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Elen Riot, Cécile Chamaret, Emmanuelle Rigaud. Murakami on the bag: Louis Vuitton's decommodification strategy.. *International Journal of Retail & Distribution Management*, 2013, 41 (11/12), pp.919-939. 10.1108/IJRDM-01-2013-0010 . hal-02883097

HAL Id: hal-02883097

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Murakami on the Bag:

Louis Vuitton's decommodification strategy

Introduction:

Luxury is one of the fastest growing markets and the variety of new luxury goods is ever increasing. The brand is considered as a key resource for organizations in the luxury market. It gives a symbolic dimension and emotional value. Nevertheless, since the 80's luxury has become much more democratized. For this reason companies need to find a specific positioning. Some of the most prestigious brands with the most prestigious reputation focus on their upscale differentiation strategy. Typical tactics to achieve it this successful are co-branding, the extension of brand territory or partnerships with other important players in the luxury world such as celebrities, activists and artists. This article deals with the latter case: the cooperation between a luxury brand and a famous artist. This type of cooperation has because they have seldom been documented in terms of management. More precisely we define this strategy as a type of "de-commodification strategy", namely the attempt to avoid the commodity trap and maintain the perceived value of the offer product perceived by customers.

Although these partnerships may seem central to the strategic alignment of luxury brands, in fact they result from carefully weighted decisions for companies, which have a long experience in working with artists. The internal value chain has recently evolved and downstream activities such as retail take a significant role in displaying art and craft. This leads us to ask the following questions: What is the role and involvement of each part of the value chain, especially retail? What are the expected benefits of the partnership in terms of commoditization? Finally, how replicable and imitable is such a strategic alliance as a way of avoiding the commodity trap in the long term?

To investigate the issue of decommodification strategy, we describe a specific case study, since most alliances between luxury brands and artists tell a different story. We picked a series of collaborative projects running from 2003 to 2010 between Louis Vuitton and Murakami - the world's leading luxury firm in terms of profits and a Japanese artist whose works have attracted considerable attention in the art world.

The first part of this paper provides information on the specific issue of commoditization in relation to the luxury brand value chain. Here we insist on the increasing importance of retail. We then provide information on the methodological framework of our case study. In the third part we present the partnership between Louis Vuitton's designer, Marc Jacobs, and artist Takashi Murakami. We detail this partnership by presenting the different stages of this partnership. Finally we discuss and interpret our key findings and conclude on the possibilities of using art to fight the commodity trap. It seems a fairly safe, beneficial choice, but only under certain conditions.

1. The Commodity Trap and its effect on the different parts of the luxury brand value chain

In this part, we show how commoditization affects luxury brands. We stress the fact that the spectacular growth of large luxury brands on a global scale has been supported by the creation of large retail networks. However, as they invest in a distribution network, brands may be faced with the commodity trap.

1.1 Luxury and the commoditization trend

Commoditization can be defined as “an increase in similarity between the offerings of competitors in an industry, an increase in customers’ price sensitivity, a decrease in customers’ cost of switching from one to another supplier in an industry, and an increase in the stability of the competitive structure” (Reimann et al., 2010).

Richard D’Aveni (2010) highlights the strategic configurations that can appear as what he calls “commodity traps.” Based on an in-depth study of thirty industries, his analysis highlights market configurations more conducive to the development of commodity traps. These configurations are the result of specific market positions in competitive fields and, more specifically, of the shared rules in strategic groups. Thus, it complements the research of Reimann et al. (2010) by determining the competitive components that lead to commoditization. D’Aveni identifies three types of competitive positioning that lead to commoditization:

- **Deterioration.** This occurs when firms develop strategies to reach the mass market from a position that was hitherto upscale. Zara encouraged commoditization in the prêt-à-porter market by offering high fashion models inspired by haute couture creations at very low prices, thus creating a mass market that did not exist before via lean management techniques along the value chain and the use of a dynamic distribution channel.
- **Proliferation.** This occurs when companies develop new combinations of price-benefit products to attack traditional markets. For example, Japanese manufacturers have proposed models of motorbikes that are more reliable and less expensive than Harley Davidson, threatening the historic, iconic market leader. In fashion, local brands have developed ready-to-wear collections directly influenced by their city environment.
- **Escalation.** This occurs when certain players offer more benefits to their customers at a price that is the same or lower. This is the case when Dell entered the personal computer market by offering partially customizable products at lower prices, made possible by innovative distribution methods. Among luxury brands, Hermes and Chanel attempt to fence the upscale end of the market via the sophistication of their couture limited editions.

The luxury industry is facing all these threats as a consequence of its newly stabilized and industrialized sector where organizations and projects are large enough to manage global brands. These new threats are caused by the “fast fashion phenomenon,” accelerating the rhythm of fashion and product lifecycles all round the world. Where there used to be limited markets with small batches, the expansion of global brands has created larger structures capable

of managing global scale and scope. This explains the entry of multiple firms in the luxury industry positioned mid-market and offering undifferentiated luxury goods for lower prices. The main difficulty for brands such as Louis Vuitton is to find a way to keep their image - a classic marketing problem (Semprini, 1992) - but also to keep open an exit route from what could turn out to be a cutthroat market if margins became too small.

