

Supply chain strategy for companies in the luxury-fashion market

Aligning the supply chain towards the critical success factors

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Abstract

Purpose – The purpose of this paper is to show how it is possible to take into account the objectives that fashion-luxury companies pursue on the final market (i.e. critical success factors (CSF) – of luxury) and propagate them in the upstream steps of the supply chain (SC) in order to understand how the latter can be aligned to the market.

Design/methodology/approach – An extensive literature review allowed the identification of SC objectives. Case studies were used in order to assess choices and practices applied along the SC of luxury companies were assessed through in depth case studies; hence, the relationship between choices/practices, SC objectives and luxury CSF was explored.

Findings – The paper documents that success in the luxury market not only depends on branding and marketing but also on the choices made along the SC, to the point that it is possible to identify some SC choices and practices that support the achievement of luxury CSF.

Research limitations/implications – The results presented represent a useful guideline and offer some methodological suggestions; however, the precise set of SC objectives have to be tailored on each specific brand, according to the uniqueness that characterizes luxury companies.

Practical implications – The paper suggests which areas of the SC should be mostly targeted in order to achieve success in the luxury market, also indicating some possible concrete choices.

Originality/value – The main value of this paper consists in shaping a first explicit connection among the world of luxury as it is perceived by the consumers and the world of the SC.

Keywords Fashion luxury, Fashion supply chain, Luxury critical success factors, Luxury supply chain, Supply chain strategy

Paper type Research paper

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1. Introduction

The luxury goods market, despite a contingent downturn in 2009, grew significantly in the recent years up to 800 B€ in 2013 (Bain & Co. and Fondazione Altagamma, 2013), including 223 B€ of the so called “personal luxury goods” (i.e. apparel, accessories, watches, jewelry; excluding yachts, wine, cars, etc. Bain & Co., 2014). Beyond the discussion about a reliable estimation of the overall luxury market value (Brun and Castelli, 2013), we cannot but acknowledge an exceptional growth in the last decades, even through a period of economic and financial crisis.

Actors in this market vary significantly not only from a product nature point of view – producing and selling cars, yachts, wines and spirits, clothing, leather goods, shoes, accessories, watches, jewelry, cosmetics and perfumes – but also in terms of company size, property structure and span of activity in general: although there are dozens of smaller companies, few major brands control most of the business – and many

of them belong to large groups (such as LVMH, Kering, Richemont) that also extend their business to other market segments, new companies/brands/products frequently enter the market attracted by the dazzling aura surrounding the luxury business.

Such continuous growth and the entrance of many successful new players were definitely the result of two parallel evolutionary paths: the increasing relevance of emotional and lifestyle-related experiences in the consumers mind and the efforts that company put in building and enhancing their image through well-structured branding policies. Although a strong commitment in achieving, supporting and sustain an appropriate brand identity is essential in order to achieve success in the luxury market (Keller, 2009), both academics and practitioners recognize that marketing and branding alone cannot guarantee long-term stability anymore (Caniato *et al.*, 2011). The concept of “value” is more and more related to the services that the whole supply chain (SC), from raw materials procurement to the customer experience in the retail store, is able to deliver to the customer. Nueno and Quelch (1998) observe that many factors contribute to success in the luxury industry, from design and communication management to customer service and channel management (Castelli and Brun, 2010). In conclusion, also according to top managers of leading groups, the entire SC appears to be relevant to success in the luxury business, although very few academic contributions are available so far (Brun *et al.*, 2008).

Indeed, Caniato *et al.* (2009) evidenced that there is a gap to fill in the academic literature: on the one side, a quick gaze to luxury companies revealed that the development of SC processes deserves attention from luxury companies’ top management but still no clear paradigms are adopted; on the other side, academic publications dedicated to such context are still limited in number and scope (e.g. Brun and Moretto, 2012, took into account the role of contracts in the jewelry industry; Ponticelli *et al.*, 2013 considered a single industry; D’Amato and Papadimitriou, 2013 dealt with counterfeiting issues) compared to those dedicated to marketing or branding.

This paper aims at showing how it is possible to take into account the objectives that luxury companies pursue on the final market (i.e. critical success factors (CSF) – of luxury, listed in Section 2.1.1; see Brun *et al.*, 2008) and propagate them in the upstream steps of the SC in order to understand how the latter can be aligned to the market (i.e. align the choices along the SC towards a results expressed in terms of CSF on the market).

2. Theoretical background

2.1 Preeminence of brand in the luxury market

In the past, product’s material features that, together with the excellent (and often “mysterious” at the customers’ eyes) procurement and manufacturing processes to produce them, had traditionally justified the premium price, progressively lost their importance. The wide amount of papers dealing with luxury marketing and branding confirms that these latter topics have been considered as the essence of strategy for successful positioning in the highest market segment.

Up to the nineteenth century the term “luxury” was used for indicating products including precious or rare materials or exceptional manufacturing skills. Yet, in the 1860s, Charles Frederick Worth succeeded in linking his name to the style of his clothes (Waddel, 2004), so being considered as the inventor of the brand (Crane, 1997). Along the years, the relevance of brand increased, till in the last decades of the twentieth century it became so relevant that, nowadays, it represents almost the essence for competing in the luxury market, and luxury companies mainly devoted their efforts to promotion of their brands and of their image of exclusivity (Herman, 2008).

2.1.1 The age of brands. Throughout the last two decades the luxury industry appeared to emphasize the view that “marketing is everything” (McKenna, 1991) to the point that both academics and market experts refer to “luxury brands” rather than to “luxury products”; Nueno and Quelch (1998) even state that the brand component is not separable by the concept of luxury; Keller (2009) states that “luxury brands are one of the purest examples of branding’s” The brand is actually the milestone on which a certain identity (often translated into a lifestyle concept) can be built and proposed to consumers.

Profitability derives not mainly from consumers’ perception of a higher value offered by these goods compared to possible substitutes but on the brand’s image and symbolic values (Reddy and Terblanche, 2005).

Currently brands are so relevant that – in the logic of “brand extension” – it happens more frequently that a commodity or a not-so-precious product (e.g. steel jewelry) becomes “luxury” in the consumer’s mind when it carries a luxury brand’s name rather, than a brand achieves a luxury reputation thanks to the preciousness or exclusivity of the material good, e.g. Cartier transferred its brand from jewelry to perfumes and accessories, Louis Vuitton expanded from luggage to clothing. Especially for fashion labels, brand can become the reason for justifying a premium price due to its reputation and to the fact that it provides psychological satisfaction to customers (Aaker, 1991; Davies, 1992), often the preeminent aspects are the emotional and intangible contents conveyed by the brand and expressed through a “complete shopping experience.”

Indeed, as explained by Brun and Castelli (2013) the CSF of luxury (hereby listed) include strong experiential components:

- consistent delivery of premium quality;
- heritage of craftsmanship;
- exclusivity pursued through the use of natural or artificial techniques;
- marketing approach that combines emotional appeal with product excellence.;
- global reputation of the brand, which conveys world-class excellence;
- recognizable style and design;
- association with a country of origin;
- presence of elements of uniqueness;
- superior technical performance (continuous innovation can become the way to sustain the product positioning); and
- creation of a lifestyle.

