storytelling, which show the uniqueness of a brand. Moreover, in terms of a luxury brand, the manufacture's country of origin is crucial. Previous studies on countries who manufacture fashion in Asia have emphasized to change from material itself to brand image making. Countries should improve their abilities and image to produce global fashion brands. This Acknowledgement cannot be made in one day, but it has to grow gradually from the Premium stage to the Preciousness stage.

V. ENHANCING KOREAN LUXURY BRANDS

1. Application of Four Critical Factors on Existing Korean Premium Brands

i) Louis Quatorze

Louis Quatorze was established in 1980 by Paul Barrate, who came from a line of artisans, in Versailles, France. It was named after the iconic French King Louis XIV (1638-1715), who was renowned for his luxurious and immoral lifestyle during his reign. Louis Quatorze offers handbags from its Paris Collection, as well as its line of trunks, other accessories and leather goods.

Louis Quatorze became especially popular in Asia during the 1980s for its products. In 1990, a Korean company, Taejin International bought the brand. Under the wheel of its president Jeon, Yong-joon, Louis Quatorze was recreated as a luxury label, relying on its French heritage. Louis Quatorze entered significantly in the Korean market; also it is trying to also establish an existence in France. It opened its design office in Paris in 2008 to maintain the high quality and brand recognition (Louis Quatorze Website, 2011).

Louis Quatorze introduced its Paris Collection of French chic-inspired handbags and accessories. The collection, designed by creative director Pierre-Louis Mascia and made in France, was inspired by modern art and classic prints

with French sophistication (The Korea Times, 2010). Y.S. Kwon, executive vice-president of Louis Quatorze, emphasized its commitment to classical elegance, modern chic and East-meets-West aesthetics are special characteristics of Louis Quatorze. Louis Quatorze flagship shop is in Cheongdam-dong in Seoul, where rich people live. But as a French-born brand, it was only fitting for it to have a flagship store in the Marais district of Paris.

One of special collection, the Madame de Maintenon introduces classic features and formal designs. There are orange and chocolate brown handbags in classic shapes made of luxurious leather. The Madame de Lavalliere collection includes evening accessories, such as clutches with tassels and small purses. On the other hand, the Madame de Montespan line has a more “frivolous and provocative” style. A mix of vintage prints, patterns, dots and stripes are used on tote bags and weekend bags that are fun and casual but still fashionable (The Korea Times, 2010).

ii) MCM

MCM (Mode Creation Munich) is a German brand which was found in 1976. MCM crafts luxury leather goods, apparel and footwear for the world’s most seasoned travelers. MCM has a worldwide strategic partnership to develop and re-launch MCM brand worldwide with Sungjoo Design Tech & Distribution Inc. (SDD) of the Republic of Korea. SDD has entered a global strategic

partnership and became the major shareholder of MCM Products AG (PRWeb, 2005).

Through innovation and timeless design, MCM combines iconic German-engineered functionality with traditional craftsmanship, offering a heritage of elegance. MCM established itself as a global luxury brand through European artisanship with a refined mastery of skills, handcrafting elegant products with flawless quality materials (MCM Website, 2012).

MCM's logo reflects the rich heritage of its past. The logo's beribboned laurel leaves pay homage to King Ludwig I's passion for all that was neoclassical, representing the Greek symbol for victory and achievement with honor. The MCM diamond symbolizes value, strength and durability without compromise in beauty. It was inspired by the diamonds of the Bavarian Flag entitled "Weiss Blauer Himmel." The diamond-laden flag symbolizes the legacy of Munich and the Bavarian states, the birthplace of MCM. The Munich Lion emblem, sometimes accompanied with the MCM logo symbolizes Henry the Lion (MCM Website, 2012).

Each MCM piece is the work of fine craftsmen assembling superior materials with the utmost care. MCM guarantees that the products are crafted by only the most knowledgeable and skilled of artisans in order to meet the same German quality standards established decades ago. Every MCM product is personalized by a brass plate. Like a treasured heirloom, this signature detail has

unique serial number to each piece, connecting the owner directly with MCM's skilled artisans (MCM Website, 2012).

The brand is innovative and very open-minded for the younger generation. MCM's strategy is to have direct-owned stores and a strong presence within leading department stores or other selective outlets in key markets such as Paris, London, New York and Italy. There are already 55 stores in Korea (Moodie, 2006).

iii) Romanson

The Korean watch brand Romanson was established in 1988, and began manufacturing watches with Swiss movement in the 1990's. Most of Romanson's watches are manufactured in Korea with Swiss movement, except the premier class which is manufactured in Switzerland (Wordpress.com, 2010). Romanson supplies leather goods, belts and key rings as well as handbags, purses, wallets, and briefcases. The bracelet watches, especially, for the ladies have enjoyed constant reputation for their unique design. Even though the price of watch is in the medium range, the dials are equipped with a sapphire crystal and indicators of time and the straps are made of leather.