According to Reimann et al. (2010), the luxury industry is hit by commoditization because of the growing difficulty luxury brands face if they are to make their products unique and sell them at a high price (Truong, 2008). This is caused by proliferation. Although brands create addiction, even for seriously addicted "fashion-victims," the cost of switching for the kind of products studied (i.e. handbags) is minimal. Finally the industry has just been through a phase of consolidation with many acquisitions (Kapferer and Bastien, 2009). Even though these operations are more than justified on financial grounds, given the increase in share-price of large fashion groups, the fact that short-term profitability and global success are now deemed necessary may limit the diversity of players and result in mimetism. They turn the luxury sector into an industrial one. There are few new projects that fit the new requirements of this competitive field; but in the long run, this scarcity of projects may create a commodity trap.

The academic literature on commoditization gives us some clues on how to escape mimetic competition. D'Aveni (2010) identifies three main strategies: fighting against the phenomenon, avoiding it or taking advantage of it. However, he does not give any empirical evidence of brands that have successfully implemented such strategies.

In their analysis of the printer industry, De Neufville and Pirnar (1999) show that new market linkages or new technical competencies can help industry leaders to fight against commoditization. These recommendations may not be relevant in the luxury industry where the market linkages are identified and cannot really change and where technical innovations are limited. Besides, unlike most industrial firms, luxury groups are often have a portfolio of brands, where all brands have their own integrated value chain from design to sales.

To identify how commoditization affects luxury brands, one must understand the role of each part of the value chain.

2.1 Commoditization and luxury through the value chain

The legitimacy of luxury companies relied on traditional qualities, a heritage of craftsmanship, exclusive products and the dream they created for consumers (Dion and Arnould, 2011). For a long time, the main success factors were emotional appeal, brand reputation, specific style and unique lifestyle (Brun and Moretto, 2012). In order to create competitive advantage and to remain unique, the firm has to invent innovative concepts, through efficient supply chain management which can transform the concept into products and services, including a personal customer relationship (Doyle, 2001). Luxury brands have to launch unique products from conception to communication. Since the 80's, luxury has become much more egalitarian (Kapferer, 2012). The luxury sector has become a premium sector with intensified distribution methods, advances in production methods and a modified turnover structure (with more

accessories). This mass market policy reduces the exclusive features of luxury brands, their singularity and their esthetic distinction (Dion and Arnould, 2011).

Conception

The legitimacy of luxury brands is based on craft skills, know-how and on an exceptional charismatic persona, the artistic director who designs the products. For example, Karl Lagerfeld's creations are iconic. The artist can create brand addiction thanks to his charisma. (Dion and Arnould, 2011). The use of famous luxury designers in order to create mass market products (K. Lagerfeld created products for H&M) and initiate co-branding operations (Marc Jacobs and Coca-Cola) leads to less uniqueness, more homogeneity and probably a rise in consumer price sensitivity. As a result of this trend, luxury brands could lose their singularity and attraction.

Supply chain

Supply chain management is particularly important for luxury companies. Indeed, high levels of quality, a heritage of craftsmanship, a reputation for style and design, and emotional appeal are key factors for successful luxury brands (Castelli and Brun, 2010). They also need to manage supply chain processes carefully in order to deliver an efficient tailored response (Doyle, 2001). Clients need to see the "fabric brand" through the product they buy. "Made in and made by" appear very important and the origin of the product has to be visible. The brand has to induce an emotional response (Doyle, 2001). With the trend towards mergers and acquisitions, many luxury houses have been bought by international groups which are eager to create economies of scale by using the same materials for different brands, creating organizational synergy and so on. This could transform luxury products into standard ones.

Production

The inclusion of low labor-cost countries in modular production systems allows mass production of high quality products with decreasing costs (Truong et al, 2008). "Premium brands" have appeared. Their products became competitors of luxury items, even though they were affordable and could be found in most shopping malls and department stores (Truong et al, 2008). This is the case of American brands like Calvin Klein or Ralph Lauren. Other smaller scale brands modified their niche strategy to target a larger audience. Examples of these in design products are Philippe Stark and Conran. This can be considered as a threat of proliferation., the information system of companies like Zara, which was appropriated by many premium brands, proved very influential in imposing fast fashion, disrupting the traditional system of collections and introducing lean methods and just in time production. As presented below, designers work on a continuous flow of new products, which are developed as a direct response to client information collected in stores (Ghemawat and Nueno, 2003). Zara produces only what it sells.

Distribution and retail

Distribution and retail are particularly important in the luxury sector where clients need to experience the brand's universe and soul. Retailers create experience for customers (Ailawadi

and Keller, 2004) and maintain physical and virtual contact with the brand in a specific atmosphere.

Since the 90s, the luxury retail sector has become mass marketing through globalization, an increasing numbers of shops and the development of online business (Dion and Arnould, 2011). These features reduce the perception of brand exclusivity (Lipovesky and Roux, 2003). At the same time, premium brands and even mass-market brands use distinctive design for their shops and create exclusive points of sale and even products (particularly in the fashion industry). All these features show how commoditization is a real threat for luxury brands.

