

- POLITECNICO DI MILANO -

Facoltà di Ingegneria dei Sistemi



POLO REGIONALE DI COMO

Master of Science

Management, Economics and Industrial Engineering

Dissertation

**CAN INGREDIENT BRANDING AND PROCESSES CERTIFICATION BE THE
NEW MARKETING TOOL FOR SUSTAINABLE LUXURY PRODUCTS**

BY

RUSSELL O. ANDERSON

735349

Supervisor: Prof. Alessandro Brun

December 2010

- December 2010 -



ABSTRACT

This paper set out to explain how the luxury industries driven by a combination of public actions and legislative proposals, have found the need to employ socially responsible operations such as the Triple Bottom Line; having social, economic, technological and environment issues at the heart of their new marketing strategies; and how Ingredient Branding and Processes Certification can be used to supply the transparency and credibility demanded by customers to make informed purchase decisions. It establishes the importance of processes certification schemes like the Kimberley Process to marketing, and henceforth why companies such as Tiffany has gained much marketing exposure due to the company's strong position on sustainability.

It also looks at the sustainable luxury customers' needs, and how to integrate quality and marketing tools into the new product or service concept in order to address those needs. From the literature review a 12 step tool was developed to use the Critical Success Factors profile to generate information used for maximizing the quality offering in a new concept product by introducing ingredient branding into the Quality Function Deployment (QDF) Matrix of the new product or service planning. The literature will explain how the CSFs of the brand strategy for the product or service can be matched against Quality Dimensions in order to identify which CSFs offer increased quality value and strategic differentiation. Also, how modifying the Quality Function Deployment Matrix to introduce and integrating CSFs, ingredient partners and evidence of processes certification, making it possible to select strategic value-chain-partnerships at this level, and ultimately an Ingredient Brand for Inbranding. Considerations for the ingredient branding strategy were briefly introduced, including an additional four considerations not previously stated in Ingredient branding literature. It looks at service as an ingredient brand. And finally it take a look at how the product benefits from the marketing campaign of both the host brand and the ingredient brand, which supports the product with a very efficient marketing cocktail geared at providing the consumer with the compelling reassurance of the product superiority at the point of sales, since this is where most purchasing decisions are made. A flow chart is used to demonstrate how this is achieved by having an effective two-way information exchange channels between the customer, the end product brand and the supply chain provided by the B2B2C marketing strategy. This communication also further facilitates a feed on information from the customer through the chain to improve innovation, customer satisfaction, and ultimately the better market performance of the products and services. The model developed demonstrates how the ingredient branding along with processes certification can provide an effective marketing tool for sustainable luxury segments in these various luxury industries.

TABLE OF CONTENT

INTRODUCTION	7
1 THE EVOLUTION OF LUXURY CONSUMERS NEEDS FROM – NSREAT YOURSELF YOU DESERVE IT” TO “THE PLANET CAN’T AFFORD YOU TO SPEND LESS”	9
2 LUXURY	13
2.1.1 KNOWLEDGE	13
2.1.2 CONTEXT	14
2.1.3 MARKETING CATEGORIZATION OF LUXURY PRODUCTS AND SERVICES	14
3 THE VALUE IN THE EXPERIENCE OF LUXURY PRODUCTS	16
4 INTEGRATING THE CONCEPT OF SUSTAINABILITY INTO STRATEGY AND MARKETING	18
4.1.1 VALUE PROPOSITION AND ADDED VALUE DELIVERY TO CONSUMERS	20
4.1.2 THE SOCIETAL MARKETING CONCEPT	21
4.1.3 CUSTOMER RELATIONSHIP MARKETING AND PARTNERING	22
4.1.4 COOPERATION IN NETWORKS BASED ON PARTNERSHIP WITH KEY CUSTOMERS ALONG THE SUPPLY CHAIN	23
5 BRAND – AHE STORY BEHIND THE LUXURY PRODUCTS/ SERVICES	25
5.1.1 ASSOCIATION AND BRAND IMAGE	27
6 INGREDIENT BRANDING	30
6.1.1 CREATING ADDED VALUE WITH INGREDIENT BRANDING	31
6.1.2 SUPPLIER- PNITIATED INGREDIENT BRANDING (INBRAND) VS INVERSE INGREDIENT BRANDING	39
6.1.3 DEPENDENCY AND EXCLUSIVITY IN INGREDIENT BRANDING	42
7 SERVICE AS AN INGREDIENT BRAND FOR LUXURY PRODUCTS	46
8 POTENTIAL BENEFITS AND RISKS TO INGREDIENT BRANDING STRATEGY	50
8.1.1 IMPLICATIONS OF IMPLEMENTING AN INGREDIENT BRANDING STRATEGY FOR THE SUPPLIER	50
8.1.2 IMPLICATIONS OF IMPLEMENTING AN INGREDIENT BRANDING STRATEGY FOR THE END PRODUCT MANUFACTURER	50
9 EVIDENCE - DMPORTANCE OF PROCESSES CERTIFICATION AND TRANSPARENCY	52
10 NEW MARKETING TOOL FOR SUSTAINABLE LUXURY PRODUCTS	57
11 CRITICAL SUCCESS FACTORS (CSF) FOR INGREDIENT BRANDING IN LUXURY PRODUCTS BY INDUSTRY	58
11.1.1 HOW TO BUILD A CSF PROFILE	60
11.1.2 TARGETING THE QUALITY RELATED CSF	62
12 IMPLEMENTING INGREDIENT BRANDING INTO THE PRODUCT PLANNING TO IMPROVE QUALITY AND MARKETING STRATEGY	64
12.1.1 QUALITY FUNCTION DEPLOYMENT (QFD) PROCESS	66
13 INGREDIENT BRANDING AS A MARKETING STRATEGY FOR SUSTAINABLE PRODUCTS	84
14 CSF TREND IN SOME LUXURY INDUSTRIES	90
14.1.1 AUTOMOTIVE	90
14.1.2 TRAVEL	100
14.1.3 DINING	103
14.1.4 CLOTHING AND APPARELS	108
14.1.5 JEWELLERY	114
CONCLUSION	117
BIBLIOGRAPHY	120

List of Figures

1	Kotler's Consumer Behaviour Model	12
2	User-Product Interaction	16
3	Maslow's Hierarchy of Needs	18
4	The Triple Bottom Line	19
5	Favourability Factors in Social Marketing	21
6	Aaker's Personality Model	25
7	Association Influence on Brand Image	27
8	Brand Partnership Association	28
9	Relationship Between Co-Branding and Ingredient Branding Strategies	30
10	Adding Value with Ingredient Branding	32
11	Ingredient Brand as a Marketing Strategy	34
12	Leveraging Ingredient Branding	34
13	Disadvantages with other Marketing Strategies	35
14	Qualitative Influencing factors of the Brand Value	35
15	Relative Brand Power effects of Ingredient Branding	37
16	Relative Power Relationship between Ingredient Brand and Host Brand (OEM)	38
17	The Ingredient Brand Framework	39
18	Four Stages in Ingredient Branding	40
19	Attitude toward the Brand Alliance and the Individual Brand	41
20	CSF Data collection table A	61
21	CSF Data collection table B	61
22	CSF Quality Table	62
23	Phases of New Product Development	64
24	The Quality Function Deployment process	67
25	Step of the House of Quality (QFD Matrix)	68
26	Modified House of Quality (QFD Matrix)	81
27	Example of using the Modified QFD Matrix	83
28	CFS Quality Table - Sustainable Luxury Segment	84
29	Sustainable Luxury Segment	87
30	Marketing with Ingredient Branding Strategy	88
31	OEM Share of Total Value creation – Auto Sector 2015	91
32	CFS profiles of brands in the Luxury Auto Sector	99
33	CFS profiles of brands in the Luxury Travel Sector	102
34	CFS profiles of brands in the Luxury Dining Sector	107

35	CFS profiles of brands in the Luxury Clothing & Apparels	113
36	CFS profiles of brands in the Luxury Jewellery Sector	114
37	The three drives of the luxury desire	115

Introduction

Luxury industries are main economy drivers, and high growth rate; with a growth rate of 20% yearly, an example is the global Luxury fashion sector, which is a major earner for many great economies such as France, Italy, USA, Spain, China and India, earning in excess of 130 billion dollar annually. When consumers make luxury purchases, they purchase more than just the physical item, instead they purchase a complete package comprising of the product and a set of intangible benefits that appeal to them on many levels (emotionally, socially and psychologically). Fashion and luxury has always been affiliated with the core of society's stratification, giving identity and expression to consumers, creating distinction between classes of people. Luxury brands have made their way into the very intimate aspects of consumer's lives, affecting their actions both directly and indirectly. Consumer's affiliation with luxury products is based on the signals they want to emit to the society (Uche Okonkwo -Luxury fashion branding,).

However, over the years owed to lowered entry barriers, the power of the suppliers, and other factors affecting the level of competition in these sectors, as well as the changing values and perceptions of the society and industry, luxury brands have been compelled to change their strategies. As a consequence, employing quality management principle and tools that allow them to take a more holistic view at building brand value, by focus on the needs of the consumers, addressing resources sustainability issues and the dynamics of the competition in order to create value for its shareholders.

In Luxury industries the brand represents more than just the competency of the physical product, it is the reason why the customer associates themselves with the company, hence brand image decisions need to be at the core of all the corporate decisions made by luxury brands including the product development and brand association. Therefore a lot of considerations have to be given to what values are the targeted customers having, and what decisions will give the brand a competitive advantage.

The journey of luxury branding begins with the crafting of a clear brand concept and brand identity and projecting this as clear brand personality and image, which appeals to the

selective segment of customers. After-all brands are positioned by the customers based on the associations made of them, and how they are perceived in their minds. “Branding is the lifeline of the luxury industry and without it there would be no luxury goods”.(Uche Okonkwo, 2007 -Luxury fashion branding)

New trends in consumer behaviours show that consumers of Luxury products have increased their preference for brands that are perceived as being socially responsible. In 2006 from 51% increased to 57% in 2008. Luxury consumers are placing more demand on luxury brands to be ethical and to consider the society as a whole. To provide documented quantifiable proof of their environmentally friendliness. (Luxury consumer trends 2009 and beyond, Nov 2008)

Consumers now are asserting the need to be informed about the product and its providers before making purchase.

“There is an increasing trend among luxury consumers to look extensively to their own trusted peers for guidance on what is, and, what is not, true luxury. These now-wiser consumers are scrutinizing luxury brands far more carefully relying on authenticated, validated and certified ratings to make purchasing decisions. They will expect luxury brands to be transparent, and to independently authenticate claims, such as country of origin, quality, customer referrals, and social responsibility.” - (Luxury consumer trends 2009 and beyond, Nov 2008)

Research carried out by the University Pierre Mendes-France of Grenoble in 2006 conducted in France, Russia and the United Kingdom on evolving trend in luxury goods consumption revealed that consumers placed value in luxury goods associated with attributes such as aesthetics, quality and personal history.

More and more companies in the luxury sectors are searching for new niches and new competitive advantages. There is the growing need for Luxury product providers to compete at better meeting these evolving needs of their customer, to create added and competitive advantage by using various marketing tools and know how to find new niches and differentiations.

1 The Evolution of Luxury Consumers needs from – “Treat yourself you deserve it” to “The planet can’t afford you to spend less”

*“Today, more than ever, people want a return to genuine values, such as **timelessness, sincerity and exemplary standards,**” Francois-Henri Pinault, chairman and chief executive of the French luxury giant PPR, said this week at an industry conference sponsored by the International Herald Tribune. “And these are all qualities which — as we have seen — are inherent in sustainable luxury.”(Jeremy Khan, 2009)*

*“The return to a more profound, thoughtful version of luxury has given rise to the phrase ‘**slow fashion**’. Just as Italy’s ‘slow food’ movement promotes honest cuisine over burgers, slow fashion requires products that are handcrafted to last — preferably by artisanal, family run concerns.” (Mark Tungate 2009, *Luxury World – The Past, Present and the Future*)*

The meaning of Luxury to the customer has changed over the years as society’s needs have evolved. In the past luxury consumption placed great emphasis on social status to communicate aristocracy and prestige; the pleasure of reward; and high quality was expected of luxury products. However, in the last decades the values and expectations of the consumers have changed. This change has seen consumers becoming more and more interested in the story behind the goods and services that they are willing to purchase. The word luxury has become synonymous with the concept of sustainability. A strange concept since luxury had often been used to refer to indulgence rather than necessity, and goes against the concept of sustainable consumption. But if luxury is considered as referring to a superior version of something that has a justifiable function, then in this context there exists the concept of **sustainable luxury**. “In fact many factors that support the perception of luxury can support a more sustainable approach to consumption” - Dorothy MacKenzie of Dragon Rouge - a sustainable branding agency. The attention to the use of superior quality of material, design and craftsmanship that is expected of Luxury products usually translates into longer service life and more intrinsic value to these product. Therefore addressing sustainability issues through luxury products could mean more sustainable consumption. Sustainable practices mean the consumption of resources today to meet the needs of the current generation without neglecting those of future generations.

“There is a move away from pure indulgence to muted signs of intelligent purchase around design, engineering and sustainability” – Phil Popham, Managing Director of Land Rover.

In order to ensure that Luxury is symbolic of informed purchase taking into consideration the quality of the finished product, sustainability, environmentally and ethical practices and procedure, consumers and non-government organizations have put pressure on the luxury products industries to provide information for the customer in the form of certifications and available documentation.

The Sustainable Luxury Forum in their article “The New Luxury” by Katia Sambugaro – 2009 stated that emerging need trends in luxury consumption were as follows:

Exclusivity - Elitism attached to detailed craftsmanship and custom-made products.

Transparency - Consumers are requesting transparency of information on the history of luxury items: how it was made, the techniques used, the skills needed, and the materials.

Investment - Purchase is based on the awareness of the value of the item, and is looked at an investment. Studies in the United States reveals that consumers expect superior quality, excellent craftsmanship associated with higher than the value of the object.

Meaning - Another trend is the increasing awareness among consumers about the impact that the product has on society and the environment. Customers are concerned about sustainability of resource consumption, environmental impact, and the origin and intrinsic quality of the product.

As a consequence of these evolving trends many major producers of luxury products in various industries have embraced the need to affiliate themselves with sustainable practices as a means of gaining competitive advantage. These companies try to make known to their customers their efforts in environmental protection and ethical practices. This is not limited to endorsement cheques and the obvious, but companies try to prove their efforts through creating alliance throughout their value chain with other companies sharing the same values and image.

A prediction made by the Luxury Institute based on their studies in consumer behaviour is that an evolving trend in luxury consumer behaviour is that they are expecting more transparency from luxury products manufacturers in order to make informed purchasing decisions. This includes being provided with information spanning throughout the production process and on the origin and specifics of the materials, and all related activities and their impact on environment, ethics and value.

*“Trust in formerly trusted institutions has declined precipitously. Luxury too, is down, partly because some purveyors have forgotten what true luxury means to the customer. As online communities, social networks and ratings hubs dot the Internet landscape, expect luxury consumers to look extensively to their own trusted peers for guidance on what is, and, what is not, true luxury. These now-wiser consumers, who are reeling from loss of net-worth and income, will scrutinise luxury brands far more carefully going forward, and will rely **on authenticated, validated and certified ratings** to make purchasing decisions. They will expect luxury brands to be transparent, and to independently authenticate claims, such as country of origin, quality, customer referrals, and social responsibility, like never before.” – Luxury consumers trends for 2009 and beyond, www.luxuryinstitute.com, Nov 2008)*

Extensive research conducted by Swiss Style and published in their Luxury Report 2009 - 2010, where they interviewed senior executives from major global luxury brands, consumer trend commentators and authors, industry body representatives and fashion journalists internationally revealed that changes in consumer habits that have created new challenges for luxury companies.

Shifts in buying patterns demonstrate that the luxury consumer has become more sophisticated. Purchasing goods to maintain, not define their status, buyers are no longer interested in conspicuous consumption. The new discerning consumer scrutinizes brands and looks for *‘value and value’*. Products must be exclusive, durable and have a strong sense of heritage. The brand must reflect standards the consumer increasingly demands such as quality materials, traceability in the supply chain and environmental and social responsibility. This type of consumer desires a deeper brand experience including knowledge on construction factors and understanding the artisanship behind a product.

The shift in buying patterns creates new management challenges and a more competitive market landscape. A successful company will enact good practice in all aspects of its operations. Communicating these practices and the tradition of the brand must be undertaken through persistent, inventive advertising. A change in distribution will appear as companies strive for more complete retail control. Finally, innovative retail ideas, such as utilizing the Internet to creatively convey information and aid distribution, are key. – (Swiss Style, Luxury Report 2009 -2010)

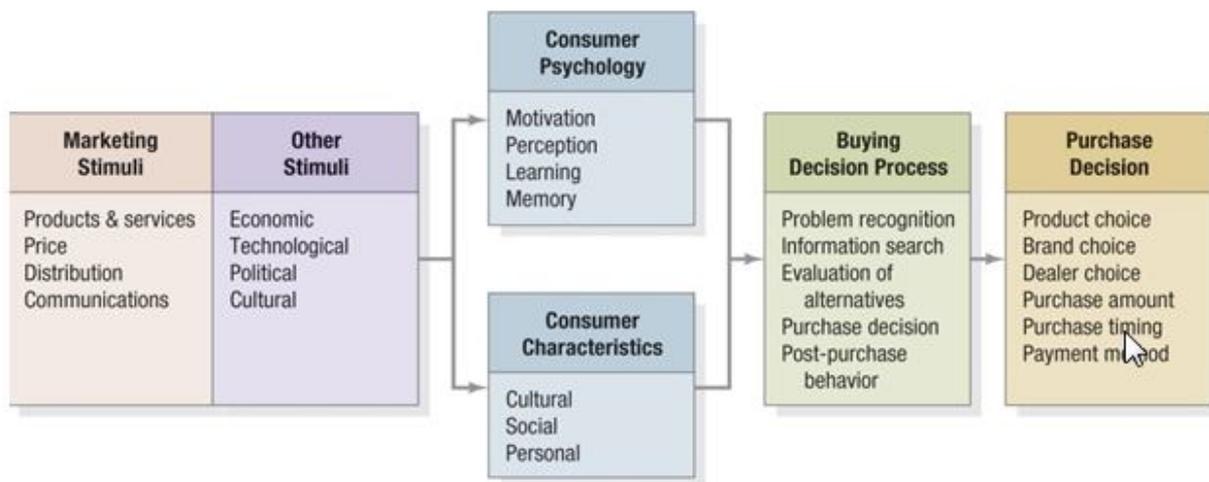


Figure 1 – Kotler's Consumer's behaviour Model
 (source: Kotler and Keller (2006). *Marketing management (12th edition)*, New Jersey, Pearson Prentice Hall, p. 184)

Figure I shows the process of consumer purchase decision making and the external and internal processes leading up to making a decision. The consumer's behaviour are affected by three main consumer characteristic factors: cultural, social and personal.

Cultural factors: is the fundamental determining factor of a person's desires and behaviour acquired through socialisation processes and other key institutions (religion, racial groups or special interests)

Social factors: reference groups (such as membership, aspirations or groupings), family (religion, politics, economics or everyday buying behaviour), social roles and statuses can be considered components of social factors.

Personal factors: age, self-concept, lifestyle, values, personality, wealth, occupation and life cycle stage are all dimensions of personal factors.

- Source: Ward et al, Keeping Luxury Inaccessible

2 Luxury

“Luxury goods are said to have high-income elasticity of demand: as people become more wealthy, they will buy more and more luxury goods”- (Ward, Secondi, 2005)

There have been many literatures written pertaining to the changing nature of what is perceived as luxury. A luxury in the traditional context was perceived as a costly extravagance, geared at accruing an advance level of comfort that went beyond meeting basic needs. This excess was used as a tool of segregation and distinction between social classes in societies, a means used to show heightened prestige. However to distinguish what is excess in today’s global society is difficult due to its relativity. The evolution and advancement in technology and standard of living has allowed for many items initially perceived as luxury to have transcended to being perceived as necessity. This is partially owed to the ever-migrating acceptability standards for quality of consumer products by the society. Berry 1994 described luxury as:

“A widely desired (because not yet generally attained) good that is believed to be ‘pleasing’, and the general desirability of which is explained by it being a specific refinement, or qualitative aspect, of some universal generic need”. (Berry 1994)

The appreciation of luxury is influenced by knowledge and context (Reinmoeller 2002). (Nonaka et al, 1995 in Reinmoeller 2002).

2.1.1 Knowledge

Reinmoeller states that knowledge could be explicit knowledge and tacit knowledge. *Explicit* knowledge or objective knowledge can easily be expressed; they are the material qualities of a product for example, if it is made of a certain kind of material. However *tacit* knowledge is not easy to articulate due to its subjective nature, and consequently difficult to communicate. This knowledge is subjective to the customer and is reflected in one’s actions, contexts and values.

2.1.2 Context

Luxury appreciation may be influenced by several contexts, for example physical, temporal, cultural, technological, historical, economic and social context. According to Reinmoeller the Social context is the most important in the emergence process of appreciation of luxury.

The context is a very important factor in the experience of the product, and is shaped by the personal history of the customer for example the personality, skills, background, cultural values, and motives; and those of the product such as shape, texture, colour, and behaviour. All actions and processes that are involved, such as physical actions and perceptual and cognitive processes involved in perceiving, exploring, using, remembering, comparing, and understanding will contribute to the experience (Dewey, 1980 in Reinmoeller 2002).

2.1.3 Traditional Marketing Categorization of Luxury Products and Services

Affordable luxury - According to the Wikipedia's definition, Affordable luxuries are goods that can be considered luxury goods according to the marketed image, but which cost less than proper luxury goods. As such, these goods are sold to a larger segment of the market. The market segment that is targeted by mass luxury products is the mass affluent group. This group is usually characterized by product whose life cycles are always relatively short, almost fad and seasonal like, and the product range is wide. The main function of employing marketing tools is to manage a product portfolio with different strategic goals that may change throughout the life cycle phases.

Intermediate luxury: For this category the role of marketing takes an intermediate position and therefore operates across a broad yet restricted product range. In order to promote and manage the brand the company vertically differentiates the product deliberately and to some extent also the service. However, the approach remains solid and may only change towards the end of the product life cycle.

Inaccessible luxury: the most significant characteristic has always been high quality, handcrafted goods using only the best raw materials. The price must be high enough to exclude everybody except those who are able to afford a certain life style. For inaccessible luxury the life cycle of the product may be extremely short if it has been realized as a unique

product for a single client (e.g. an evening dress by Valentino for the Oscar ceremony), or extremely long, as with products labelled as classics (e.g. a tailor made fur coat), even though they may have more or less the same characteristics in terms of glamour, rarity, quality etc. In this luxury sector superior quality of the product and public relations are key marketing tools in maintaining the image of the brand, both product and service are certainly vertically differentiated. This approach is maintained for all of the product life cycle. - David Ward et al, "Keeping Luxury Inaccessible"

The three main categories and sub-categories of luxury products and services as categorized by Unit Marketing (a luxury consumer tracking service that provides market behaviour information for luxury marketers that need to closely follow their consumer trends), is as follows:

Personal Luxuries

- Clothing and Apparel
- Cosmetics, Fragrance and Beauty Products
- Fashion Accessories
- Jewellery
- Watches
- Wine, Liquor and Spirits
- Pens, Writing Instruments and Desk Accessories
- Pet Products
- Automobiles

Experiential Luxuries

- Dining
- Entertainment
- Home Services
- Personal Instruction
- Spa, Massage, Beauty and Cosmetic Services
- Travel

Home Luxuries

- Art and Antiques
- Electronics and Photography Equipment
- Furniture, Lamps and Floor Coverings
- Garden and Outdoor
- Home Decorating Fabrics, Wall and Window Coverings
- Kitchen Appliances, Bathroom Equipment and Building Products
- Kitchenware, Cookware, Housewares
- Linens and Beddings
- Tabletop, Dinnerware, Stemware, Flatware

<http://www.unitymarketingonline.com/reports2/luxury/luxury3.html>

3 The Value In The Experience Of Luxury Products

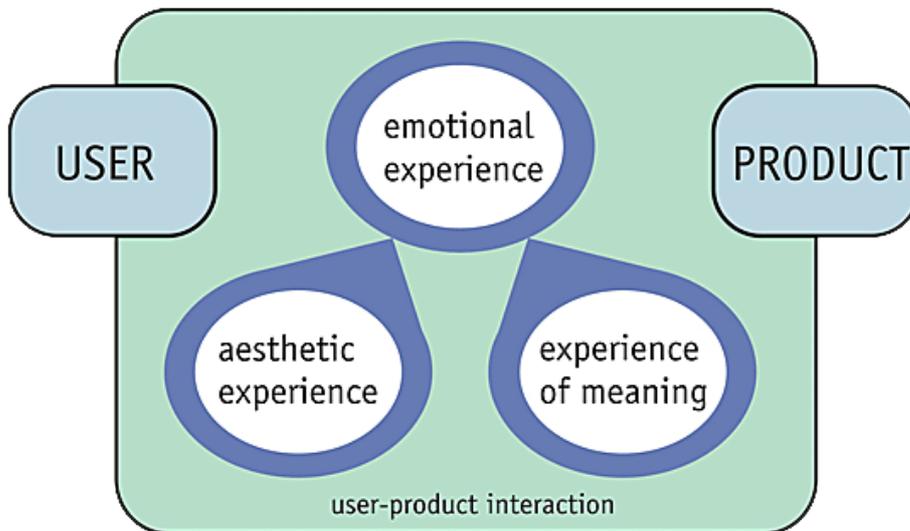


Figure 2

The experience of luxury represents a symbolic value of a comfortable lifestyle that is associated with particular consumer products (Reinmoeller, 2002). Savas (2004), identifies feelings of confidence, independence, relaxation, achievement, security, friendship, and control to be attributed to Luxury consumption. Govers et al 2004 placed both the product characteristics and consumer's characteristics as influencing factors in the experience of luxury. Govers et al (2004), stating that people become more attached to products with a personality that is similar to their own personality than to products which are not.

Emotional - Reinmoeller 2002, states luxury products to be created by the use of material, processes, packaging, distribution, and promotion of a superior quality standards which translates to pleasure (an emotional experience) for its consumers.

The emotional stimulations are functional, in creating a pull or desire toward certain people, objects, actions, and ideas, and pushing us away from others (Smith et al, 2001).

This dimension of luxury consumption demonstrates that luxury goods possess “emotional values in excess of their functional utility” and “are likely to provide subjective intangible benefits” (Vigneron et al 1999), stating that emotional value as a vital characteristic of luxury products and of importance for this experience is the outstanding product aesthetics backed up by a premium quality and personal history. – ‘Which luxury perception affect most consumer purchasing behaviour (France, UK, Russia)’, Virginie et al, 2005.

Aesthetics – Refers to the physical or sensory appeal of the physical object when interacting with it, - Overbeeke et al (2003).

Antoni et al. (2004) in Cecilia Castelli article on Supply Chain Management Strategy in the Luxury Industry suggests that success in the luxury market is mainly affiliated to the following features:

- **Excellence:** the strongest association with luxury in the consumer's mind is with excellent quality, both in product and service, and is directly related to the customer's willingness to pay a premium. Therefore it is imperative that luxury products providers have to be obsessed with perfection.
- **Brand aura:** by being renowned for excellence, companies are able to build through the years a strong reputation and position their brands as superior in consumers' mind. To achieve luxury status, brands need to have a strong aura that has to be legitimate and identifiable to the customers.
- **Desirability:** It is important for luxury-goods companies through their marketing efforts to attain and maintain desirability. One element is a strong aesthetic appeal, modern but related to traditional values; another element is the high price of items that gives strength to the social symbolism (elite/ exclusivity) of the product; scarcity and uniqueness of the product are also elements that increase desirability.

4 Integrating The Concept of Sustainability into Strategy and Marketing

“Given the increasing keenness of brands to convince us that they are helping to save the planet rather than contributing to its ruin, it was inevitable that a certain segment of the luxury industry would get in on the act. As mass luxury brands are also fashion brands – with an obligation to constantly update their offering – they are doomed to scurry after trends”. (Mark Tungate 2009, Sustainable Luxury)

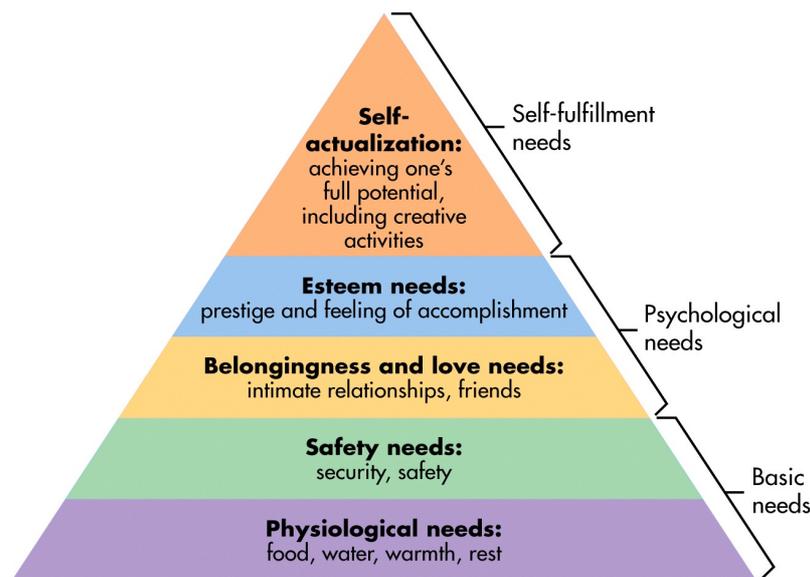


Figure 3 Maslow's Hierarchy of Needs

Sustainable luxury consumers' refers to a segment of luxury consumers whose needs have evolving from the need for esteem (prestige) to the need for self-fulfillment (sustainability) Figure 3.