In the beginning, the company exported its production to the Middle East. But the revolutionary new technologies in the production and developing the unique design of the models have been gradually introduced. And now

Romanson has the multi-branch distribution network which is presented in more than 70 countries and its annual income reaches \$25 million. The innovative developments pushed the company to the forefront of the watchmaking industry. For the first time, the watches were introduced with dials which are protected by the cutting glass that has been carved in a diamond shape (Montre24.com, 2012).

Romanson maintains the line-up with various products including sub brands such as the luxury jewelry watches of “Marigold,” the prestige-grade watches of “Eleve,” the watches matching with business dressing of “Tulip,” the fashion-trending watches of “Trofish” and the casual watches of “Phil,” and also including chronograph and automatic watches (Gobizkorea.com, 2006).

Romanson strives to attain the match of aesthetic character and functionality fitting perfectly with the corporate philosophy that mankind’s desire for beautifulness and his pursuit of convenience are absolute all the times (Wordpress.com, 2010). Deserved fame and the highest quality allowed the company to create the watch models designed for the presidents, who participated in the summit of North and South Korea. The design of the numerous collections among the luxury models embodied the tendencies of the modern art and classic elegance (Montre24.com, 2012).

2. Recommendations for Korean Premium Brands

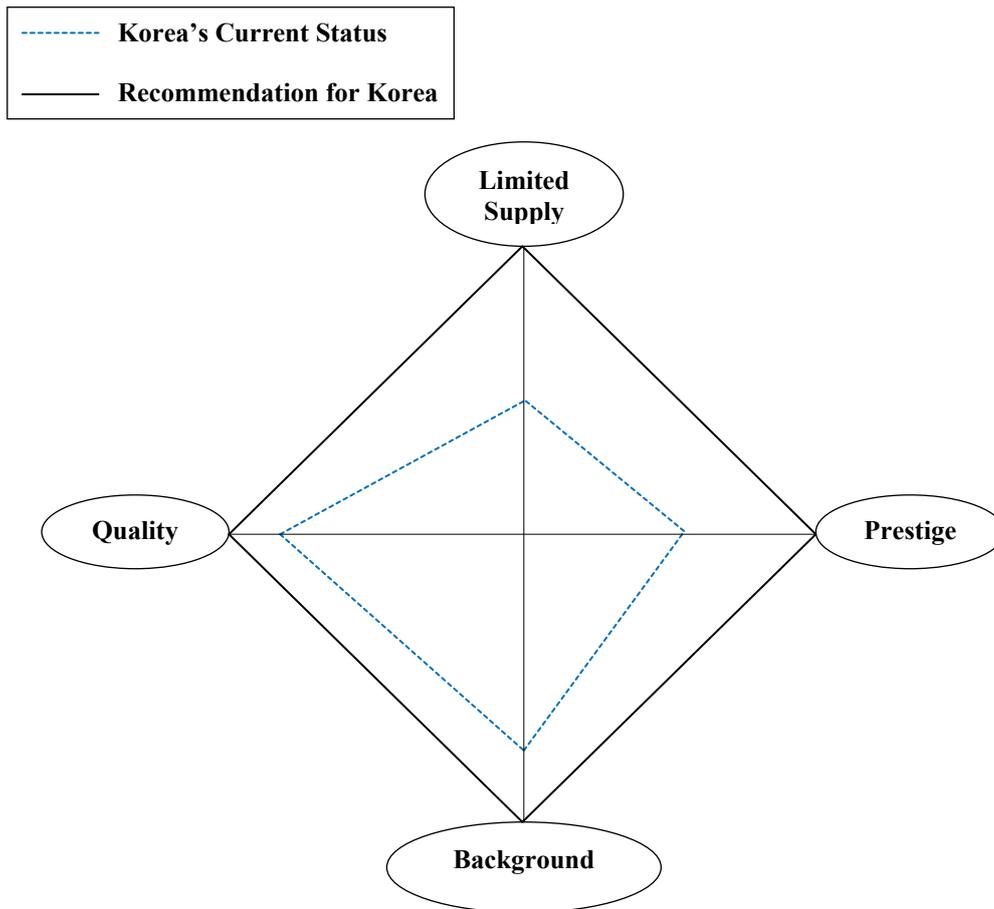
Today's Korean brands are more likely to be *premium*, which is the pre-stage of luxury brands (Jeon and Kim, 2005) rather than *luxury*. However, unlike other Korean brands, the samples of Korean brands for above case study have heritage, since Korea bought the luxury brands which are of the origin from European countries. Moreover, they have high quality of products and excellent design skills. However, creating uniqueness for the customers to attract more demand is lacking. Korean companies should improve communication skills with customers by providing extraordinary things.

