An Empirical Analysis of Pricing in Luxury Fashion Brands

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Abstract: Characteristics of luxury fashion brands were quantitatively derived from regular and selling prices extracted from online retail stores specialized in luxury fashion products. This study assumes that brands definitively determine regular prices based on marketing; however, online retail stores dynamically adjust selling prices considering the balance between consumer demand and producer supply. Regular price distributions indicated the prestige of 34 luxury fashion brands, with traditional French and Italian brands appearing in a higher rank. Two emerging luxury brands also had a higher social status. This result suggests that the mobility of creative talents allows emerging brands to inherit the brand equity of traditional and prestigious brands. The analysis of variance (ANOVA) suggests that 34 luxury fashion brands were segregated in the market, even price distributions overlap each other. Two-way ANOVA for brand groups comprised of main and diffusion lines confirmed the difference between lines, and the difference between regular and selling prices. This paper classified these brand groups forming diffusion lines into five types, based on brand operations and the price relationship between main and diffusion lines.

Keywords: Luxury fashion, Online store, Regular and selling prices, Prestige, Diffusion line

1. INTRODUCTION

The market for personal luxury products and services is expected to continue growing in developed and emerging countries. The market size amounted to EUR 262 billion in 2017, a three-fold increase compared to the market size in 1996 [1]. Luxury products that fascinate customers are quite different from commodity products, in terms of the tangible and intangible added value that cannot be expressed by their function and performance.

Luxury products and brands have been studied from multifaceted viewpoints. These interdisciplinary viewpoints have included cultural backgrounds of history and heritage, aspects of product design and integrity, and elements of marketing strategy, such as positioning and pricing. In marketing research, in particular, existing frameworks designed for commodity products—emphasizing high performance and low price—were not sufficient for analyzing luxury products [2]. Quantitative analyses of consumer investigation targeting luxury brands have also been reported in behavioral science and psychology [3, 4]. Except for some papers on brand extension [5–8], existing papers discussing case studies focus on specific luxury brands [9–10]. The outcomes in these papers are interesting but difficult to generalize because of limited case studies.

The ready-to-wear products presented at fashion shows by luxury fashion brands have a significant impact on mass fashion products, and they lead fashion trends. Luxury fashion brands limit distribution channels to directly managed stores and department stores, in order to provide special purchasing experiences for customers with visual merchandising, such as a museum. Therefore, luxury fashion brands avoid selling their products through the distribution channel of general merchandise stores, where various brand products are mixed. Limited distribution channels allow luxury brands to strictly control price and brand image.

In recent years, the online market has shown rapid growth. Online stores must be considered as a distribution channel even for luxury brands due to their large economic impact. This paper explores the attributes of luxury fashion products, such as brand and prices, extracted from the online stores. We shed light on dynamic pricing of luxury fashion products, as observed from the difference between regular and selling prices, and we quantitatively analyze characteristics of brands.

2. METHOD

2.1 Online luxury fashion store

The online stores of luxury fashion products are...
categorized into flagship online stores and online retail stores. The following directly managed online stores are typical flagship online stores:

- Hermès, www.hermes.com
- CHANEL, www.chanel.com
- Louis Vuitton, www.louisvuitton.com
- 24 Sèvres managed by LVMH www.24sevres.com

In 2000, Yoox and Net-A-Porter opened their online retail stores specialized in luxury fashion products. Yoox and Net-A-Porter have a relatively long history and large revenue in the online retail stores. In this study, we have selected Yoox and Net-A-Porter, which cover various brands, as sources for the quantitative analysis.

2.2 Product attributes

An HTML file on a web page describes attributes of products sold in the online retail store. Table 1 shows the attributes of luxury fashion products sold through Yoox and Net-A-Porter. For this study, we developed a crawling application that automatically and periodically collects HTML and image files of products, which are then saved on a cloud service. We also developed a scraping program to extract the product attributes listed in Table 1.

Table 1: Product attributes

|---------|--------|---------------|----------------|--------------|-----------------|-----------------|---------|-------------------|----------------------|

2.3 Brand

This study selected prominent European, American, and Japanese luxury fashion brands satisfying a sufficiently high number of products sold in the U.S. market on Yoox and Net-A-Porter. Table 2 summarizes the number of selected luxury fashion brands by country.