As luxury responds to the self-actualizing need of the Maslow's hierarchy needs, luxury marketers must provide consumers with self-actualizing experiences with their use of the product or service (www.researchandmarket.com).

As luxury customers today are making themselves more educated and informed than ever, the assessment of Customer Perceived Value (CPV) has gained significance resulting in companies need to resort to the employing sustainable models such as The Triple Bottom Line which take into consideration tools such as Customer Relations Management (CRM). - www.businesslink.gov.uk.

The Triple bottom line also called TBL or 3BL (People, Planet, and Profit or the three pillars) captures an expanded spectrum of value with a goal of achieving sustainability in all these areas.

The Triple Bottom Line and Luxury Brands

New trends encapsulate the concept of sustainability and profitability in new marketing strategies that capitalizes on the value chain. The need to adapt the sustainability concept to businesses has given birth to the concept of corporate sustainability: a business approach to create sustainable value for shareholders by capitalizing on the opportunities and managing risks deriving from economic, environmental and social development. Since contemporary business organizations are marketing oriented, sustainability requirements have been integrated into marketing and operational schemes, geared at value creation, for the organization and its customers through a nurtured relationship built on sustainability and profitability for maintaining the competitive advantage.

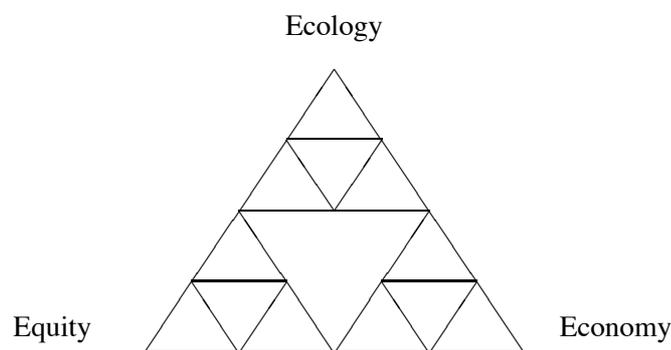


Figure 4 The Triple Bottom Line

Recent marketing paradigms, such as the societal marketing concept, state that the survival and the continuing profitability of a firm depend upon its ability to fulfil economic, environmental and social purpose (VÁGÁSI, 2004). Therefore company strategies and marketing policies should take a holistic approach to balancing company's profits, consumer want satisfaction and public interest (*balancing traditional financial goals with environmental and social objectives*). Emerging concepts explores opportunities on reconciling sustainability and profitability in partnership relations in order to maintain the competitive position. (VÁGÁSI, 2004)

Addressing social, economic, technological and natural environment issues are at the heart of new marketing strategies, as firms have realized that in meeting these requirements they can gain competitive favour with their stakeholders. A combination of public actions and legislative proposals has presented an unavoidable influence on shifting business thinking toward a socially responsible marketing. According to VÁGÁSI the public expects higher social sensibility and responsibility from companies and marketing, which includes the offering of high quality and safe products with lower prices. This pressure has resulted in the change of marketing practice with too much materialism, not enough social goods, at the cost of environmental and cultural pollution (KOTLER et al., in VÁGÁSI, 2004).

According to Mária VÁGÁSI, recent orientations in marketing theory may be depicted by four main tendencies, which provides the framework for sustainable marketing and customer relationship:

1. Increasing role of value proposition and added value delivery to consumers;
2. Shifting from ecological marketing to the broader concept of societal marketing
3. Adoption of the relationship-marketing concept e.g. building of long run and mutually beneficial relations with key customers
4. Building of network cooperation based on partnership with key customers along the supply chain.

4.1.1 Value Proposition and Added Value Delivery to Consumers

According to KOTLER in VÁGÁSI, 2004, from company's view traditionally marketing tasks were focused on creating, promoting and delivering goods and services to consumers and businesses with the aim of meeting customer needs profitably, more effectively and efficiently than their competitors. However, the landscape has changed, today's customers and competitors have evolves. Companies have confronted with empowered customers and new competitors, and are forced to reinvent their business models. Empowered customers are demanding more value offerings, and hence companies are required to employ new strategies to compete. Market research conducted among managers of leader international firms is conclusive that today the customer drives corporate decisions (in Mária VÁGÁSI, 2004). The customer delivered value is the bundle of benefits consumers expect from a given product or service, while customer added value may be defined as the difference between total value

received and total cost incurred by customers, the delivery of which creates area of competitive differentiation among firms.

Trends are showing positive increases in the number of companies that are seeking to increase their value proposition by including benefits related to environment-friendliness of their products for example, durability, energy saving, and disposal, etc. This however is a costly process in the short run, an expense that not all customers are willing to pay. According to in VÁGÁSI balancing this conflict in expectation and willingness to pay has created the need for companies to analyse their markets, making careful cost and benefit analysis in business decisions addressing sustainability investments. New marketing concepts are aimed at offering customers more added value, and maintaining competitiveness with respect to comprehensive sustainability requirements.

4.1.2 The Societal Marketing Concept

Societal marketing concept requires companies adapting social, ecological and ethical considerations to their production and marketing practice, further aligning the marketing efforts of the general sustainability concept. Accordingly, companies are expected to balance the often-conflicting criteria of profits, consumer needs satisfaction and public interest (KOTLER, in Mária VÁGÁSI, 2004). This evolution toward a socially responsible marketing includes concepts such as cause-related marketing and green or ecological marketing, creating opportunity to enhance their corporate reputation, raise brand awareness, increase the customer loyalty, builds sales (KOTLER, 2000). According to this concept customers are increasingly looking for demonstration of good corporate citizenship.

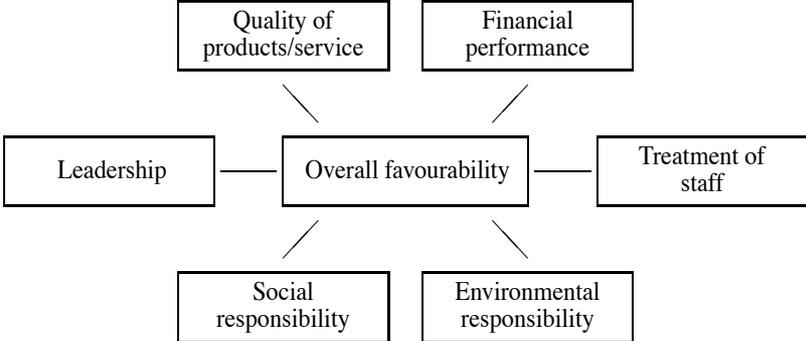


Figure 5 Favourability Factors in Social marketing

The environmental and social performance of companies processes are often used as positioning tool of products and firms in the market. This is further fuelled by the growing focus by environmental groups placed on environmental cost in both producer and consumer decision-making. Sustainable consumption concept focuses both on the responsibility of consumers and companies producing goods and services. The idea behind the concept is to be able to fulfilling the needs of the current generation without neglecting those of future generations.

Examples can be made of the Kimberly Process and ‘Conflict Diamonds’ campaign aimed at protecting ethics and human rights in communities affiliated with diamond mining. Another is the ‘No Dirt Gold’ aimed at protecting the Sockeye Salmon’s spawning streams in Bristol Bay Alaska and the ecosystems that depend on bay, from unethical and unsustainable mining activities.

Luxury companies like Burberry of England, provides transparency to their customer about the brand’s corporate responsibility on their websites. Assuring their customers of excellence in sustainability practices not only for their in-house processes, but extended throughout their supply chain. Tiffany for example has gained much market recognition for their very active stance in lobbying for the protection of endangered natural resources such as corals, or other resources indirectly affected by luxury industries. These companies try to reinforce its commitment to high ethics by disclaiming using products produced under ethically unsuitable conditions, exercising due diligence in selecting their business partners in order to protect there easily tarnished and valuable brand image. While Burberry company didn’t state the name of their component suppliers, they out-rightly disclaimed the use of cotton from places such as Uzbekistan that has been accused of allowing the use of child labour in cotton production.

4.1.3 Customer Relationship Marketing and Partnering

According to Berry – ‘Relationship Marketing of Service Interest - Emerging Perspectives’ (1995), relationship marketing allows service providers to become more knowledgeable about the customer's requirements and needs through building a relationship over a series of service encounters which facilitates the tailoring or customizing of service to the customer's

specifications. Kotler, defined it as being aimed at building long-term mutually satisfying relations with key parties, e.g. with customers, suppliers, distributors. The adoption of the customer relationship marketing allows companies to foster close economic and social ties with targeted customers.

Kotler went on to say that the concept is based on the recognition that a major driver of company profitability is the value of the company's customer base, and much of the company's market value and competitive advantage comes from intangible assets, including their customer base, distributor and supplier relations. It is based on selecting, nurturing and retaining relationships by creating mutually beneficiary conditions and by means of higher satisfaction, including providing environment-friendly products and services, demonstrating social values and favourable reputation. Companies may target loyal customers and engage them as partners for more actions related to sustainability requirements. This might be in the form of a B2B, B2C or B2B2C relationship, which includes not just the final customer, but organizational buyers, as well as suppliers and distributors.

4.1.4 Cooperation in Networks Based on Partnership with Key Customers Along the Supply Chain

In order for a luxury-product company to be considered such it must aspire for total quality management. Moreover, to build a strong brand and transform the company into a legend it must set its supply chain well above the competition (Porter, 1985 in Mark Ward et al, "Keeping Luxury inaccessible").

According to Kotler in VÁGÁSI, 2004 the marketing network consists of the company and its supporting stakeholders (especially customers, suppliers, distributors) whom it is built mutually profitable business relationship with. Lambert et al. in VÁGÁSI, 2004 define the partnership as a tailored business relationship which features mutual trust, openness, shared risk and shared rewards that yields a competitive advantage, resulting in business performance greater than would be achieved by the firms individually. Through engaging the supply chain organization are able to provide a higher level of integration of business processes from end user through original suppliers that provide component products and services that add value for customers. By so doing, business partners share resources, costs

and benefits, and provide more effective and efficient solutions for sustainability efforts. Products may be produced with reduced volume of raw materials, reduced energy usage, waste generation and heightened quality and durability. Besides of cost saving improved product quality, competitive advantage and corporate reputation may result in better supplier or customer relationship. The integration of sustainability requirements, and processes certification in supplier selection criteria marks recent developments (Friend et al in VÁGÁSI, 2004). Strategic partnership with key suppliers often leads to the coproduction of new products, packaging, logistics, etc which offers more reassurance to stakeholders on the products ability to meet their needs.

According to VÁGÁSI, mutually profitable partnership in value chains of network organizations is the highest level of the sustainable customer relationship. But it is not to forget that direct actors of this relationship e.g. suppliers, fabricants or service providers, intermediaries, customers are both partners and competitors. The distribution of costs and benefits is effected by negotiations.

5 Brand – The Story Behind The Luxury Products/ Services

According to (de Chernatony, 2001) in Uggla 2004 the definition of a brand can be complex. The definition of a brand in a wider context encapsulates more than just products and services, but could also refer to corporations, persons or places. Brands hold personalities through which it relates to the world, and people are generally attracted to brand's whose personality they identify with. Figure 6 shows Aaker's Brand personality model.

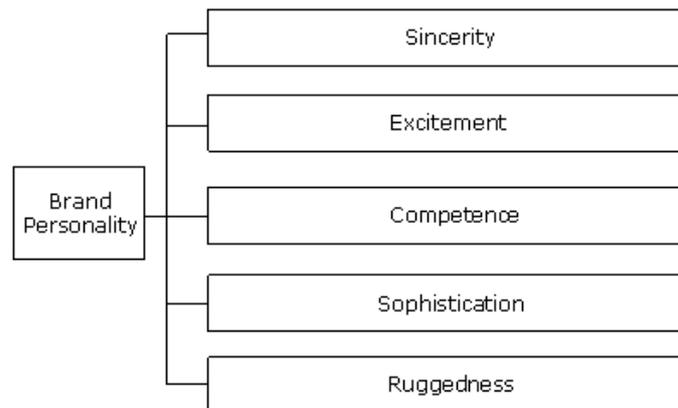


Figure 6 Aaker's Personality Model

Sincerity: Similar to grass roots, being family oriented and down-to-earth

Excitement: Expresses up-to-datedness and inspirational facet of the brand e.g. daringness

Competence: Is the product intelligent, reliable and does it do its job properly e.g. German cars, Japanese consumer electronics etc.

Sophistication: Its class status and how charming the brand is.

Ruggedness: Tough and suitable for 'bad' treatment.

(source David Ward, Keeping Luxury Inaccessible)

As it relates to products, Kotler describes brand as a translation cipher that refers to the performance characteristics and quality of a product. It is the name, logo, image or a combination of them that when given to a particular product, service or range of them, distinguishes them from the competition. The customers' goodwill is an important part of a brands value, and is accumulated during the lifetime of the brand. Brand's value and the attention it is able to attract, plays an important role in a company's success. Branding offers the means to achieving an enduring differentiation, as it is virtually impossible to attain a high level of product differentiation from focusing completely on innovation and product

development, or offering additional forms of service support or even lowering price. The function of a brand is more than to merely communicate to the customer the differentiation of the goods and services of one company from that of another company. It also allows the customer to gather information on quality assurance to give a customer orientation in the purchasing process. According to Keller 1997 in Bates, the benefits derived from having a brand name are greater loyalty from customers, less vulnerability to competitive marketing actions, less vulnerability to marketing crises, larger margins, more inelastic consumer response to price increases, more elastic consumer response to price decreases, greater trade cooperation and support, increases marketing communication effectiveness, possible licensing opportunities and additional brand extension opportunities.

Brand identity is especially important in luxury products where a great part of the perceived value is associated with the assurance given by the brand. Kotler et al, in Making the Invisible Visible referred to the six functions of a brand to be:

1. To distinguish or differentiate one company's goods and service from another.
2. To guarantee the quality of the product, associated with progress in terms of technology and research.
3. A brand allows for relative comparison of quality between products of one company and another.
4. Identification and recognition of a product
5. To facilitate purchasing and selling decision functions
6. Transparency and consumer protection

It is a sustained effort by companies to impose in the mind of the customer the image of the brand that the company would like to portray.

“All the marketing mix variables are used to create, manage and maintain brand image, from how the product or service is designed, the pricing decisions, the communications you design, the management of your supply network, etc...” – Kotler et al, Marketing Management, 2009.

For luxury products provider it is very important the image that the brand captures in the mind of the customers, and their willingness to pay a premium price to acquire them. In this role brand knowledge is important, it's the thoughts, feeling, images and experiences, beliefs and

so on that the brand is seen to embody. It is therefore imperative that companies employ great strategic insight and ingenuity in managing their brand, because at the end of the day here lay the distinction that's impressed on the minds of the customers. Luxury brands for example are not created by coincidence, but by achieving success in the implementation of superior brand management strategies.

There are four processes for strategic brand management (Kotler et al, Marketing Management, 2009):

1. Ensure identification of the brand with customers and association of the brand in customer's mind with specific product or service class or customer need.
2. Firmly establish the brand meaning in the minds of the customers (by strategically linking a host of tangible and intangible brand associations)
3. Elicit the proper customer responses to this brand identity and brand meaning
4. Convert brand response to create an intense, active loyalty relationship between the customer and the brand.

According to Kotler, as important to a brands success as the initial identity given to a brand, are its accompanying marketing activities supporting it, and its associations with other entities.

5.1.1 Association and Brand Image

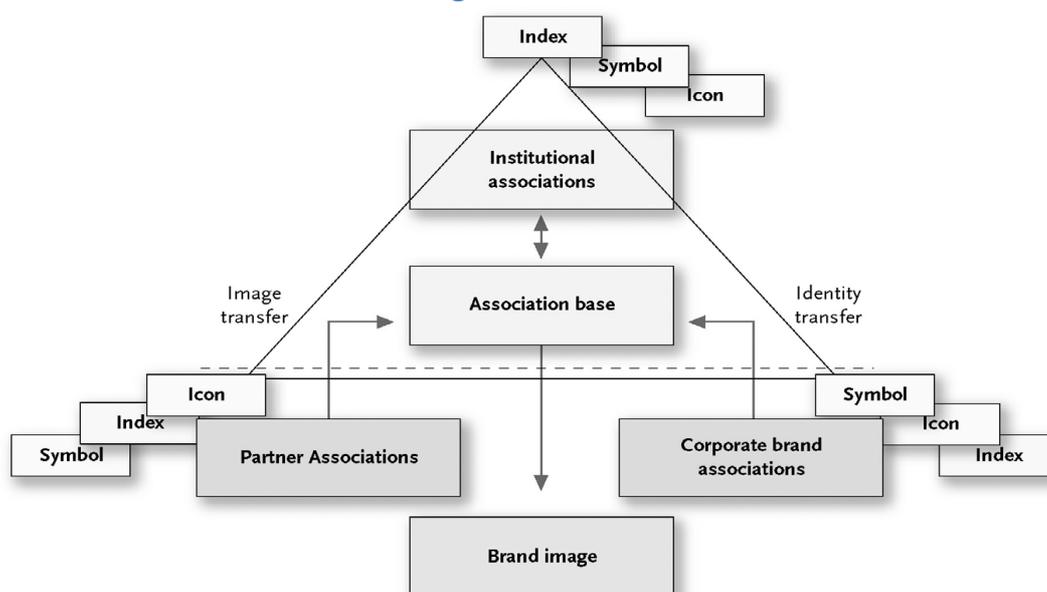


Figure 7 Association Influence on Brand Image

Figure 4 shows how a company's brand can gain or lose brand image value through external associations such as other brands. Therefore much consideration has to be given to a strategic partnership among brands.

Partner associations for a brand can be in the form of components, product categories, persons or even places with favourable reputation and high levels of brand awareness. Partner associations can be further extended and subdivided into five main categories; these are brands products, persons, places, product categories and institutions.

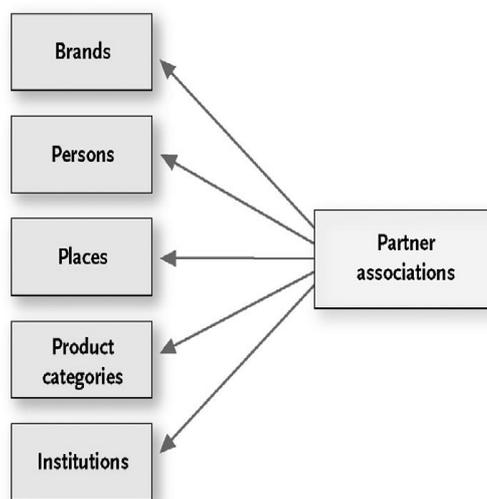


Figure 8 Brand Partnership Association

We will be exploring the strategy of brand partnership association through other brands, namely component brands within the value chain and institutions as persons, places and product categories fall outside the scope of this work.

5.1.1.1 Brand partnership association

This can be in the form of ingredient brands, ingredient co-brands, co-brands or partner brands that links the brand to another brand.

In this work we will explore ingredient branding partnership as a marketing strategy tool for sustainable luxury.

5.1.1.2 Institutional associations

Institutions are associations without explicit commercial character, but which bears deep societal or cultural meaning. They are the outcome of culturally embedded meaning that can be meditated and transformed into meaning, as well as value for a specific corporate brand (Uggla, 2004). Institutional associations have meaning to and recognition in a given cultural context, and are powerful associations for which the institutional rules and relations determine meaning.

Rosa et al, 2002, (in Uggla 2004) states that owed to the larger surrounding context and cultural significance, institutional associations also have assumed meaning and value in the mind of consumers. They can either have historical, scientific or cultural content. In this literature processes certification will be explored as institutional associations. In the luxury industries different industries and different sectors have different certifications, endorsements and affiliations that relates specifically to these different groups.

6 Ingredient Branding

Ingredient branding is a relatively new marketing concept in comparison to the more commonly used **brand ex-tension** and **co-Branding**.

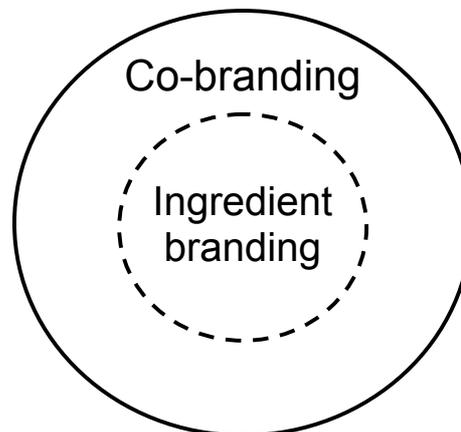


Figure 9 Relationship between Co-Branding and Ingredient Branding Strategies

In a global market driven by competition, companies need to create distinction between themselves and the competition in the form of criteria perceivable to the customer. Kotler defines ingredient branding as the marketing or labelling of components or other industrial goods; the promotion of a brand (ingredient) within a brand (host) to the final customer. It takes advantage of synergy of two or more brands that share a common brand within the value chain of the product. Venkatesh et al, 1997 in Bates, says it can provide added value to core brands, and may therefore modifies the overall perceived customer value of the bundle.

Ingredient Branding can be an alternative when classical marketing tools such as product improvement and pricing conditions are unable to deliver the results required for sustainable strategic differentiation and for product performance and success.

Ingredient branding provides the customer with reassurance to their purchasing decision as a means of providing addition information and added value to the product, allowing for the perception of a superior performance of an ingredient or component in the final product. The features added by the ingredient should be relevant to the customer who must be able to

experience the difference, which influences the purchasing behaviour of the customer by creating a demand (pull effect) for the product. The ingredient brand provides an increased performance credibility of specific featured benefit associated with the brands perceived expertise (Kotler et al, Making the Invisible Visible, 2010). For example when a customer thinks Intel Inside, there is a specific association being made with the performance of the microprocessor within the computer, this can influence the customer's decision to purchase the computer at the point of sale. The same would apply for luxury products, when a customer chooses to purchase a jewellery or designer product with crystals labelled MADE WITH SWAROVSKI ELEMENTS the customer attributes specific attributes associated with the SWAROVSKI brand such as authenticity, integrity and a heightened standard of design. For the supplier (ingredient brand) the most significant strategic benefit to implementing this strategy is the gained negotiation power with the provider of the final product or manufacturer. This strategy is beneficial in a market where suppliers have lowered bargaining power due to the existence of high competition. The challenge on the other hand is to sell to the final product provider that the venture is mutually beneficial.

6.1.1 Creating Added Value With Ingredient Branding

“because brand names are valuable assets, they may be combined with other brand names to form a synergistic alliance in which the sum is greater than the parts” -(Rao et al 1994, in ‘Brand Alliance Dependency and Exclusivity’, by Rodrigue et al 2004 as the premise of brand alliance.

David Myers CEO Microband in “The Secret Ingredient to Growing your Business” explores the three main ways in which Ingredient Branding adds value to the finished product. According to Myers an ingredient brand owns a very specific benefit in the consumer mindset and becomes a powerful and succinct way for the host brand to communicate the important benefit at the point of sale.

Ingredient branding adds value to the host product in one of the three ways:

1. Improving the quality of the host product
2. Creating a point of differentiation
3. Providing an alternative marketing strategy



Figure 10 Adding Value with Ingredient Branding

According to David Myers CEO for Microban International, in ‘The Secret Ingredient to Growing Your Business’ - The value a host brand gains from an ingredient brand increases exponentially as the strategic alliance with the ingredient brand becomes more than just an improved quality of the host product, but to become an enduring point of differentiate for product in a meaningful way, and ultimately providing the host brand with a lower cost/ lower risk marketing strategy.

6.1.1.1 Improving Product Quality

Quality is due not only to the richness of the raw material, but also to the elaborate procedure necessary to make the product, typical of the crafting work (e.g. leather district of San Frediano in Florence). – Ward et al, Keeping Luxury Inaccessible

Value creation is achieved when ingredient brands are able to influence the customer’s purchasing based on the compelling improvement in product quality affiliated with the presence of the ingredient brand. Janiszewski et al, 2000 in Rodrigue et al, 2004 –‘Brand alliance dependency and exclusivity’, discusses the improved product quality as the additive property of the brand equities that may lead consumers to perceive the allied product as a higher quality product, and ultimately influencing the customers decision.

Dolby had been successful in creating innovations improving audio quality, first by reducing the hissing in recording, today they have become one of the leading ingredient brand in entertainment systems and luxury audio systems, and can be found even in sound-enhancing applications engineered in mobile phones. For the potential customer, the Dolby ingredient brand provided the reassurance of the expected quality of the audio, a reassurance that for many justifies paying more to have.

6.1.1.2 Creating a point of Differentiation

Value is created for the host brand when it is able use the ingredient brand as an enduring point of differentiation against its competitors. This is however a point of conflict for ingredient brand and the host brand.

6.1.1.3 Ingredient Branding providing an alternative Marketing Strategy

Five key levers for strengthening a business

Price Leverage – achieved based on a brands dominance in the market place, price leveraging is important as it affects the profitability of the company. Market share leaders are in a better position to leverage an ingredient brand to obtain price leverage.

Market Share – Ingredient branding can be an effective strategy at influencing consumers at the point of sale, reassuring customers of the desired performance attributes of the product. Ingredient branding can be best used by second and third place brands in the category to gain incremental market shares, while for the category leader it can be used as a tool to defend market shares.

Product Mix – Ingredient branding can provide customers with category of distinction between products that appear to have the same offering (low differentiation in the category). Therefore it's a powerful tool for improving the product mix and for trading up customers.

Distribution – Manufacturers are always forced to innovate and provide a renewed reason that ensures their products find their way to the consumer through the distribution channel. An ingredient brand can be used as a quality assurance, helping to increase the credibility of

the product with the consumer. This strategy can be employed by the category leader as a means of protecting and securing its distribution while increasing margins.

Grow the Category – Ingredient branding is not a suitable strategy for stimulating category growth.

Figure 11

Market Strategy					
Market Position	Pricing Leverage	Market Share	Product Mix	Distribution	Category Growth
Category Leader					
#2 or #3 Brand					
#4 ≥ or New Entrant					

6.1.1.4 Leveraging

Keller 2003 (in Uggla 2004, The Corporate Brand Association Base) describes brand leveraging as capitalizing on pre-established brand equity and brand knowledge in consumers memory. Since each brand has its own image in the mind of the consumers, associations among brands may result in customers inferring or assuming that some of the characteristics of the associated brand is transferred or shared by the other. This indirect approach allows for the transfer of awareness and reputation from one brand to another based on their association. Different industry conditions and company specific situations require different strategy for leveraging an ingredient brand. However, leveraging an ingredient brand can be a better alternative to other marketing tools because of its low cost, low risk and high impact potential with fast visible results.

Figure 12 Leveraging Ingredient Brand



Strategy	Typical Challenges
Lower Price	- Reduced profit - Easy to copy
Line Extension	- Development costs - Intro costs - slotting
Increase Advertising	- Very expensive - Usually temporary
Improve Product	- Development costs - Market risks

Figure 13 Disadvantages of Other Marketing Strategies

6.1.1.5 Equity

A feature of luxury products is the price premium they are affiliated with as a result of their brand equity. Subrahmanyam 2004, in Pfoertsch et al, 2008 -‘Measuring The Value of Ingredient Brand Equity at Multiple Stages in the Supply Chain: A Component Supplier’s Perspective’ states that brand equity is achieved from the customer’s willingness to pay a price premium for a branded product over that of identical product that is unbranded. The price premium owed to brand equity becomes a source of value for the firm (Kotler et al, 2006). According to Kotler 2010, Increase quality perception, improved trust and better judgment of component performance translate to price premium as a positive consequence, and the better these consumer behaviour relevant dimensions are managed the higher the price premium benefit will be. But according to Kotler brand value need to focus on more than just the brand equity, but also of importance is brand knowledge, awareness and preference from the customer as well as information about sales development, key product categories, sales location, margin turnover rates etc... Figure 11 shows a categorization of the factors that influence the brand value.

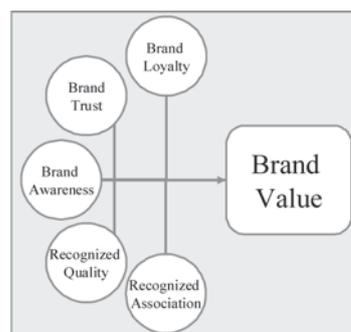


Figure 14 Qualitative influence factors of the brand value

6.1.1.5.1 Trust

Brand trust resulting from past experience and interaction with the brand builds the core of brand value because its development is portrayed most often as an individual's experiential process of learning over time. This trust can be a result of a person's own personal experience as well as by third party recommendations (Pfoertsch et al, 2008 - 'Measuring The Value of Ingredient Brand Equity at Multiple Stages in the Supply Chain: A Component Supplier's Perspective).

6.1.1.5.2 Brand Awareness

Brand awareness is the ability of potential consumers to make the affiliation between a special brand and a special product (Aaker 1991 in Pfoertsch et al, 2008). In the case of ingredient brands, the customers need to be able to recognize the branded component without the host product. They must recognize the Ingredient Brand as a special component offering a special attribute to the whole product. This benefit must be linked to the component or in other words to the Ingredient Brand Positively identified with an end product.

6.1.1.5.3 Recognized quality

An estimated subjective assumption about the quality of a product's or the ingredient's function compared to another. Therefore, it can differ from the real quality of a product, it should be recognized that the perceived quality of the end product could either be lower in consideration of the branded ingredient as well as higher when first evaluated by the consumer. (Pfoertsch et al, 2008).