As success depends on the alignment between substance (material goods) and the image perceived by customers, i.e. brand positioning (Moore and Birtwistle, 2004), a major source of competitive advantage is the degree to which organizations are able to orient their practices towards building the brand and sustaining it over time (Bridson and Evans, 2004); for instance, Gucci’s maximization of internal control with respect to product sourcing, brand communication and distribution was a way to achieve successful re-positioning as a luxury brand (Moore and Fernie, 2004).

In the luxury market brands have achieved even further importance as the concept of luxury shifted from possession (ownership or ostentation as a status symbol)

to experience (the ultimate aim is improving quality of life), leading to the developing explicit branding strategies as a crucial element of competition (e.g. Ferrari's leverage waiting list of about 18 months to create a "waiting experience" which fosters the feeling of uniqueness and exclusivity) (Kesner and Walters, 2005). Such strategies aim at creating a solid "brand equity" associated to a "brand image": typically this requires a set of steps such as choosing a target positioning, defining the brand identity, transform it into visible aspects and in other marketing levers in order to enhance reputation, where brand identity is what a company wants a brand to be, and brand image is what customers and stakeholders perceive.

In particular, capturing, maintaining, or increasing market share for luxury products, requires a specific branding/marketing/merchandising strategy. Suggested tactics include correctly targeting narrowly defined segments of potential consumers with the appropriate marketing mix; defining a high brand image coherently with the target pricing level; identifying unmet needs and sales opportunities; using carefully designed packaging; increasing advertising budgets to educate consumers (D'Arpizio *et al.*, 2005; Steinberg, 1998; Summers *et al.*, 2006).

2.1.2 Brand is necessary but not sufficient. Building a strong brand reputation was, in the recent years, the major driver for success in the luxury market (Caniato *et al.*, 2009). Many successful players associated to a worldwide renowned brand are undisputed luxury players since the dawn of the market – mainly coinciding with the so-called Absolute brands (Altgamma, 2008[1]) –, while other companies are relatively newcomers. The latter – starting from their excellent manufacturing abilities or from unique design ideas – worked hard in order to build their brand from nothing and associate a luxury image to their name.

In addition, other excellent manufacturers exist which – unfortunately – were not able to keep a luxury positioning in the market because they did not recognize that a building a strong brand reputation was becoming everyday more an inescapable condition. Unless the excellent quality of their products, the use of rare and precious materials, their crafting superiority and the efforts devoted to genuine design improvement, most of these companies struggle to survive or – in the worst cases – are forced to retire.

Hence, the first rule for having a chance of success in the luxury market consists in defining a precise and consistent brand image, as well as in devoting continuous attention to keep the luxury positioning (Fionda and Moore, 2009). Indeed, the literature dealing with luxury marketing and luxury branding is extremely profuse.

Nonetheless, some negative side-effects of concentrating the efforts on marketing and branding can be traced: as it could be expected, some companies run into the mistake of disregarding almost every other aspect of their business (i.e. many took product related issues for granted). Famous examples of wrong brand extensions are quoted by the academic literature (Reddy and Terblanche, 2005), such as material quality problems, product availability (e.g. the season's "must" not available in the flagship store), delays in deliveries (e.g. a precious gift delivered after the birthday date), poor service (e.g. bad repairing, customization not available, etc.).

2.1.3 Add more value to the image. Why is it possible to find poor quality products or poor service in the offer of luxury brands? In some cases, it happens because limited span of control is a common feature of the small niche players and, in addition, – despite few companies are willing to admit it – also luxury manufacturers suffer from costs pressure. These are among the possible reasons why they often had to

sacrifice “something” on the altar of the brand: in some cases, this “something” was related to quality, material contents or manufacturing and logistics processes. For instance, product assembly was often delegated to outsourcers without providing them the appropriate support for setting up an accurate manufacturing process; in other cases, sourcing was reduced to a standard activity, forgetting that raw materials can represent the milestone for a truly luxury product. But the financial crisis not only added further stress on the costs aspects; it also revealed that – in order to survive market recession – real value has to be delivered to the customer.

Despite the overall growth, the luxury business was not immune to the effects of the recent economic downturn. According to Bain, some sectors even entered a recession in 2009 (Bain & Co.[2]), hit by the exchange rate fluctuations and economic turbulence that reduced the confidence of many luxury consumers in mature markets. Despite optimistic general expectations for the coming years (raise in spending by high net worth individuals on luxury goods in emerging markets – including Brazil, Russia, China and India – increasing tourist flows, etc.) and a worldwide spread desire for increasing personal wealth and satisfaction, luxury companies cannot just wait for better times: it is necessary to take some actions in order to survive the crisis and build some elements of success for competing as leaders when a new positive phase will take place.

Of course, efforts in building and supporting the desired brand image should not be abandoned. But marketing efforts alone cannot guarantee a long-term stability. Nueno and Quelch (1998) observed that design and communication management is only one of the elements that contribute to the success in the luxury market, together with product line management, customer service management and channel management. Christopher *et al.* (2007) highlighted that the concept of “value” is more and more related to the services that the SC is able to offer to the customer. Also, market leaders recently suggested to focus on aspects other than marketing and branding and to dedicate renovate attention to the process that lies behind the market-end.

Hence, the whole SC appears relevant for success in the luxury market due to its strategic role in the business. However, the academic literature gave scarce attention to this topic. Basically, researchers dealing with the luxury market only took into account marketing and branding issues; similarly, authors dealing with SC strategies rarely took into account the specificity of the luxury market.

The present paper, aims at introducing some reflections for exploring what lies beyond the surface of luxury brands, focusing on the fashion component of the luxury market, and describing:

- the objectives that can be targeted by SC processes in order to align all the activities towards the CSF of the t market; and
- the concrete choices and practices along the SC that can be adopted in order to implement such alignment.

2.1.4 Never break brand promises. No one could deny that achieving the appropriate brand positioning and building its reputation is absolutely a necessary condition for success in the luxury market. Nonetheless, both academics and practitioners now acknowledge the relevance of whatever lies beyond the market surface (e.g. operations and SC), in other words, it is necessary to provide substantive demonstration and delivery of the excellence promises made through the brand (Aaker, 1991).

Support to this opinion also came from one of the most influential men of the luxury world, Bernard Arnault (CEO of the LVMH group), who – at the International Herald Tribune’s Luxury Business Conference in 2007 – declared that “high standards can and must be maintained throughout the SC, from production to distribution in retail stores.” A further eminent opinion comes from François Pinault (CEO of the Kering group) suggesting (International Herald Tribune 2006 Luxury Conference) to re-consider “product” as the fundamental element for competing in the luxury business (i.e. paying more attention to product itself would allow company to focus on the highest end of the luxury market).

