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**La gestione del brand nel settore dei beni di lusso  
Tra genialità e Made in Italy: il caso Tod's.**

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# **Abstract of Claudia Camaioni's dissertation on «The luxury brand management - A mix of genius and Made in Italy: the Tod's case»**

The aim of this work is to analyze the brand management and to demonstrate its strategic importance for companies that wish to achieve success. Specifically, the analysis will be focused on the luxury market, in particular, referring to the made-in-Italy area. In this regard, it will be taken into consideration the Tod's case, which represents a brilliant example of marketing strategies' use.

This choice was determined by a strong personal interest for the brand management's world and by the willingness to comprehend how much it is important to reach the top-of-mind awareness. The particular attention on the luxury market is justified by the consideration of the luxury business as a "business of brands". In fact, due to the luxury goods' high symbolic capital, in this area a strong brand is more required than an invasive advertising.

*Brand* is the name, term, design, symbol, or any other feature that identifies one seller's product distinct from those of other sellers. However, during the last decades, the increasing complexity of markets has required a different definition, no more linked only to the distinctive aspects, such as the logo or the name, but also to the symbolic ones. Therefore, the *brand* has been defined as a complex and multidimensional variable that refers to all the intangible assets, such as the company's history, the consumers' experience towards the company, the fame's level, and the consumers' expectations. Given the recent definitions of the term *brand*, it is possible to sustain that it does not carry out only an identification role anymore. In particular, it carries out five roles of focused benefit for the consumers, which are:

- Orientation role
- Practicality role
- Guarantee role

- Customization role
- Recreational role

Moreover, there are three other roles of strategic significance for the companies, which are:

- Protection role
- Positioning role
- Capitalization role

Today, the majority of the companies own many brands, not only one. The reason is that holding many brands allows extending the product portfolio, in order to obtain a greater market coverage. Nevertheless, it is necessary to organize the brands in a hierarchy in order to avoid that brands of the same company overlap, causing the so-called *cannibalization*. For example, the company could take advantage of one of its brand's fame to guarantee its other brands. Therefore, the first step to build a strong and efficient brand architecture is to understand the connection between the corporate brand and all the single brands of the company. The analysis of this connection has emerged two different situations: on one side, the corporate brand can maintain its independence from the underlying brands (the *strong individual brand* situation); on the other side, it can make up a whole with all the other brands, giving its name to them (the *strong master brand* situation).

In each commodity sector, the company chooses one of these solutions. So four situations take shape:

- Branded house
- Sub brand
- Endorsed brand
- House of brands

However, as it has already been said, brand does not play only guarantee or identification roles: it includes incredible intangible resources for the company, linked to the brand awareness and knowledge into the target market. Among these, there are the brand value, the consumers' loyalty, the relation between the company and the

target market and much more besides. However, the keynotes of the brand management are above all:

- The *brand identity*, which is the outward expression of a brand. It includes its name, trademark, communications, visual appearance and it reflects how the owner wants the consumer to perceive the brand;
- The *brand image*, which is a customer's mental picture of a brand. The brand owner will seek to bridge the gap between the brand image and the brand identity;
- The *brand equity*, which is the brand's power derived from the goodwill and the name recognition that it has earned over time, which translates into higher sales volume and higher profit margins against competing brands;
- The *brand positioning*, which is the way by which the marketers attempt to create a distinct impression in the target customer's mind.

The brand positioning is a fast moving process, made up of three phases where the positioning phase is only the last step. This process' name is the STP Process. Today, the brand positioning means to lend unique features to the brands: they are supposed to be easily recognizable, lasting during the time and notable for the consumers. The aim is to build a strong and characterized brand personality, which allows the brand to obtain a competitive advantage into the target market.

Into the luxury market, brand management principles and practices radically change themselves, as well as the market, its commercial potential, its competitive system and its development lines. To comprehend this deep difference between the mass market and the luxury one, it is necessary to go back to luxury definition. This term, which has a Latin origin, includes all the products that mean to satisfy a polished need which overstep the socially accepted as necessary consumption. Economists and sociologists give different definition of the term, but in the end, there is a universal agreement about the idea of luxury as something strictly linked to constructs such as exclusivity, ostentation, high price, but also snobbery, futility and excess.

However, the results of a personal research shows how the idea of luxury is not static, but variable. Not only a concept, but also a perception of the surrounding world, which cannot be reduced to a series of descriptive categories, or rather, they are combined

through mental associations which change and develop depending on the social and cultural context. The only given thing is that, during the economic crisis, the luxury market is going against the grain, which is the reason why it is defined as the “sector without crisis”. A possible explanation to this phenomenon could be tracked down through a description of luxury goods consumers’ (the so-called *High Net Worth Individuals*) behaviour.