6.1.1.5.4 Brand association

Aaker, 1991 stated that the underlying value of a brand often is its associations, its meaning for the people. Associations represent the basic for purchase decisions and for brand loyalty (Chen 2001). A brand's image is constructed on its attributes and associations that consumers connect to the brand, these can be classified as tangible, functional attributes, or emotional-based attributes. With the help of brand image, products can be differentiated from those of competitors even when the other product is physically identical in every other respect (Pfoertsch et al, 2008).

6.1.1.6 Conditions Supporting Ingredient Branding

Kotler's summary on Harvard Business School article outlines four main conditions for Ingredient Branding as follows:

1. The ingredient is highly differentiated, usually supported by patent protection, and so adds an aura of quality to the overall product
2. The ingredient is central to the functional performance of the final product.
3. The final products are not well branded themselves, either because the category is relatively new, because customers buy infrequently or because there is low perceived differentiation among the final product.
4. The final products are complex, assembled from components supplied by multiple firms who may sell the "ingredients" separately in an aftermarket.

Often the supplier and the end product manufacturer (OEM) has different objectives for using an ingredient branding strategy providing the conditions are right to facilitate a mutually rewarding venture. It is not always a mutually convenient strategy, and depends highly on the brand equity of the brands.

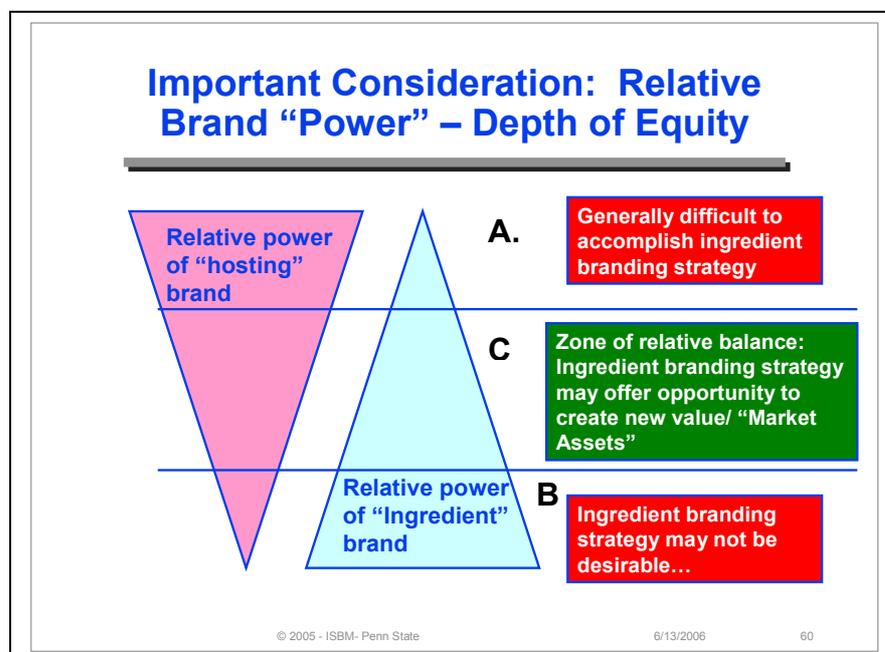


Figure 15 Relative brand power effects of Ingredient Branding

According to Kotler 2010, when the relative consumer equity of both brand partners are relatively close matched ingredient branding is easier negotiated and implemented as both parties can easily explore the opportunity for real synergy with both market based assets increasing as they work together.

Relative Power of the Ingredient Brand	High	4. Ingredient Differentiation	3. Co-Branding/ Synergy
	Low	1. "Creating the Category Together"	2. "Forced Utilization"
		Low	High
Relative Power of the User/OEM Brand			

Fig. 16 Relative power relationship between Ingredient Brand and Host Brand (OEM)

Quadrant 1 both the ingredient brand and the host brand both have relatively low brand power. Here they are “creating the category together.”

Both brands can work together to create brand equity simultaneously and synergistically in the new category.

Quadrant 2 - Here ingredient supplier with a relatively unknown brand is negotiating with OEM brands of high power at the point of utilization. In this case, negotiations for the supplier brand will be difficult unless the ingredient is truly revolutionary and serves a significant un-served downstream demand offering sustainably favorable differentiation from competitors. If the OEM needs the ingredient badly enough, even an unknown ingredient can create a “Forced Utilization” situation.

Quadrant 3 – High brand equity of both the supplier and the OEM offers more co-branding and synergy opportunity – where each brand brings its own power to the end user for combined sales. Both brands strong associations combination creates a natural synergy resulting in greater pull downstream in the market.

Quadrant 4 – High brand power for the ingredient creator and low brand power for the OEM. Here the ingredient offering tribute may be the only sustainable differentiation in what essentially is – or is becoming – a commodity category with high internal rivalry among

brands of similar brand equity.

Here is where an ingredient creator can move into an essentially commoditized consumer category and go straight to the end user and take responsibility for de-commoditizing the category, giving it great power over the user/OEM brands and great consumer franchise and brand equity (Pfoertsch et al, ISBM Report 8-2009.).

6.1.2 Supplier- Initiated Ingredient Branding (InBrand) vs Inverse Ingredient Branding

Supplier Initiated (InBrand)

This occurs when the initiative to enter into an ingredient branding marketing strategy is the initiative of the supplier or the provider of the ingredient. This is usually aimed at creating brand awareness to the final consumer of the ingredient and therefore creating a demand (pull) of the ingredient brand from the manufacturer. The customer behaviour creates pull and the provider of the end products behaviour creates push, which together creates the marketing mix. InBranding strategy can be used even by companies with strong consumer brands as a means of further enhancing or protecting their competitive position in the market. (Kotler, Ingredient Branding, 2010).

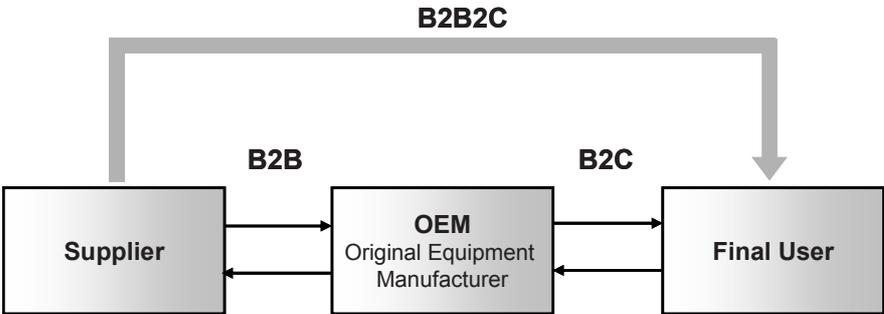


Figure 17 The Ingredient branding Framework

B2B – Business to Business Marketing

B2C – Business to Customer Marketing

Figure 18 Four stages in Ingredient Branding

	Stages	Description
1.	Building up credit, Exploitation of well-known brands	Unknown InBrand profits from piggybacking already established brands
2.	Breakthrough and market proven	Unknown InBrand becomes known or even famous
3.	Payback, Synergy	Known InBrand supports former partners and other users of their brand.
4.	Fiasco-Effect	Known InBrand is omnipresent and could not be used as a differentiator and is pushing former supporters into price wars.

Stage 1

The ingredient manufacturer enters into a co-operative agreement with the end product manufacturer (OEM) as part of its Ingredient Branding strategy for co-branding the end product. The ingredient supplier hopes to profit by the joint presentation of his new In- Brand and the already established brand of the finished product. As trade-off, the manufacturer of the end product receives certain incentives like price reductions or advertising expenditure subventions from the ingredient supplier. This process step is referred to as building up credit and exploitation of well-known brands, respectively. As a result, the InBrand profits from piggybacking the reputation of the end product and becomes known by itself after some time.

Stage 2

The breakthrough occurs where the Ingredient Brand can finally gains recognition from its imbalanced dependency on the host product equity. In this phase, continual promotion to the end user and a careful cooperation with partners are necessary.

Stage 3

In this stage there is a shift in the relationship, where the InBrand pays back the “loan” to the host product manufacturer; the host is profiting now from the increased brand value. In this phase both brands are regarded as equally important.

Stage 4

In the last stage, the brand value of the Ingredient Brand becomes greater than that of the brand value of the end product manufacturer, and does not need to depend on brand awareness of the end product anymore. Owing to its own brand equity at this point, it can choose the direct buyers in the B2B business, and is even in the position to dictate the market prices for products in their respective industrial area.

This 4-Stage-Model of Ingredient Branding demonstrates that the brand value of the InBrand will within time exceed that of the host product's brand and, therefore the partnership needs to be monitored and given much attention. It is assumed that a long-term, equal partnership of both brands is rarely achievable. Hence, a lot of end product manufacturers anticipating this possibility avoid cooperation with InBrands from the get go in order to avoid being on the losing end of such a partnership. This stage (Fiasco effect) is not inevitable, therefore with careful management both brands can have a mutually filling venture.

When defining Ingredient Branding, it is common practice in marketing literature to include similar themes like co-branding and inverse Ingredient Branding. They are helpful to better explain and define the marketing partnership that emerges in the process of co-operation between the component manufacturer and end product manufacturer.

Inverse Ingredient Branding

This strategy simply expresses that the initiative is taken by the end product manufacturer to enter into a partnership and the roles are changed. Here the end product or service producer anticipates utilizing the brand equity of the component brand in order to make the product or service more desirable.

6.1.3 Dependency and Exclusivity in Ingredient branding

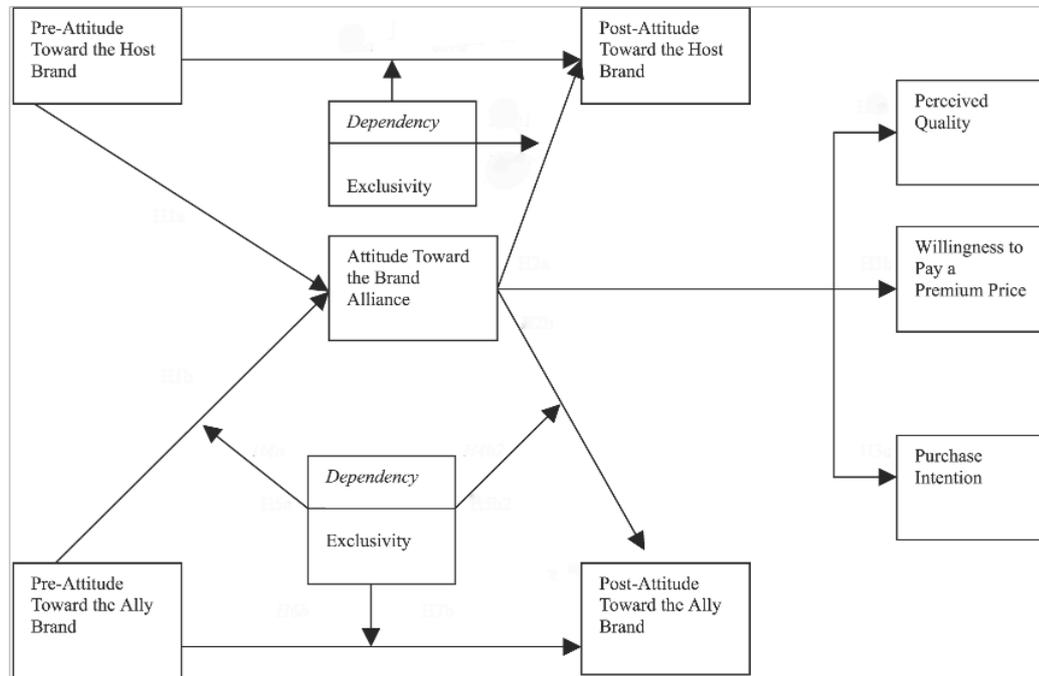


Figure 19 Attitude toward the brand alliance and the individual brands

Based on resource dependence theory, it is important that the relationship is mutually beneficial for both partners in order that they both remain committed. Mutual commitment results in mutual reward, while an unbalance in level of commitment will eventually erode the partnership. In an unbalanced relationship, or an asymmetrical dependency, the contribution of unequal resources such as marketing efforts creates a power imbalance, suggesting that one partner may be in a position to reap greater benefits from the alliance than the other partner. For this, firms should look for partners that contribute equivalently valuable resources to the alliance. Of particular interest is whether consumers are able to perceive the asymmetry as a result of physical or contractual dependency.

6.1.3.1 Dependence/Independence

Interdependence is rarely symmetrical, as it is based on the availability of the resource from alternative sources (Das et al., 1998 in Brand alliance dependency and exclusivity, Rodrigue et al 2004). Firms will only engage in an alliance if there is mutual gains even though each

may have a different purpose for pursuing an alliance, such as image transfer and the integration of a new attribute into the host brand (Cooke and Ryan, 2000 in Brand alliance dependency and exclusivity, Rodrigue et al, 2004).

An independent Ingredient brand is a branded product that can be purchased and consumed ‘on its own,’ that is, outside of its alliance with the host brand.

A dependent Ingredient brand cannot be purchased and consumed on its own outside of its alliance with the host brand.

The quality of a dependent ingredient brand is not readily observable to consumers until after the purchase since it is not available outside of the alliance for consumption. Therefore, a branded product that is unable to “stand on its own” will be more dependent on the host brand than a branded product that can stand independently. As such, an ingredient brand that is independent will contribute more to an alliance by an increasing positive attitude toward the alliance than an ingredient brand that is more dependent upon the host brand. This is due to the synergistic effect of combining two brands that are recognizable in the market, having their own individual attributes as observed by the customers.

6.1.3.2 Exclusivity/Non-exclusivity

Pfeffer et al, 1978 (in Rodrigue et al, 2004) identified the discretion over resource allocation to be a major determinant of the resource dependence of a firm on its alliance partner. As such, exclusive contracts may help reduce perceptions of imbalance among partners in a strategic alliance in Brand alliance dependency and exclusivity.

If the host brand is dependent upon the ingredient brand to provide the finished product with a unique attribute, the value implications of the ingredient brand will vary based upon the exclusivity of the contractual agreement between the partners (Das et al., 1998 in Rodrigue et al, 2004). The brand alliance will benefit more in an exclusive contract, in which the ingredient brand agrees to provide the unique attribute exclusively to its alliance partner, than in a non-exclusive contract, in which the valued attribute of the ingredient brand is made available to potential competitors of the host brand.

In light of this, it is proposed that exclusivity will moderate the relationship between pre-attitudes of the ingredient brand and attitude toward the alliance, as well as the relationship between attitude toward the alliance and post-attitude toward the host and ingredient brand. The attitude toward the alliance will affect post-attitudes of each brand based on their association with each other in the alliance. The brand equity of each brand should be affected by the value implication of exclusivity. Overall, exclusive ingredient brands are expected to have a stronger relationship than non-exclusive ingredient brands.

An exclusive contractual arrangement with an ingredient brand offering a unique and valuable attribute will offer the best opportunity to raise consumer attitude toward the host brand. For brands that will serve as the ingredient brand, exclusivity may be used as a bargaining tool. Dependent ingredient brands have much to gain in pursuing a brand alliance partnership. While a dependent status will not affect consumers' attitudes toward the alliance, the dependent ingredient brand will gain the most in increasing consumer attitude toward its brand.

“The brands involved in an alliance have the option of exclusivity. This affects the way in which the alliance is perceived but raises challenges that derive from the limitations that comes from the exclusivity, this could also be limited. The ingredient brand may also agree to a general exclusivity or to be limited to a given set of brands partnership”- (Rodrigue et al, 2004).

Rodrigue et al suggest that a brand alliance may influence partially or entirely the consumer perceptions of quality, purchase intentions and likelihood, the ability to obtain a premium price for the brand. Therefore it is very important that due consideration is given to benefits expected from the alliance at what price to the brand.

Important to the success of the alliance is the mutuality of the benefits coming out of it, if it is imbalanced, it risks under performance as well negative or detrimental effect on overall brand equity.

Rodrigue et al consider how dependency and exclusivity moderate consumer attitudes towards the partner brands and the alliance between these brands. In general consumers have a positive view of alliances apparently owed to the combination two strong sets of attributes and associations appeals to the consumer.

It is also important to be concerns about the impact of exclusive deals on the partnership outcome for the brand. According to Rodrigue et al, while the host brand is unaffected by either exclusivity or dependence, the ingredient brand may get better returns from the judicious use of exclusive deals. By limiting the places where the brand appears, the ingredient brand gains a considerable distinction and prestige from the association. Under circumstances of exclusivity this advantage does not necessarily accrue to the host brand. We find a situation where the ingredient brand becomes parasitic rather than symbiotic – piggybacking on the host brand’s values, attributes and associations without making any real contribution to that host’s brand strength. This could be seen as a strategic move if the association allows the host to extend its market or reposition itself. But due vigilance should be given to the consideration of this strategy when such deals involve weaker and stronger brands. Under such circumstances, it is important for the alliance to be about more than just the association of the two brands. The brand owners need to recognize the need to develop shared marketing strategies that form part of the agreement setting up the alliance.

Brand alliances represent a very powerful tool for marketers and are particularly important for the owners of significant ingredient or component brands. Key to the success of an alliance strategy is that it should involve mutually advantageous alliances and features significant direct-to-consumer communications and marketing.

7 Service as an ingredient brand for Luxury Products

“The most important thing to know about intangible products is that the customers usually don't know what they're getting until they don't get it”. – Levitt, 1981.

As trends in most industries are moving towards selling services to support their product offering as an added value, so will the luxury industries. The difference with partnership with a service brand however is the problem of its intangible and heterogeneous quality. Often in service industries there is the need for a tangible aspect to the offer to meet customer's need for an evidence of the service, this can be provided by the product brand, the physical evidence of the joint offering. It is however equally important that the service brand is well established as a provider of a superior service.

An emerging trend among luxury consumers according to the Luxury Institute is that there is the emerging need to recognize the influence of Generations X and Y on technological adoption and M-Commerce. Their Wealth Survey of luxury consumers and mobile device usage revealed that 22% of consumers have executed a transaction via a mobile device, while 21% have made a payment via mobile. More and more service providers are used to complement the services and products offered by luxury brands. But service can be much more, of great value to the customer is the quality of the service, and equally important is the reassurance given by the service provider brand.

Confetto et al, 'Making service more tangible with Inbranding' cited some of the peculiarities of a service offer to be its intangibility, inseparability production/consumption, different degrees of quality and perishability. Confetto et al went on to highlighting the need for addressing the concerns of intangibility, stating that it is important for companies to transform this feature by attributing a brand to their services, based on a solid corporate identity so as provide the presence of functional and emotional values (Heskett, 1987; Kotter and Heskett, 1992; Fournier, 1998; Melewar and Storrie, 2001 in Confetto et al, Making service more tangible with Inbranding, 2010). According to Levitt 1981 (in Confetto et al, 2010) customers do not buy products/services, but have different expectations, which could be a mix of tangible and intangible components together, or to functional and emotional values typical of brands (Vrontis, 1998).

Service as an InBrand can take on different features depending on if the service, is considered as an ingredient, **core** (basic) service components or **supplementary** (additional and or

auxiliary) service components (Grönroos, 1982; Normann, 1984; Eiglier and Langeard, 1987 in Confetto et al, 2010). According to Confetto, 2010, for the service entity the partnership as a strategy provides a strengthened perception of *tangibility* of the “extended” service and reinforces its *traceability* elements; two favorable effects that improve a service company’s strong points and consequently areas for gaining competitive advantages.

The example of Singapore Airlines was given in Confetto et al, 2010.

Singapore Airlines



Singapore Airlines has a strong presence in the Southeast Asian area and is one of the major users of routes between Europe and Australia. For its top aircraft, Singapore Airlines have opted luxury furniture for their 471 passengers on board. Actually, Singapore Airlines Suites have a private room for every passenger. Created by the French designer Givenchy, the area is a model of contemporary elegance. The seats, offer a high standard of comfort, have electronic control, ample legroom and personal screens for privacy. Every seat has a laptop computer adaptor, while, passengers who don’t have to work can relax with KrisWorld, a system of entertainment on board. Moreover, for the first time, it is possible to watch films during the flight with sound effects from Dolby Headphones. In addition, World Gourmet Cuisine, an international group of chefs, aims to create a *par excellence* experience for passengers that of dining in a first class restaurant.

This is an example of a Luxury Service provider (Singapore Airline), inbranding their service with tangible luxury products brands such as luxury furniture by French designer Givenchy, or headphones by Dolby. These brands provide tangible reassurance to the customers of the quality related to their strengths. Givenchy is world renown for its quality in design and innovation, likewise Dolby is know for its superior quality audio system.

Pen of the Year 2006 – by Graf Faber- Castell Special Edition Fountain Pen with Mammoth ivory & Ebony

When Graf Faber Caster came out with their Pen of the year 2006, made of Mammoth ivory and Ebony, the services of Jürgen Schott, the grand master of the guild of ivory, was used as a reassurance of excellence in the craftsmanship used to craft the special material. It also provided an aura of exclusivity and elitism.



The "Pen of the Year 2006" Special Edition is another outstanding writing instrument in the Graf von Faber-Castell collection. It is truly beautiful, with selected Siberian Mammoth ivory crafted into the ebony barrel by Jürgen Schott, the grand master of the guild of ivory carvers in the Odenwald region near Heidelberg. Only someone like Jürgen would have the skills needed for this task. Mammoth ivory is no ordinary ivory, being 20 to 25% heavier than normal ivory and a connoisseur will immediately recognise its unique veining. The material has absorbed moisture during the millenia in which it was buried under ice and therefore it needs to be slowly and carefully dried out over a period of between 3 to 5 years before being worked. For export, ivory requires a licence, which cannot be granted until a full scientific assessment has been carried out.



Ivory has historically been combined with ebony, known for being one of the most beautiful and expensive of woods. The very dark brown to black heartwood shows off the creamy white of the Mammoth ivory to beautiful effect.



In elaborate inlay work, the artistically engraved pieces of ivory are let into an ebony framework. The polished ivory disc in the end cap reveals the typical texture of mammoth ivory from the outside. Inside is a stylised mammoth engraved with the master craftsman's initials.

- Its production is limited to one year only.
- 18-carat bicolour gold nib which is 'run-in' by hand.
- Spring-loaded solid metal clip to ensure that the pen sits firmly in the pocket.
- Platinized end cap protects the knob of the plunger mechanism.
- Each pen is individually numbered.
- Presented in an ivory-coloured wooden case together with a beautifully printed leaflet.
- Certificate details its limited edition, attests to the ivory quality and includes the personal signature of Jürgen Schott.

The intangibility of services necessitates the use of physical instruments to render services more tangible and to increase the perception and expectations of the promised service in advance in order to reassure their customers. The main symbol used by service providers is its brand. The customer perception of tangibility serves to aid them to perceive promised service in advance. This could be reason for entering into mutually beneficial partnership with brand with tangible attributes. In effect, applying Ingredient Branding could allows service companies to lever at the same time on their own brand image and on brand images of tangible component suppliers. Service companies could also take benefit from promotional alliance strategies from these brands, and likewise for the tangible products the service aspect, whether core or supplementary can offer a tool for differentiation and quality reassurance.

8 Potential benefits and Risks to Ingredient Branding Strategy

Like with all other strategies, there are pros and cons associated with Ingredient Branding Strategy. Therefore it is important that both the supplier and the end product manufacturer analyse properly the implications of entering into a partnership arrangement.

8.1.1 Implications of implementing an Ingredient Branding Strategy for the Supplier.

Some anticipated benefits are:

- Securing a long term relationship with their client (lock-in)
- High volume of sales and/or premium prices, translating to increased profits
- Increased demand stability as a result of end users acceptance
- Demand from several end product manufacturers hence spreading the risk

Potential Risks

- Heightened performance pressure as a consequence of more market exposure.
- Anticipation from customers for future improvement of the ingredient resulting in increased research and development expenditure.
- Cannot risk loss of control over branded products, may not be willing to push work down the supply chain.
- The distance from the final consumer could create marketing challenges resulting in some brand promotion expenditures not adding value to the brand value.

8.1.2 Implications of implementing an Ingredient Branding Strategy for the End Product Manufacturer.

Some anticipated benefits are:

- Competitive advantages offered from having access to a preferred component.
- High volume of sales and/or premium prices, translating to increased profits
- Possibility of sharing production and development costs.
- Possible “Halo” effect, reduced marketing costs

Potential Risk:

- Brand dilution
- Lock-in – The marketed ingredient becomes essential, locked in, and the supplier can demand premium prices.
- Potential loss of brand value due to the association with the supplier if the supplier's image becomes tarnished – guilt by association.

9 Evidence - Importance of Processes Certification and Transparency

Customers expect products to have a high conformance quality, durability and reliability. As stated before, there are new trends evolving among luxury customers as cited in works carried out by the Luxury Institute on changing trends of luxury customers: More and more customers are no longer satisfied with making uninformed purchases, but are making decisions based on the availability of relevant information on the product. They scrutinize luxury brands far more carefully, and will rely on authenticated, validated and certified ratings in making purchase decisions. They will expect luxury brands to be transparent, and to independently authenticate claims, such as country of origin, quality, customer referrals, and social responsibility. Certifications will provide quantitative and qualitative industry specific information on products and their processes so that customers can match their conformance against their competitors for superior performance. No longer will customer be settled for subjective information or be content with the possibility of deviations in standards.

Due to the subjectivity of quality what quality is there must be standards as defined by the targeted customers' specifications. Because companies compete and build their equity based on the ability to consistently delivering superior quality to their customers it is necessary for companies to employ quality standards and models to their operations, focusing from product quality to process quality. Different industries have created different standards, but all based on improving and ensuring quality by optimizing the Dimensions of Quality. - ISO9000, TQM, BSC, EFQM, 6Sigma etc.

Eight Dimension of Quality (David Garvin, 1984)

1. Performance -primary operating characteristics, e.g. picture clarity
2. Features - supplement characteristics, e.g. free drinks on a plane
3. Reliability - probability of a product's failing within a specified period of time
4. Conformance - internal and external design and operating characters match standards, e.g. repairs under warranty
5. Durability - a measure of product life, e.g. a light bulb
6. Serviceability - speed, courtesy and competence of repair,
7. Aesthetics - look, feeling, sound, taste, etc.
8. Perceived Quality - consumer's subjective measure, e.g. ranking brands

Once a company identifies the dimensions of interest to its market segment it can build its marketing strategy around them. It is not necessary that a product/ service possess competitive advantage in all 8 dimensions. Therefore it is important that companies carefully target their quality niche, supported by conformance well detailed specifications.

“Search” vs “Experience” Products

Phillip Nelson introduced the concept of Search and Experience goods, the quality attributes of the previous can be determined prior to purchase, while the later can only be discovered through acquisition and use. Consumers of luxury products are looking to certifications and associations for information before making purchases to limit the risk of uncertain bad surprises.

Certification and transparency for quality assurance will also be very important in the undertaking of partnerships among brands that are willing to wager their brand image on their partnership association. Companies will need to be reassured of consistency and non-subjective excellence in quality standards, while showing regards to ethical and environmental issues. This information will be passed on to the customer to build brand equity and influence purchasing decisions; Information that will become apart of the negotiation process and subsequently contractual arrangements.



Diamonds for Luxury Jewellery

The sales of diamond, an ingredient in many luxury fashion jewellery was estimated in 2004 was worth in excess of USD65 billion, most of which comes out of Africa. In 2000 the global diamond industry effected its intolerance to the marketing of diamonds from Sierra Leone after cracking down on the extremely brutal diamond production that has been going on for decades cost the lives, dismemberment and displacement of hundreds of thousands of people. Organizations such as the UN, various NGO’s and the diamond industry created a system to prevent the distribution of the conflict diamonds by blocking it from the supply chain by

implementing the Kimberly Process; a system of mine-to-market documentation for each stone to insure that from the point of extraction to the point of sale it follows legal, traceable channels. The aim is to keep conflict out of the supply chain by closing off points of entry.

“ Many top-end jewellery brands are now part of an organization called the Responsible Jewellery Association, which is trying to guarantee labour and environmental standards across the whole market segment.

...One of the most important aspects to building “sustainable luxury,” is that it required businesses to take on complex global problems that historically had been the domain of governments or of charitable organizations”. - Mr. Stephen Lussier Executive Director of De Beers diamond company

Since 2003 when the Kimberly Process was implemented, the number of conflict diamonds has been declined from approximately 4 percent to less than 1percent. Today, most of the global production of rough diamonds occurs in nations certified by the Kimberly Process.

In September 2010 article on Luxury goods: Premium brands respond to growing customer awareness, by Dan Ilett cited WWF recommendation that luxury jewellery consumers need to seek benchmark and goods validation by organization such as the Responsible Jewellery Council and the Framework for Responsible Mining to avoid purchasing jewellery with unethically and irresponsibly sourced materials such as the conflict diamonds. Certifications that allow the customer to trace the history of the ingredients of the merchandise back through the supply chain.

For example, when a customer decides to buy a Leo cut diamond, not only do they get a personally Identification code certified – exclusive fireface certification of the quality of light refraction from the stone, along with the lifetime guarantee of the colour and purity of the stone. It is not just a certification of the quality characteristic of the stone in comparison to other diamonds, but they also guarantee the customer that they adhere to the Kimberly Process in acquiring only conflict free diamonds.

The Leo® Diamond, or Leo Schachter Diamond, is a patented symmetrical round cut that has a total of 66 facets, 8 more facets than the Round Brilliant cut's 58created. The extra facets maximizes the amount of light returned back as scintillation.



Caviar

Caviar also called “Black Pearls” has always been seen as the most luxury of luxury food owed to the high price it carries. The annual caviar international sales is worth in excess of USD100 million, a market that has been plagued with suspicion due to the high contamination of the market by illegal caviar from the black market produced under environmentally and ethically irresponsible conditions.