Table 2: Number of selected brands

<table>
<thead>
<tr>
<th>Country</th>
<th>France</th>
<th>Italy</th>
<th>UK</th>
<th>US</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brands</td>
<td>21</td>
<td>20</td>
<td>8</td>
<td>15</td>
<td>10</td>
</tr>
</tbody>
</table>

3. PRESTIGE OF LUXURY FASHION BRANDS

Price is the most significant indicator characterizing products. There are various prices associated with distribution processes. For example, producer cost comprises manufacturing cost and producer profit. Wholesale and retail prices contain distribution margins in addition to a producer price. Regular and selling prices in this paper are the retail prices of online stores. This paper introduced an assumption that brands definitively determine regular prices based on marketing; however, online retail stores dynamically adjust selling prices considering the balance between consumer demand and producer supply.

3.2 Price distribution

First, we assumed that the regular prices reflect the brand prestige. Second, we selected luxury fashion brands selling more than 800 items in online retail stores to ensure the reliability of the quantitative analysis. In addition to these brands, we added Burberry Prorsum, which is a representative UK luxury fashion brand [8]. Figure 1 demonstrates the regular price distribution of various products by brand with a logarithmic scale. A box with a vertical line indicates the 25th, 50th, and 75th percentiles of the regular price distribution. A horizontal dotted line indicates the range between the lowest and highest prices. The result of ANOVA, \( F(33, 126652) = 835, p < 0.001 \), suggests that 34 luxury fashion brands were segregated in the market, even though the price distributions overlap.

In Figure 1, brands are listed in order from the highest mean regular price. Burberry Prorsum, regarded as a high-grade line of Burberry, was ranked at the top. Except for Tom Ford and Alexander McQueen, French and Italian brands with a long history, such as Valentino, Saint Laurent, Dior, Celine, and Gucci, appeared at a higher rank. Burberry, which was established by Thomas Burberry at Basingstoke in the UK in 1886, has a more than 160-year-old history. Burberry Prorsum, which was established in 1999, is a new brand, but it inherits the tradition of Burberry from the 19th century. Gucci was established as a leather goods manufacturer by Guccio Gucci in Florence, Italy in 1923 after World War I. Dior, which was established by Christian Dior in Paris, France in 1946 after World War II, is a core brand in the LVMH conglomerate. Valentino was established by Valentino Garavani in Rome, Italy in 1957. Saint Laurent was established by Yves Henri Donat Mathieu-Saint-Laurent with support from Pierre Bergé in Paris, France in 1962. These brands have a history of more than 60 years. This suggests that a long history and tradition, and a premium price, shape brand prestige.

Tom Ford, which ranked in 2nd place, was established by Thomas Carlyle Ford and Domenico De Sole in 2006. Alexander McQueen, ranked at 6th place, was established by Lee Alexander McQueen in 1992. Compared with the typical luxury brands described above, these two brands do not have a long history and tradition. It is interesting that these two brands can retain a premium cost despite a relatively short history.

This paper discusses how emerging luxury brands
acquire a prestigious position in the market in the short term. Thomas Carlyle Ford had previously worked as a creative director of Gucci and Yves Saint Laurent Rive Gauche. When he joined Gucci in 1994, Gucci had been fundamentally restructuring its historical brand to stay relevant. In this period, therefore, Mr. Ford gained experience in establishing prestigious brands. Lee Alexander McQueen had also worked as a designer for well-known brands such as Givenchy. Despite the relatively short history of Tom Ford and Alexander McQueen, the mobility of creative talents allowed them to inherit the brand equity of traditional and prestigious brand such as Gucci and Givenchy. Indirect inheritance of DNA from traditional and prestigious brands is a significant factor for emerging luxury fashion brands to succeed in the market.

![Figure 1](image1.png)

**Figure 1**: Regular price distribution of luxury fashion brands.

4. DIFFUSION LINES

Existing luxury fashion brands often create a new line with a lower price level in order to supply inexpensive products. A new branched line is called a diffusion or second line. A diffusion line intends to supply inexpensive products that share a prestigious brand image with the main line for young consumers who have a lower disposable income [8].