2.2 *Luxury SCs*

At this point, it is necessary to deal briefly with two topics that allow completing the framework for further considerations about the SC and the operations processes of fashion-luxury companies:

- a short review of the academic contributions dealing with focused SCs (i.e. product and market features influence the correct choices for transforming a set of raw materials into a precise customer experience); and
- the specific contributions regarding luxury SCs, in order to provide the base for further steps.

2.2.1 Brief introduction to SCs. A SC can be described as the set of activities that allow the evolution from the initial raw materials to the ultimate consumption of the finished product, passing across suppliers, manufacturers, distributors and companies with other roles (Cox *et al.*, 1995) encompassing “every effort involved in producing and delivering a final product from the supplier’s supplier to the customer’s customer”[3]. Childerhouse *et al.* (2002) speak of “Demand Chain” in order to highlight the need for customer orientation: “the whole manufacturing and distribution process may be viewed as a sequence of events with one purpose: to serve the ultimate customer.”

Some major economic trends, to which luxury companies were not immune, characterized the last decades: globalization of markets; development of potential competitors worldwide; evolution of consumers towards the demand for higher variety, customized products, high quality and high service level. In order not to disperse their efforts, companies often decided to focus on a limited set of core competencies (e.g. Caniato *et al.*, 2011 assessed that in many cases design and collection development are considered as the “core competence” in the luxury industry while manufacturing can be easily delegated): this turned out into a dramatic increase in outsourcing. Therefore, as firms no longer owned the whole set of necessary assets to cover the whole manufacturing and distribution process, the only one to satisfy more demanding and sophisticated customers on the one hand, and, on the other hand, shareholder’s interests consisted in pursuing coordination or collaboration with partners such as suppliers, customers and third party service providers in order to direct efforts towards common objectives. These are some of the reasons why SC management emerged as fundamental in order to remain competitive in a context where most activities are outsourced and the interaction of multiple actors is critical to ensure the delivery of products to the customer (e.g. Stevens, 1989).

2.2.2 One size does not fit all. However, acknowledging that SC management is critical in order to keep the pace of competition on the global markets is not enough.

Companies generally have to guarantee profitability and to ensure the delivery of products to customers, satisfying their requirements in terms of functions, quality, variety and service (Stevens, 1989; Li and O'Brien, 2001; Aitken *et al.*, 2003; Holweg, 2005; Demeter *et al.*, 2006); the point is how a precise company, with its peculiar features, could achieve that all.

Many authors agree that the right SC strategy corresponds to alignment towards the CSF of the specific product or of the target market. This is among the reasons why the same SC approach is not indifferently suitable in any situation: a strong market orientation is everyday more needed in order to get the alignment to the right CSF. As a consequence, many differences exist among SCs that face different CSF (Fisher, 1997; Frohlich and Dixon, 2001; Schnetzler *et al.*, 2007). The academic literature reports several examples about how industry or product features can influence significantly SC management choices in correspondence to different CSF structures (Caniato *et al.*, 2009; Al-Mudimigh *et al.*, 2004).

Several authors have demonstrated such dependence on product/market characteristics: among the most referred authors, Fisher (1997) identified two classes of products, namely functional and innovative, which require different SCs. Functional products match with a physically efficient SC strategy while innovative products match with a market responsive one. Lamming *et al.* (2000) considered product uniqueness and product complexity as relevant drivers for SC choices; Lee (2002) highlighted the relevance of supply and demand uncertainty. Other authors proposed SC models based on the identification of the dominant CSF (Christopher and Towill, 2002); others addressed as major drivers the following variables: duration of life cycle, lead time, volume, variety and variability (Childerhouse *et al.*, 2002; Vitasek *et al.*, 2003; Cigolini *et al.*, 2004). Lee (2004) defined the so called triple "A" SC (Agility, Alignment, Adaptability): this characteristics are needed in order to build a competitive and sustainable structure.

Despite all the quoted authors highlighted that a one-size-fits-all approach cannot suit and supported this observation through case studies from several industries, none of them took expressly into account the field of luxury goods and its characteristics. Hence, it cannot be taken for granted that the same SC approaches and practices used in the mass market also fit luxury business (Brun *et al.*, 2008). In order to verify the suitability of such models to the luxury world, Caniato *et al.* (2009) provide a detailed description of these models and how they can be applied to the luxury industry.

3. Research objectives: developing a model for luxury SCs

3.1 State of the art and gaps to be filled

Thanks to detailed review of the consolidate models and a comparison of such models to a sample of companies operating in the luxury industry, Caniato *et al.* (2009, 2011) were able to:

- Assess whether the drivers for SC choices proposed by the academic literature are suitable for luxury products.
- Assess to what extent they can be used to identify luxury or to distinguish between different luxury types (e.g. uniqueness is a common element for the whole luxury industry; in contrast luxury products can be classified as simple vs complex).
- Identify some impacts of such variables on SC choices, both in general and in terms of concrete practices.

Table I provides a synthetic view of such results.

Contingent variables	Reference model	Description	Implications for the SC
Uniqueness	Lamming <i>et al.</i> (2000)	Luxury companies pursue product uniqueness among other CSF	Luxury companies should protect unique resources along the SC
Product complexity	Lamming <i>et al.</i> (2000)	Luxury products can be complex or simple	Luxury companies should differentiate SC choices for complex and simple products
Supply profile	Lee (2002)	Supply profile can be either stable or evolving depending on the product structure	Luxury companies should adapt choices along the SC according to supply profile
Variety Volumes	Waddington <i>et al.</i> (2002) and Childerhouse <i>et al.</i> (2002)	Luxury products often are offered in high variety and sold in low volumes	Make-to-forecast approach is not suitable for high variety/low volumes
Quality	Christopher and Towill (2002)	Superior quality is a “must” for competing in the luxury market	Luxury companies have to ensure superior quality along the whole SC, both in materials and processes
Volume-variability profile	Vitasek <i>et al.</i> (2003)	Luxury products can present different profiles as regards selling volumes and demand variability	Luxury companies should apply different SC choices depending on volume-variability profiles (e.g. differentiate among high luxury and diffusion lines)
Market characteristics	Lee (2004)	Luxury companies explicitly pursue specific CSFs	SCs should be aligned towards the appropriate set of luxury CSF

Source: Adapted from Caniato *et al.* (2009)

Table I.
Relevant SC drivers extracted from consolidated models and their implications

A major result consists in showing that – instead of insisting on the typical operations objectives such as costs, quality, delivery lead time, flexibility and service level – SC and operations managers of luxury companies explicitly declare that they pursue the typical CSF of luxury[4].

However, the quoted authors actually do not achieve to propose a proper model for managing the SC of luxury companies. Indeed, a luxury product or brand does not necessarily targets the whole list of CSF but only a selected subset of them: hence, each luxury company (with its portfolio of brands and products) will present a very peculiar situation, both in terms of the specific CSF pursued throughout its SC and in terms of the relative importance of each CSF (Brun *et al.*, 2008); often, differences can even lead to the decision of managing separate SCs within the same company (Brun and Castelli, 2008). In addition, especially for fashion-sensitive businesses, luxury brands often act as “trend setters”, so they frequently renovate their offer and their business model in order to prevent commoditization (Castelli *et al.*, 2009).