Communication

On the other hand, some mass-market or commodity brands, such as H&M or Zara use “luxury strategies” through communication. They have adopted the codes originally used by luxury brands and created confusion in consumers’ minds. For example, H&M set up a partnership with Karl Lagerfeld to create new models for the mass-oriented brand. He was the focus of their communication strategy. Other brands also adopt luxury brand codes in advertising, using dark colors and uncluttered ads.

Here the threat is that of market deterioration. Luxury brands risk losing their appeal, their distinctive attributes. They become increasingly aggressive to fence their market share and find new areas of growth. In order to keep their competitive advantage, each organization must therefore do everything possible to reinforce its brand, to establish its territory by appropriating unique resources and competences (Allèrès, 1998). So far brands have used different types of strategy (brand extension, co-branding or specific communication policy etc.) but they have to enhance the brand continually at the high end and avoid diluting its essence and weakening its image (Sylverstein and Fiske, 2003; Hoffmann and Coste-Manière, 2012).

Table 1: summary of the impact of commoditization through the value chain

	Conception and design	Supply chain, sourcing	Production	Retail, distribution and communication
Contribution to the competitive advantage based on differentiation	-Consistent core business (culture, image and identity in alignment) -Style and design (Castelli and Brun, 2010) -New lines of products	-Rare resources -Exclusivity -Importance of origins (transparency)	-Rare skills -Importance of local production (transparency) -Tailored, personalized products	-Create exclusivity via direct experience (Dion and Arnould, 2011) -Services in relation to products -Availability of all product lines
Cause for	-New product	-Customers	-Modular	-More shops and online

<p>commoditization</p>	<p>lines and brand extension may dilute brand identity -Designers may not accept codes of the brand and find expression within that frame -Premium brands hire teams of designers and focus on variety of collections rather than uniqueness</p>	<p>need to be educated to appreciate quality and design -Some materials (leather and cloth) are not so difficult to obtain -Very rare materials limit scale to niche markets and ultra-personalization</p>	<p>production system lowers costs (Truong et al., 2008) -Fast fashion makes speed more important than quality in premium system; customers may not be prepared to pay more</p>	<p>retail (Lipovetsky and Roux, 2011) make access easier (Silverstein and Fiske, 2003; Hoffman and Coste-Manière, 2012) -Intermediate distributors may level down all brand products -All luxury stores are in same location making benchmarking easier for clients -Customers are now used to combining and alternating various brands, creating their own outfits.</p>
<p>How defensible and how influential on competitive advantage</p>	<p>-Patents related to brands and communication about one star designer make large brands create entry barriers -Only key designers in a few leading brands can create disruptive innovation so <u>they are highly influential.</u> <u>Customers particularly like to feel</u></p>	<p>-Most customers more interested in image of the brand so the quality/price may become important if the brand specialty (Allèrès, 1998) is not perceived -Designers as well as experts however find their inspiration in super quality</p>	<p>-Integrated production systems (favoured by the high end of the market) are both more flexible and more confidential about new projects. -Production teams can replicate designers' idea and provide new ideas for future projects if they work closely with designers so it is</p>	<p>-Retail must be in direct contact with the designer and indirectly with sourcing and production team to be in line with the whole project -Customer information needs to be stored and analysed store by store -Retail is very influential on customers especially since all major brands now favour direct communication. <u>Retail is most important to create a durable impression on customers especially since the goal is to entice them to buy products more</u></p>

	<u>invited to their universe when they enter shops.</u>	material so sourcing is influential especially to insiders.	<u>influential on insiders.</u>	<u>frequently.</u>
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Consequently, retail strategy is a particularly important feature of the de-commoditization of famous brands (Ailawardi and Keller, 2004). It is all the more important in that it is especially vulnerable (harder to defend): shops are no longer in direct contact with the designer and the producers as was the case in the past when there were smaller batchers, fewer collections and fewer shops. Large brands have only recently extended their retail activities, and they may not always be as efficient as companies for whom this was the core business. Clients with different cultures in different countries may be surprised or disappointed if their first impression is slightly inferior to the dream created by communication. Shops must remain exclusive as well, and not simply galleries for people to visit or despise because they are too luxurious and emblematic of the fetishism of merchandise. The retail experience must be consistent with the company's goals: to make profits by selling goods and satisfying clients.

We may conclude that although commoditization has become a real problem in the luxury industry, the literature studying how to compete in this commoditizing industry is still very limited.

As little previous work has studied this type of alliance, our paper proposes to analyze one specific case in depth. We conducted our research to gain more understanding of how the partnership between Louis Vuitton and Murakami along the value chain is helping the luxury brand fight against the trend towards commoditization.

2. Methodology for a Case-Study

Our research question can be summarized as follows: how may partnerships between artists and luxury brands counter commoditization and what is the specific role of retail?

To answer this question, we decided to use a qualitative method because we are attempting to understand an un-identified phenomenon and make a thorough investigation of complex strategic operations and decisions (Miles et Hubermann, 1994). More precisely, case study research is appropriate when looking at a fairly recent phenomenon in a contemporary situation (Eisenhardt, 1989; Eisenhardt and Graebner, 2007). It retains the meaningful characteristics of real-life events such as organizational, managerial and social processes (Yin, 2003). We selected a case study that illustrates the use of art as a de-commoditization strategy.