The process of removing the roe from the fishes has a brutal history. Commercial caviar production normally involves stunning the fish (usually by clubbing it on the head) and extracting the ovaries, consequentially destroying the fish in order to harvest the precious eggs. In recent years due to the pressure of environmental organizations such as WWF, the process of farming and harvesting came under environmental sustainability scrutiny, resulting in many producers of caviar trying to seek certification of their processes in order to get into certain markets. Due to their efforts and the availability of information relating to the caviar industry, customers have started showing preference in buying more expensive caviar that’s offers guarantee to have been produced under sustainable conditions. As a consequence of this trend among others modernized technology such as RFID technology is being used to create transparency on the origins of seafood, the fishing process and transport to sharpen the competitive edge of the products in the international market, providing traceability for the food through the supply chain. Today providing information on quality and compliance with regulations throughout the supply chain is becoming more of a requirement that a nice to do. The market has taken steps to make the distinction caviar prepared and marketed under legal and sustainable conditions and those that were not. Under the CITES caviar labelling system, all caviar products need to incorporate non-reusable labels sealing the container and containing information such as the source of the caviar, its country of origin or re-packaging, the code of the processing plant, or CITES permit numbers.

Due to the lobbying efforts of the WWF in January 2010 the EU established new regulations impacting the fishing industry as follows:

“Under a new EU Regulation, from 1 January 2010 all fish imports into the EU will be banned unless the importing company can show the fish comes from non-IUU sources through robust traceability systems. Furthermore, fisheries in countries with IUU fishing problems, such as Russia and China, will face restrictions and be entered on a blacklist. This is a major win in the fight against IUU fishing, given that the EU imports 60% of its fish, much of it from Chinese processors, and is the world’s second-largest importer of fish”

(http://wwf.panda.org/what_we_do/footprint/smart_fishing/)

Today Agroittica of Bracia Italy is the number one producer of caviar under the umbrella brand Calvisius, producing over 24 tonnes of caviar per annum with a turn over of in excess of 21 Million euros, exporting over 95 percent of its production with most sales made to the United States, France, Japan, Germany and the UK. They are also the sole supplier of caviar to the business class airline Lufthansa, Singapore Airlines and Thai Airways. Accrediting their high success to their sustainable practices and high quality natural resources.

*“Much of the merit for the quality of our caviar is due to the unique characteristics of the waters of Calvisano and to our model of sustainable aquaculture. Thanks to these a farmed caviar of great value has been created, even when compared to the most famous wild caviar The search for quality at all levels in an avant-garde productive structure is proved by the highest level certificates for the systems and products, such as the prestigious **ISO 9001**, **BRC** and **IFS** which bear witness to the very high level of the quality of the entire production row and of the finished product.”*

- <http://www.agroittica.it/english/products.htm>

Today the company has won numerous awards and certifications for quality excellence resulting in it being well sort after by other firms seeking industrial partners.

10 New Marketing Tool for Sustainable Luxury Products

The 12 Step Model for using Ingredient Branding as a marketing tool for a new sustainable product/service

1. Analyze the Critical Success Factors (CSF) for the product/service segment from collecting marketing data.
2. Match your CSF with Quality Dimensions to identify quality related factors (create CSF Quality Table).
3. Analyse the CSF profile of your competitors and plot them on the CSF Quality Table to determine potential areas of differentiation for your new concept product/service.
4. Collect the Voice of the customer (customer requirements and importance rating) for concept design using a modified QFD (include 3 extra columns (CSF, Partner, Evidence).
5. Match customers needs and ratings with CSF based on your brand strategy, using your quality related functions to add perceivable value to your product.
6. Select component brands that are qualified for sustainability partnership, ensure to find out what evidence they are able to provide to the product sustainability story.
7. Match component brands which offers an aura of credibility for superior performance to the captioned CSF/s.
8. Choose component partners based on customer rating and CSF match.
9. Consider conditions for negotiation and choose a suitable ingredient brand that offers reassurance for the featured strategic attribute (of consideration is the highest rated customer requirement, since its rated most important, a reassurance of superior functionality/ quality will add to overall perceived value and purchase worthiness of the product/service).
10. Bring component manufactures into the design team for the product/service development.
11. Co-create
12. Use the Ingredient Branding Marketing strategy to create value, by increasing the quality of the product, create a differentiation the offer, increase your marketing strategy by influencing the customer at the point of sale by the superior quality reassurance offered by the presence of the featured ingredient brand.

11 Critical Success Factors (CSF) for Ingredient branding in Luxury Products by Industry.

Research conducted on companies in various luxury industries all concluded that the same major factors contributed to success. Those factors the companies involved considered as critical for success into the luxury industries were areas in which they focused to deliver value to their customer and outperform their competitors. Therefore these are areas that customers would benefit from reassurance of superior performance. This could be provided by a strategic value chain partner whose brand signify high performance in one or more of these areas, more so than could be conveyed by the finished product brand alone.

The Critical Success Factors (CSF) indicated for Luxury Products:

- **Consistent in the delivery of *Premium Quality*** - across all the products of the line and along the whole SC, both in terms of compliance with the specifications and in terms of superior material quality (Kapferer, 2001; Vigneron and Johnson, 1999; Nueno and Quelch, 1998; Antoni et al., 2004; Hanna, 2004; Altagamma, 2008);
- **Heritage of Craftsmanship** - which ensures the necessary *savoir faire* for manufacturing excellent object. (Catry, 2003; Antoni et al., 2004; Hanna, 2004);
- **Exclusivity** - pursued through the use of naturally scarce materials, limited editions, limited production runs, selective distribution and creation of waiting lists (Kapferer, 2001; Vigneron and Johnson, 1999; Phau and Predergast, 2000; O' Cass and Frost, 2002; Catry, 2003; Hanna, 2004);
- **Emotional Appeal** - Marketing approach that combines *emotional appeal* with product excellence. E.g. a correct product displaying allows customers to have a complete and enhanced shopping experience in which even the point of sale atmosphere reflects the values of the brand (Catry, 2003; Moore et al., 2004; Danziger, 2006);
- **Brand Reputation** - Global reputation of the *brand*, which conveys the idea of world-class excellence (Nueno and Quelch, 1998; Phau and Predergast, 2000; O'Cass and Frost, 2002; Antoni et al., 2004);
- **Recognizable style and design** (in some cases consumers don't need to see the label in order to recognize the brand). Furthermore, tangible features are not enough for the luxury goods market; products must also convey emotions to the customer. Product

design and aesthetic are very often the reason why customers associate emotions to the products (Catry, 2003; Hanna, 2004);

- **Country of Origin** - Association with a *country of origin* that has an especially strong reputation as a source of excellence for a certain product category (e.g. Champagne from France) (Nueno and Quelch, 1998; Catry, 2003; Okonkwo, 2007);
- **Elements of Uniqueness** -presence of elements of *uniqueness* (e.g. imperfections in hand-blown crystal vases) (Nueno and Quelch, 1998; Lamming et al., 2000; Catry, 2003);
- **Technical Performance** - superior *technical performance* when the brand has a technical content (e.g. sport cars). Best-in-class technical performances allow to differentiate luxury products from ordinary ones and convey emotions to customers. Therefore, continuous *innovation* can become the way to sustain the product positioning (Catry, 2003; Reddy and Terblanche, 2005);
- **Creation of a Lifestyle** - so that the customer can feel to be part of a unique style, which can be recreated in everyday life by possessing special luxury products (Nueno and Quelch, 1998; Phau and Predergast, 2000; Reddy and Terblanche, 2005).

(2010 Reviewed of Cecilia Castelli et al, Supply Chain Management strategies in the luxury industry)

It is not necessary for a luxury product to encapsulate all of the CSFs. From the literature of work previously done Exclusivity seems the most recurring aspect for all the luxury products.

Each sector, or industry has its own trends, patterns, an aggregate movement, and essence that drives its economy. From collecting and analyzing marketing data one can capture this sometimes abstract and implicit detail or factors. No matter what the different brand strategies in an industry they all are built with a combination of subset of these factors called critical success factor. It's the successful combination of these factors in a brand strategy that builds the brand image and the reason people identify with the product, or see it worthy of meeting their needs and desire.

The Critical Success Factors affords you to capture in an industry context a more detailed investigation of differences in perceiving luxury. This can help to clarify how different people can be attracted towards luxury products for different reasons. As established in chapter 2, a person's appreciation of luxury is influenced by *knowledge* (explicit and tacit), and *context* (physical, temporal, cultural, technological, historical, economic and social). Different brands

build their marketing strategies around combinations these different appreciate attributes captivating in the product or service the things that they perceive that it should have.

Luxury products offered on the market are voluntarily characterized by different combinations of CSFs, in order to touch the corresponding “hot buttons” of the target consumers. Only the consumers which are sensitive to the identified set of “hot buttons” will be attracted by the considered product. Actually, even though a limited number of CSFs has been identified, the possible profiles of luxury consumers are virtually endless. – Brun et al, 2010, - “What is Luxury Product”.

11.1.1 How to Build a CSF Profile

The exercise in the literature bellow was conducted by Professor Brun of Politecnico di Milano, on a class of MBA students to provide evidence for the existence of many different consumers profile, each one corresponding to a different combination of luxury CSF.

Four different luxury products were considered and subjected to the judgment of some classes of international MBA students. Each group was heterogeneous with respect to nationality, age, sex, professional background; in contrast, all this people were explicitly interested in the luxury market. The students were given the pictures of the four selected products, accompanied by some further information (e.g.: history of the brand, price, where the product can be purchased, ...) and were asked to discuss the relevance of each CSF, product per product; the relevance of each CSF had to be evaluated on a Likert scale 1-4 (1=the CSF is not targeted by this product; 4=the CSF is fundamental for this product). The basic question to answer was: if you were interested in buying this product, which reason – expressed in from of CSF –would make it attractive? Of course, the most valuable opinions would come from those components of the group who were really interested in owning the considered product. At the end of the discussion, the students had to reach a cross-group agreement as regards a synthetic evaluation of each product, expressed by drawing a profile in the table represented in Figure 3.

The various groups evaluations were averaged to smooth out small variations in opinions, and final results are presented in the following paragraphs. It is interesting to notice that variance in evaluations turned out to be extremely small: differences were observed as regards CSF evaluated 2 or 3 on the scale, while a general agreement was registered as regards

fundamental CSF (i.e. those evaluated 4). The presence of slight differences confirms the role of subjectivity when talking about luxury, yet a certain polarization stands out clearly.

The four products subject to evaluation were: preciously packaged Iranian beluga caviar; branded Gucci woman bag; Bang & Olufsen station CD player; LeoCut diamond bracelet.

	Premium quality	Heritage of craftsmanship	Emotional appeal	Brand reputation	Recognizable style & design	Elements of uniqueness	Technical performances	Country of origin	Creation of a lifestyle	Exclusivity
Branded Gucci bag	4	4	4	4	4	4	4	4	4	4
LeoCut diamond bracelet	4	4	4	4	4	4	4	4	4	4
B&O station CD player	4	4	4	4	4	4	4	4	4	4
Iranian beluga caviar	4	4	4	4	4	4	4	4	4	4

Figure 20: CSF data-collection table A

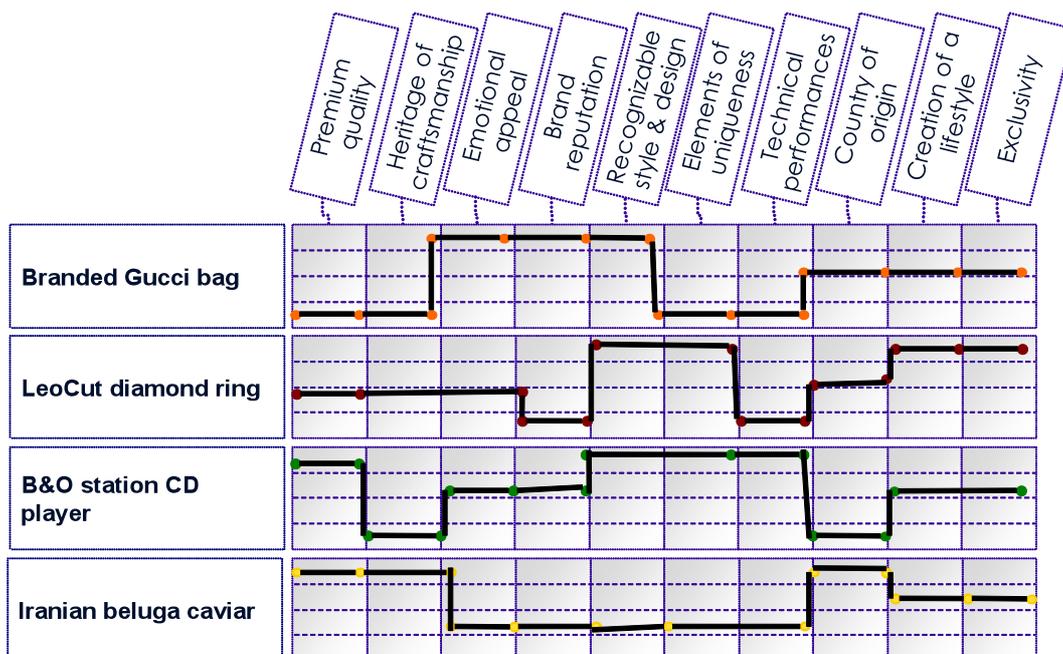


Figure 21: CSF data-collection table B

For each product, the group had to tick the box corresponding to the agreed upon evaluation for each CSF. A “CSFs profile” could be obtained by connecting the ticks with a line. The resulting profiles are also accompanied by comments collected along the discussion, which help to understand the rationale beyond the evaluation.

Anyone who collected commonly available information about the quoted products, would be able to reproduce the experiment, give his own evaluation and compare it to the results produced by the analyzed groups, showed in Figure 4, and to verify the reasonability of the arguments that led the group to create such profiles.

Source: Brun et al 2010, - “What is Luxury Product”

Please remember that a brand strategy will not capture all the CSF of an industry, but a selected subset to reflect the identified needs of the segment of customer to which the product/service is targeted (Brand Marketing Strategy).

11.1.2 Targeting the Quality related CSF

From the information gathered throughout this work by examining case studies and information provided on industry trends the following was extracted and used to design the following models:

Darwin’s QUALITY Dimensions	CRITICAL SUCCESS FACTORS (CSF) for Luxury Products	Sustainable Market Segment
* Performance	Consistency of Premium Quality	G
* Perceived Quality	Heritage of craftsmanship	G
	Exclusivity	G
	Emotional Appeal	
* Reliability, Conformance	Brand reputation	G
* Aesthetics,	Recognition of Style and design	
* Perceived Quality	Country of Origin	G
* Features	Elements of Uniqueness	
* Performance, Durability, Serviceability	Technical Performance	G
	Creation of a Lifestyle	

Sectors: **Figure 22 CSF Quality Table**

G – General Trend

From merging the Quality Dimensions with the CSF for Luxury product one can identify the critical success factors that are quality related, versus those that are emotionally related values and attached to brand image. Sustainability in luxury products and services places high value

on not just quality but superior quality. General trends are looking more to areas of reassurance of quality through the association of value through the supply chain, in areas such as consistency of premium quality, heritage of craftsmanship, brand reputation, country of origin, and technical performance. ...And customers are searching for information relating to these attributes to aid their purchasing decisions. Today, sustainability trends are showing that more and more reputation is being built through the way a brand operates and the quality of the products and services it provides rather than just what it says through marketing and Public Relations activities. Traceability of materials along their supply chain is of growing importance, and luxury companies are finding the need to make this information as transparent as possible. The customer's are seeking for more environmental and socially responsible behaviour. Marketing of sustainable luxury products requires all the featured quality reassurance that the customers will be expecting, to be considered from the very conception of the product at the point of doing the QFD for the new product.

12 Implementing Ingredient Branding into the Product Planning to improve Quality and Marketing Strategy.

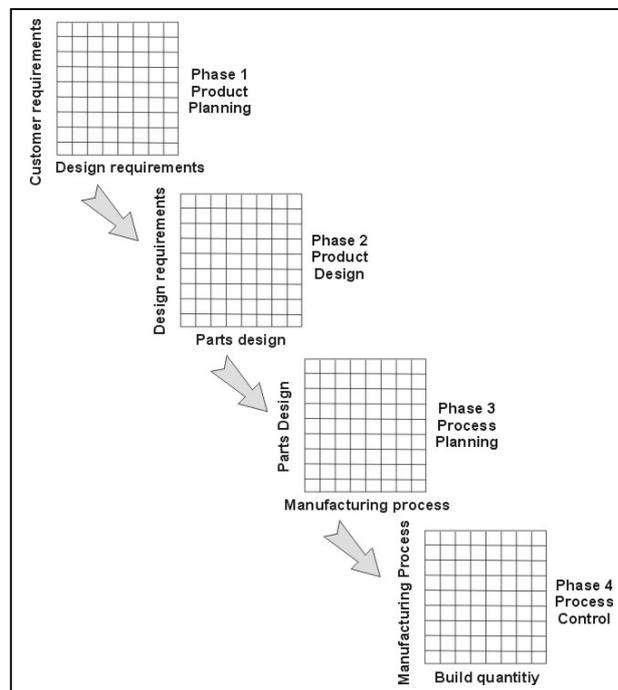


Figure 23 Phases of New Concept Product

The foundation of the house of quality is the belief that products should be designed to reflect customer's desires and tastes – so marketing people, design engineers, and manufacturing staff must work closely together from the time a product is first conceived.
– Hauser et al 1988, Harvard Business Review – 'The House of Quality'

Quality Function Deployment (QFD) is a tool used to ensure that quality is built into the product. In the context of system engineering, QFD facilitates a strong correlation between customer requirements and design requirements, and the inclusion of supportability requirements within the spectrum of design requirements. As such, the method goes a long way in making the customer an integral part of early design synthesis, analysis, and evaluation activities. Methods such as direct discussion or interviews, surveys, focus groups, customer specifications, observation, warranty data, field reports, trend analysis, and competition analysis are often used to facilitate identification as close as possible the captioned need of the customer. Organizations that can identify and exploit the explicit needs of its target customers often gain a strategic advantage over the competition, and often a point of differentiation.

It begins with product planning; then the product and process design; and finishes with process control, quality control, testing, equipment maintenance, and training. Because of the multi-functional disciplinary nature of the process, it requires also to utilize a team composed of the various disciplines to adequately address this range of activities. Quality Function Deployment is synergistic with multi-function product development teams. It can provide a structured process for these teams to begin communicating, making decisions and planning the product. It is a useful methodology, along with product development teams, to support a concurrent engineering or integrated product development approach.

Quality Function Deployment utilized a structured planning approach in order to ensure that the development process captures the scope of what needs to be achieved before plunging into the design process without being on target, by doing so it fosters consensus decision making, greater commitment to the development effort, better coordination, and reduced time over the course of the development effort. Ultimately leading to a high quality product.

“Quality Function Deployment is an extremely useful methodology to facilitate communication, planning, and decision-making within a product development team. It is not a paperwork exercise or additional documentation that must be completed in order to proceed to the next development milestone. It not only brings the new product closer to the intended target, but reduces development cycle time and cost in the process”. -<http://www.npd-solutions.com/qfd.html>

Phases of a new concept product (Figure 23)

Phase 1, Product Planning: Building the House of Quality – In this stage the key team players are from the marketing department, or product planning. Many organizations only make it through this phase of a QFD process. Here customers’ requirements are documented, warranty data, *competitive opportunities*, product measurements, competing product measures, and the technical ability of the organization in meeting each of these customer requirement. The critical part of this phase is to successfully identify the voice of the customer, and therefore it’s the most crucial part of the entire QFD process.

Phase 2, Product Design: In this phase the project is led by the engineering department. The product concept is created during this phase and part specifications are done, therefore requires creativity and innovative team ideas. Components that are determined to be most important to meeting customer needs are then deployed into

process planning, the following phase.

Phase 3, Process Planning: The main players in this phase are the manufacturing engineering. During process planning, manufacturing processes are flowcharted and process parameters (or target values) are documented.

Phase 4, Process Control: Finally, at the production planning phase, the main players are the quality assurance department in concert with manufacturing. Here the performance indicators are established to monitor the production process, maintenance schedules, and skills training for operators. It is at this phase that decisions are made as to which process poses the most risk and controls are then put in place to prevent failures.

12.1.1 Quality Function Deployment (QFD) Process

“Quality must be designed into the product, not inspected into it”. - <http://www.npd-solutions.com/qfd.html>

Quality can be defined as meeting customer needs and providing superior value. This focus on satisfying the customer's needs places an emphasis on techniques such as Quality Function Deployment to help understand those needs and plan a product to provide superior value.

Quality Function Deployment (QFD) is a structured approach to defining the customer needs or requirements and then being able to translate them into specific plans to produce products geared at meet those needs. The "voice of the customer" is the term to these explicit and implicit customer needs or requirements. The voice of the customer is captured in a variety of ways using different tools. The customer needs identified is then summarized in a product planning matrix or "house of quality". These matrices are then used to translate higher level "what's" or needs into lower level ones "how's" - product requirements or technical characteristics to satisfy these needs.

However the real value is in this process is oriented toward involving a team of people representing the various functional departments that have involvement in product development, such as Marketing, Design Engineering, Quality Assurance, Manufacturing/ Manufacturing Engineering, Test Engineering, Finance, Product Support, etc.

The active involvement of the various departments can had value to the product by adding balanced consideration of the requirements or "what's" at each stage of this translation process and provide a mechanism to communicate hidden knowledge that is known by one individual or department. The structure of this methodology aids the development competence through the understand essential requirements, internal capabilities, and constraints and design the product so to improve the quality and efficiency in developing products/services that satisfies the customers needs. Quality Function Deployment helps development personnel maintain a correct focus on true requirements and mitigate the misinterpretation of customer needs. As a result, QFD is an effective communications and a quality planning tool geared at increasing the profitability of the organization, better meet the customer’s need by developing products that precisely and accurately as possible deliver quality and value to the customer, and securing strategic advantage in the market place.

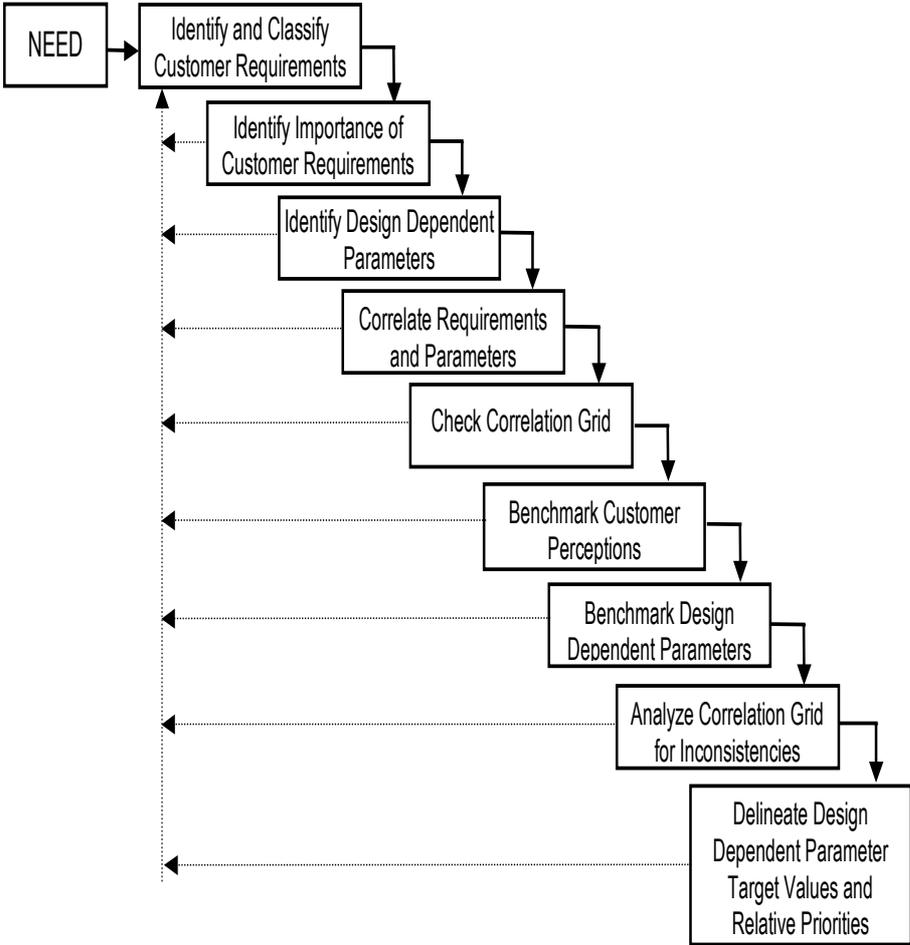


Figure 24 The Quality Function Deployment process

source: Integration of Logistics Requirements into Mainstream System Design.

12.1.1.1 Developing what the customer wants to buy

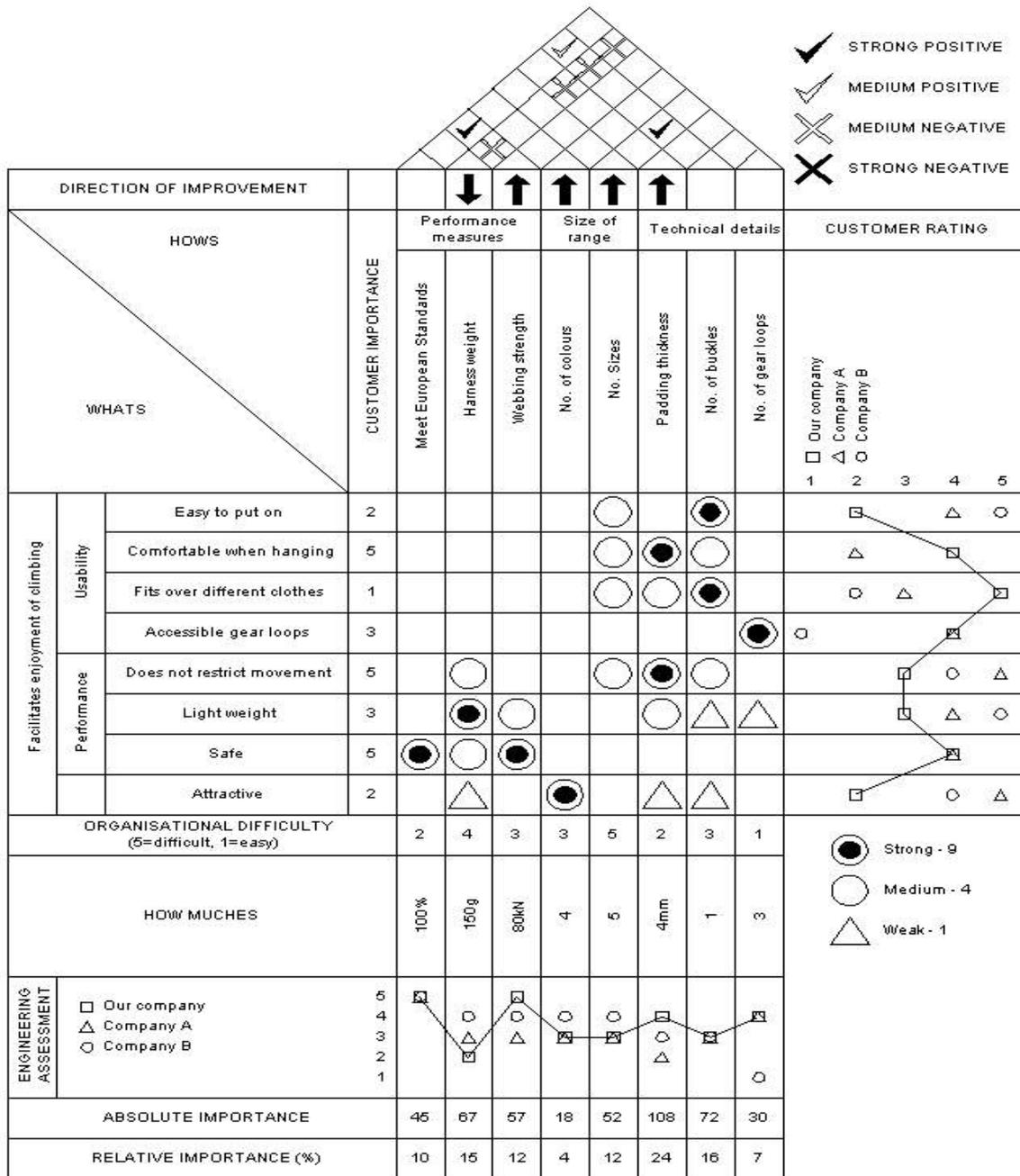


Figure 25 House of Quality (QFD Matrix)

source: www.ciri.org.nz/downloads/Quality%20Function%20Deployment.pdf

1. Need Analysis and Identification of Customer – The first step analyses and translates the functional need into more specific customer requirements to better understand the perceived deficiency - capturing the “Voice of the Customer”. Here, reference to the “customer” extends beyond the end-users, but also the takes into consideration applicable regulations and

standards, the intermediate distributors, installers, retailers, and the maintainers, creating the first significant opportunity of integrate logistics requirements and issues into the focus of the design and development process. Properly developed checklists and taxonomies can be employed here to help ensure a comprehensive and complete identification of the customer requirements. Further, consistent and concise translation of the need into customer requirements ensures uniformity of effort in the process, and better understanding and communication between design team members.

The customer's language is often qualitative and subjective which imparts vagueness and imprecision to this phase of system design.

Once identified, similar customer requirements can then be classified into groups and sub-groups then developed into a hierarchy of customer requirements, ranging from the most abstract to the most specific: If the number of needs or requirements should exceed twenty to thirty items, decompose the matrix into smaller modules (subsets) or subsystems to reduce the number of requirements in the matrix. For each need or requirement, state the rating of the customer priorities using a 1 to 5 rating scale. You can use ranking techniques and paired comparisons to develop priorities.