In order to make a step forward, the objective of the research presented in this paper can be described as follows:

[...] assessing how it is possible to take into account the specific objectives of luxury companies (expressed in terms of CSF) and propagate them in the upstream steps of the SC, so to align accordingly the configuration and management choices along the SC.

3.2 *A unique model for a unique business field*

This peculiar nature of each luxury company leads to formulating the idea that a “unique” approach to SC is required (Castelli *et al.*, 2009): in other words – in line with “uniqueness”, one of the most characterizing features of luxury (Vigneron and Johnson, 2004) – each luxury company represents a “unicum” with its “unique” and characterizing competitive model, consistent in itself, from brand image to SC choices.

In order to identify the most correct choices, the path was suggested by Brun *et al.* (2008) and Caniato *et al.* (2009): as that luxury companies – either expressly or implicitly – decide for a certain management choice/practice in order to pursue specific luxury CSF, guidelines can be drawn for aligning SC choices towards the CSF of luxury by indicating the most relevant SC objectives to be addressed according to the selected subset of pursued CSF and by providing examples of the corresponding configuration and management choices.

In this, a passage is still missing in order to map completely the relationship between a luxury CSF and a configuration/management choice along the SC. Indeed, luxury CSF are defined at a consumers market level, hence the identification of the target set of CSF for a luxury company is not enough for providing operational suggestions for the SC, for the objectives of a SC are typically expressed in terms of performances such as reactivity, efficiency, etc. as detailed in Section 4.1.1.

For sure, choices/practices along the SC impact on the performance objectives of the SC. In other words, a certain choice along the SC would impact both in terms on SC objectives and on luxury CSF on the market.

The research framework represented in Figure 1 shows explicitly the passages for luxury CSF to SC choices passing through SC objectives. Such framework represents a first – theoretical – contribution of this research.

4. Research steps and methodology

In order to pursue the research objective the following research steps were executed:

- (1) Identification of the theoretical elements included in the framework:
 - description of the generic SC in terms of processes, according to the academic literature;
 - identification of typical SC objectives from academic literature;
 - consolidation of luxury CSF; and
 - identification of an initial list of SC configuration and management choices, according to the academic literature.
- (2) In depth case studies within a sample of 34 fashion-luxury brands:
 - assessment of choices and practices applied along the SC of luxury companies (as semi-structured interviews);
 - assessment of the link between the mapped choices and the targeted luxury CSF (i.e. the interviewee was explicitly asked to draw/confirm such connection);
 - assessment of the link between the mapped choices and the targeted SC objectives (i.e. the interviewee was explicitly asked to draw/confirm such connection); and
 - further exploration of the strategic value of choices along the SC (i.e. each company was asked to look at the list luxury CSF and to name other choices/practices – in addition to those already mapped – connected to the luxury CSF).

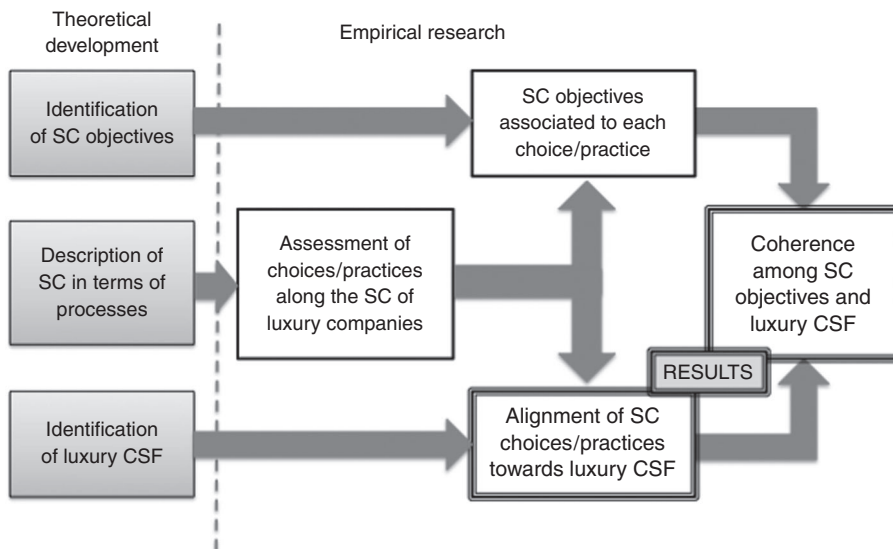


Figure 1.
Research framework

4.1 Theoretical elements of the framework

The following paragraphs describe in further details the definition of the theoretical elements of the model.

4.1.1 Processes along the SC. A SC can be described in terms of business processes, that represent the way through which products are conceived and flow through manufacturing towards the end consumers. The various actors along the SC take part in these processes; hence they can contribute (positively or negatively) to the alignment of the SC towards the CSF of the market.

Several authors proposed their approach for describing the processes within a SC. Among the most referred, Lambert and Cooper (2000) identify eight general business processes, namely, (1) customer relationship management, (2) customer service management, (3), demand management, (4) order fulfillment, (5) manufacturing flow management, (6) procurement, (7) product development and commercialization, (8) returns.

Such model was chosen for representing luxury SCs, synthesized and adapted according to the specificities of the luxury business, for which, Nueno and Quelch (1998) suggest preeminent relevance of the following processes: (a) design and communication management, (b) product line management, (c) service management and (d) channel management. Hence, the SC processes analyzed during the case studies are:

- customer relationship and service management, integrating items (1), (2) and (8) proposed by Lambert and Cooper (2000) as well as item (a) indicated by Nueno and Quelch (1998);
- demand management, including also the “order fulfillment” activities;
- manufacturing flow management, including elements of item (b) indicated by Nueno and Quelch (1998);
- procurement; and
- product development and commercialization including item (d) and elements of item (b) indicated by Nueno and Quelch (1998);

4.1.2 Performance objectives of a SC. A SC pursues a set of objectives in order to be competitive within a certain business context: these objectives are typically revealed by the results on measured.

The SCOR[2] model (that claims general suitability in any case, so even to the luxury world, with the appropriate adaptation) represents a good starting point for defining the performance objectives of luxury SC. Other suggestions derive from the literature analyzed by Caniato *et al.* (2009).

The SCOR model presents a very detailed list of performances, grouped into five performance areas (namely: responsiveness, flexibility, costs, asset management, reliability); a brief explanation is provided for each of them, together with further specification that allow better comprehension of the concrete objectives associated:

- Responsiveness refers to “the speed at which a SC provides products to the customer.” Speed related aspects are also addressed by Lee (2004) for achieving an “Agile-Adaptive-Aligned” SC.
- Flexibility is “the agility of a SC in responding to marketplace changes to gain or maintain competitive advantage.” Lee (2004) refers to the same concept by using the term “adaptability.”
- Costs refers to “the overall costs associated with operating a SC.” These represent the costs related to sourcing, manufacturing and distributing the product.
- SC Asset Management refers mainly to inventory metrics along the SCOR model. Hence, it is easier to understand it in terms of an “Inventory Costs” objective for the SC.
- Reliability expresses the ability of a SC of “delivering the correct product, to the correct place, at the correct time, in the correct condition and packaging, in the correct quantity, with the correct documentation, to the correct customer.” Given its multifaceted nature, it can be split into three aspects: product quality, traceability and availability[5].