We quickly selected the Louis Vuitton case. It presents several advantages. First, it is a famous worldwide brand and we were able to collect information more easily from several sales points. Second, the house, via the scale and scope of its product line is one of the leading international luxury brands in the world. All its decisions are reported in the media. It must be careful not to damage its image by making a "faux pas." In particular, its expansion in non-Western countries

has required an ability to adapt to different cultures and to define a “global fashion” system. To meet that challenge, we observe that its strategy for upscale differentiation was at one point based on one particular tactic, among others: partnerships with artists for the creation of events. This was the choice of the brand’s key designer, but it had implications at all levels of the organization. We focus on the alliance between the Japanese artist Murakami and Louis Vuitton because it was a wide-ranging, emblematic, long-lasting, successful project. Through this case we developed hypotheses about the nature of such a project, which we will test by an in-depth analysis of the various features of the partnership.

We first collected primary data to document the case from an insiders’ point of view. We carried out semi-structured interviews with different players such as clients, brand managers and sales staff and on-site participant observation. In order to obtain a precise, detailed view of this partnership, we then carried out complementary types of data collection. First we carried out observations of sales outlets in three different world regions: Paris, France; Copenhagen, Denmark and Abu Dhabi in the Emirates. We also took pictures of merchandising and products in several department stores to document the cultural differences and their impact on the retail strategy of global brands such as Louis Vuitton.



Secondly we conducted semi-structured interviews with people who could provide rich, insightful information on this subject: commercial and marketing managers in the luxury industry, Louis Vuitton sales staff and luxury merchandisers.

Table 2: Details of semi-structured interviews

Position of the interviewee	Length
Law and anti-counterfeiting manager (Louis Vuitton)	1 hour
Internet Manager (retail side) (Louis Vuitton)	1 hour
Luxury Merchandising specialist	1 hour
Manager (LVMH)	1 hour
Marketing manager (luxury brand)	1 hour
Sales staff (*6) (Louis Vuitton)	3 hours
Consumers (*10) of LV products	4 hours

We then cross-referenced our primary data with secondary data in order to compare the image of this partnership at the point of sale with its original design and production process: we used archives such as newspaper articles, professional reports and specialized blogs and websites on the subject of Louis Vuitton; official brand communication and annual reports, corporate web sites. One important source of information was art books on Louis Vuitton (Gasparina, 2009; Golbin, 2006; Pasols, 2008; Pujalet-Plaa and Leonforte, 2010), on Japanese Pop Art (Midori, 2007; Stallabrass, 2004) and on Murakami (Chong, 2010; Darling, 2001; Favell, 2012; Gingeras, 2009; Murakami, 2005; Rothkopf, 2007; Thornton, 2008; as well as interviews with key players such as Murakami himself (Lubow, 2005; Perez, 2006). Finally, an invaluable source of information was a documentary about Marc Jacobs at Louis Vuitton at the time of the partnership with Murakami (Prigent, 2006). We triangulated the primary and secondary data with the historical data on the Louis Vuitton group in relation to art.

Finally, we sorted and coded the whole dataset according to our research question derived from literature and opted for a descriptive case study.

3. The Louis Vuitton-Murakami Alliance

3.1 The different stages of the project

By tradition, art has proven a good way to harmonize craft and tradition and creation in the present. As shown in the chart below, art is very present in the history of Louis Vuitton and it is an important dimension of the LVMH strategy as a luxury group. It is an important source of synergy between the different activities, one that appears at different steps of the value chain.

Table 3: Louis Vuitton's art partnerships

	Design & production	Retail	Communication	LVMH as a global
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				actor
Past	1900 : Pierre Legrain creates a dressing table with a shagreen top for LV ; 1925 , Camille Cless-Brothier creates the cloud line for perfume bottles in partneship with Baccarat cristal (Bonvicini, 2008)	The monogram is always present in all dimensions of the retail chain: packaging and store design; Vuitton expansion of is associated to the 1920s, associating cosmopolitan lifestyle and modern style	Louis Vuitton was generally associated with plazzas and cruise liners all around the world.	All brands existed on a global scale however, notions of “luxury” and “fashion” were not necessarily identified as such.
Present	Recently, partnerships have been made with artists like Stephen Sprouse, Richard Prince and Yayoi Kusama as well as designers like Viviane Westwood, Manolo Blahnik and Azzedine Alaia	For the 100 anniversary of the monogram, artists such as Philippe Starck, Arman, Bob Wilson, Cesar and Oliver Debré are invited. At the occasion of the 150 years of Louis Vuitton, in 2004, an ephemeral “Case store” was created on the Champ Elysées and redesigned in “modern style” (Castets, 2009)	Photographers such as Annie Leibovitz, Ined Lamsweerde and Vinoodh Matadin	Bernard Arnault introduces his Art Foundation to open in Paris in 2014 in a building by architect Frank Gehry.

Following past and present experience, the partnership between Takashi Murakami and Louis Vuitton was initiated in the year 2003 and is active now, since related products are still on display in the shops. Its goal was to work on the “check” pattern, which is a key characteristic of the brand.