Depending on the nature and magnitude of the strategy behind the product, different tools for evaluating the voice of the customer should be used, because often the customer requirements are generated by the brainstorm of the design team members and is susceptible to a number of crucial flaws. More likely than not, this process “captures” the “Voice of the Company” or “The Voice of the Team Leader” instead of the customer’s, and the potential consequence of a poor reception of the ultimate product in the marketplace

Remember once more, there is no one monolithic voice of the customer. This ‘diverse voices’ must be considered, reconciled and balanced to develop a truly successful product. This can be achieved by using multiple columns for different priority ratings associated with each customer voice in the product-planning matrix.

QFD requires that basic customer needs be identified, frequently expressed in the form of "how" the needs can be satisfied instead of "what" the needs are. This limits consideration of development alternatives. Development and marketing team should dig deeper as to "why" until they are able to extract what the true needs are.

Once customer needs are identified and gathered, they can then be organized. The mass of interview notes, requirements documents, market research, and customer data needs to be condensed into a handful of essential statements that efficiently express the key customer needs. Affinity diagramming can be a useful tool to assist with this effort.

In addition to explicit -"stated" or "spoken" customer needs, the implicit -"unstated" or "unspoken" needs or opportunities should also be extracted or captured. Often customers have needs that they are unable to identify, or are totally oblivious to. Needs that are assumed by customers and therefore not stated can be identified through drafting a function tree and can be included in the matrix. There are also ‘Excitement-opportunities’ which can be identified by studying and anticipating customer’s behaviours (new capabilities or unspoken needs that will cause customer excitement) are identified through the voice of the engineer, marketing, or customer support representative.

Facilitates enjoyment of climbing	Usability	Easy to put on																			
		Comfortable when hanging																			
		Fits over different clothes																			
		Accessible gear loops																			
	Performance	Does not restrict movement																			
		Light weight																			
		Safe																			
		Attractive																			

source: www.ciri.org.nz/downloads/Quality%20Function%20Deployment.pdf

“Not all product or service requirements are known to the customer, so the team must document requirements that are dictated by management or regulatory standards that the product must adhere to”. – source: www.ciri.org.nz/downloads/Quality%20Function%20Deployment.pdf

2. Importance of customer requirements - It is important to have an understanding of how significant is a requirement, as sometimes there has to be trade offs as selected requirements often impact have adverse effect on each other, and the design team needs to know the weight of these requirement in order to make an informed decision as to the significance of each in

order to proceed. To overcome this conflict, requirements are assigned priorities. It is essential that priorities reflect preferences of the customers and not the design team. There are several ways in which to prioritize customer requirements. These approaches range from direct indication by the customer to usage of the analytical hierarchy process, and cost and technical factors.

Facilitates enjoyment of climbing	Usability	Easy to put on	2																	
		Comfortable when hanging	5																	
		Fits over different clothes	1																	
		Accessible gear loops	3																	
	Performance	Does not restrict movement	5																	
		Light weight	3																	
		Safe	5																	
		Attractive	2																	

source: www.ciri.org.nz/downloads/Quality%20Function%20Deployment.pdf

3. Identification of design dependent parameters (DDPs) or Voice of the engineer -

Design dependent parameters or technical performance measures, are engineering characteristics under a designer’s control. These parameters are manipulated so that they directly or indirectly influence customer requirements. Customer requirements at this point are often referred to as the set of “WHATs”, while the design dependent parameters represent the set of “HOWs”. These engineering characteristics are the product requirements relating specifically to the customer requirements and must be selectively deployed throughout the design, manufacturing, assembly, and service process to be manifested in the final product performance and customer acceptance.

Design Dependent Parameters should be tangible, describe the product in quantifiable terms, and capable of impacting customer perceptions. They guide the analysis and evaluation of design concepts, configurations, and artefacts during the conceptual, preliminary, and detailed system design phases. Therefore it is important that all DDPs of relevant significance be identified. DDPs should not just be performance related, but should also include impact system supportability and cost.

They should be meaningful, measurable, and global. DDPs should be stated in a way to avoid implying a particular technical solution, as it might become a constraint for designers.

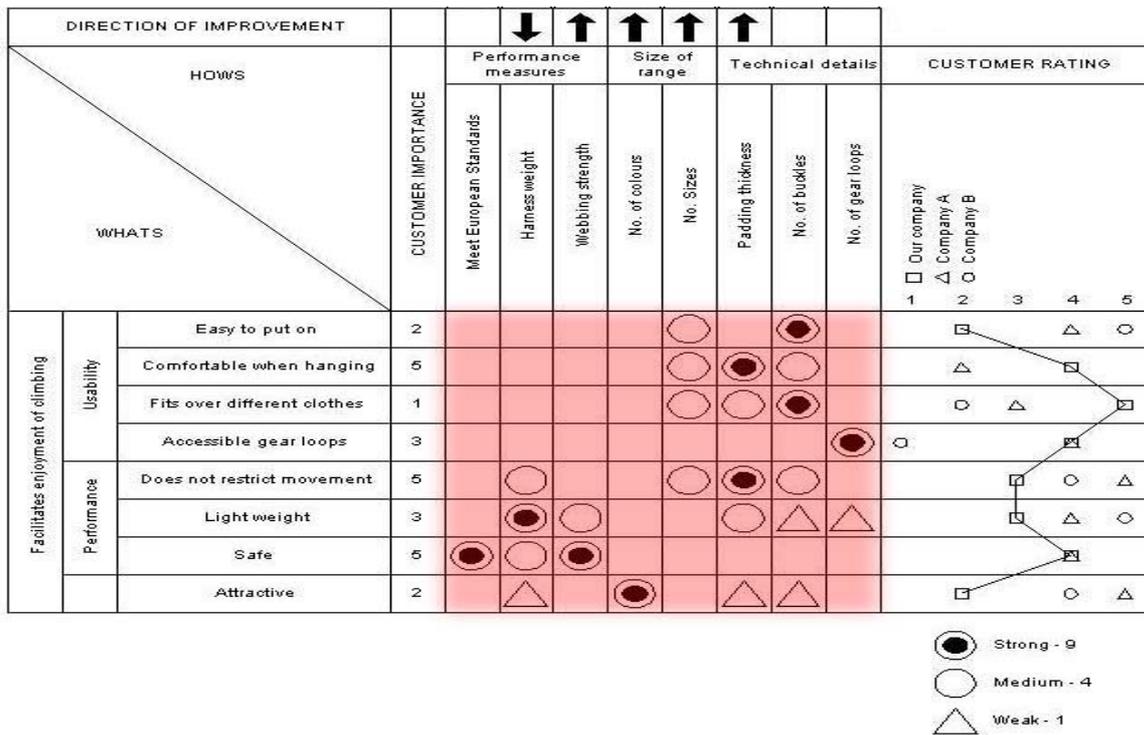
HOWS		CUSTOMER IMPORTANCE	Performance measures			Size of range		Technical details			CUSTOMER RATING				
			Meet European Standards	Harness weight	Webbing strength	No. of colours	No. Sizes	Padding thickness	No. of buckles	No. of gear loops	1	2	3	4	5
Facilitates enjoyment of climbing	Usability	Easy to put on	2									□		△	○
		Comfortable when hanging	5									△		□	
		Fits over different clothes	1									○	△		□
		Accessible gear loops	3								○		□		
	Performance	Does not restrict movement	5									□		○	△
		Light weight	3									□		△	○
		Safe	5										□		
		Attractive	2									□		○	△

As the DDPs are defined, a determination must be made as to their direction of movement.

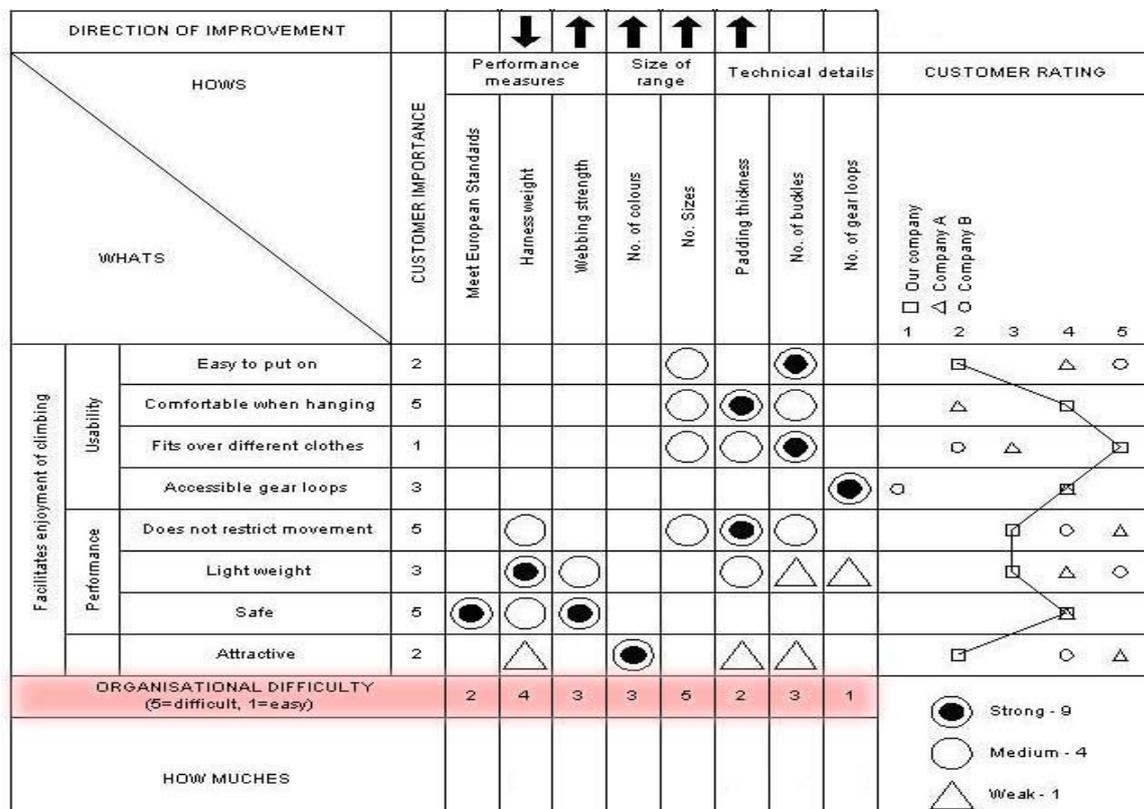
HOWS		CUSTOMER IMPORTANCE	Performance measures			Size of range		Technical details			CUSTOMER RATING				
			Meet European Standards	Harness weight	Webbing strength	No. of colours	No. Sizes	Padding thickness	No. of buckles	No. of gear loops	1	2	3	4	5
Facilitates enjoyment of climbing	Usability	Easy to put on	2									□		△	○
		Comfortable when hanging	5									△		□	
		Fits over different clothes	1									○	△		□
		Accessible gear loops	3								○		□		
	Performance	Does not restrict movement	5									□		○	△
		Light weight	3									□		△	○
		Safe	5										□		
		Attractive	2									□		○	△

source: www.ciri.org.nz/downloads/Quality%20Function%20Deployment.pdf

4. Correlation of customer requirements and design dependent parameters - This step or phase of the QFD process deals with populating the correlation matrix within the “house of quality”. The impact of each DDP is analyzed in terms of its influence on the customer requirements. Various levels of this correlation are featured in the correlation matrix. Depending on the extent of resolution needed, three or five levels of correlation are made. The correlation between DDPs and customer requirements may be represented as symbols.



5. Organizational Difficulty - Rate the DDPs in terms of organizational difficulty to execute them. Increasing the number of sizes may be in conflict with the companies stock holding policies, for example.



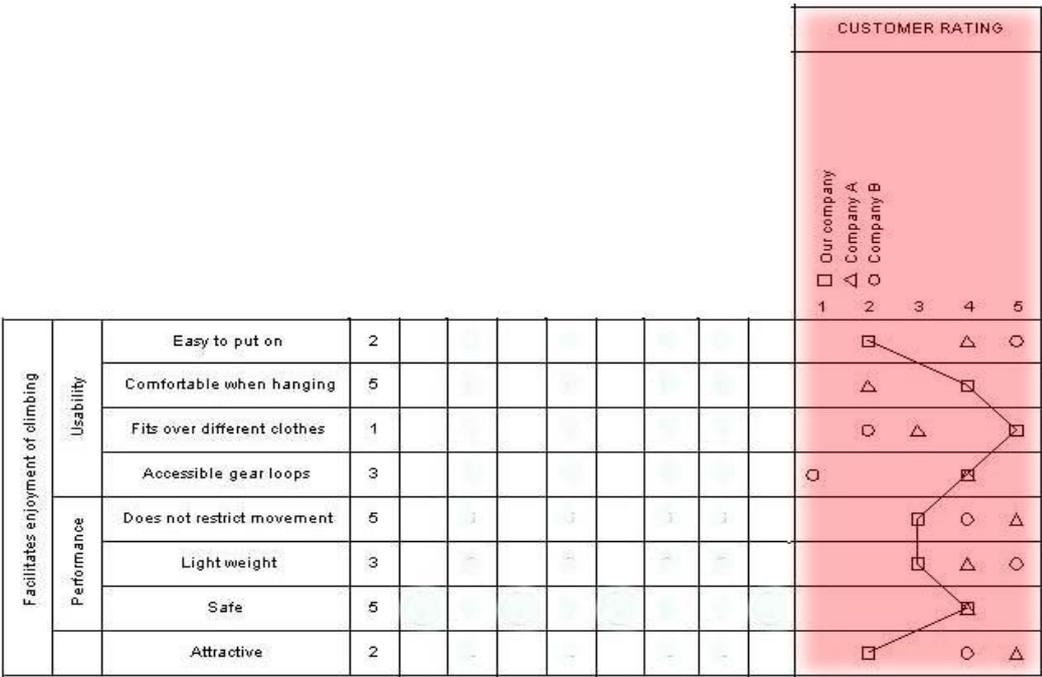
source: www.ciri.org.nz/downloads/Quality%20Function%20Deployment.pdf

6. Check correlation matrix - Here an examination is conducted of the correlation grid before proceeding further, which includes checking for the following:

- *Empty rows in the correlation matrix.* Empty rows in the correlation grid signify unaddressed customer requirements. In response, the set of design dependent parameters needs to be revisited and, if necessary, additional DDPs identified.
- *Empty columns in the correlation matrix* - Empty columns in the correlation grid signifies redundant or not needed system-level design requirements. The design team might have had added design requirements that are unrelated to any customer requirement and potentially could be eliminated.

These two possible inconsistencies pertaining to the customer requirements and their importance correlation with design dependent parameters should be given much consideration as they directly impact the system design and development.

7. Benchmarking customer requirements (Customer rating) - One of the key activities is the identification of available systems/products capable of responding to the functional need. The customers' perceptions are then benchmarked relative to how well these capabilities satisfy the initially specified set of requirements, with the objective of being able to assess the 'state-of-the-art' from the customers' perspective.



source: www.ciri.org.nz/downloads/Quality%20Function%20Deployment.pdf

It is therefore very important that the design and development team do not influence this activity; often this is the case, as their technical knowledge is prone to biasing the results. This process should be carried out by utilizing information collected through tools such as customer surveys, customer interviews, demonstrations, media information, and marketing, sales and service organizations or a business intelligence system capable of analyzing patterns in customer behaviour and generate relevant information. The purpose of this phase is to be able to pinpoint the absolute strengths and weaknesses of the products in the marketplace and to be able to identify also areas of the product/service requiring improvement. This is an invaluable tool for scoping out avenues where competitive advantage can be gained.

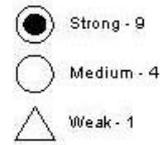
It has to consider the current strengths and weaknesses relative to the competition. How do these strengths and weaknesses compare to the customer priorities. Where does the gap need to be closed and how can this be done – whether copying the competition or using a new approach or technology. Identify opportunities for breakthroughs for exceeding the competitor's capabilities, areas for improvement to equal competitors capabilities, and areas where no improvement will be made. This strategy is important to focus development efforts where they will have the greatest payoff.

8. Engineer's Assessment (Technical assessment of design dependent parameters) - Here the competition is assessed from a technical point of view. At this point the team draws on the skills and knowledge of the designers and engineers team members.

There are several tools available for assisting with this task such as: a) product testing (baseline the system or product, competitive systems or products, non-competitive but similar systems or products), b) informal evaluations (renting competitors products), and c) contract laboratories.

The outputs are of a quantitative and objective nature, and could convey the need for following-up with research and technology development to improve the product if it fails to satisfy important customer requirements.

DIRECTION OF IMPROVEMENT															
		Performance measures		Size of range		Technical details			CUSTOMER RATING						
HOWS	WHATS	CUSTOMER IMPORTANCE													
			Meet European Standards	Harness weight	Webbing strength	No. of colours	No. Sizes	Padding thickness	No. of buckles	No. of gear loops	1	2	3	4	5
Facilitates enjoyment of climbing	Usability	Easy to put on	2					○		●			□	△	○
		Comfortable when hanging	5					○	●	○			△	□	
		Fits over different clothes	1					○	○	●			○	△	□
		Accessible gear loops	3							●	○		□		
	Performance	Does not restrict movement	5		○			○	●	○			□	○	△
		Light weight	3		●	○			○	△	△		□	△	○
		Safe	5	●	○	●							□		
		Attractive	2		△		●		△	△			□	○	△
ORGANISATIONAL DIFFICULTY (5=difficult, 1=easy)			2	4	3	3	5	2	3	1					
HOW MUCHES															
ENGINEERING ASSESSMENT			5	□		△		○		□		○		□	
			4		○		△		○		○		□		○
			3		△		△		○		○		□		○
			2		□		△		○		○		□		○
			1												○

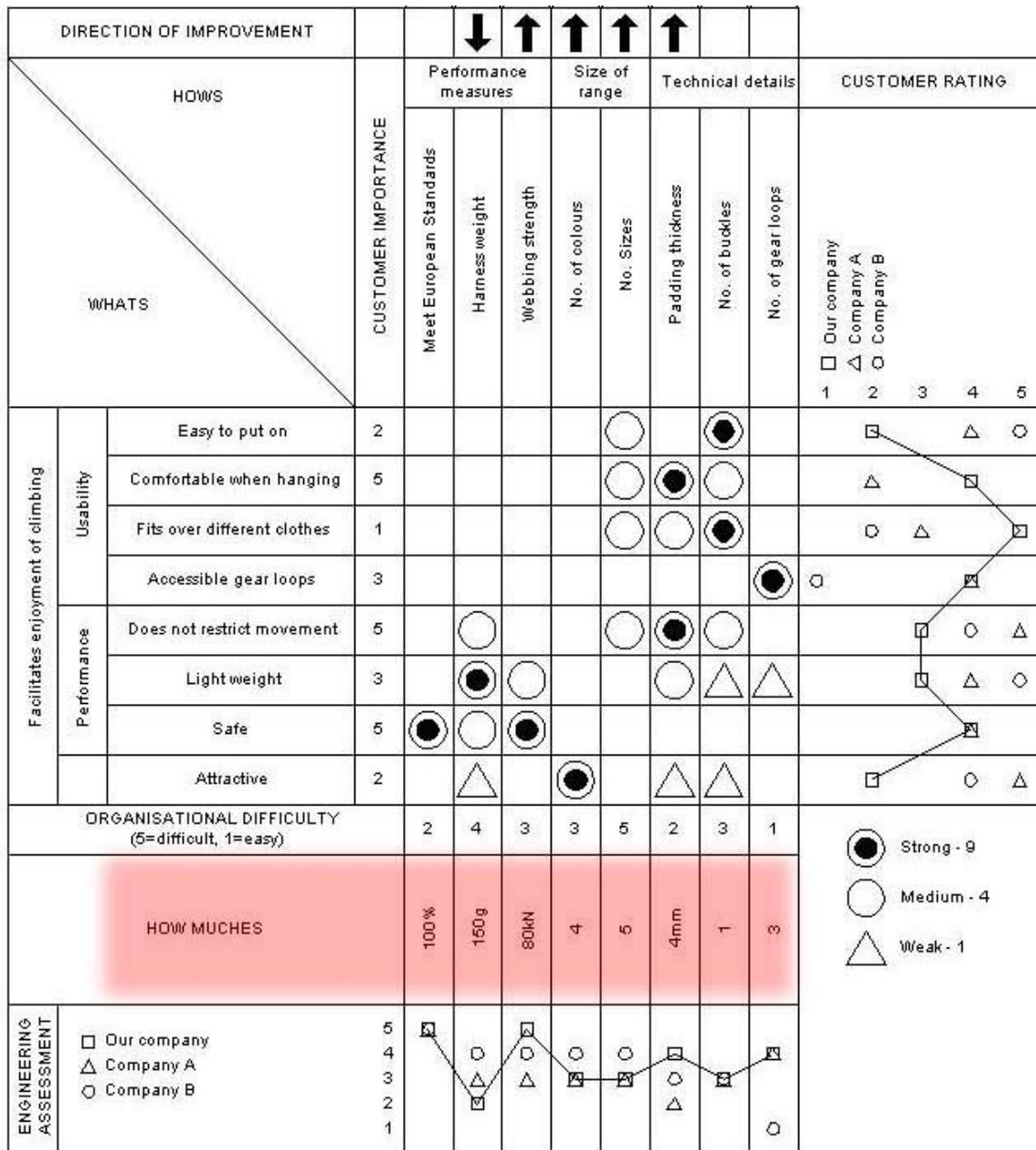


source: www.ciri.org.nz/downloads/Quality%20Function%20Deployment.pdf

9. QFD matrix inconsistency analysis - The phase addresses the source, nature, and implication of various inconsistencies in the QFD matrix before carrying out the definition of design requirements.

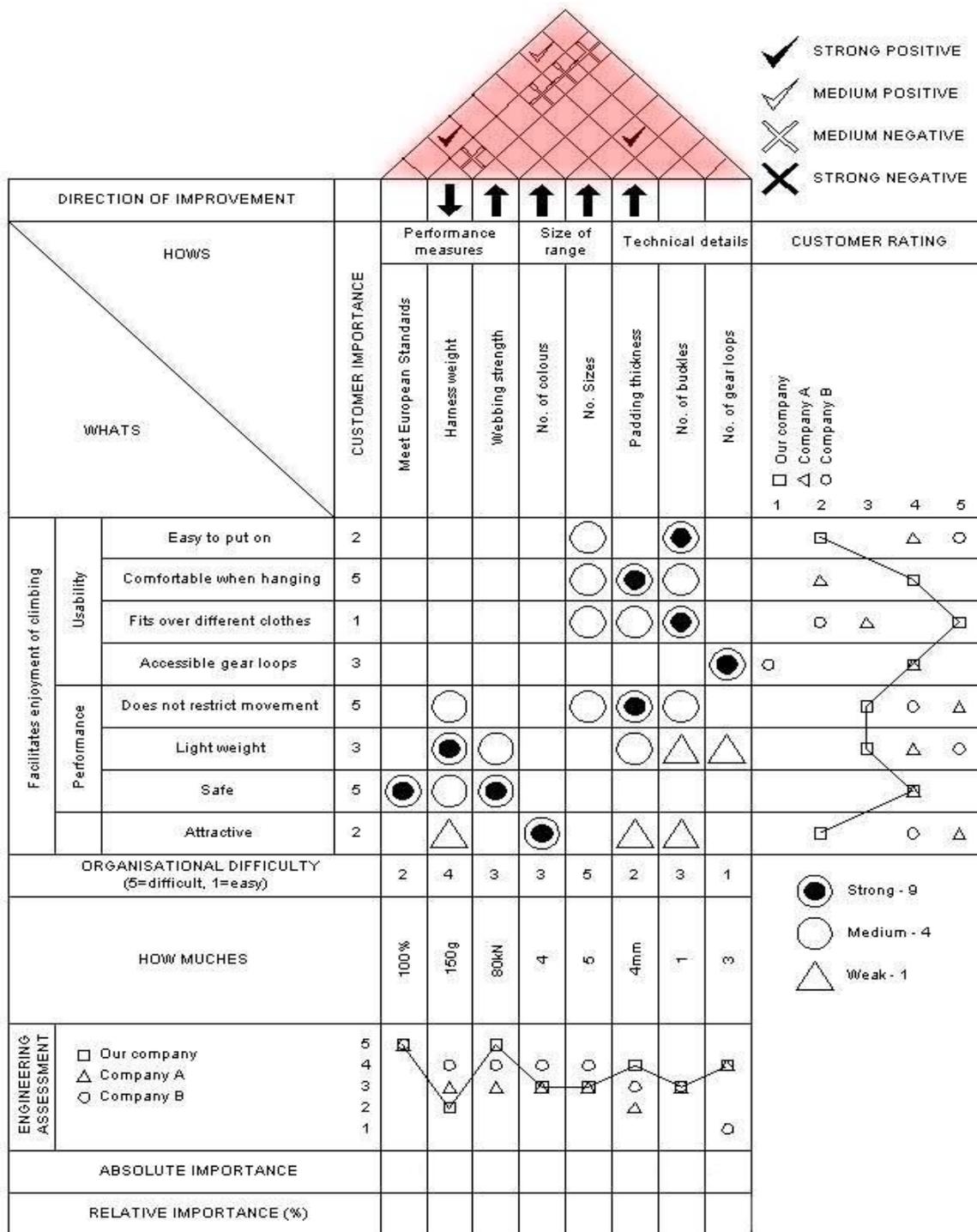
10. Definition of design dependent parameter target values - At this stage in the process, the QFD team begins to establish the target values for each technical DDP. Target values represent "how much" for the DDPs, and can then act as a base-line to compare against. It is a critical system design activity since the DDP target values specify the feasible design space and impact subsequent design decisions. It calls upon the invaluable expertise gained from experience and familiarity with such systems in order to be able to identify and exploit relevant and strategic opportunities. Comprehensive definition of design requirements

facilitates subsequent supportability-related analyses such as definition of the maintenance concept, level of repair analysis, failure mode, effects, and criticality analysis, maintenance task analysis, and so on.



source: www.ciri.org.nz/downloads/Quality%20Function%20Deployment.pdf

11. Delineation of design dependent parameter relative importance - In order to carry out the design analysis and evaluation activities it is imperative that the DDP relative priorities are delineated. Also because, in order to maintain traceability, relative priorities of design dependent parameters are deducted from the importance levels assigned to customer requirements and the significance of their correlation with DDPs.



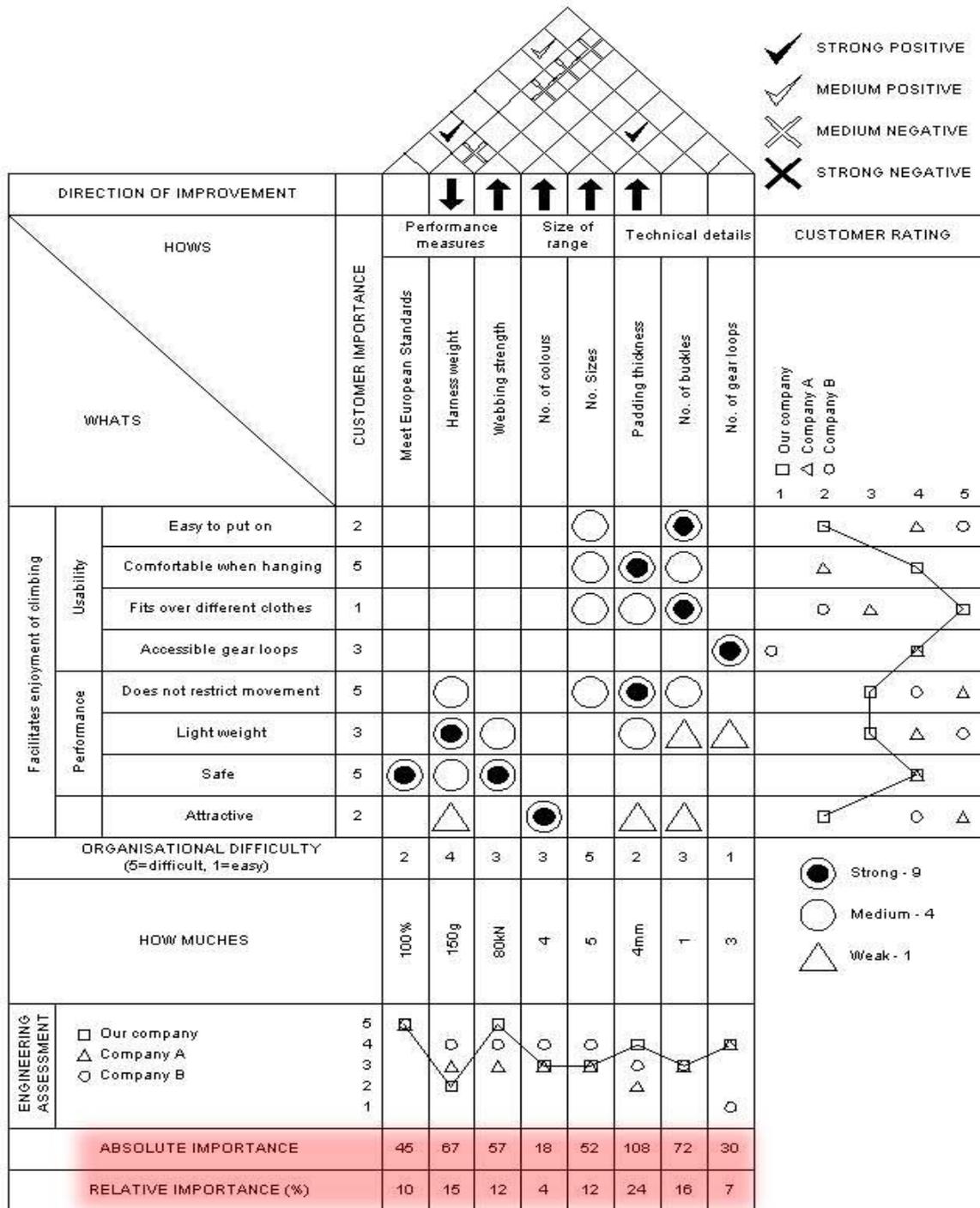
source: www.ciri.org.nz/downloads/Quality%20Function%20Deployment.pdf

From the information developed at this point we can develop the “roof” over the QFD matrix which facilitates the delineation of positive and/or negative correlations between design dependent parameters, and in turn facilitates informed trade-offs. Often trade offs are necessary due to conflicts in their technical and physical characteristics. Sometimes a feature impairs so many other that the team decides to leave it out.