To be a successful luxury brand in a global market, the four characteristics — Premium, Prestige, Preciousness, and Acknowledgment are crucial. However, Korea has distorted diamond due to lack of prestige and limited supply, since Korea brands are in the Premium stage (see Figure 15). Therefore, Korea should enhance the Prestige factor, while maintaining or improving high quality of products. Then, Korean brands can step up to the Prestige stage. However, as it mentioned above in country of origin factor, the country image should be upgraded. Currently, country image of Korea is not well-known for luxury brands like France, Italy, or other European countries. Therefore, as Acknowledgement is important, Korea needs to develop a unique strategy to improve not only brand image, but also country image.

According to Porter (1985), differentiation will not lead to a premium price in the long run unless its source remains valuable to the buyer and cannot be imitated by competitors. The sustainability of differentiation depends on two things, its continued perceived value to buyers and the lack of imitation by competitors. The most persuasive differentiation often stems from sources of value the buyer can perceive and measure, or from difficult-to-measure sources of value that are extensively signaled. Therefore, Korean luxury brands should maintain their competitiveness and differentiation to move up to the Prestige stage.

Once Korea brands are established with high quality and prestige factor, they can pursue the limited strategy, which enables Korean brands to maintain the Preciousness stage. Korean brands cannot move forward without containing quality and prestige factor. They might be able to succeed in the short-term, but they cannot remain in the Preciousness stage for long-run, like other newly introduced luxury brands, whose brand value were decreased in short-term due to lack of these two factors. Therefore, Korean brands have to develop their luxury goods step by step with gradual growth of acknowledgement.

[Figure 15] Applying Generalized Diamond Model to Current Status of Korean Brands and Recommendations for Future



Note: Based on Moon *et al.*'s (1998) Diamond Model

VI. CONCLUSION

This paper addressed the definition of brand and brand management and defined the difference between the premium and the luxury brand. Also, the paper outlined the defining characteristics of luxury brands that provide a foundation as to how they can be marketed. The paper next focused on a particular five case studies of successful luxury brands. They show how to attract new customers without alienating existing customers in order to grow.

However, existing studies did not explain why Asian brands, especially Korean are lacking recognition and how they can produce globally known luxury brands. Thus, this paper introduces 3PA stage model – Premium, Prestige, Preciousness, and Acknowledgement, which are extracted from existing literature review on successful luxury brands and case study of five international luxury brands. 3PA stage model explains that in order to be a successful luxury brand, it has to go through three stages.

First, it has to have high quality of product. Once a brand has been launched, with core values that consumers appreciate, it is important that these core values are clearly communicated with customers to build brand loyalty and good brand image. In the final stage, when brand's values are identified, the brand can use exclusive strategy to appeal the uniqueness.

Therefore, in order to succeed in global market in terms of brand value; Korean premium brands should obtain high quality product and exquisite design with a

unique appeal to customers. Moreover, good communication with customers should be done. Also, to have exclusivity, Korean brands should control marketing and distribution channel and make special stories of the brands.

This paper can give impact on further study. First of all, since this paper is focused on fashion industry, the research on expanded luxury industries such as automobile, liquors, and cosmetics, can be done. Moreover, in this research there are case studies of only five successful luxury brands, thus, more analysis of other world's top luxury brands can be done to prove the key characteristics of luxury brands. All the sample of case study for Korean brands is limited since all the brands were bought from European countries. The case study of Korean brands, which are originated from Korea, can be done in the future. Application of four factors on unsuccessful luxury brand cases can be done as well. Many luxury brands try to extend their brand, and this is one of the strategies to launch the new products. Thus, the research on how brand extension of luxury brands can succeed, while maintaining the brand consistency can be analyzed. Finally, since this paper generalizes customers of luxury brands, sub-categorize or/and sub-sub-categorize the targeting group of luxury brands based on each four factors can be done to make thesis more dynamic in the future.

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초 록

해외시장에서 한국 명품제품의 브랜드 가치를 향상시키는 전략:

성공한 명품 브랜드의 4 가지의 요인 대입

오늘날 명품 시장은 시장 가치와 시장 성장률 면에서 중요하다. 그러나 한국의 다른 산업은 많이 발전한 거에 비해 한국의 명품브랜드, 그 중에서도 패션 산업의 인지도는 낮다. 그래서 이 논문에서는 국제시장에서 성공한 명품브랜드의 전략을 알아보았다. 기존 논문과 사례 연구를 바탕으로, 강력한 명품브랜드가 되기 위해서는 4가지 요건- 품질, 프레스티지, 제한된 보급, 배경을 갖추어야 한다는 것을 알게 되었다. 하지만 이 4가지 요건을 한번에 가질 수는 없다. 그래서 필자는 단계모델인 3PA 단계모델 (Premium, Prestige, Preciousness, and Acknowledgement)을 소개한다. 마지막으로, 이 모델을 바탕으로 한국 명품브랜드가 나아가야 할 방향을 단계적으로 제시한다.

주요어 : 명품브랜드 전략, 고품질, 프레스티지, 귀중함, 인정, 한국 명품브랜드

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