Figure 2: LV's original pattern



This pattern was designed in the 1850s by one of the founders of the house Louis Vuitton Malletier, George Vuitton, to distinguish its trunks and luggage from those of competitors. Then another pattern was invented, using the founder's initials and combining brand and pattern, making it the key to its unique design.

Figure 3: LV's modern pattern



In 2003, Marc Jacobs, who was and still is the designer of the house, decided to introduce changes to the monogram. This was a risky move, but was necessary to appeal to a younger, more international audience. Possibly one of the reasons for choosing Takashi Murakami was that he had already worked with another designer in Haute Couture, Issey Miyake. This project had been successful and designers observed that he himself used production teams for his own art pieces. His understanding of the logic of high quality production was therefore considerable, despite the fact that he worked in another field with a different culture. Murakami was famous for the perfect finish of his monumental works and also, for hiring and coordinating large teams of craftsmen to mold and paint his works in his studio. More fundamentally, the Vuitton art department had already initiated long-term relationships with artists like Stephen Sprouse in 2001 for the design of a collection of Louis Vuitton products resulting in the famous "tag bag" with the graffiti pattern. Mark Jacobs, Louis Vuitton's new designer, wanted the shops and products to be closer to street art and street fashion, so as to appeal to younger audiences.

The choice of a Japanese artist who was famous in European galleries and museums was carefully judged. The brand aimed at gaining international status without compromising its European origins and its "history." Their aim was also to rejuvenate the American market. Murakami's colored style was adapted to American tastes.

On the Louis Vuitton Website, the key message for the brand reads: *"A dream. An Icon. A masterpiece. Each Louis Vuitton product is the embodiment of uncompromising quality and exceptional craftsmanship. From the famous Monogram pattern to the astonishing Louis Vuitton diamond cut, the*

Maison has enchanted the world with its unique creations since 1854. Today, we invite you to take a journey through a world of luxury, inventiveness and excellence: the world of Louis Vuitton's savoir-faire." As it became more global and opened boutiques all around the world, Louis Vuitton promoted its local savoir-faire by hybridization with other cultures. It needed to find the right mix to make its French image "more global" while in fact focusing on growing markets such as the US and Japan.

The initial project in 2003, for a single collection, combined museum shows and a tour by the artist and the designer and it was a great success. After this, the partnership continued on a different basis, with Murakami getting away from his one-off collection to create traditional monogram lines. He became more involved in the life of the company itself with its designer, Marc Jacobs, as the product lines went from exclusive (in museum shops) to basics in all collections.

After the first venture, in 2005, the "monogram cherry" project introduced continuity in the partnership between the artist and the brand, thereby illustrating the ability of such a project to avoid commoditization, not just with a single product, but in the long term, as a strategic goal. This required an on-going partnership, but also the maintenance of Murakami's reputation as a star, especially since his main source of inspiration was "pop culture" becoming "high culture" via the most prestigious art collections. For example, two of his works were the subject of record sales, making him the leading Japanese artist in terms of auction sales.

Table 4. Murakami's auction sales record

<u>Takashi Murakami</u>	USD 13,500,000	<i>My Lonesome Cowboy</i> (1998)	14 May 2008, Sotheby's NY
<u>Takashi Murakami</u>	USD 6,000,000	<i>Miss ko²</i> (1997)	8 November 2010, Phillips de Pury & Co NY

The partnership led to successful sales, not only in Japan but also in all parts of the world, especially in the USA where Murakami's touring show in 2007 (MoMa Los Angeles) and 2008 (New York) was a great success.

We may question what exactly the nature of the alliance is, as a business project. In our view, the artist works with the team of designers on more than just the objects. He is sharing "his universe", and this is felt at all levels of the value chain.

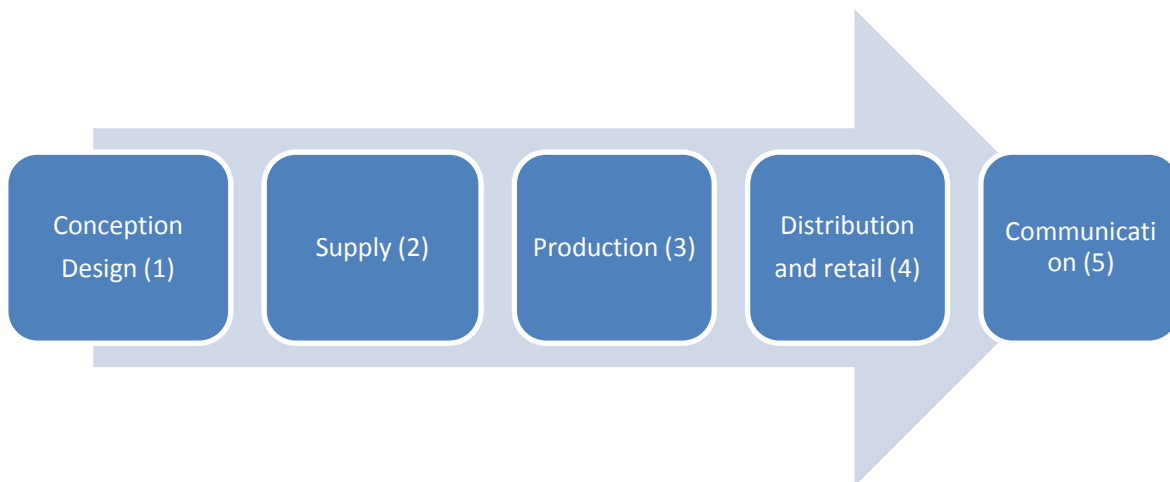
3.2 The partnership through the analysis of the value chain