“In many ways, the roof contains the most critical information for engineers because

they use it to balance the trade-offs when addressing customer benefits” – Hauser et al, Harvard Business Review 1998, The House of Quality

12. Absolute Importance - Finally, at the point the team calculates the absolute importance for each technical DDP.



source: www.ciri.org.nz/downloads/Quality%20Function%20Deployment.pdf

This numerical calculation is the product of the cell value and the customer importance rating. The numbers are then added up in their respective columns to determine the importance for each of the DDP to which technical aspects of your product matters the most to the customer.

The initial process develops a product plan based on marketing knowledge, research or requirements definition. If necessary, feasibility studies or research and development are undertaken to determine the feasibility of the product concept. Product requirements or technical characteristics are defined through the matrix, a business justification is prepared and approved, and product design then commences.

12.1.1.2 Introducing CSF, Partnership and Evidence of certifications into the QFD matrix to improve Marketing Performance for Luxury Products

The standard QFD Matrix is a very effective tool for product design, and several modified versions can be found, as organization try to facilitate their own specific operations and needs. Often it is difficult to capture precisely what the customer wants, as there is some level of subjectivity from person to person as to what the product should entail, for this reason marketing personnel and the rest of the design team have always tried to improvise to close the gap or grey area left maybe due to the inability of the customers voice to capture all dimensions of the product. What the process generates is a set of attributes void of underlying market trends; without reference to the company's marketing strategy.

DDPs are generally reproduced in the customer's own words, which involves the collecting also of phrases and even clichés, trying to use a multi-functional team comprised of planners, design engineers, manufacturing engineers and salespersons to transform them into products and services using simple tool like Affinity Diagrams and Tree Diagrams. But of course the problem remains "what exactly does the customer want?" Ambiguity of meaning and limitations in expression is but a part of the problem. For example when a customer says "trendy", how exactly should trendy be manifested in the finished product. The teams inference of the word might be totally different from that of the customer, and could lead to devastating marketing consequences.

As far as sustainable luxury market is concerned, customers are also expressing needs for other things such as transparency throughout the supply chain, information on the product and the processes as evidence of claims the company has made, justifying their offer and the

reason for buying the product. All of which must be captured in the scope of the product planning, design, process planning and control.

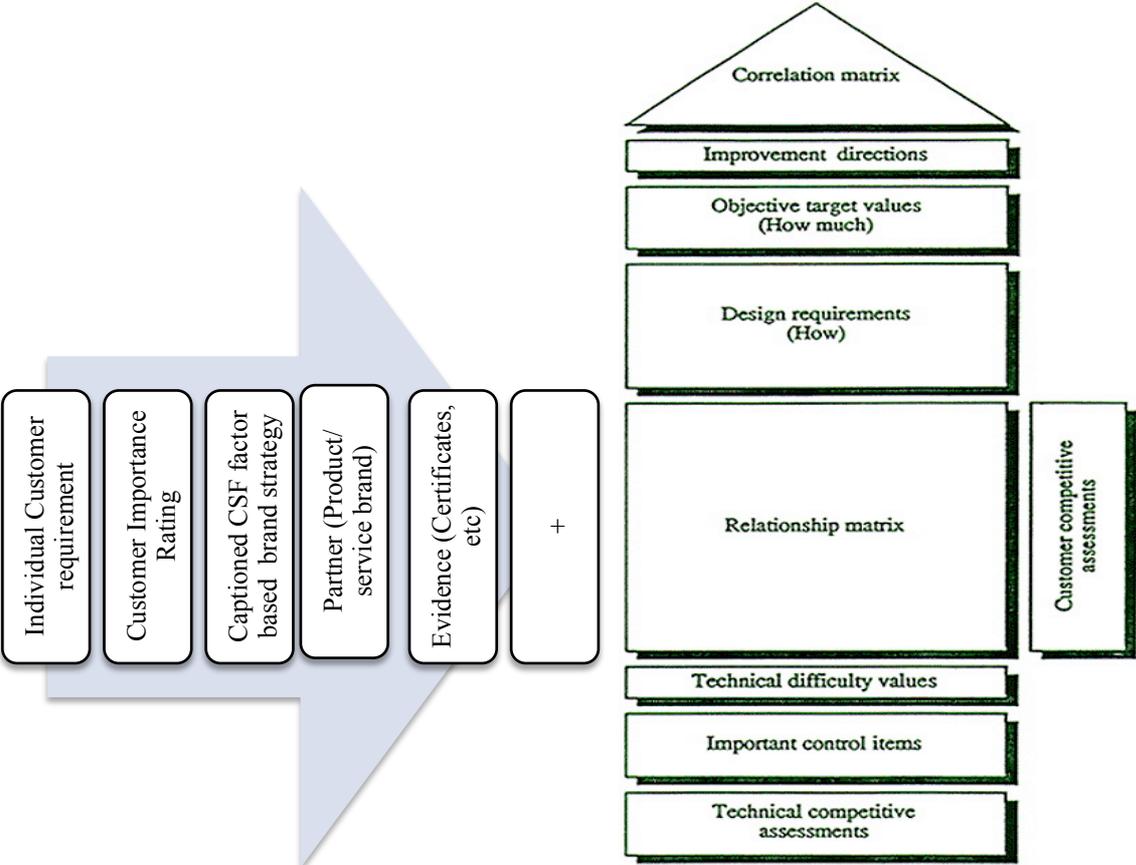


Figure 26 Modified House of Quality (QFD Matrix)

*Traceability of materials along their supply chain is of growing importance, and luxury companies are finding the need to make this information as transparent as possible. The customer's are seeking for more environmental and socially responsible behaviour. Marketing of sustainable luxury products requires all the featured quality reassurance that the customers will be expecting to be considered from the very conception of the product at the point of doing the QFD for the new product. I suggest that for the development and marketing of a sustainable luxury product the QFD matrix should be modified to include the following three categories of relevant information – **Captioned CSF** (factor based on brand strategy), **Partner**(Product/service brand) and **Evidence**(Processes Certification, endorsements etc).*

To solve this problem once the marketing image of the product is established, information gathered from the market (CSF) of that particular product/ service profile can be used to guide the process, along with applying ingredient branding and processes certification from this level. For this reason we will enter three additional columns to capture this information.

Captioned CSF factor based brand strategy - In the case of sustainable luxury products, the quality related CSFs that the company's strategy has targeted should be matched with the customers voice, to contextualize their meanings. Customer needs given high importance should be given special consideration. The CSF offer the planning team to structurally capture strategic marketing dimensions to customers needs that otherwise might be excluded.

Partner (Product/service brand) – At the point of strategically affiliating a CSF to a customers need, a strategic partner can be chosen that to deliver this attribute to the product; a brand that its association to the finished product can create the reassurance of quality related to the captioned attribute. This allows the planning team to get a better scope on finding a strategic partner brand for ingredient branding. I product should not be branded with too many ingredient brands, otherwise it becomes too complex for the customer to identify.

Evidence - For sustainable luxury, evidence addresses the customer need for proof as to ethical, social and environmental claims associated to the brands and the product/service. Need trends show that customers are seeking out this information as part of their evaluation and purchase decision-making process.

The example bellow will continue with the same example used to explain the QFD process. At this point lets image it to be a Luxury Climbing Harness targeted at a top end sport segment.

We will also assume that our brand exists in the Sustainable Luxury Sportswear Segment and has a brand strategy that follows the general sustainable luxury trend CSF(consistency of premium quality, heritage of craftsmanship, exclusivity, brand reputation, country of origin, and technical performance). The new product strategy will feature: Consistency of premium quality, Heritage of craftsmanship, Technical performance, and of course Exclusivity is inferred. We will look at how we will match these CSF to the customer's specification and importance rating, and use that along with processes certification to choose suitable component partners for the new product to be developed. In this example we were able to group customer requirements into sub-group (usability, performance and aesthetics), this way

we can find partner for a group with strength concentrating on the CSF of the highest rated performance requirement for the group. For example we can see for the group of performance requirements grouped as usability, the most highly rated was comfort when hanging. In this case we want to attach to it a CFS (from our brand strategy) that will provide quality reinforcement for usability, with specific reassurance of comfort when hanging. The CFS of choice was Heritage of craftsmanship. So basically the profile for the partner would be a brand that has a heritage of craftsmanship and consistency in premium quality. But for consideration as a partner in a sustainable product, we would have to make sure to do our background research on potential partners to ensure that the partnership would not damage our brand image, and also that they are able to provide quantitative and qualitative proof of the sustainable to meet the customer’s need for information on the product and processes.

RECARO a German company that has a rich history going back to 1906 was considered for an Inbrand partnership, the company is a producer of car seats for top sports and luxury cars with luxury clientele such as Porche, BMW and Benz. A company with such a profile could bring to the final product all three of the companies CSF, but could be used in a way to re-enforce any one in the final product. See Figure 32 page 101 for CSF profile for RECARO.

Example of the initial phases of a QFD for a sustainable Luxury Climbing Harness

Grouping of Customer requirement	Customer requirement	Customer Importance Rating	Captioned CSF factor (based on brand image strategy)	Partner (Product/ service brand)	Evidence (Certificates, endorsements etc...)
Usability	Easy to put on	2	Consistency of premium quality	RECARO	IFS, etc
	Comfort when hanging	5	Heritage of craftsmanship		TQM, etc
	Fits over different cloths	1			6Sigma, etc
Performance	Accessible gear loops	3	Heritage of craftsmanship	RECARO	BSC, EFQM
	Does Not restrict movement	5	Technical performance		Etc..
	Light weight	3	Technical performance		
	Safe	5	Technical performance		
Aesthetics	Attractive	2			

Figure 27 Example of Using modified QFD

13 Ingredient Branding as a Marketing Strategy for Sustainable Products

The Product Design (Compelling improvement in product quality affiliated with the presence of the ingredient brand)

From the information gathered throughout this work by examining case studies and information provided on industry trends the following was extracted and used to design the following models and CSF profiles: See Chapter 14 for profile mapping.

QUALITY Dimensions	CRITICAL SUCCESS FACTORS (CSF) for Luxury Products	Traditional	CSF Profiles
*	Consistency of Premium Quality		G A C D T
*	Heritage of craftsmanship		G A
	Exclusivity		G J T
	Emotional Appeal		D
*	Brand reputation		G A C D
*	Recognition of Style and design		J T
*	Country of Origin		G A C D
*	Elements of Uniqueness		C J D T
*	Technical Performance		G A C
	Creation of a Lifestyle		T

Sectors:

Figure 28 CSF Quality Table –Sustainable Luxury Sectors

G – General Trend, J – Jewellery, A – Automotive, D – Dining, T – Travel, C - Clothing and Apparel

The Competition: At the design stage of the new product or service, the CSF profile of the competition can allow a company to decide strategically about the CSFs to choose for differentiating. It allows for the better visualization of segments where opportunities may be waiting. This way the company can develop a brand image around the product which will be based on a selection of featured CSFs geared at out performing the competitors.

The New Product: At the point of doing the QFD Matrix, the voice of the customer and their ratings can be matched with the featured CSFs for the product, from which a component brand bearing CSF profile with high brand equity in the featured CSF/s for the product can be considered for bringing a reassurance of it to the product, providing the company meets the sustainability criteria. This can be checked by doing due diligence in checking for evidence in the form of processes certification. This is very important for entering into a partnership as the reputation of the company could be damaged by negative association. The CSF partner matching allows for the company to target success factors hidden in attributes that can be brought to the product through the value chain; a dimension that is often unexpressed by the customer, but anticipated in the product or service. For sustainable luxury products quality related CSFs identified by doing a CSF Quality table should be targeted. To be able to have

this built into the product will ensure that the product once developed will perform on the market.

The InBranding (an enduring point of differentiation against its competitors)

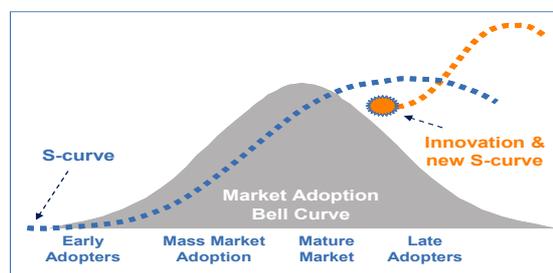
The next stage would be the selection of the most suitable ingredient brand/ component brand for a reverse Inbrand strategy negotiation. At this stage Kotler's conditions for ingredient branding will come into play:

1. The ingredient is highly differentiated, usually supported by patent protection, and so adds an aura of quality to the overall product
2. The ingredient is central to the functional performance of the final product.
3. The final products are not well branded themselves, either because the category is relatively new, because customers buy infrequently or because there is low perceived differentiation among the final product.
4. The final products are complex, assembled from components supplied by multiple firms who may sell the "ingredients" separately in an aftermarket.

The customer requirement bearing the highest customer importance rating could be a good consideration for an ingredient offering the highest level of differentiation, as its quality will be of the most important to the customer and its quality reassurance most valuable.

Adding 4 more condition to Kotler's list:

5. *The life cycle of the ingredient considered for ingredient branding*; as no long-term differentiation can be obtained by an ingredient at the end of its life cycle. In no time the competitors will be differentiating with the innovation that supersedes it.



source: www.innovation-point.com

6. Other consideration for partnership with an ingredient brand are the **relative power** of the host brand and the ingredient brand when entering into negotiation, and for future marketing efforts, for best results the ingredient brand of choice should be a balanced

relationship, therefore taking into consideration what is the underlying strategic relationship, weather an ingredient strategy, Co-branding, Force utilization or Creating a category together.

7. Next to be considered is the level **Exclusivity and Independence** that would be offered by the ingredient brand. The more exclusive is the ingredient brand, the more differentiation it offers, and the more Independence the ingredient brand is, is the more brand image that it brings to the table.

8. Another is the **Image and Association** of the potential partner. If they do not match your branding strategy then careful consideration should be given to the impact that the association can have on your brand equity.

Before finalizing on a selected partner due diligence should be done on checking the ingredient processes and affiliation back to the source, ensuring that all considered partners are partnership-worthy as far as sustainability is concerned. What are their standing relative to the triple bottom line, and their quality management and innovation tools. What are the visible evidence that their brand brings to the product, that can enhance the brand story and build customer loyalty.

One the partners are selected, the ingredient brand is negotiated and the terms and conditions are established. The new product or service will benefit from the marketing strategy of the combined effort of the ingredient and host brand, and to a less extent the entire value chain.

The Marketing Strategy

Price

Costs are high because of the cost of superior quality of raw materials chosen, manufacturing, processes used, selected distribution and marketing. The final price will be more value for money, while fulfilling the inner need to do the right thing for the right price. Customers are willing to pay more for a perceived superior product.

People

The people refer to all the people whose quality of life is directly or indirectly impacted by the consumption of the product/service. Skilled workers, employees, management and consumers all are considered as stakeholders from a sustainability perspective and add value to the total product or service offering.

One of the first things when considering employing marketing tool would be to have a better understanding of your targeted consumer market segment. What the relationship of sustainable luxury segment to the other identified luxury segments? Luxury has always been affiliated with the top of Maslow's hierarchy of needs, self-actualization, but where is sustainable luxury relative to the other luxury market segments. Most literature categorized luxury segments as accessible, intermediate and Inaccessible, but being at the top of the hierarchy of needs, they have one thing in common, "the need to do the right thing". Sustainable luxury target market can and does come from all the three luxury segments. But owed to their different segment profiles different market strategy might be needed to reach different groups.

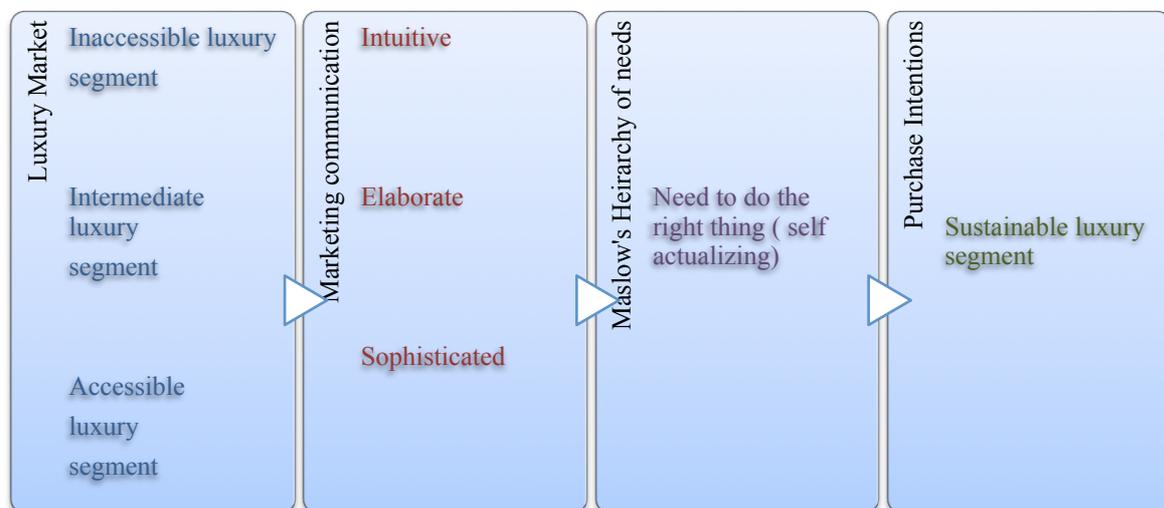


Figure 29 Sustainable Luxury Segment

Inaccessible luxury, Intuitive marketing This approach is based on craftsmanship, and how precious and rareness of the raw materials used in the product. It depends strongly on relationship marketing based on customisation and on the economic and cultural profile of the customer himself. It is based entirely on the beauty and quality of the product and so uses only part of the marketing tools. eg. products of Hermès, Lalique, Baccarat, Chanel, and Dior.

Intermediate luxury, Elaborated marketing This approach is based on the need or aspiration for a similar status to inaccessible luxury. It is more elaborate than the previous because competition needs careful monitoring, and distribution is greater. The pricing is high because it represents high quality but yet competitive to survive in the market, and the brand must always be well known, eg. Louis Vuitton, Gucci and Prada.

Accessible luxury, Sophisticated Marketing This approach makes great leverage of the brand and increases distribution of the products. It is frequently used in beauty, perfumes, accessories and exploit all the tools of the marketing communication mix due to a lack of precise profiling of customer tastes and preference. It is for this reason that the best results are obtained with marketing skills that give a competitive advantage to the firm.

One can appreciate that different types of marketing have different roles in communicating with luxury customers. Intuitive marketing being more limited basically provides support to routine activities. Elaborated marketing on the other hand takes a more creative and incisive approach to the market itself. ...And Sophisticated marketing is both strategic and operative, as information is not a replaceable source for elaborate marketing planning

- Mark Ward, Keeping Luxury Inaccessible

Promotion

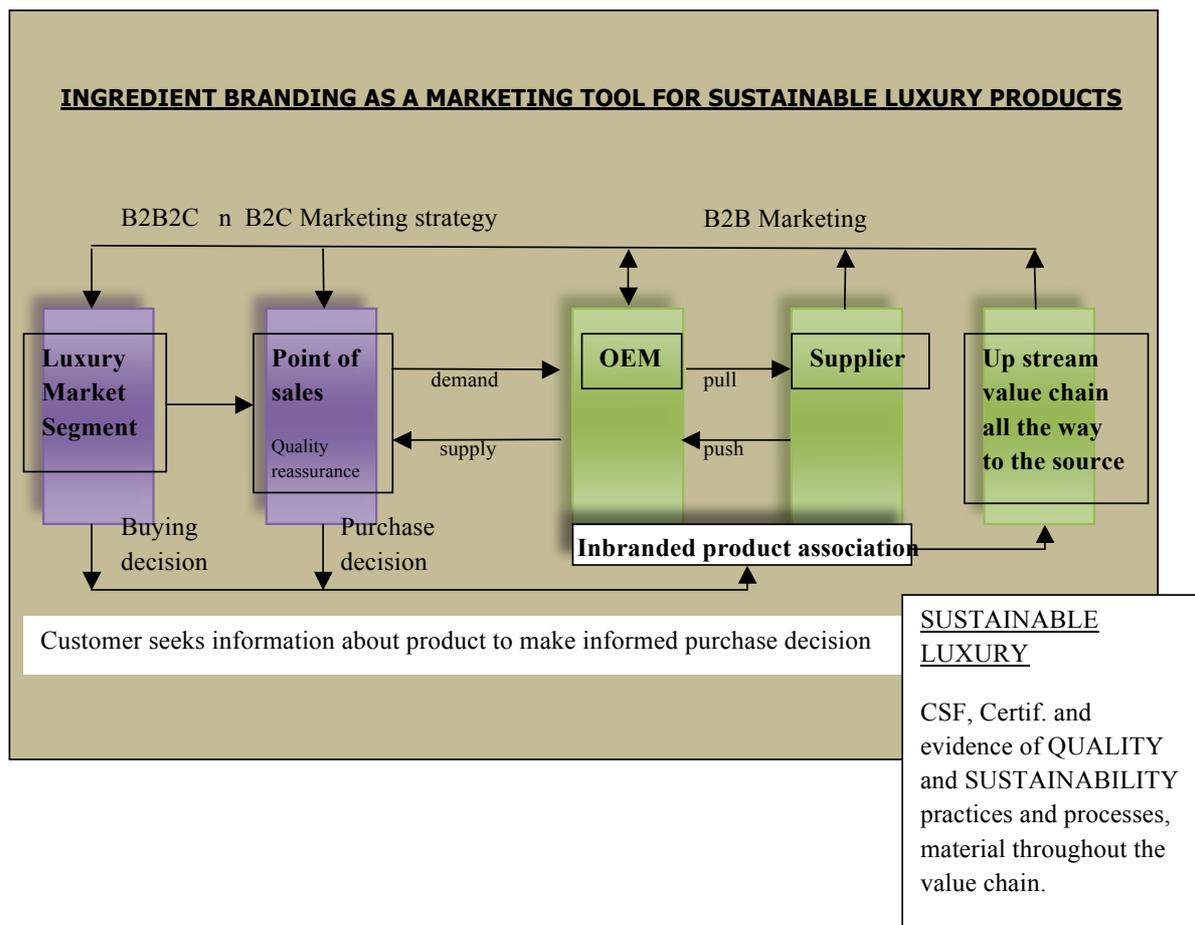


Figure 30 Marketing with Ingredient Brand Strategy

Ingredient branding provides an effective marketing tool for reassuring the customer of the presence of SUPERIOR QUALITY and providing information and transparency addressing SUSTAINABILITY related issues at the point of purchase thereby influencing the purchasing decision. See Figure 30. The channels are also used to gain feedback from the customer to the OEM, but also through the value chain; providing valued information for further innovation and concept planning.

14 CSF Trend in some Luxury Industries

Brand alliances is not a new phenomena to luxury industries, luxury brands like Louis Vuitton has been using it as a main brand strategies for penetrate existing as well as new market categories. Lets take a look at some examples of ingredient branding in some industries, a few examples such as McItaly do not belong to the luxury industry but still reflects sustainability trends in the larger industry in which it belongs (Food and Dining industry).

14.1.1 Automotive

In the automotive sector, brand has always been of great importance, arguably as important as the performance and cost of the vehicle. New trends will see even more emphasis being placed on brand equity. According to Bates article on ‘Branding the Ingredients of the Car’ Brand specific elements such as design, brand experience and service strategies as well as technologies and functional aspects on the brand profile will be given increased attention. As a result the dynamics of the industry will be changed showing an increase in the importance of suppliers brands (Dannenberg et al, 2004 in Bates). Supplier’s brands will play an important role in differentiation among automotive manufacturers and hence increasingly place significance on the strategic positioning of their own brands in an ever more competitive market. This change in the industry may encourage the suppliers to push their brands not solely to the vehicle manufacturer, but to the consumers, making them aware of the attributes they contribute to the vehicles performance and overall brand image.

In the last decade we have seem major lost declaration in the billions, suffered by many big players in the vehicle manufacturing industry, companies such as General Motors, Delphi Corporation, and Lear Corporation (seat and interior supplier), resulting in the need for major restructuring in the industry. Vehicle manufacturers have reduced their supply bases and transfer much more responsibility to the suppliers for undertaking the entire design and development of components (Bates). Predictions of industry trends expect to see the by 2015 that the value creation will shift from the Vehicle Manufacturers (OEM) to the Suppliers. At which point they are expected to contribute such a significant proportion of that value creation, that they will become focused on their own brands value in the industry, this will result in affect the market structure and the balance of power in the industry. As a consequence strategic ingredient branding will play even a more important role in

differentiation and brand strategic for vehicle manufactures - especially suppliers of certain critical components such as transmissions.

OEM's share of total value creation

Brand Cluster		2002	2015
Premium, quality, sportiness	Audi — Maserati — BMW	35%	26%
Premium, quality, comfort	Mercedes-Benz — Cadillac — Saab	36%	25%

Figure 31

Dannenberget al, 2004 (in Bates) predicts that there will be growing importance placed in electrical system/electronics which may result in branding of these systems incorporated in engine management, communications, comfort and safety. Another promising area is interior.

As in any other industries the luxury group will seek to justify their superiority by establishing relations, possibly exclusivity with major players in and outside of the industry to provide a long-term differentiation between them and their competitors.

For example in 2005 when **Pininfarina** on celebrating their 75th anniversary decided to launch the Pininfarina Enjoy, a limited collection of 75 units with interior by Louis Vuitton. This partnership served to reinforce the luxury image of Pininfarina, while allowed Louis Vuitton to further assert its position in the automotive exclusive segment. Louis Vuitton had already started sells seat covering that could be used to cover just about any vehicle seat, which had already become popular within certain market segment such as Hip Hop celebrities.



Some of the most well-known ingredient brands in the automotive sector are Bosch, Denso, Magna Steyr, Bridgestone, Michelin and Delphi Automotive Systems because of their superior performance.

Sustainable luxury trends in the automotive industry is seeing more emphasis places on CSF such as consistency of premium quality, emotional appeal, brand reputation, heritage of craftsmanship and technical performance. Added value will be expected from Supply chain partnerships that will also include services partnership.



RECARO

“we want to be the best, in the development, production and distribution of premium, complete seat systems and specialists when it comes to ergonomics, styling, quality, safety and innovation” – Mission Statement

A name that has become a benchmark, a synonym for quality, a symbol for value, a mark of trust, and a note for luxury in its purest form. RECARO has been the world’s most renowned seat maker for over 100 years. The standing of an intact family – the company in the Keiper Recaro Group. RECARO is part of the Keiper Recaro Group, which has earned itself a worldwide reputation for automobile and aircraft "mobile seat solutions" and employs over 7,500 workers in 30 locations. The success story of the present RECARO company began in 1906 in Stuttgart, as the 32-year old master saddler Wilhelm Reutter founded the company “Reutter, Wilhelm, Saddler. Spezialitat: Luxus- und Motorwagen, englische Geschirre” (Specialities: Luxury and Motor Vehicles, English Ware). Reutter quickly made a name for itself in the up-and-coming automobile industry which was largely positioned in Stuttgart: Bosch, Maybach and Daimler were the big names which wrote history and laid the building blocks for the present location of mobility, Stuttgart. The business of the saddler master flourished, and in 1910 the company signed with the firm name “Stuttgarter Karosseriewerk

Reutter & Co” (Stuttgart Coach Factory of Reutter & Co). The young saddler master was innovative and open to new mobility. In his workshop in 1912, the patented Reutter Reform Coach was produced, which later was called the Cabriolet. Reutter produced coaches for Daimler-Benz, Horch, and companies that have long been forgotten. Not to be forgotten were other icons of the automobile industry with whom Reutter was closely involved. Professor Ferdinand Porsche had the prototypes of the VW Beetle constructed by Reutter. Also, after the war, the Porsche and Reutter companies worked closely together. The coach company Reutter became famous worldwide with the Porsche 356. Reutter was also active for BMW and the German Postal Service. The coach for the BMW 328 sports car was also produced by Reutter as well as coaches designed to meet the needs of the Postal Service.

The foundation for the present company was laid in 1963, as RECARO was formed as a play on words – Reutter and CAROsserien (coaches). The first RECARO sport seat was introduced in 1965, and in motor racing, the company quickly became a recognized brand name.

RECARO does not see itself purely as a manufacturer, but rather as more of a partner – a partner to the automotive industry and to everyone associated with the company. This ambitious claim shapes collaborations with customers, importers, dealers and suppliers just as it does the company's attitude toward its employees. And just like every good partnership, RECARO sees itself in several roles: If you need valuable input, RECARO can be your ideas contributor. If you're intent on taking alternative routes, RECARO is your creative partner. If the challenges get tough, RECARO is your problem solver. If you want to break new ground, RECARO is your innovative leader. If you're looking for open, critical dialogue, RECARO is your discussion partner. If you want a trusting and reliable sparring partner, RECARO is a team player. If you value fairness and honesty, RECARO is the ideal partner for a future together. This philosophy of understanding tradition as an innovative force and exposing even the most mature products to changing times determines the actions of the company and its employees. Visible in the shape and design of the products, you will feel the benefit of how perfectly crafted RECARO seating functions. It becomes “understandable” when you enjoy top quality materials to engage all your senses. It becomes tangible when your experience the luxury that turns quality into lifestyle.