A further SC objective that should be considered specifically by luxury companies is that of “uniqueness,” as suggested by Lamming *et al.* (2000).

Last, all the indications of directing SC efforts towards market satisfaction (i.e. “alignment,” as reported by Lee, 2004) suggest to explicitly state “market orientation” as an objective, so including all the choices that are purposely made in order to be aligned with the luxury market.

4.1.3 CSF for the luxury market and their meaning for SCs. The CSF of the luxury market are listed in section 2.1. According to the Prentice Hall glossary, CSF as those aspects of a strategy that must be achieved in order to successfully meet objectives and, if possible, to secure competitive advantages[6]. Clearly, it is not automatic to derive from luxury CSF the most appropriate choices in terms of SC practices. Indeed, a SC typically addresses objectives such as efficiency or responsiveness (see Table II). For instance, the order winner in the target market can be low price; or it could be the ability of responding quickly to a variable customers demand. This kind of CSF can be easily translated into SC requirements: according to the first example, if the CSF is “low price” the efforts of SC managers should be directed towards cost reduction. Hence, continuing with the example, a coherent choice could be that of delocalizing

manufacturing activities in countries with low labor cost. In contrast, it is hard to provide a concrete meaning (in terms of operational practices) when, for instance, the objective for the SC is respecting “brand reputation” as a CSF. The answer does not come so immediately as it happens when the market CSF is “low price.”

It is worth noticing that – in the example – “low price” is the CSF on the market, i.e. the requirement expressed (the feature perceived) by the customer; “costs (reduction)” is the explicit objective for the SC; “delocalization” is the consequent choice (one of the possible choices that satisfy the CSF). The relation between CSF on the market and SC choice is not direct: it is mediated by something else, i.e. the SC objective.

Hence, in order to understand which choices along the SC (and why) can support alignment towards luxury CSF, it is worth following the same logic, i.e. translating luxury CSF into explicit objectives for the SC.

4.1.4 *Configuration and management choices along the SC.* The choices made along the SC can contribute to pursuing the selected objectives described in the previous section. Such choices can be roughly classified into two categories:

- (1) SC configuration choices, that reflect long-term strategic decisions. They include aspects such as: vertical structure of the SC in terms of number of levels (Lambert *et al.*, 1998; Lin and Shaw, 1998); horizontal structure of the SC in terms of number and kind of actors in each level (Lambert *et al.*, 1998; Choi and Hong, 2002); geographical dispersion of the actors – level of globalization; localization of manufacturing plants and other network facilities (Harland *et al.*, 1999; Choi and Hong, 2002; Srari and Gregory, 2008); positioning of the order penetration point (Naylor *et al.*, 1999; Holmstrom *et al.*, 2000; Van Donk, 2001; Olhager, 2003); physical structure of the distribution network (Naylor *et al.*, 1999); ownership level of vertical integration, level of outsourcing (Harland *et al.*, 1999; Srari and Gregory, 2008). For instance, as regards configuration choices, it can be expected that SC length, number and kind of actors, localization, level of integration and decoupling point positioning can influence success in the luxury market with respect to its CSF.
- (2) SC management choices related to different given configurations (Lamming *et al.*, 2000; Giannakis and Croom, 2004; Bruce *et al.*, 2004; Harland *et al.*, 2004; Christopher *et al.*, 2004). Cigolini *et al.* (2004), provide an extensive analysis of the literature including a wide variety of management choices. They list the use of the following tools and techniques: JIT[7]; continuous replenishment, VMI[8]

SC objective	Major references
Responsiveness	SCOR, Fisher (1997), Waddington <i>et al.</i> (2002) and Lee (2004)
Flexibility	SCOR, Fisher (1997), Lee (2004) and Cigolini <i>et al.</i> (2004)
Product costs	SCOR, Fisher (1997) and Christopher and Towill (2002)
Inventory costs	SCOR, Fisher (1997) and Christopher and Towill (2002)
Quality	Lamming <i>et al.</i> (2000) and Christopher and Towill (2002)
Traceability	SCOR, Lamming <i>et al.</i> (2000) and Zokaei and Hines (2007)
Availability	SCOR, Lee (2004) and Doyle <i>et al.</i> (2006)
Uniqueness	Lamming <i>et al.</i> (2000)
Market orientation	Lee (2004) and Zokaei and Hines (2007)

Table II.
List of suitable objectives for luxury supply chains

or CPFR[9]; distribution requirements planning; design for SC management; capacity planning; warehouse network redesign; transportation fleet design; facilities network redesign; level of automation in the stocking points; single, parallel and multiple sourcing; electronic data interchange; vendor rating systems; logistic category management; group purchasing organizations; reserving upstream capacity or stock; reordering policies; business process reengineering; online connections; automated identification systems.

4.2 Case studies in the fashion-luxury market

In order to collect all the necessary information for filling in the framework, the methodology of multiple case studies was selected. Indeed case study research results particularly appropriate for empirical analysis which aim at answering “how” and “why” research questions (Yin, 2009).

As previous research results (Brun *et al.*, 2008; Caniato *et al.*, 2009) showed that fashion-sensitivity is a relevant source of differentiation when dealing with the SC of luxury companies. Hence, the authors preferred to concentrate on a homogeneous sample from the fashion-impact point of view.

The sample included 34 worldwide known fashion-luxury brands, belonging to 18 different groups; the sample included both large and small firms. Table III reports a synthesis of the brands involved in the research, in terms of industry, group turnover and luxury positioning.

The companies were selected in order to cover all the three luxury segments (proposed by Altgamma and considered by De Barnier *et al.*, 2012), namely, Absolute, Aspirational and Accessible and were classified in the three segments depending on their price positioning and on the presence of a worldwide renowned brand. The co-existence of extremely high price positioning and world renowned brand allowed positioning as Absolute brands; where price positioning is exclusive but attainable or the brand is not globally renowned, positioning was defined as “Aspirational”; accessible prices or an explicit mission towards accessibility put the companies in the “Accessible” segment:

- Absolute luxury brands are characterized by elitism, heritage and uniqueness (e.g. Harry Winston, Hermes). This segment includes the brands historically associated with luxury and manufacturers of precious products that traditionally drove the market.
- Aspirational luxury brands achieve their status by being recognizable and distinctive, which are represented by such brands as Gucci and Louis Vuitton.
- Accessible luxury brands, are more affordable than their Aspirational “relatives”. A very large number of consumers can purchase brands such as Coach and Hugo Boss, and they typically buy these brands in order to show the ownership of a status symbol or to feel they belong to the “class”. This category of items is largely purchased by middle-class households in Europe and the USA but is also growing in Asia-Pacific (excluding Japan); this suggests that sales growth in the Asia-Pacific region is driven by the high degree of entry-level access to luxury goods.