The partnership includes: (1) conception and design, namely the design of the initial pattern, its use in multiple products, the invention of other products with the design team, for example plush characters; (2) supply: how the materials and supply chain are affected by the partnership (3) production, namely the adaptation and specifics required to produce the result of the design partnership (4) distribution and retail, namely sales point design and displays (5) communication: the definition of a discourse about the inspiration of the collection and its meaning as far as brand identity is concerned or the way Murakami was involved in product launch and communication (i.e. production of videos, combinations of art shows and sales, media appearances).

Through testimonies by both the artist and the group, we were able to recapture how the partnership had actually operated. It was long-term and pluralistic in nature. It was also a full strategy, from conception to communication.

“They created a partnership with an artist but they also changed the product which is critical for such a brand. They cooperated from conception to communication. This had never been done before”. (Marketing Manager, luxury brand).

Figure 4 : the LV value chain



(1) Murakami’s role in designing the pattern, the bags, staging store displays and imagining ad campaigns was very specific.

He added pop colors and characters to traditional patterns, creating a line that appealed more to girls and young women whilst remaining highly recognizable, possibly because of his obsession with patterns. The repetitiveness of similar patterns and characters is also present in Murakami’s work, the same pattern being used in various pieces in succession. So he adapted his new creations to the Fashion season. Thus, the process of launching new lines created a sense of time and space (collections are related to a specific season and a specific event) and possibly of seasonality. Whereas the darker, traditional patterns may be suitable “all year long” and for “one’s whole life” (a source of flexibility and easy elegance), the more versatile Murakami line was adapted to “fast

fashion” (Kapferer and Bastien, 2009). Murakami introduced his universe: flower patterns and Manga characters (children and animals) appear in store displays, in online communication (via hit videos) and on products. One could argue that on any other product, the style might have seemed sugary and banal (some asked what was the difference between this and “Hello Kitty”), yet such was the prestige of the initial product that the mix was daring and provocative, just as Murakami created a scandal in Versailles when it hosted an exhibition of his work.

(2) The supply chain was not affected nor changed by the partnership between LV and Murakami. The same quality of raw materials was used to maintain high quality standards attached to the luxury brand.

(3) The partnership also involved adapting the production system to this new line of products: the Cherry line includes a new technique for painting the monogram, a red lining and this lining is also made in a different material. The white and multicolored collection involved a painting technique which was quite unique at the time.

Once the new techniques and materials had become more familiar, full lines could be developed on demand, depending on the season’s requirements. This reflects their desire to seduce customers with different products by the same designer even though they may be produced in the same way, share the same style and fulfill the same needs. Fans and people interested in fashion will want to have the new collection, and they will want to see how different it is from the previous year, which is something production, services and communication alone could not achieve, despite their quality. So in terms of upscale differentiation, using an artist such as Murakami to provide a vision is a necessary complement to traditional techniques in order to have a unique selling proposition.

(4) Initially, Louis Vuitton sold exclusive products and limited series (during art shows) so that its ten production workshops in France and those in Spain and Italy would not be overwhelmed. For example, at the end of 2007, during an art exhibition dedicated to Murakami’s work in the Museum of Contemporary Art in Los Angeles, LV built a temporary shop inside the museum to sell its Murakami bags. They did the same in 2008 selling bags outside the Brooklyn Museum during the Murakami retrospective. When they extended Murakami’s products to traditional retail shops, they created lots of merchandising tools customized for the Japanese artist. They created “a whole universe” around the new products. They also used to keep special stocks of products for the internet. This strengthened the internet channel, which was not much used by luxury consumers at this time. Their global strategy was very innovative for their time :

« It was the first time we saw global merchandising with a special presentation, suitable colors, pictures... It was more than retail; it was a mise-en-scene, more modern and fashionable than everything else. A new atmosphere. » (LV Internet Manager)

The most prominent stores have recently been upgraded, a prestigious retail style would be in line with the strategy of the group, and promote high fashion in accessories. For this purpose, architects such as June Aoki for the famous Omotesando shop in Tokyo,

Kumiko Inui and Peter Mauno in other stores have been working with the designer Mark Jacobs and artists like Takashi Murakami so that new collections would be presented at the occasion of the re-opening of the new stores so as to create a sensation typically imitating the “white cube” design of famous art galleries.

In terms of retail, each variation on the line of the monogram corresponds to a specific collection, new ones being introduced on a two-year basis. The favourite items from previous collections are still on display in boutiques and available for customers who remain faithful to one side or another of the brand. The variety of monograms enriches the brand and makes it appeal to a broader clientele.