Figure 2 shows the regular and selling price distributions of brands operating diffusion lines. The white and gray boxes illustrate the distributions of regular and selling prices, respectively. Main and diffusion lines tend to be separated into high and low prices. This tendency clearly appears in Armani, Chloé, and Valentino. In terms of brands (main and diffusion lines) and prices (regular and selling), we applied two-way ANOVA for each brand group. In the case of Giorgio Armani, Emporio Armani, and Armani Exchange, for main and diffusion lines, \( F(2, 26291) = 4071, p < 0.001 \), for regular and selling prices, \( F(1, 26291) = 1455, p < 0.001 \). A two-way ANOVA confirmed the difference between the main and diffusion lines as well as the difference between regular and selling prices for all brand groups. Although Miu Miu is a diffusion line of Prada, the mean regular and selling prices of Miu Miu were both higher than those of Prada. The mean regular and selling prices of Junya Watanabe were both higher than those of Comme des Garçons.

![Figure 2](image2.png)

**Figure 2**: Regular and selling price distribution by brand group.
and low prices. The brands classified into “multiple high price” lines have a high-priced diffusion line, like Prada (Miu Miu) and Comme des Garçons (Junya Watanabe Comme des Garçons). In these brand groups, the diffusion line has established a strong position and is regarded as an independent brand in the market. Other brand groups that discontinued diffusion lines were subdivided into discontinuance of high or low price lines and integration.

Table 3: Classification of brand groups comprised of main and diffusion lines.

<table>
<thead>
<tr>
<th>Type</th>
<th>Main line</th>
<th>Diffusion lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Divided price lines</td>
<td>Giorgio Armani</td>
<td>Emporio Armani</td>
</tr>
<tr>
<td></td>
<td>Chloé</td>
<td>Armani Exchange</td>
</tr>
<tr>
<td></td>
<td>Jil Sander</td>
<td>See by Chloé</td>
</tr>
<tr>
<td></td>
<td>Valentino</td>
<td>Red Valentino</td>
</tr>
<tr>
<td></td>
<td>Alexander Wang</td>
<td>T by Alexander Wang</td>
</tr>
<tr>
<td></td>
<td>Maison Margiela</td>
<td>MM6 by Maison Margiela</td>
</tr>
<tr>
<td>Multiple high price lines</td>
<td>Prada</td>
<td>Miu Miu</td>
</tr>
<tr>
<td></td>
<td>Comme des Garçon</td>
<td>Junya Watanabe Comme des Garçon</td>
</tr>
<tr>
<td>Discontinuance of low price line</td>
<td>Dolce &amp; Gabbana</td>
<td>D&amp;G</td>
</tr>
<tr>
<td></td>
<td>Marc Jacobs</td>
<td>Marc by Marc Jacobs</td>
</tr>
<tr>
<td>Discontinuance of high price line</td>
<td>Moncler</td>
<td>Moncler Gamme Rouge</td>
</tr>
<tr>
<td></td>
<td>Donna Karan</td>
<td>Moncler Gamme Bleu</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Moncler Grenoble</td>
</tr>
<tr>
<td>Integration</td>
<td>Burberry</td>
<td>Burberry Prosum</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Burberry London</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Burberry Brit</td>
</tr>
</tbody>
</table>

5. JAPANESE BRANDS

Among Japanese luxury fashion brands, the mean regular price for Sacai was the highest, followed by Issey Miyake Comme des Garçons, Comme des Garçons, and Issey Miyake Cauliflower, as shown in Figure 3. Comme des Garçons, which was established in 1969, has the longest history among these Japanese brands, and it is regarded as a pioneer. The price level of Sacai was almost equal to Giorgio Armani and Fendi. It is noteworthy that Sacai can keep a high price level than major Japanese brands. In 1999, Chitose Abe, who had worked for Comme des Garçons in the past, established Sacai as an emerging brand. Sacai has been held in high esteem by prominent individuals in the fashion industry like Anna Winter, Karl Lagerfeld, and Suzy Menkes. Sacai owns all stocks and has direct connections with overseas retailers. Accordingly, this brand management maintains the independence of creative work in the brand as well as its prestigious position.

6. CONCLUSION

This paper revealed the characteristics of luxury fashion brands from price information extracted from online retail stores. Regular and selling prices for 72 brands were analyzed. The results suggest that emerging luxury fashion brands, such as Tom Ford and Alexander McQueen, have inherited brand equity from historical and prestigious brands through the mobility of creative talent. It will be a vital matter to create a prestigious luxury fashion brand. The brand groups were also classified into five types based on brand operations as well as the price relationship between the main and diffusion lines.

Figure 3: Price distribution of Japanese brands.

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REFERENCES