Chapter 10

Innovation in Luxury Fashion Businesses as a Means for the Regional Development

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ABSTRACT

The focus of this chapter is to provide scientific evidence to luxury fashion businesses for competing in a competitive global market, providing for further research opportunities of the innovation strategy. Thanks to a qualitative method, in this chapter it emerged that the innovation strategy may focus on different elements, such as products and processes according to the framework distinction. Even if the distinction between products and processes is not always clear-cut, it has several implications. In this chapter, the connection between the company and its territory permits the creation of some networks between several parties, producing a regional development: they could improve the competitiveness of the company, creating an increased advantage against its competitors.

INTRODUCTION

Considering the luxury sector as an élite phenomenon, the reference target is represented by an élite group of extra-rich people. Nevertheless, due to luxury democratization, companies operate in two different luxury levels: non-affordable luxury and affordable luxury.

This research fits into this area of study. It analyses how a strategy of innovation in terms of products and processes can offer a competitive advantage to large and medium-sized luxury fashion companies. In addition, it verifies the role of the innovation strategy as a means for the regional development, representing a competitive advantage for all the companies operating in this context.

The particular benefits offered by its content is represented by a business model that companies could be adopted in order to manage such strategies of innovation efficiently and effectively, also for the purpose of educating customers to appreciate more innovative products.

The treatise was conducted using qualitative approach. I observed multiple internationally-recognised luxury large and medium-sized
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companies, which are characterised by a highly innovative business approach that has been handed down from generation to generation.

The literature review brought to light a lack of analyses of innovation policies in large and medium-sized luxury sector, in order to identify the impact of the company innovation strategy on the regional development.

The chapter is structured as follows. The background paragraph focuses on the main researches about the context of the luxury business (core luxury business and no-core luxury business) and the different types of luxury (non-affordable luxury and affordable luxury), as this distinction is useful for better understanding the content of the research. In this context, the innovation strategy represents one of the most relevant topic, as the benefits for both the company competitive advantage and the regional development may be so strong. The main focus of the chapter is on some issues, controversies and problems of the innovation strategy, in terms of the company competitive advantage and the regional development. The future research directions and, lastly, the conclusions of the research permit to identity the contributions of this chapter.

Background

Many researchers focused on the luxury business as a very interesting topic. Differing the luxury business according to its affordability permitted to understand the target of the luxury products (Chevalier & Mazzalovo, 2008; Giacosa, 2011; Okonkwo, 2007). In particular, non-affordable luxury is a highly exclusive luxury affordable only for high net worth individuals, as the price is very high (Tartaglia & Marinozzi, 2006) and it does not permit a democratization. This high price is justified by a combination of the high quality, the exclusive distribution and the scarce availability. The customization is particularly appreciated by the customers: limited editions or single pieces are linked to the company heritage and permit to be part to the brand universe. Louis Vuitton, Chanel and Hermès for fashion luxury, Gaia and Moët Chandon for wines and spirits, Ferrari and Rolls Royce for car sector, Armani Hotel for travels and holidays, are great examples of non-affordable luxury. The non-affordable luxury uses an exclusive direct distribution system, as this is the most extreme form of selective distribution and favors firms that wish to differentiate their products with a policy of quality and prestige. This distribution typology permits to achieve a superior knowledge of the customer, the availability of the best and most reliable information from the market, price control, reduction of intermediation and management margins (Kapferer & Bastien, 2013; Mosca, 2010, 2014).

On the contrary, affordable luxury permits the luxury democratization: customers could dream to be part to the luxury universe (Corbellini & Saviolo, 2009; Silverstein, 2006), thanks to different products categories, such as accessories, glasses, perfumes and cosmetics, frequently inspired by non-affordable luxury. Customers make a sort of trading up: a zip between luxury products and more traditional ones is made (Gandini & Turineto, 2009; Silverstein, 2006). Tod’s, Gucci, Prada, Mercedes, Audi, are great examples of affordable luxury. Its distribution is not exclusive but selective: a wider range of products of different merchandise categories is sold in a consistent number of boutiques and location (especially accessories) to an affordable price, permitting to customers a belonging to the luxury universe (Danziger, 2005). In addition, the brand image is increased thanks to a limited number of opportunely selected mono-brand or multi-brand points of sale or specialised corners.

Many studies focused also on the typologies of sectors in which the luxury companies could operate (Chevalier & Mazzalovo, 2008; Corbellini & Saviolo, 2009; Giacosa, 2012; Jackson, 2004). They are the following: firstly, the core luxury sectors in which luxury companies traditionally focused their business model, such as fashion,