As we can see, retail played a significant role in the project: it expanded in unconventional places as well as traditional stores: museums (where Murakami’s pieces were shown) and the streets outside the museum (instead of the usual counterfeits were usually sold) for limited editions. When larger volumes were launched after a while, the stores were customized, with the new monograms on the bags and accessory lines inside and outside the building. Stores also displayed ready-to-wear items such as tee shirts, trinkets and toys, which involved inventing new types of displays and adapting the fixed interior design. Instead of being ceremonial, the store atmosphere became more playful, changing the nature of the emotion stimulated in clients. At the same time, it created a broader choice rather than cannibalizing previous lines.

- (5) Murakami’s role specifically involved working on product communication. The creation of a specific universe for Murakami’s products was also conveyed through communication. The artist created short videos. The first one called “Superflat Monogram” was launched to support the first range of Murakami products. In the video, a Japanese girl met one of Murakami’s characters and they both entered the Louis Vuitton universe. Later in 2009 the artist included Gaston Vuitton and the famous LV trunk in one of his videos.

Similarly, the quality and prestige of the products, settings and services was not imperiled. The alliance between luxury and art created a showcase for both the artist and the brand. This alliance, however, does not mean that the two allies have a common strategy.

4. Our Findings and our Perspective on Future Avenues for Research:

We may now go back to our initial questions: “What are the expected benefits of the partnership in terms of commoditization ? What is the role and involvement of each part of the value chain, especially retail? Finally, how replicable and imitable is such a strategic alliance to avoid the commodity trap in the long run? “

4.1. Expected and Actual Benefits

The partnership between LV and Murakami seems to have achieved its aims.

“It was the first time we changed the cherry blossom monogram. It is now considered as a success, we moved from a traditional image to a fashionable image.” (LV Manager)

The exclusive lines of products sold in museums to aficionados and the lucky few have been successfully expanded to reach more traditional customers all around the world. Because the product line was easily identifiable and popular, it led to further variations in the same spirit. Although it was initially a Murakami line, it has become part of Louis Vuitton to the point that most sales staff and clients in stores do not know the story behind the product line. One conclusion is that to reach a broader audience a degree of commoditization is necessary, and that only when the market has reached the limits of expansion is it necessary to “refocus” and rejuvenate the line. Being aware of the commodity trap means admitting that it has become a danger for all products and regulating its pace through market variation.

Another finding related to this need to control commoditization over time is production. The products as such are less traditional in appearance, but their quality has not suffered from the variation. They offer uniqueness and novelty for a slightly higher price than traditional products but the price seems justified by this differentiation. Besides, adapting the product range seems to have introduced varied possibilities for rejuvenating the collection and this may be combined with other expansion tactics such as opening new premium stores and defending causes and ideas such as a cosmopolitan approach to society: city travel and global tourism are now illustrated by Louis Vuitton Guides to cities all around the world.

This strategy seems valuable not only in the short term, since its experience with Murakami has enabled Louis Vuitton to create new partnerships with other artists. Trying to imitate such a strategy involving partnerships with artists would also be riskier for other premium brands. If we take the case of Hermès, their originality is not so much based on patterns and drawings. It has to do with materials and craftsmanship; it is more traditional in its approach to shapes and lines. If we take the case of Chanel, its chief designer Karl Lagerfeld has the final say, and so far he has only worked with artists to a limited extent. Both these rival brands however have branched out from haute-couture into prêt-à-porter and perfume, and a careful mapping of their territory reveals that they would not necessarily benefit from an alliance with artists. For instance, craftsmen using leather may not agree to compromise their techniques to fit an artist’s fantasy because art and craft traditions are already very well defined. Possibly for this reason, Louis Vuitton is the only firm in the sector using partnerships with artists, and the lack of imitation by other companies has prevented the move from becoming trivialized. At the same time, a “seasonal pattern” is being created, in line with fast-fashion. This makes it easier, even for non-experts, to distinguish whether a product is part of the latest collection or not. It also serves as a protection against copyright infringements and against second-hand businesses.








4.2. The adaptation of the entire value chain is key to the fight against commoditization

Louis Vuitton’s strategy with Marc Jacobs aimed to rejuvenate the famous “LV monogram canvas.” However, it was also governed at group level. As we have already pointed out, Louis

Vuitton is part of the LVMH conglomerate where important choices are often made with reference to financial factors. As more and more Louis Vuitton shops were being opened and as the brand was becoming more popular, a new brand strategy was necessary, in line with retail expansion all around the world. It has become the group's cash cow at global level. To prevent this development appearing to be merely a diversification of the product lines and target markets, an artist's vision was added to the designer's project.

All the dimensions of the value chain are in alignment, creating a parallel universe to that of the brand, yet which is consistent with the production and distribution system. Because Louis Vuitton's distribution channel is extensive and because at the time, it was expanding in new markets, the company could invest in such a large operation, benefitting from economies of scale and scope. Besides, the project was in line with the work of Marc Jacobs the designer. He has made a habit of collaborating with artists especially because he already has experience of creating shows and events to support retail activities. Consequently, it is still uncertain whether other actors can create such strategic alliances in different circumstances.