There are two types of forms of consumption: the ostentatious ones and the hedonistic ones. The ostentatious forms of consumption were theorised by Harvey Liebenstein and they are the *Veblen Effect*, the *Snob Effect* and the *Bandwagon Effect*. In opposition, the hedonistic forms of consumption are the *recreational shopping theory* and the *hedonistic consumption theory*, which were theorized by Hirschman and Holbrook.

After this description, it is clear the need to create a form of brand management designed specifically for the luxury goods market. In fact, the typical luxury goods consumer meets different needs compared with the mass-market goods consumer. Therefore, the luxury companies have to put a strategic brand management in practice. This has to care about the importance, or better, the preponderance of the emotional dimension during the buying process.

The luxury good must be very well known and well visible, but it must appear at the same time expensive - because of its quality - and therefore also slightly unattainable. In order to achieve these results, the luxury brand must necessarily comply with the following criteria:

- Evoke exclusivity
- Have a well-known brand identity
- Enjoy a high reputation
- Generate a high perceived quality
- Achieve high levels of customer loyalty

There are various branding strategies adopted by the luxury companies in order to achieve these results. For example, most of the companies, operating in the luxury sector, adopts as its company name the name of a person, often the founder. The reason of this choice lies in the conviction of consumers that products that bear the name of the

person who created the company will remain exclusive and qualitatively excellent. Just think about the Italian Fashion Empire, Giorgio Armani, or Valentino, Versace, Missoni, Fendi. Another strategic choice is to make products instantly recognizable among the others, through the application of particularities, which can be a logo or a signature. Just think about the double crossed C, timeless symbol of Chanel, or the typical weaving of Bottega Veneta. For this reason, in the luxury market, design has the supremacy over any other factor, and - not surprisingly - the most important luxury companies commit the brand management to a talented designer rather than to a marketing manager.

Moreover, the strength and the dreamlike aspect of each luxury brand are supported by the degree of notoriety that they achieve, but they could lapse due to excessive levels of sales. Therefore, a luxury brand determines its success through the ability to find the right balance between excessive overexposure and a level of diffusion typical of the small and medium enterprises. Finally, the managers of a luxury brand's aim is to develop a marketing strategy aimed at creating a true customer loyalty, based on a timeless brand image. This should be characterised by artisanship and quality and it should be linked to the production area and to its traditions.

Exactly in this regard it is interesting to analyse the Made in Italy case. In fact, "Made in Italy" is one of the strongest brands in the whole world. It has gained consumers from all over the world, primarily because it is not only a label: the Italian product differs from the others as the result of a perfect synthesis between functionality and the expression of the creativity of local artisans, whose work is a guarantee of high quality. Nonetheless, many companies linked to specific Italian territories have encountered increasing difficulties, due to the intensification of the offshoring phenomenon on a global scale. One of the first reasons is that production and labour costs are broadly lower in some countries than in other.

Many people have talked about a possible crisis of Made in Italy, especially after the recent purchases of important Italian luxury companies by the side of famous foreign luxury groups. In reality, Italian companies - especially into the luxury market - continue overseeing the summit of the excellence pyramid. In order to solve this paradox, Italian companies should adopt two critical success factors. First, they should



adopt appropriate marketing strategies in order to emphasize the link between the *genius loci* (that is the local spirit) and them. Second, they absolutely must create a big Italian group, which ensures protection and visibility to all the smallest Italian companies.

Regarding to the marketing strategies, Italian companies should internationalise their communication strategies to ensure that consumers around the world are not only aware of the company's vision, but also more informed about the not immediately visible qualities of their products.

It is universally recognized that luxury consumers are willing to pay a premium price for goods that respect their criteria of quality and exclusivity. This is the reason why luxury companies look at the creation of a strong customer loyalty as their first aim. In order to reach this goal, they necessarily have to carry out communication strategies which allow the customer to understand the company's vision and if it is congruent with its values and its way of life. Once the consumer made sure of that, he will cling to the company, but he will continue needing to be stimulated. This is the reason why communication should not be limited to advertising, but it must spread the brand image through means which "leave a mark", such as anthological and thematic exhibitions, books publishing, sponsorship of cultural and charitable activities, the creation of training schools. Nevertheless, these activities must not be selected at random: all communication activities must be sifted of coherence with the brand identity, whose geographical belonging is an indissoluble element. At a later stage, all these mental associations between the company and the values it aims to represent will be directly reminded by the brand.

Many Italian companies have tried to reach these results. However, one of the Italian companies that proved to be forward-looking is surely Tod's.