RECARO, therefore, is not just manufacturer of “sports and ergonomic seats”. RECARO is more. More than leather, material and metal, RECARO is the feeling of owning something special. RECARO is enjoyment, pleasure and lifestyle – a “touch of luxury”. This is RECARO’s secret and recipe for success. This success, however, is based on authentic, experienced and binding values and benchmarks: Absolute customer orientation, a high degree of innovation, maximum professionalism, process stability combined with ecological ethics and high brand awareness. This brand credibility is a key component of RECARO’s company culture. RECARO has a clear identity and well-defined brand performance, creating a competitive edge in the automotive supply industry of the future. What’s more, consumer awareness has developed to such an extent that a vehicle is only a quality product when equipped with the right brands.

RECARO is the only seat manufacturer with brand distinction inside the vehicle and is more visible to the consumer than any other car seat manufacturer. For customers, RECARO seats and cars go hand in hand. They buy them because they know, and above all, trust the brand. RECARO thus fulfills the wishes of the consumer; it provides the answers to changing markets and the right solution for the complex challenges facing the automotive industry – now and in the future.

To know one’s own goal is to know where the future lies. For RECARO, focus is a key success factor. With the right strategy, the company can meet the challenges of the future, thus achieving supreme growth.

1. ***Focusing on the premium market:*** Growth is achieved first and foremost by focusing on original equipment for automobiles. The target group is primarily the car makers’ premium vehicles. This sequent claim is RECARO’s engine for progress and company performance.

2. ***Design and branding:*** The clear, distinct language of the “RECARO Look” and consistent branding are the keys to success. This prevents frustration among customers, gives the target groups clear orientation, and builds confidence.

3. ***Technological lead:*** Consistent developments in innovation – acknowledged through awards and accolades – underline RECARO’s technological leadership. RECARO is “Best in Class” in the field of mobile seating.

4. ***Absolute customer orientation:*** RECARO thrives on providing a perfect service for its customers – from optimal product development time for the OEM through providing one-to-

one product advice to customers, RECARO stands for reliability and the best performance overall.

5. Market leadership: Success also means providing complete satisfaction, this demonstrates how RECARO strives to achieve a significant market share in all its strategic business fields.

6. Process-oriented organization: A key principle of the RECARO philosophy and its target group-oriented strategy is its process-driven corporate structure. The grouping of skills along the process chain – from research and design to development, purchasing, production, and concluding through distribution and marketing – enables RECARO to respond to customer and market requirements with speed, efficiency and flexibility.

7. Productivity and professionalism: In all RECARO divisions, actions are mastered with the highest degree of professionalism – this applies equally to internal processes and to the image projected externally. Jobs are safeguarded through maximum productivity and accountability throughout the organization.

8. Cost-efficiency and profitability: Professionalism creates commensurate profit, which forms the basis for steady and healthy growth. RECARO employs this strength to make all investments necessary to safeguard its future.

9. An attractive employer: Thanks to top-notch products, focus on its core expertise, corporate behavior, and the company's model image, RECARO is considered a highly attractive employer for the well-qualified. Employees are proud to work for RECARO.

10. Members of a strong group: The benefits of being a key member of a strong group are obvious; it comes to security and confidence. The positive synergies created by joint activities, strong, established financial power, and consistency of corporate development are RECARO's unbeatable strengths.

RECARO's Partners include: Artega, Aston Martin, Audi, BMW, Cadillac, Ferrari, Lamborghini, Land Rover, Mercedes Benz, Porche, VW among many others.

Source: <http://www.recaro.com/en/home.html>



From the very beginning, the aim of the gearwheel factory established in 1915 was to supply innovative products designed for optimum mobility. Technical, economic, social and political developments have influenced the company over the years. ZF has continuously developed from its early days, producing gearwheels and transmissions for the Zeppelin airships, up to the present-day international group supplying driveline and chassis technology to the automotive industry. The acquired companies and their employees have also served as a driving force behind ZF developments. One cannot live in the past. But the ZF tradition, values and convictions can be understood by looking at the company's history.

Worldwide, ZF products make a major contribution to mobility. ZF develops and produces transmissions, steering systems, axles, and chassis components as well as complete systems for passenger cars, commercial vehicles, and off-road machinery. ZF is also an important transmission specialist for special and rail vehicles, marine craft, and helicopters.

ZF products help to transport goods from A to B and to ensure that passengers reach safely their destination. ZF driveline and chassis technology increases driving dynamics, safety and comfort. At the same time, it lowers fuel consumption and emissions: on land, water and in the air.

ZF Services offers its business partners a complete range of drive train, steering, and chassis technology in original equipment quality. As a wholesaler or a cooperative, as a repair shop or an owner of a vehicle in need of repair - here you are right!

Profound exchange of information and fast customer support are a matter of course for sustainable success in the highly competitive business with the international automotive industry. The fundamental elements include customer proximity and quality of service. In order to ensure this at any time, ZF is present around the globe.

The company's commitment and involvement in Formula 1 and many other race series makes it possible to develop products, which time and again surpass the limits of engineering feasibility. So we gain knowledge that flow into the development of our high-performance products for chassis and driveline components - designed for racing and street. All products of

the product lines Formula, Racing, and Performance guarantee excellent connection and assembly opportunities, optimized function and a long durability.

Their partnership with the teams in motorsports and in the tuning sector is not only restricted to dampers and clutches or product service and customer care. SRE develops solutions in the areas of drivetrains and vibration damping, we develop, construct and produce innovative products, which must often answer to utmost demands in performance and durability in completely new application areas.

ZF Sachs works especially closely on the technical front with a number of teams. They are continuously developing our products for very specialized application under often extreme conditions. Materials and manufacturing know-how coupled with the experience of our engineers in racing and in series production, strengthen the partnership with the renowned brands of the automotive industry.

Partner include Volkswagon Motosports, Brabus, Formel BMW and Porche.

For drivers, forward motion is a question of elapsed time – and human perception. With ZF transmissions like the second-generation 6-speed automatic and dual-clutch transmission, shifting is so quick, that it can hardly be perceived by passengers in the vehicle. The fast bridging of the torque converter ensures a more direct response. Intelligent shift electronics adapt instantly to the relevant driving style and practically read the driver's intentions from the sole of his foot, for fast acceleration in the passing lane, or comfortable cruising around town.

ZF redefined the limits of driving dynamics. In other words, depending on the driver, it is possible to drive with a sportier style or with more safety reserves. ZF engineers are working on the next-generation of controlled suspension systems. They are adapting components into the entire networked environment of the automobile, including the brakes and engine. This is especially important for the IWD (Intelligent Wheel Dynamics) system. In the IWD concept, a central control network intervenes as required when the vehicle reaches its dynamic limits in the active steering, the electronic CDC (Continuous Damping Control) system, and the Vector Drive rear drive unit to take corrective action and stabilize the vehicle in critical situations.

SACHS, LEMFÖRDER, BOGE and ZF Parts: Four powerful product brands that stand for expertise, quality and service.

SACHS



The success of the SACHS brand is based on an uncompromising innovative drive combined with advanced expertise and the highest possible quality. SACHS clutches and shock absorbers are leading products in today's global market. ...more

LEMFÖRDER



The LEMFÖRDER brand is characterized by the highest standards of safety and quality in steering and chassis technology. Cooperation with the world's leading car manufacturers ensures a prompt response to the growing industry demands for safety and comfort....more

BOGE



BOGE shock absorbers and rubber-metal components enhance safety and comfort in modern cars and commercial vehicles. With custom-designed shock absorbers for a wide variety of applications and a full range of rubber-metal parts for more than 4,400 different vehicle models, the BOGE is recognized as an expert partner in the parts market. ...more

ZF Parts



ZF Parts steering gears and pumps are backed by the experience of ZF Lenksysteme GmbH, a joint venture between ZF and Bosch. As a technology leader in OEM parts, ZF Lenksysteme develops and manufactures state-of-the-art steering systems for virtually all major vehicle manufacturers

source: <http://www.zf.com/corporate/en/homepage/homepage.html>

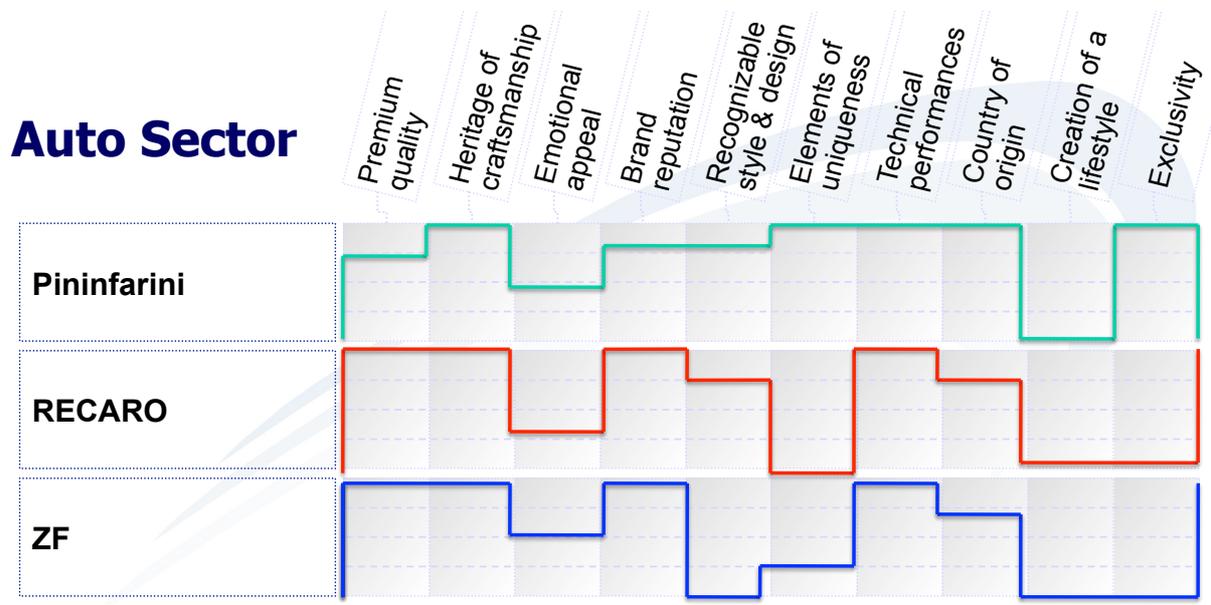


Figure 32 CSF profiles of brands in the Luxury Auto Sector

Main CSF used in these brands strategy in the Auto category are: Premium Quality, Heritage of Craftsmanship, Brand Reputation, Technical Performance, and Country of Origin.

14.1.2 Travel



The luxury travel industry has always taken a ‘the-sky-is-the-limit’ approach to creating a luxurious experience for its customers. From designer interiors, bed clothing and amenities to the finest meals money can buy.

Whether it is Thomas Harker, executive chef with LSG Skycheffs; Sam Choy at **American Airways**; Guy Martin at **Air France**; **United Airlines** using top Chicago chef Charlie Trotter; or **Lufthansa** which changes its top lists chefs every two months which includes Swiss chef Reto Mathis German chef Ralf Zacherl, the worlds top airlines are using service branding as part of the almost expected basics for their business and first classes meal service, coupled with a few product brands such as Dom Perignon champagne and caviar from Calvisius.

The finest meals are designed and/or prepared under the supervision of the best in the culinary industry, bearing their signatures as a proof of quality and exclusivity. Even in the economy couch passengers are given a dining experience specifically constructed to suggest dinner in a posh restaurant on some flights.

Now, a new trend is taking place up in the air - hotels are partnering with airlines to create in-flight meals prepared by top Michelin-starred chefs that represent local flavors in top markets.

RITZ-CARLTON AND LUFTHANSA (Airline and Hotel)

The luxury hotel group and the German airline have been in partnership for over a year, but recent changes to the airplane food menu mean not only a decent meal, but an impressive marketing campaign. The unique partnership between Ritz-Carlton and Lufthansa gives guests flying in premium seats specially-created dishes by award-winning chefs from various Ritz-Carlton hotels, which in turn keeps the hotels top of mind to flyers.

Chef Bernd Schmitt of LSG Sky Chef team works directly with Ritz-Carlton chefs to create and deliver the unique in-flight meals. Denver, Laguna Niguel, New York City, Boston, and San Francisco hotels have already been presented, and now South Beach joins the mix, added a little Latin flare to the in-flight fun. The Miami in-flight menu features everything from black bean soup and queso fresco to sautéed snapper, spiced tomato "enchilado", and pepper and tomato "sofrito" stew.

The program has been so successful for domestic hotels, Ritz-Carlton tells me they are planning to introduce menus created by chef's in international markets.

The Ritz-Carlton Hotel Company expanded its relationship with Lufthansa's Star Chefs program. Specifically, our hotel and chef in Shanghai has developed First and Business Class menus for flights to and from Germany to Shanghai, Hong Kong, Beijing, Nanjing and Guangzhou," said Victoria Gottlieb, Director, Partnerships and Strategic Alliances, for The Ritz-Carlton Hotel Company, LLC. "Asia is a critical region of growth for the Ritz-Carlton so we are very happy to have such a strong presence in Lufthansa's Asia flight network."

The menus, which will be created by chefs from The Portman Ritz-Carlton, Shanghai, will be on board for 12-months. Lufthansa's own sommelier, Markus Del Monego, will consult with the Ritz-Carlton chefs to create a wine list that marries the flavors of the food with the best global vintages.

What pairs well with spiced ceviche, duck confit, sherry vinaigrette; a vegetarian plate of seared watermelon, and goat cheese mousse with a Banyuls glaze and crushed pistachio nuts? That's for the airline and hotel to figure out. In the meantime, the collaboration between Ritz-Carlton and Lufthansa leaves premium-seat flyers satisfied, and keeps the concept of good food and experience top of mind in-flight.

<http://www.gadling.com/2010/11/17/lufthansa-ritz-carlton-in-flight-food/>

CRYSTAL CRUISE

Crystal Cruises offers grand luxury cruise travel at its very best. This six-star cruise line's fleet includes the 50,000-ton, 940-guest sister ships Crystal Harmony and Crystal Symphony, as well as the 68,000-ton, 1,080-guest Crystal Serenity. In 2005, the luxury line won Conde

Nast Traveler's "Best Large Ship Cruise Line" Readers' Choice Award, and Travel & Leisure have rated Crystal the "World's Best" for an unprecedented eleven years in a row.

Crystal Cruises has redefined luxury cruising with a wide range of innovative facilities, generous amenities, spacious accommodations, and the highest quality furnishings, including Wedgwood bone china tea service and Brown Jordan Mission Teak deck furniture. Warm hospitality, choice, attention to detail, and an uncompromising focus on service combine to provide each guest with the finest large luxury cruise ship experience in the world.

Specialty restaurants include Prego, offering signature Italian dishes and an exclusive menu of specialties from the renowned Valentino Restaurants of Santa Monica and Las Vegas. A sushi bar and culinary favorites from the Far East are available on each ship. The Crystal Symphony's Jade Garden features exotic Asian dishes inspired by Wolfgang Puck's acclaimed Chinois Restaurant. Celebrated chefs, including Wolfgang Puck, prepare signature dishes for Crystal's dinner menus, demonstrate cooking techniques, and share the secrets of their culinary artistry. Distinguished authorities provide insight and education in the endlessly fascinating world of wine.

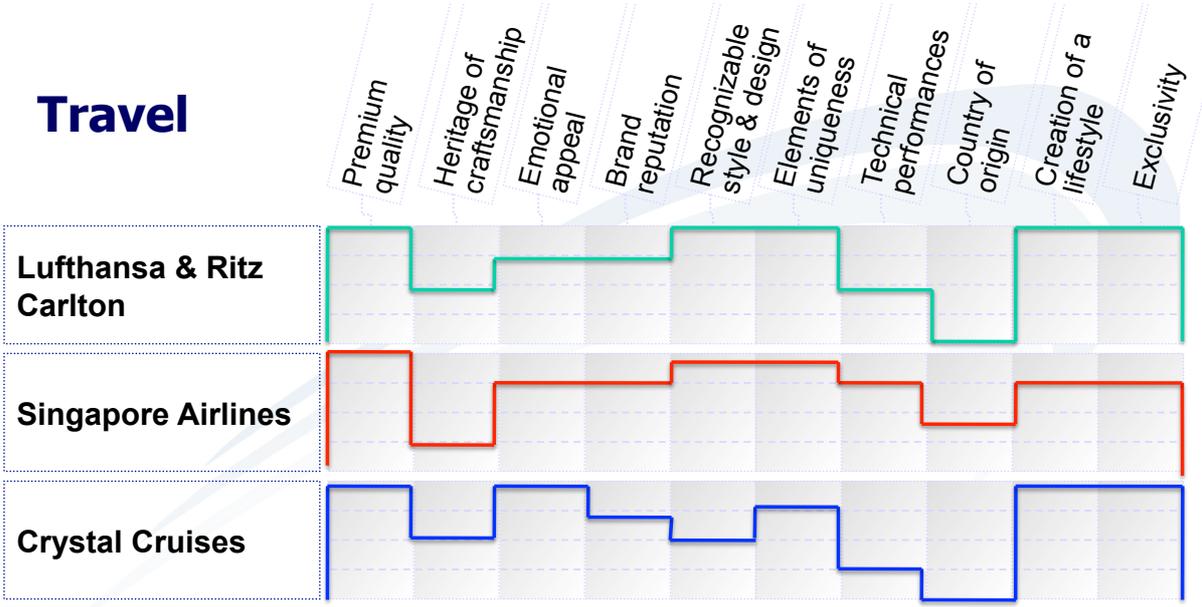


Figure 33 CSF profiles of brands in the Luxury Travel Sector

Main CSF used in these brands strategy in the Travel category are: Premium Quality, Recognizable Style and design, Elements of Uniqueness, Creation of Lifestyle and Exclusivity.

14.1.3 Dining



GROM

“Three are the secrets to make a great fruit sorbet: an excellent raw material, and excellent raw material, an excellent raw material!”

The idea is to apply to the artisanal gelato production, a principle common to all the best restaurants in the world: the purchase of absolute top quality raw materials. With this purpose in mind, at the end of 2002, Guido Martinetti and Federico Grom (its founders) set out on their mission of sourcing the highest quality raw materials, from the Langhe to Sicily and Central America. The standards are strict: only fresh seasonal fruit, coming from the best consortia in Italy and from our farm **Mura Mura** no colorings or artificial additives, **Lurisia** mountain water for the sorbets and high-quality whole milk for the creams, organic eggs and a selection of the best cocoas and coffees from central America.

Grom immediately catches the attention of the specialized and general press: Carlin Petrini, Davide Paolini, Paolo Massobrio as well as the New York Times and the New York Sun have written about us. NBC, the American television network, interviewed us on "The Today Show" during the Torino Olympic games and after opening in New York, while the prominent Slow Food organization and the Province of Torino awarded us the "Master of Food" prize.

In 2007, Grom opens its first shop abroad, in New York City, with lines of over 30 meters forming immediately. In the same year, we finally realize one of our most ambitious projects: the purchase of 8 hectares of land in Costigliole d'Asti to start our farm **Mura Mura**, where old cultivar varieties of peaches, apricots, pears, figs, strawberries and melons are planted. The goal is once again to obtain the best fruit possible, cultivated organically and in compliance with the times dictated by nature and the environment. In 2008, we open in Paris (with great reviews by Le Monde) and in 2009 we open the first store in Tokyo, Japan; at the

same time, we start an important green project "Grom Loves World" **Grom loves World** motivated by the respect of the environment and the eco-sustainability...all plastic (spoons, retail and garbage bags) is therefore replaced by **Materbi**, an extraordinary material derived from corn starch and vegetable oils that is completely biodegradable, and all paper is replaced by **Fsc**certified paper, a prominent international entity caring for responsible forest management and the life conditions of the indigenous populations; all this complemented by eco-friendly waste management and the acquisitions of new low emission trucks for the logistic.

The company's inbranding strategy which include the attributes of the Mura Mura and Lurisia ingredient brands that brought reassuring CSF such as consistence of premium quality, Emotional appeal, brand reputation, technical performance and creation of lifestyle to their offer. The company tries to create distinction between itself and other competitors in the industry by reassuring the superiority of quality of the its ingredients through the reputation of the ingredient brands, as well as establishing affiliation with sustainable quality standards related to the processes of their operations, all of which the company tries to make its customer aware of, creating an emotional connection with the brand.



McITALY

Even fast food chains have seen the need to go sustainable, and here is a case of a fast food chain that is trying to reposition itself in a market using the same strategy employed my top luxury restaurants.

Established in California during the 1940s by two brothers, the McDonald's restaurant became a popular teen hangout in the first flush of post-war affluence. To feed these youthful bodies, the brothers reduced the menu to the perennial favourite hamburgers, applied assembly line techniques to food production and expanded to four restaurants by 1953. Taking note of the brothers' success, in 1955, Entrepreneur Ray Kroc bought the right to

franchise the McDonald's System. Renamed the McDonald's Corporation in 1960, Kroc focused his marketing effort on the family meal and children, spending heavily on television advertising which promoted the smiling clown face of its child-friendly brand mascot, Ronald McDonald. Today, the McDonald's franchise exceeds 30,000 restaurants globally and serves over 50 million people in more than 100 countries each day.

Between 1969 and 2005 McDonald's argued that youth's lack of experience and eagerness to please left them vulnerable to corporate exploitation. McDonald's public relations experts have sought to legitimize its labour practices with articles about employee incentive programmes. They have also been careful to feature happy and helpful servers in their marketing campaigns. The declining teen population in the 1980s led the company to hire more new immigrant workers, seniors, and disabled workers, helping to distance the corporation from the controversy of youth labour.

McDonald's began its expansion in the late 1960s in medium-sized towns, where its appeals to cleanliness, value for money, friendly service and family looked in step with the mainly white middle classes suburban inhabitants. Yet as the chain expanded into city centres and small towns, it ran up against those for whom McDonald's suburban values provoked a negative register. In 1969, when a black community in Cleveland boycotted McDonald's restaurants, in protest over the corporation's denial of franchise opportunities for black people, McDonald's value of mass inclusiveness was challenged.

In 1974, the urban residence of Greenwich Village, New York, loudly protested that a second McDonald's chain would threaten local family management strategies celebrated on the business pages of The New York Times – a testament no doubt to the media relations department's ability to spin the company's mass-marketing efficacy into a much repeated American success story in this very important US newspaper. However, the brand was also often criticized in the news for the labour, environmental and social externalities of its expanding empire. These critiques underscored the most voiced concerns and anxieties: namely problems with youth labour, its encroachment on community values, environmentalism, globalization of culture, and children's healthy lifestyles.

During the late 1980s the production of beef to feed the hamburger giant supply chain led to the charge that McDonald's devastates the rainforest. Animal rights activists were incensed by how McDonald's promotional weight and availability promoted a meat-based diet that resulted in the poor treatment and slaughter of masses of animals. Yet, by and large press coverage reveals that the biggest environmental nightmare for McDonald's is its waste and packaging.- Emeral Management, Jacqueline Botterill et al 2007, Rebranding –“The McDonald Strategy”

“100 percent made-in-Italy meat.” The new menu items feature Italian products such as extra virgin olive oil, parmesan cheese, bresaola (low-fat dry beef sliced thinly and eaten cold), ham, artichokes, onions and pancetta.

The company used the campaign to enhance its image among locavores in Italy and beyond. McItaly ads, featuring an image of Italy stamped into ground beef, aired not just in Italy, but in Great Britain, Spain, France, Switzerland and Germany.

Those who most benefitted were the 15,000 Italian cattle breeders based in the north of the country, near the town of Modena, who supplied the beef, McDonalds said. Other suppliers include cheese- and bun-makers from the province of Asiago and four leading agricultural consortiums, such as the parmesan industry.

The McItaly menu offers various types of locally grown fruits and salads as well. The latest trend at McDonalds' Italy restaurants is the so-called kiwi-stick, fruit that can be eaten on-the-go as if it were an ice cream cone or lollipop. The national cultivation of kiwis is concentrated in the Agro-Pontino countryside south of Rome, a former malarial area cleared and recovered for agricultural use in the 1920s by Benito Mussolini. The “kiwi-stick” was launched in March and in just two months more than 330,000 pieces were sold, according to the company. -<http://www.globalpost.com/dispatch/italy/100521/mcdonalds-mcitaly-menu>

Yet critics have been very pessimistic on the association of McDonald's fast food and the **made in Italy** high quality cuisine calling it “...Sacrificing Italy's culinary reputation in the process”. Italy the country that gave birth to the Slow Food movement a quarter-century ago and prides itself on its varied, delicious and healthy cuisine. In defence the government argued that they have been already been using their partnership with McDonald's to promote

other "Made in Italy" products such as parmesan cheese and smoked beef.

http://news.yahoo.com/s/ap_travel/eu_travel_brief_italy_mcitaly

As previously established, McDonalds is far from being considered a luxury brand, yet their marketing strategy pulls on high quality sustainable partnership association as a means of repositioning themselves, pulling on the reassurance that lies in the ingredient brand, 100 % Made-in-Italy ingredients, which added the aura of high quality to their meals, the brand tries to piggyback on the made-in-Italy cuisine’s reputation, which brings with CSF such as consistency in quality, heritage and craftsmanship, emotional appeal, brand reputation, country of origin, technical performance and creation of lifestyle. While also providing customer with a perceived knowledge of the supply chain and processes behind the products based on their own knowledge of the made-in-Italy products.

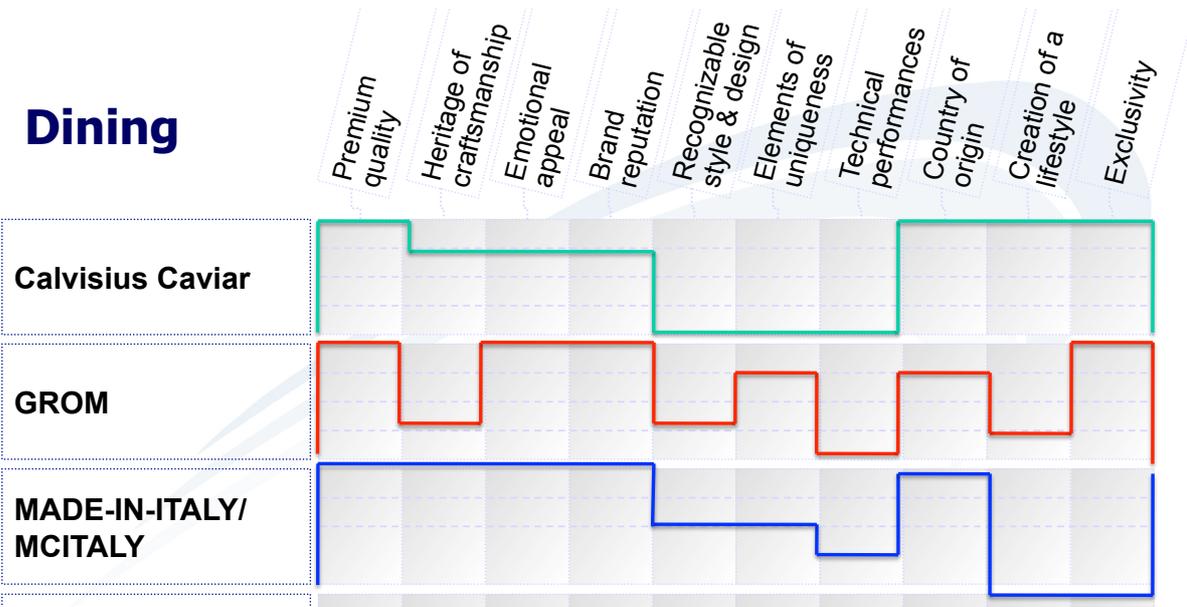


Figure 34 CSF profiles of brands in the Luxury Dining Sector

Main CSF used in these brands strategy in the Dining category are: Premium Quality, Emotional Appeal, Brand Reputation, and Country of Origin.

14.1.4 Clothing and Apparels

“The shirts on our back each took a few thousand litres of water to create. If we cherished them more, we would use less water...The great thing about luxury brands is that the way consumers relate to them actually prefigures the way we need consumers to relate to all their products. To look after them, to repair them, to see them as becoming vintage not garbage.” - Sir Martin Sorrell, CEO of the giant marketing communications group WPP

Ingredient branding has long been apart of the textile industry, in the past almost all were as a result of innovation in the product offering new and superior functionality quality performance to the texture, such as weatherproof, fireproof, windproof, sportswear etc. with major players being brands such as DuPont, Sympatex, Lycra, Trevira, and Gore Tex, just to name a few.

Lycra fiber has been very successful with there inbrand strategy. Survey conducted has found that it is the only fiber brand that has been so successful with an inbrand strategy, it has a 83% recognition worldwide among women aged 18-49, 67% of which are willing to pay more for fashion garments having the brand as an ingredient brand.

However in recent years the dynamics in the textile industry has created new opportunities and treats for textile producers; technological development, globalization and heightened raw material costs have created a very competitive environment in the textile industry, in a nutshell the market was becoming very competitive with low differentiation. This coupled with new empowered consumers requiring from luxury product providers information on the products they are willing to purchase, with specific interest in history, environmental concerns, place of origin, proof of superior quality, aesthetic and innovation has created new potential segments for differentiation.

Many players in the industry were now speak of the need to embrace sustainable practices in the industry, moving away from the concept of “fast fashion” where dresses or handbags are designed and produced quickly to meet the latest fad and then thrown away the next season and instead to embrace the concept of “slow fashion”, where high quality goods are hand made by highly skilled craftsmen and meant to endure for decades.