Table 5: The Murakami LV cooperation along the value chain

Brand	Monogram for bags and accessories	Product design, new product creation	Shop (exterior & interior design)	Art in art galleries and modern art museums	Retail (limited series bags sold in the street as counterfeits)	Communication Tools, videos like Superflat First Love)
						

One reason why the commodity trap was avoided is also the long-lasting prestige of Murakami as a highly successful contemporary artist. As with Damien Hirst, becoming a brand does not seem to be a problem (McCarthy et al., 2005; Moulin, 2010; 1987). The management of his career is in the hands of top agents, curators and art collectors. This reality makes "by-products" like bags keep their prestige (rather than just become unfashionable). At the same time Murakami was working on the accessories collections, his work was being sold at Sotheby's and displayed in the Bernard Arnault's art foundation. This inclusive system is possibly the sign of a new meaning for retail as part of a new system of visibility, mixing styles and symbols from arts and

crafts, luxury products and original artwork. It also points at different reactions in audiences depending on the audiences: whereas “the lucky few” may prefer premium product lines, the general customer may simply enjoy the colors, the “fun” Manga characters and the specific features of the bag without identifying its creators. However, this differentiated reception is not an example of commoditization but rather of adaptation to different kinds of customers.

The partnership affected the full value chain from conception to communication. And the variables of commoditization were negatively influenced by these actions.

“They made a partnership with an artist but they also changed the product which is critical for such brand. They cooperated from conception to communication. This had never been done before”.
(Marketing Manager, luxury brand)

Table 6. The influence of the partnership on commoditization variables

Commoditization variables	Steps in the value chain			
	Design	Production	Retail	Communication
Product homogeneity	The originality and uniqueness of the design decreases product homogeneity.	New, exclusive painting techniques → decrease homogeneity.	Adaptation of the retail arrangement to Murakami’s universe makes the product unique.	The integration of both universes through the active role of Murakami in LV communication decreases ability of competitors to imitate.
Consumers’ price sensitivity	Willingness to pay is higher due to originality and uniqueness of the product.		Selling bags during art exhibitions reduces price sensitivity	The alliance between art and luxury through communication decreases price sensitivity. Price for art is more subjective.
Switching costs	Switching cost is higher because the subjective value of the object increases with the partnership.		The integration of both universe (art and luxury) raises the switching cost.	

4.3. Conclusion: recipes for Growth, Avoiding the Commodity Trap

With the recent globalization of art and luxury fashion, both designers and artists are facing the commodity trap, possibly because of the acceleration of trends, but also because of a change in the scale and scope within which “prestige” and “values” are being defined. However, instead of considering commoditization only as a trap, luxury brands may decide to use it as a chance to orchestrate fashion for different audiences. There seem to be different “circles” (art collectors, fashion lovers and “hip” professionals). The regularity of this orchestration seems directly related to the commoditization of “things” in an industrial world where usages and practices vary in different environments but are closely interconnected (Silverstein and Fiske, 2003). Whereas nineteenth century satirical writers used to mock the backwardness of provincial taste, such is no longer the case.

There are still differences in reactions and the commodity trap needs to be studied in combination with other types of dangers. Louis Vuitton selected a “Pop” artist to surf the wave of Japanese cool and to appeal to younger generations. Finally, it adapted its product lines to very dynamic markets such as the Middle East and Russia. Our fieldwork brings out clear differences between the three stores we observed: the Avenue Montaigne store in Paris was traditional and aimed at tourists; Dubai was smaller, for local clients who liked Murakami; whereas Copenhagen was still influenced by Scandinavian culture, resistant to global branding (Raunig et al, 2011) as an ostentatious sign of status (Sebregondi and Parks, 2011). These differences require a multi-local strategy within the global brand. It is a similar approach to that of soft innovation (Stoneman, 2010). It seems there is no single view on the nature and of the commodity trap and the pace at which it will operate.

Just as technology products become outdated even before they are obsolete and need to be replaced, luxury items belong in the realm of fashion: both are simple objects, but they have a social life as things. They act as social symbols in specific situations. In order for the situations to keep the same frame, objects and appearances need to evolve, and this is a change for fashion brands. They can still sell products that solve the contradiction between “being the same and being different”. In other words, to fit such situations, many high and middle earners need to spend money on “non-basic needs” such as great wines and fancy accessories (Bourdieu, 1984) but now they need to know that their choices are visibly distinct from those of the people who would like to resemble them. Luxury brands somehow create captive customers who need to replace high-quality products regardless of their state of use (the point is no longer whether they look new or worn-out). Customers are more and more aware of fresh fashion in the realm of fast fashion, even for pricey accessories. These customers are regulated via events such as collections, fashion shows and festivals. They are obsessively documented by fashion magazines, and that creates highly specific codes within a system (Barthes, 2006; 1972). This is a complex environment for which no simple recipe will prove efficient. However, a proper strategy should be based on the awareness of this intrinsic complexity in the environment and also in the organization.

Looking at Yayoi Kusama’s recent campaign for Louis Vuitton (campaign 2012-2013), it seems however that the project as a whole is replicating the Murakami-Jacobs projects focusing on retail and the shopping experience in relation to interior design and craft. In that regard, the

impact of this collaboration is probably more limited because its type of innovation is less disruptive now.

The best way to avoid the commodity trap in the long run seems to be by continuously making art and fashion; transforming commodities via a rare experience using an integrated strategy throughout the entire value chain.

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