It is a luxury Italian company that works in the leather goods sector, producing handcrafted items exclusively made in Italy. Its history begins at the very beginning of the last century, when the humble cobbler Filippo Della Valle opened a small shoe factory in its town, Casette D'Ete, in the Marche region. Today that small shoe factory is an empire.

Tod's S.p.a. is listed on the Milan Stock Exchange and it is the operating holding of the luxury goods Group of the same name. It produces and sells shoes and luxury leather goods, with the brand Tod's and Hogan, dealing also in the casual wear sector with the brand Fay. The history of the company could seem a simple story, the concretisation of what who lives overseas calls "the American dream": an artisan, a small company, an intuition, diligence, the worldwide success. A type of success that was not due to a stroke of luck, but to a stroke of genius. In fact, the X factor that has allowed the small shoe factory to fit right between the strongest luxury holdings in the international market was the genius of its leader, Diego Della Valle.

The attitude of differentiation and maintenance of high production standards, as well as the great attention to customer needs, have endorsed the success of Tod's that - since the Eighties - provides its customers with qualitatively and aesthetically exceptional products. However, the success of the company does not result exclusively from the tangible characteristics of the products. It is also strictly linked to the intangible ones, related to the ability to communicate to the target customers messages of exclusivity and tradition which the company supports and which are so fundamental in the luxury sector as in the *made in Italy* one.

Tod's group immediately chose a relational marketing strategy, in which the customer loyalty, based on the care for his needs, is the main goal. In particular, the typical luxury consumer requests high quality standards in the product. The brand Tod's is guarantor of the high quality of its products, which are exclusively made in Italy, between Ascoli Piceno and Ancona, where the whole supply chain is directly managed by the company.

Even the advertising activities essentially aim to bring to light the uniqueness of Tod's' products, especially highlighting their characteristics of quality and artisanship, trusting in the consideration by its customers of the concept of "beauty" as a natural consequence of "well done".

Another main goal of Tod's group is to keep away from phenomena such as the *masstige*, which is the combination of mass-market business logics and the typical values of luxury goods. The group achieves this aim by keeping products within the high-end market, opting for an external and internal coherence, which is the strong point in the relationship between the typical Tod's customer and the company itself.

Therefore, brand management at Tod's is undertaken through:

- a segmentation primarily based on the benefits sought;
- the pursuit of customer loyalty even before the pursuit of the revenue;
- a product philosophy congruent with the principles of *made in Italy*;
- a strong brand identity, which guarantees to consumers the satisfaction of needs of self-gratification and social success;
- the proposal of experiences that go beyond the mere act of purchase, such as exhibitions (for example *Italian Portraits* and *A myth within a myth - Jacqueline in Capri* ), books and events for charitable purposes (such as the presentation event of the book *Timeless icon* dedicated to Lady D);
- one-to-one communication, often through personal communications to clients subscribed to the newsletter group;
- distribution of products through DOS, located in the most important luxury streets all over the world.

However, the best strategic marketing move of Tod's Group has been sponsoring the Coliseum renovation with a contribution of 25 million euros. Among oppositions, appeals and good considerations, Della Valle has inextricably linked the image of his company to the Coliseum one, which is one of the most famous and visited sites in the world. Since the company bases its identity on the main principles of the *made in Italy*, associating its image to the image of the Italian monument par excellence, visited by 6 million people a year, allows the company to have an important advantage in terms of brand image. In addition, since one of the most important goals for any group, especially for a luxury one, is to match brand identity and brand image, the strategy of Tod's is undoubtedly winning.

The success of the Tod's group is not only linked to the foresight in terms of marketing of its CEO Diego Della Valle. It largely depends on the incredible care about the human factor. In fact, the welfare system of the company is one of the most innovative in Europe: a health policy for the employees, the payment of the schoolbooks of their children, a nursery school, a gym, an audio-visual library. Last year they also received a 1.400 euros bonus.

Therefore, it is possible to say that Diego Della Valle is not only a marketing genius. It is righter to say that he created a new marketing concept. A brand new idea made of internationalization strategies, directly controlled production and distribution, the importance of the quality factor even before the aesthetic factor and communication activities focused mainly on the company's values. Not only. Inside it, there is the well-being of the people who work for Tod's and that, together, are the Tod's itself.

In conclusion, it is possible to state that the aim of this work has been reached. In fact, the strategic importance of the brand has been demonstrated: in fact, this intangible asset represents the biggest part of the economic and symbolic value of a company. This turns out to be true especially in the luxury market, where the companies hugely invest in brand management's actions, in order to differentiate their brand from the competitors.

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