The concept of “slow fashion” emulates the values of the now-popular “slow food” movement, which besides emphasizing slow cooking methods has also made efforts to support small, local farmers and to promote the use of local, seasonal produce.

Anna Zegna, the image director of the Ermenegildo Zegna Group, the Italian men’s wear producer, which has taken an interest in “slow fashion,” spoke about the amount of skilled labor it took to create a single suit, from the time the wool is sheared to the time the finished product is placed on the rack. Emphasizing the need to take a sustainable approach to the utilization of resources, showing concern for the protection and development of skills and efforts throughout the value chain. Identifying that some skills and past from generation to generation and are needed to be preserved.

Her company has reached out to the communities from which they buy their raw materials, for instance, having built water wells in Mongolia and Peru, where the company obtains its cashmere and vicuña wool. Those wells have improved the reliability of the water supply in increasingly drought-struck regions, which has helped the local farmers.

But the better water supply has not only resulted in a more reliable wool supply, it has also raised the quality of the wool.

ALBINI GROUP



The family run Albini Group was founded by Zaffiro Borgomanero at Desenzano sul Serio in 1876 in Albino (Bergamo), and was later inherited by Zaffiro’s nephew Giovanni Albini. 133 years later the company is being ran by the fifth generation of Albini - Silvio, Fabio, Andrea and Stefano. Initially called Z. Borgomanero & C, the company employed 44 workers working on 40 mechanical looms for weaving in its first year of operation. Today the Albini

Group expanded to a turnover of over 145 million euros in 2008, and has four brands (Albate 1830, Cotonificio Albini, Thomas Mason and David & John Anderson), seven factories and a total of 1,400 employees producing over 18 million metres of fabric. Exports represent 70% to countries on all the continents.

The company has always placed emphasis on high quality and was recognized as a producer of high quality fabrics from as early as 1888 when it was awarded the bronze medal at the Industrial Exhibition of Turin. By 1891 the company had already expanded to 107 looms and 90 workers. Albini had become one of the most significant players in local economy, as president of the Bergamo Chamber of Commerce and was instrumental in the development of the Industrial Union of Bergamo, consisting mainly of companies in the textile sector. In 1919 the company was passed on to yet another generation of the Albini family and was merged with another family owned business Industrie Riunite Filati (Riccardo) and was renamed “Società Dr Silvio Albini & C.”

In the 1930's the company upgraded its facilities and organizational structure, acquiring new technology and skills, and in the post-war period of the 1940,s there was an increase in production and in the need for labour for Cotonificio Albini. In 1968 the company's management responsibilities pass on to the fourth generation, represented by Giancarlo Albini with the help of his two brothers Gianni and Piero. In 1984 Silvio Albini became operative and immediately concentrates on developing foreign business, which then accounted for less than 15% of the companies business, he found what appeared to be a rather undeveloped niche. This international market flourished throughout the mid 1980's and early 1990's resulting in further growth and expansion of the company brand and facilities, namely the Albiate brand. The company then expanded vertically by acquiring two historical English brands just has well know for their quality, Thomas Mason and David & John Anderson. With this acquisition the company improved their commercial structure and international presence, while enriching their historical archives that contain more than 600 volumes of fabric samples, a real benchmark at the time. In 1996 the company continues along the path of vertical integration, acquiring the finishing plants of Brebbia (Va). This is the first factory outside the historical Albino headquarters that the company established. Between 2000 and 2006 Manifattura di Albiate becomes part of the Group. Two factories are set up in the Czech Republic and, a third is opened at Mottola, in the province of Taranto, with 130 Albino trained workers. In the late 1990's the company found the need to modify its strategy and to

cover more operations of its value chain, setting up a Logistics Centre at Gandino (Bg) in support to its factories and then started The Méditerranéan Textile in Egypt where it has set up weaving mill in the industrial district of Borg El Arab, near the City of Alexandria in Egypt, the place of origin of the very best cottons in the world.

Today the company has a collection of more than 20,000 fabric variations, able to satisfy all styles, from sporty to the more classic, the Albini Group is one of the most known producer of high quality luxury fabric on the international markets.

The history and legacy of the company brands are well established, with fabric brands such as Thomas Mason, a choice fabric of the English royal family, and then David & John Anderson who was even mentioned by Stendhal in his book "The red and the black", distinguished by the use the very best quality raw materials from which the finest yarns in the world are made.“

The company distinguishes itself by its history, experience, environmentally friendliness and ethics, while being a leader in research and innovation at 360 degrees, from supplies to production, from distribution to sales. In 2008 the Albini Group obtained the GOTS certification (Global Organic Textile Standard) for the production of organic fabrics for shirt making. After about two years in fact, the Organic Fabric was created, a fabric for shirt making that complies with the environmental and social standards of the GOTS in all the process phases, from the raw material to dyeing the yarn up to finishing the fabric. The cotton comes only from organic cultivations that guarantee that pesticides, insecticides, chemical fertilisers and GMOs are not used. The production process guarantees a considerable reduction in the environmental impact thanks to the limited use of chemicals and dyeing systems that utilise reduced quantities of water. The company runs its own research facilities as well as working along with local universities to continually innovate its product offering.

In the past decade the textile industry had become more competitive, and the Albini Group has tried to innovate in order to maintain its position at the top of the textile industry. In 2010 alone the cost of raw materials had gone up by 60%, and it did not help that due to the environment within the industry the end product producers (buyers of luxury textile) had a lot of buying power in negotiating prices. As a consequence the textile companies were seeing smaller margins, the internal rivalry in the global market was high, with love level of

perceived differentiation between the Albini Group and its major competitors, there were no entry barriers and the possibility was there for new players to enter the market.

In order to differentiate itself from the competition the Albini Group decided to draw on its brands strength, capitalizing on its heritage, innovation and quality, a position that would be challenging being that for the major part the textile brands were unable to create a pull in the market because the brands were outside of the reach of the final customer for the luxury garments produced from them.

LYCRA

Lycra® is a type of stretch fiber, or spandex, that is a registered trademark of Invista, formerly DuPont. It is the most recognized and popular brand of spandex throughout the world, and many designers and clothing manufacturers use Lycra® in their products. Lycra® is used in fabric blends including cotton, silk, and synthetic fibers.

Invista is one of the world's largest integrated producers of polymers and fibres, primarily for nylon, spandex and polyester applications. The company delivers exceptional value for customers through market insight, innovative products, and a powerful portfolio of some of the most recognized trademarks in industries in which it operates.

A subsidiary of privately owned Koch Industries, Inc., operates in more than 20 countries across North America, South America, Europe, and the Asia-Pacific region.

Lycra® was first developed by DuPont scientists in 1958 as an alternative to the rubber used in corsets. It consists of polymer chains with rigid and flexible portions, allowing the fibre both to stretch significantly and to retain its shape. Lycra® can be made in different deniers, or widths, suitable for use in a variety of products. The thinnest type, for example, is used in hosiery.

Garments made with Lycra® have a number of advantages besides being able to stretch. Lycra® allows garments to be more lightweight, comfortable, and breathable. It is quick drying and dyes very well, and it is resistant to bacteria, ultraviolet (UV) rays, and chlorine. Static cling and pilling are eliminated in garments with Lycra®. Though stretch fabrics are not as durable as fabrics without spandex, Lycra® is the most durable alternative,

offering a great improvement over rubber. It is quite rare to find undergarments, swimsuits, and athletic apparel made without spandex these days, but Lycra® is used in a much wider range of clothing types. One of its most valuable uses is in orthopedic compression garments. Recently, Indian designer Deepika Govind has updated the traditional sari by using fabrics made with Lycra®. One of the newest innovations in spandex is black Lycra®, used in a new line of La Perla undergarments for women. Black Lycra® is naturally black, making for an extremely intense and uniform black fabric that resists fading. In China, Lycra® goes beyond fashion into the realm of entertainment. Beginning with a fashion award show in 2001, a series of television shows featuring Lycra® have appeared in mainland China. The latest incarnation is entitled *Lycra® My Prince* and combines reality television with drama. The stars of the show include the winners from the 2006 reality program *Lycra® My Hero*. Stores in China sell clothes featured in the television program.

In China, Lycra® goes beyond fashion into the realm of entertainment. Beginning with a fashion award show in 2001, a series of television shows featuring Lycra® have appeared in mainland China. The latest incarnation is entitled *Lycra® My Prince* and combines reality television with drama. The stars of the show include the winners from the 2006 reality program *Lycra® My Hero*. Stores in China sell clothes featured in the television program.

<http://www.wisegeek.com/what-is-lycra.htm>

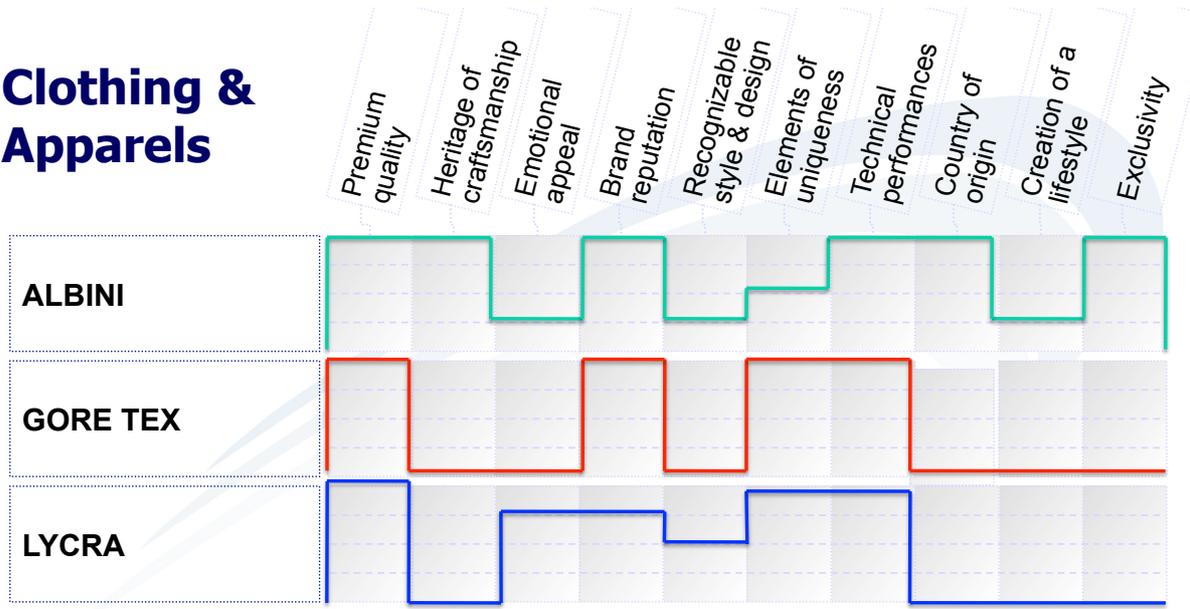


Figure 35 CSF profile of brands in the Luxury Clothing & Apparels Sector

Main CSF used in these brands strategy in the Clothing & Apparels category are: Premium Quality, Brand Reputation, Elements of Uniqueness, Technical Performance. Country of Origin is applicable to textiles from Italy, and to a less extent to few other regions, even though the raw materials might be sourced from various places throughout the world known for producing high quality of a particular raw material.

14.1.5 Jewellery

SWAROVSKI

LEO CUT DIAMOND

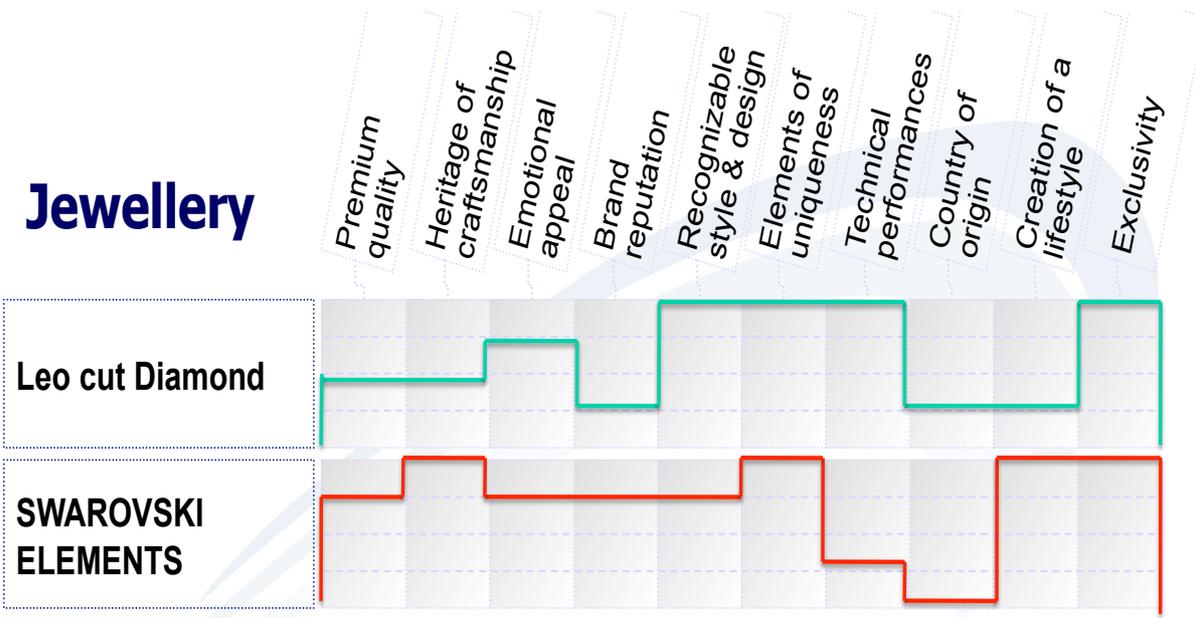


Figure 36 CSF profiles of brands in the Luxury Jewellery Sector

Main CSF used in these brands strategies in the Jewellery category are: Recognition of Style and Design, Element of Uniqueness, and Exclusivity.

There can however be some distortion in the information due to the fact that a profile will actually reflect a brand’s marketing strategy, and therefore the companies selected will reflect different patterns if they have targeted different customer needs even though they exist in the same industry; a selection of CSFs targeted by the brands to form their own differentiation based on the market segment to which their offer is directed, it is important to further

breakdown this information into a more meaningful one. This can be achieved by categorizing luxury consumers, and therefore the companies that provide products and services to them, into three basic groups based on the nature of their desires (symbolic, social or technical). By so doing, it removes the abstraction created by generalization when selecting companies for comparing profiles. An example was deliberately made in the profiling done for Clothing and Apparels. Albin Group falls in a aspect group from Gore Tex and Lycra, while their expertise is focused on the technical features of their product Albin on the other hand has a slightly different profile, hence the difference shown in country of origin and craftsmanship and exclusivity. So in other words, when building a brand strategy and selecting CSFs, one has to think of what is the aspect or driving force behind the desire. One has to decide, if it is the functional aspect, the symbolic or social aspects of the product/service that you will build the core strategy around. A CSF profile gathered generally on the industry may show very different summery from that done on competitors in a specific segment. So for that reason a company might want to conduct a general one first to have a look at the industry as a whole, the target a group of companies that are direct competitors for a further profiling of the segment. Figure 37 shows three different aspects for evaluating who is the direct competition and hence aids in selecting some core CSFs.

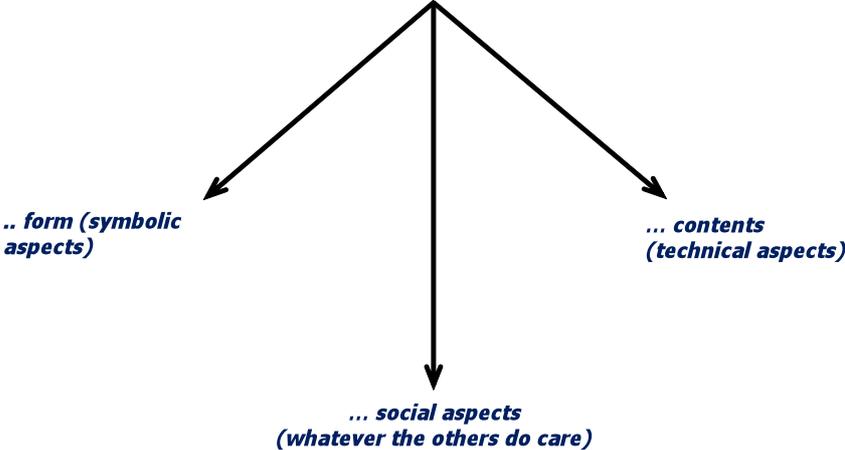


Figure 37: The three drives of the luxury desire

Axis n°1: Tangible vs Intangible

With such aim, it is worth noticing that the CSFs listed in previous sections can be divided into two groups, depending on their focus on tangibles or intangible aspects:

tangible aspects mainly consists of product excellence in terms of *premium quality*, *heritage of craftsmanship*, natural *exclusivity* typically connected to material *uniqueness*, original *design*, association with a *country of origin*, outstanding *technical performances*;

intangible aspects mainly consists of creating *emotional appeal*, building and supporting the *reputation of the brand*, artificial *exclusivity*, emotions conveyed by *recognizable style* and participation to the brand *lifestyle*.

Axis n.2: The social dimension of luxury consumption

Refers to societal perspective of luxury, and its social significance as explained in chapter 1.

Conclusion

The sustainable luxury segment is a niche that will see considerable growth in the near future as customers become more aware of environmental and ethical issues, and industries turn to sustainability as the inevitable path to securing a future for their industry through conforming to stakeholders' expectations. The more the consumer become enlightened about sustainable issues the more they will demand from their product and services providers, and the more they deliver is the higher the bar will be set, as we are still a long way off our sustainability path as far as our consumption of products and services are concerned. The luxury sector will be at the forefront of sustainability, as consumers are willing and able to pay a premium price for doing the right thing, buy investing in acquiring the product and or service, and investing in the future at the same time. Integrating Ingredient Branding and Processes Certification into the product planning of the new product or service can ensure that products are developed to meet the requirements of sustainability and transparency. Companies will be able to demonstrate to their customers through their association with other brands that they offer a product that, from the raw materials source to the final product offer has been controlled to ensure integrity and best practices.

However like any other business Strategy a company has to give much thought as to weather or not this strategy is the best strategy for its particular brand. Kotler was able list four conditions for Ingredient branding Strategy, but there is the need for considering and analysing other factors such as the brand strength relative to a targeted component brand for ingredient branding, as this will affect its power of negotiation; the level of independency or exclusivity that the arrangement will offer could be crucial for creating differentiation. After all, it is suppose to be a mutually beneficial strategic venture. A perceived imbalance can create a disastrous outcome. Another is to properly investigate the targeted ingredient brands association and brand image to be sure that they have best practices and can provide evidence of this for customers' queries, and that the brand equity wont be compromised in the future from other brand associations. It is also worth doing a proper analysis on the life cycle of a chosen ingredient brand before entering into an ingredient brand strategy, as there can be no long-term advantage gained from inbranding a component at the end of its life cycle. While

Inbranding offers an opportunity to create long-term differentiation, brands need to resist the urge of tagging too many ingredient brand labels on their finished products as it defeats the initial advantage of having one or two inbrand labels attached. Remember the aim is to borrow from the other brands equity to create an aura of credibility to the finished product. Too many brands translates to many messages and complicates the buying process, with the risk of leaving the customer feeling overwhelmed with information and equally unsure as with the absence of an Inbrand. One or two should be enough, remember often the consumer is not a technical expert on all the components, and might not feel adequately informed of them to make a decision influence by their presence. Hence the delay to gather further information might be a missed sale opportunity. Exceptions to the multiple-ingredient brand rule are the auto and travel industries. Trends in the auto Industry shows where more and more component brand are finding their way to the finished product offer, but still customers will show interest in quality assurance on just a few, and once again I will reinforce the importance of knowing the target customers needs. A young sport enthusiast has very different needs from a car than a conservative middle-aged family woman – or one would like to think. But as far as premium quality is concerned, many component brands in the auto industry are well recognized by the customer because they are also available on the market independently as service components and for personalization, hence the role they play in the overall appraisal of the vehicle. The travel industry seems to strive on elements of uniqueness. Owing to its intangible-nature, the industry clads itself with different dimensions of tangible product brands, with multi-driver strategies trying to differentiate through appealing to social, technical and symbolic needs aspects. Future trends for luxury the luxury industry will expect to see more inbranding partnership between service brands and product brands, service brands seek the tangible attributes of the product brands to provide tangibility for its customers, while more product brands will be looking for accompanying services to support their product offer and create distinction, exclusivity and value.

The mapping of CSFs can be used to create profiles of competitors in the segment, hence, it allows the brand to be able to better see areas in which to create sustainable differentiate, and from that a brand profile can be built for the new concept product/ service that will have a better market performance. However the brand should be sure of precisely what level of information it is trying to collect from CSF profiling. If its for industry trends then it can be more general, but for a segment, it has to be more specific, the more cases within that segment that is analysed the more accurate the information gathered will be. For segment analysis

make sure to choose brands that are targeting the same driving-desires of the customer in order to create meaningful profile information, and to remove the distortion created by being too general. Different brand strategies can give misleading information if they are targeting different drivers.

Staying close to and having a good understand of the consumers, and evolving trends is very important. Hence products are better off benefiting from the marketing efforts of several brands. Ingredient Branding creates an information channel that could be efficiently used to gather and analyse information from the market, not only to the EOM, but moving up the supply chain to component providers. Brands need to realize the importance of being able to provide processes certification information on their websites and marketing campaigns as customers are no longer satisfied to by PR messages void of proof of credibility, the Triple Bottom is a good tool for covering all areas for sustainable products and services. Websites should be equipped with efficient means to gather customer information, blogs and comments should be encouraged as feedback channels, even for supply chain brands, as they are becoming more visible to the querying customers of finished products associated with their brands. In answering the question proposed by this paper, can ingredient branding and processes certification be the next marketing tool for sustainable products, I conclude with a most certainly can.

Bibliography

1. Ray George, 2002 –‘When the Parts Become Greater Than the Whole: Fuelling Growth Through Ingredient Branding’ from the internet:
http://www.hawkpartners.com/perspectives/white_papers/sum_parts.htm
2. Barnier et al, 2005 – Which luxury perceptions affect most consumer purchase behaviour
3. Marie-Hélène Abbo, 2005, ‘An Exploratory Study on the Impact of Two Ingredient Branding Strategies on the Host Brand’ from the internet: www.esc-pau.fr/documents/cahier4_2.pdf
4. Keller, K. L. (2003), ‘Strategic Brand Management: Building, Measuring, and Managing Brand Equity’, Prentice Hall, 2nd edition
5. Keller, K. L. (1993), ‘Conceptualizing, measuring, and managing customer-based brand equity’, *Journal of Marketing*, Volume 57
6. Uche Okonkwo, 2007 -Luxury fashion branding
7. Luxury consumer trends 2009 and beyond, Nov 2008 from the internet:
www.luxuryinstitute.com/doclib/doclib_popup.cgi?file=848...pdf
8. Dorothy MacKenzie of Dragon Rouge, 2010 - a sustainable branding agency. – “Premium brands respond to growing customer awareness” from the internet:
www.ft.com/.../5133c2fa-bf90-11df-b9de-00144feab49a,dwp_uuid=99683c1a-bf93-11df-b9de-00144feab49a.html
9. Phil Popham, Managing Director of Land Rover, 2010. –“Premium brands respond to growing customer awareness” from the internet: www.ft.com/.../5133c2fa-bf90-11df-b9de-00144feab49a,dwp_uuid=99683c1a-bf93-11df-b9de-00144feab49a.html
10. Katia Sambugaro, 2009 -The Sustainable Luxury Forum article “The New Luxury”
11. Luxury consumers trends for 2009 and beyond, www.luxuryinstitute.com, Nov 2008
12. Swiss Style and published in their Luxury Report 2009 -2010
13. Ben Cox 2008, “An Investigation into Motives for Consumption of Luxury Goods in Contemporary Society – Contemporary Luxury Perspective” from the internet:
home.deds.nl/~bent/Thesis%20on%20luxury/Contemporary_Luxury_Perspectives_by_Ben_Cox.pdf
14. Berry, C.J. (1994) - “The Idea of Luxury: A Conceptual and Historical Investigation” from the internet: books.google.it/books?isbn=0521466911
15. Virginie et al, 2005, - ‘Which luxury perception affect most consumer purchasing behaviour (France, UK, Russia)’ from the internet: www.escp-eap.net/.../2006.../DeBarnier_Rodina_ValetteFlorence.pdf
16. Overbeeke and Wensveen (2003).
17. Cecilia Castelli, 2010 Article – ‘Supply Chain Management Strategy in the Luxury Industry’ from the internet:
www.ingegneriagestionale.uniroma1.it/.../doctoral%20supply/Castelli.pdf
18. Mária VÁGÁSI, 2004, - ‘Integration of the sustainability concept into strategy and Marketing’ from the internet: www.pp.bme.hu/so/2004_2/pdf/so2004_2_10.pdf
19. Henrik Ugglá 2004, ‘The corporate brand association base -A conceptual model for the creation of inclusive brand architecture’ Vol 785 from the internet:
<http://www.emeraldinsight.com/journals.htm?articleid=1562579&show>
20. H Bates and K Bates, Branding the Ingredients of the Car

21. Phillip Kotler, 2000, Marketing Management, The Millenium Edition.
22. Phillip Kotler et al, 2009 Marketing Management
23. Phillip Kotler et al, 2010 Ingredient Branding -Making the Invisible Visible
24. Rodrigue et al 2004, Brand Alliance Dependency and Exclusivity'
25. David Myers CEO Microband - "The Secret Ingredient to Growing your Business"
26. Rodrigue et al, 2004 -'Brand alliance dependency and exclusivity' from the internet:
<http://www.emeraldinsight.com/journals.htm?articleid=857866&show>
27. Ugglä 2004, - 'The Corporate Brand Association Base – A corporate model for creation of inclusive brand architecture' from the internet:
<http://www.emeraldinsight.com/journals.htm?articleid=1562579&show>
28. Waldemar Pfoertsch et al, 2008 -'Measuring The Value of Ingredient Brand Equity at Multiple Stages in the Supply Chain: A Component Supplier's Perspective' from the internet: www.efos.hr/repec/osil/journal/PDF/.../IMR4a34.pdf
29. Levitt, 1981
30. Maria Giovanna Confetto et al, 2010 – 9th International Confrence on Marketing Trends - 'Making service more tangible using Ingredient Branding Strategy' from the internet: www.marketing-trends-congress.com
31. Rao, A.R. and Ruekert, R.W. (1994), "Brand alliances as signals of product quality", Sloan Management Review
32. Rao, A.R., Qu, L. and Ruekert, R.W. (1999), "Signaling unobservable product quality through a brand ally", Journal of Marketing Research
33. Carbonaro, S., Votava, C. (2005) 'Paths to a New Prosperity', The Nordic Textile Journal
34. Waldemar Pfoertsch et al, ISBM Report 8-2009, 'Insights on Ingredient Branding'
35. Katia Sambugaro 2009, The Sustainable Luxury Forum -"The New Luxury"
36. David A. Garvin Harvard Universiy 1984, "What Does Poor Quality Really Mean?"
37. thewisemarketer.com November 2008, 'Luxury consumer trends for 2009 and beyond',
38. David Ward et al 2008, - "Keeping Luxury Inaccessible" from the internet: mpra.ub.uni-muenchen.de/11373/1/Keeping_Luxury_Inaccessible.pdf
39. 'Luxury Institute's Wealth and Luxury Trends -2009 and Beyond' from the internet:
40. Emeral Management, Jacqueline Botterill et al 2007, Re-branding –"The McDonald Strategy"
41. Hauser et al 1988, Harvard Business Review – 'The House of Quality'
42. Benjamin et al, QFD -Integration of logistic requirements into mainstream system design
43. (<http://blog.luxuryrealestate.com/articles/2008/11/11/luxury-institutes-wealth-and-luxury-trends-2009-and-beyond>)
44. <http://www.burberry.com/en-row/#/en-row/corporateresponsibility>
45. http://wwf.panda.org/what_we_do/footprint/smart_fishing/
46. Dan Ilett, 2010 - Luxury goods: "Premium brands respond to growing customer awareness", <http://www.ft.com/cms/s/0/5133c2fa-bf90-11df-b9de->

- 00144feab49a,dwp_uuid=99683c1a-bf93-11df-b9de-00144feab49a.html#axzz15S6EKQHK
47. <http://www.aisledash.com/2010/08/30/conflict-diamonds-green-bride-guide/>
 48. <http://www.pangeadiamondfields.com/diamond-sector.htm>
 49. Luxury-goods makers embrace sustainability, Jeremy Khan, 2009
<http://www.nytimes.com/2009/03/27/business/worldbusiness/27iht-sustain.html>
 50. <http://www.koganpage.com/products/luxury-world/MarketingandSales/M/Branding/M002/1002596/9780749452636/>
 51. <http://www.unitymarketingonline.com/reports2/luxury/luxury3.html>
 52. www.researchandmarket.com
 53. www.businesslink.gov.uk
 54. <http://www.agroittica.it/english/products.htm>
 55. <http://www.globalpost.com/dispatch/italy/100521/mcdonalds-mcitaly-menu>
 56. http://news.yahoo.com/s/ap_travel/eu_travel_brief_italy_mcitaly
 57. <http://www.gadling.com/2010/11/17/lufthansa-ritz-carlton-in-flight-food/>
 58. <http://www.npd-solutions.com/qfd.html>
 59. www.ciri.org.nz/downloads/Quality%20Function%20Deployment.pdf
 60. <http://www.recaro.com/en/home.html>
 61. <http://www.zf.com/corporate/en/homepage/homepage.html>
 62. <http://www.wisegeek.com/what-is-lycra.htm>