For further details about the Altgamma classification see Brun and Castelli (2013).

Information was collected using semi-structured interviews to managers (e.g. general managers, operations managers, SC managers, retail managers) and documentary analysis, focusing on the dominant products and selling channels that – in the opinion of

Group ID	Brand ID	Luxury type	Main products	Representative price €	Group turnover 2012 (M€)
A	Brand 01	Accessible	Apparel	400 for a woman dress	7,200
A	Brand 02	Accessible	Apparel	300 for a woman dress	7,200
A	Brand 03	Aspirational	Apparel	800 for a woman dress	7,200
A	Brand 04	Aspirational	Apparel	300 for a woman dress	7,200
A	Brand 05	Absolute	Apparel	2,000 for a woman dress	7,200
B	Brand 06	Accessible	Jewelry	300 for a steel necklace	750
C	Brand 07	Absolute	Jewelry	10,000 for a diamond ring	1,100
C	Brand 08	Aspirational	Leather goods	5,000 for a woman bag	1,100
D	Brand 09	Aspirational	Leather goods	2,000 for a woman bag	1,500
D	Brand 10	Absolute	Apparel	2,000 for a woman dress	1,500
E	Brand 11	Accessible	Apparel	1,500 for a man suite	140
E	Brand 12	Aspirational	Apparel	3,000 for a man suite	140
E	Brand 13	Absolute	Apparel	on demand	140
E	Brand 14	Aspirational	Apparel	3,000 for a man suite	140
F	Brand 15	Aspirational	Jewelry	8,000 for a diamond ring	150
G	Brand 16	Accessible	Shoes	300 for a pair of shoes	80
G	Brand 17	Aspirational	Shoes	500 for a pair of shoes	80
H	Brand 18	Accessible	Leather goods	300 for a woman bag	210
I	Brand 19	Absolute	Leather goods	5,000 for a woman bag	3,400
J	Brand 20	Accessible	Apparel	1,500 for a man suite	400
J	Brand 21	Aspirational	Apparel	3,000 for a man suite	400
K	Brand 21	Aspirational	Apparel	1,500 for a woman dress	1,800
K	Brand 22	Aspirational	Apparel	1,000 for a cashmere item	1,800
L	Brand 23	Absolute	Apparel	3,000 for a woman dress	80
M	Brand 24	Accessible	Apparel	50 for a swimsuit	25
M	Brand 25	Aspirational	Apparel	100 for lingerie	25
N	Brand 26	Accessible	Leather goods	700 for a leather bag	65
O	Brand 27	Aspirational	Leather goods	2,000 for a woman bag	9,000
O	Brand 28	Aspirational	Shoes	500 for a pair of shoes	9,000
O	Brand 29	Accessible	Shoes	300 for a pair of shoes	9,000
P	Brand 30	Absolute	Jewelry	10,000 for a diamond ring	9,000
P	Brand 31	Accessible	Jewelry	2,000 for a gold pendant	9,000
Q	Brand 32	Aspirational	Shoes	500 for a pair of shoes	1,200
J	Brand 33	Absolute	Apparel	3,000 for a woman dress	400
J	Brand 34	Aspirational	Apparel	800 for a woman dress	400

Table III.
Synthetic view of the brands involved in the case studies

management – were representative of the brand: product features were examined in detail; the main CSF pursued by the company (both luxury CSF, e.g. brand reputation, and traditional ones, e.g. service level) were identified; data about distribution channels and demand were collected (e.g. localization of stores, seasonality of volumes). The main part of the interview focused on the configuration and management choices adopted along the SC: for each of the choices listed by the interviewee, it was possible to explicit both one or more SC objective as well as the CSF that were coherent to that choice.

5. Findings

A large amount of data were collected during the case studies, which allowed achieving several results. The following paragraph focus on the first logical part of the framework presented in paragraph 4, i.e. the alignment of SC choices/practices towards luxury CSF (Section 5.2) and the relationship between luxury CSD and SC objectives (Section 5.3). Further results will be presented in forthcoming papers.

5.1 Data systematization and analysis

The information collected in the case studies was systematized in order to allow frequency analysis of the data. A database was created that listed all the practices mapped in the case studies and their connection to luxury CSF and SC objective, so obtaining a list of 745 combinations of brand-SC choice-luxury FCS-SC objective. Also, other details – mainly with a classification purpose – were associated to these combinations, such as the luxury type associated to the brand, the company size, the SC process where the SC choice belongs.

This allowed classifying the data and extract, from time to time, selected subsets of data characterized by defined features (e.g. “how it is frequent in the sample to register SC choices aimed at increasing exclusivity”).

5.2 CSF supported through the SC

The case studies largely confirmed that many choices and practices along the SC are directed towards the creation of a particular CSF on the market: indeed, the interviewees were able to identify both purposely made choices (i.e. choices explicitly driven by the objective of achieving better results compared to a certain luxury CSF) and choices for which the impact on luxury CSF was actually a “by-product” (i.e. decisions derived from other drivers that result connected to luxury CSF). Indeed, as already revealed by Caniato *et al.* (2011), most of the practices applied in these companies are not luxury-specific nor exclusively meant to pursue the luxury CSF. However, they are explicitly recognized as instrumental for achieving such luxury CSF: the difference between luxury companies and non-luxury companies often does not lie in the kind of choice but in the meaning that a certain choice has compared to the business strategy.

Table IV presents the list of luxury CSF that (according to the companies in the sample) resulted more frequently addressed through choices and practices along the SC.

In order to ensure correct understanding of the numbers reported in Table IV, a detailed explanation is provided in the following:

- Per each case study – as explained in the methodology section – all the SC practices in use were mapped, and per each SC practice the connection with one

Pareto class	CSF	No. of occurrences in the sample	% in the sample	Cumulate % in the sample
A	Exclusivity	128	17.2	17.2
	Superior quality	123	16.5	33.7
	Brand reputation	114	15.3	49.0
	Customer satisfaction/ Service level ^a	89	11.9	60.9
	Heritage of craftsmanship	52	7.0	67.9
	Country of origin	49	6.6	74.5
	Emotional appeal	46	6.2	80.7
B	Accessibility ^a	39	5.2	85.9
	Recognizable design	38	5.1	91.0
	Uniqueness	29	3.9	94.9
C	Lifestyle	24	3.2	98.1
	Technical performances	14	1.9	100.0

Note: ^aIndicates the CSF emerged from the interviews

Table IV.
CSF pursued through specific practices/choices along the SC

or more luxury CSF was registered (notice that – as can be expected – a same SC practice was often applied by many brands). This way, a long list of 745 couples “SC practice-CSF.”

- Per each CSF, the number of lines (i.e. occurrences) was counted (i.e. the sum was calculated of the number of SC choices implemented by the different brands and connected to that CSF; for instance, if brand 1 declared that they aim at CSF1 through SC choices A, B and C and brand 2 declared that they aim at CSF1 through SC choices B, D and E, the total number of SC choices connected to that factor, mapped within the sample, is six). The values obtained were then normalized in percentage terms and a Pareto classification was applied, i.e. class A includes the CSF that cumulate 80 percent of the practices mapped in the sample: these can be considered the major drivers for SC choices in fashion-luxury companies.

Notice that two further CSFs emerged from the interviews in addition to the initial list, namely, “accessibility” and “customer satisfaction/service level”; these additional CSF do not belong to the original list derived by the literature but were added because they emerged as relevant for many companies in the sample. Indeed:

- Most of the Accessible luxury brands involved in the case studies declared a set of practices (e.g. delocalization of manufacturing in low cost countries) that could appear in contrast with a luxury positioning; actually, such practices can be coherent with the objective of enlarging the consumers base – typical of the extension towards the Accessible segment. For sure, any luxury brand should be very careful when pursuing this kind of objectives, in order not to risk excessive brand dilution (Reddy *et al.*, 2009).
- As regards “customer satisfaction/service level”, the case studies revealed that – compared to previous research works such as Brun *et al.*, 2008 and Caniato *et al.*, 2009 – fashion-luxury companies began to consider “logistic” performances (such as service level) as a relevant element in their relationship with the customers.

It is interesting to notice that the Pareto distribution of luxury CSF connected to SC practices/choices changes when stratifying the sample in terms of different “types” of luxury (i.e. Absolute, Aspirational, Accessible), as reported in Figure 2. This figure allows a comparison of the relative relevance of different CSF on the three different luxury segments (e.g. SC practices by Accessible luxury brands are more directed towards creating the CSF “Accessibility” – about 14 percent of the occurrences in the sample – than those by Absolute and Aspirational brands – 1 and 3 percent, respectively).

The CSF exclusivity has great relevance mainly for Absolute and Aspirational brands, which reveals a concrete effort in providing the factors that characterize luxury (either creating material of informational scarcity (Catry, 2003), not just the scent of it; in contrast, Accessible brands result more committed in pursuing accessibility so to reach that wide segment of consumers that desire to feel involved in a luxury atmosphere but cannot actually afford the expenditure levels required by Aspirational or Absolute brands (Truong *et al.*, 2009). Furthermore, Absolute brands declare that their choices along the SC aim at pursuing the CSF uniqueness much more frequently compared to Aspirational and Accessible ones. The CSF emotional appeal appears to be quite relevant for the overall luxury market. These results look coherent with the positioning on the luxury pyramid.

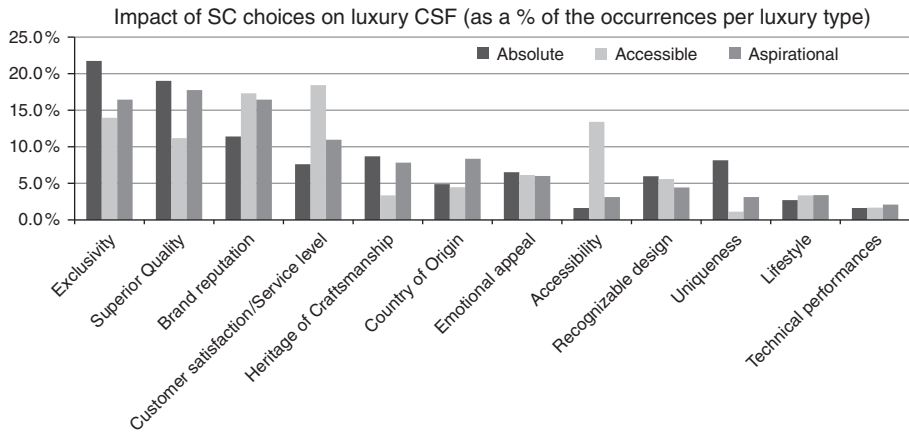


Figure 2.
Impact of SC choices
on luxury CSF

Hence, a clear distinction emerges between Absolute and Accessible brands:

- The former are most concerned on “hard” or “objective” luxury elements directing their efforts along the SC towards the creations of superior quality of materials and processes, uniqueness obtained through unique resources along the SC, exclusivity in terms of product and experience. It could be said that Absolute luxury brands are still connected with an historical concept of luxury, despite they were able to renovate their image and offerings across the decades.
- The latter are more focused on “soft aspects” such as brand reputation and customer service, and aim at enlarging the customer base by claiming a luxury positioning of their image and by providing higher physical accessibility to their products. Indeed, most of these Accessible brands are new entrants in the luxury market, hence this can also be interpreted as a choice of entering the market with a relatively small investment with the intention of entering more concretely in luxury SC practices in the future.

Aspirational brands confirm their role as a mix of Absolute and Accessible characteristics, so confirming that choices along the SC reflect the middle positioning on the marketing side. This observation is also supporting the possibility of evolving in terms of positioning (e.g. from Accessible to Aspirational) by introducing practices in use in the closest segment.

5.3 Relationship between luxury CSF and SC objectives

Table V provides an overview of the correspondences – as observed in the sample – between luxury CSF and SC objectives according to the case studies; it also highlights the most frequent relationships. Overall, 722 occurrences were mapped[10] in which the interviewee was able to indicate – beside the luxury CSF targeted by means of the considered practice/choice along the SC – the explicit SC objective pursued through that particular practice/choice.

	Quality	Market Orientation	Uniqueness	Availability	Traceability	Responsiveness	Inventory costs	Flexibility	Product costs
Exclusivity	5	18	44	2	24	9	26		128
Superior quality	98	7	1	2	13			1	122
Brand reputation	20	43	10	6	26	6			111
Customer satisfaction/ Service level		1		49		31		8	89
Heritage of craftsmanship	14	7	24					7	52
Country of origin	20	20	2					7	49
Emotional appeal	1	29	6	7					43
Accessibility				18				1	39
Recognizable design		15	16						31
Uniqueness			29						29
Lifestyle	9	8							17
Technical performances	9		3						12
	176	148	135	84	63	46	26	24	20
									722

Table V.
Correspondences
between luxury CSF
and SC objectives

Applying a Pareto classification, the A class of SC objectives for luxury companies would include quality, market orientation, uniqueness, availability and traceability.

For sure quality, (176 choices across the case studies aim at this SC objective, the most pursued SC objective across the sample) as a synonymous of “excellence,” is a market qualifier for competing in this market: the first requirement for the SC is ensuring the desired level of quality in every step of the processes, either in terms of compliance with defined standards and absence of defects (the same meaning as in “commodity” sectors) and in terms – for instance – of innovative design, selection of procured materials, exceptional manufacturing abilities, on demand logistics or after sales services. All the steps of the SC that potentially impacts of the quality perceived by the customer should be carefully designed and executed in order not to fail in exceeding customer’s expectations. As for the relationship with luxury CSF, quality is mainly related to superior quality and country of origin (indeed, the reputation of a certain country or area is normally connected with the conviction that in that the geographical characteristics of the area or the specific competences of the people allow a superior quality of the products realized).

Market orientation reports all those choices – such as localizing the production facilities in Italy, defining a long waiting time for having customized products (e.g. 12 months for a rare leather bag) or collaborating with famous designers in both product development and store design – that in a “commodity” market would be easily considered as unnecessary expenses while, in contrast, represent a fundamental element for making the product/brand so highly desirable (Caniato *et al.*, 2011 would call them “value-added inefficiencies”). Such choices are mostly connected to the “Brand reputation,” “Emotional appeal” and “Country of Origin” CSF, which are probably the hardest to be translated in terms of traditional performance objectives of a SC.

Table VI provides the list of the choices/practices that the interviewees indicated as instrumental for market orientation.

In particular some SC configuration choices (e.g. made in Italy/France) often do not have a specific measurable result on the brand’s products except legitimating their positioning in the luxury market. It is also worth remarking the importance of Packaging design/selection in providing alignment to the market: in these companies it is not rare that the development and production of packaging has almost the same importance as developing and manufacturing the product. Indeed, packaging is typically branded, is made of particular materials which provide the customers with new sensations and emotions, has a characterizing design which facilitates the involvement in the luxury aura.

Uniqueness is actually the principal SC objective characterizing the luxury market and differentiating it from “commodity” sectors: indeed, as already intuited by Lamming *et al.* (2000), when the product/brand offered claims to be “unique” the SC should necessarily include elements of uniqueness that must be preserved and protected. This objective, as stated in the previous paragraph, is mostly pursued by Absolute brands, mainly through vertical integration choices (e.g. internal design, internal manufacturing – often even for brand extension lines such as cosmetics! – investments in development of manufacturing skills) or strict collaboration practices with suppliers and partners.

Availability is also a relevant objective, strongly related to the CSF Customer satisfaction (mainly for Absolute and Aspirational brands) and *Accessibility* (for Accessible brands): while for the latter its meaning is very similar as in the mass market (i.e. distributing large volumes so to make the product immediately available to the widest possible number of consumers), in contrast, for Absolute and

Practices/choices along the SC	Occurrences in the sample as an facilitating factor for market orientation
Characterization of monobrand stores	31
Made in Italy/France	15
Localization of stores	14
Special packaging	11
Outsourcing in specialized regions/districts	10
Controlled distribution	9
Specialist multibrand retailers	8
Complementary/entry product lines	8
Ensure in store product variety	8
Sourcing from specific countries/districts	6
Central assortment planning	6
Plant as a showcase	5
Corporate social responsibility	3
Secrecy about manufacturing locations	3
Handmaking	2
Outsourcing to specialist companies	1
Design driven SC	1
Controlled distribution – DOS only	1
Use of e-retail	1
Protection of unique resources	1
Co-design	1
Use of ICT coordination tools	1
No intermediaries	1

Table VI.
Practices/choices meant to increase market orientation

Aspirational brands product availability should mainly reflect a strict alignment with the advertising campaign. In other words, the principle of product scarcity remains valid for creating exclusivity but not for the whole product range: in store stock out must be avoided for the season's must-have, in order not to disappoint customers seeking for them. In terms of SC management, this implies defining very accurate and selective policies for managing stock in all the points of the logistic network.

Finally, traceability reveals relevant especially in order to keep the brand reputation high: indeed, providing complete traceability of the product means making sure some elements on which the purchase is based. On the one side the customer can achieve knowledge about the locations of procurement and manufacturing, about the properties of the materials used or even about the persons that were in charge of that specific order (this happens especially for customized items), so reinforcing the aspects related to superior quality, heritage of craftsmanship, country of origin and exclusivity; on the other side, the originality of the product can be ensured, so allowing the consumer to distinguish original products against counterfeited ones; in addition, implementing traceability along the SC can contribute to highlighting the brand's efforts in terms of sustainability and corporate social responsibility, topics that are achieving more and more relevance in the recent period (Towers *et al.*, 2013).

When stratifying the sample into Accessible, Aspirational and Absolute brands, it emerges that Aspirational brands reflect the configuration of the overall sample, so confirming their average positioning. In contrast significant differences as regards the relevance of SC objectives are observed for Absolute and Accessible brands. Table VII reports the SC Objectives in the A class of Pareto for the three luxury types, also indicating the corresponding luxury CSF.

SC Objective	Absolute	SC Objective	Aspirational	Accessible	
	Main CSF		Main CSF	SC Objective	Main CSF
Uniqueness	Exclusivity, uniqueness, heritage of craftsmanship	Quality	Superior quality	Quality	Superior quality, brand reputation
Quality	Superior quality	Market orientation	Brand reputation, exclusivity, emotional appeal	Availability	Customer satisfaction
Market orientation	Brand reputation, emotional appeal	Uniqueness	Exclusivity, heritage of craftsmanship	Market orientation	Brand reputation, emotional appeal
Traceability	Exclusivity, superior quality	Availability	Customer satisfaction	Product costs	Accessibility
		Traceability	Exclusivity	Responsiveness	Customer satisfaction

Table VII. Stratification per luxury type of luxury CSF vs SC objectives

6. Conclusions

The present paper belongs to a research stream that deals with the link of SC management with the CSF in the luxury market, which still is an under-explored area because the majority of luxury-related literature focuses on the “brand” and the intangible values conveyed by the brand to the owner (e.g. Fionda and Moore, 2009). In this context, the research presented hereby represents an additional step forward because it provides:

- a theoretical model for linking explicitly the typical descriptors of the luxury market (i.e. luxury CSF) with the typical elements considered when dealing with SC management (i.e. performance objective of a SC and SC processes); and
- an initial assessment of the concrete meaning that the link between luxury CSF and SC objectives can assume, explaining it by means of a map of SC choices and practices in a sample of fashion-luxury companies.

6.1 Managerial implications: build your own unique SC

The scope and results of the overall research to which this paper belongs are much wider than those presented in the previous sections.

However, the portion of findings presented in this paper is a sufficient documentation for the direction suggested by Arnault: success in the luxury market does not only depend of efforts in branding and marketing but also on making the most appropriate choices made along the SC, to the point that it is possible to identify which SC choices and practices are aligned with the achievement of specific luxury CSF.

In terms of managerial implications, one of the most interesting contributions consists in the method for assessing the alignment between luxury CSF and the SC: observation of reality often can reveal the path, i.e. by observing the practices of successful luxury-fashion companies and interpreting the reasons behind them, it is possible to get suggestions for pursuing the desired CSF on the market.

The case studies and the variety of their content confirmed the intuition of Castelli *et al.* (2009): each luxury company represents a “unicum” with its “unique” and

characterizing competitive model, consistent in itself, from brand image to SC choices. Hence, also due to the continuous evolution of the sector, a general SC model for luxury companies is probably not worth researching, but it is more interesting to find a way for identifying the elements that managers can use and combine in order to build the most suitable SC for the specific targets of the considered brand.

Indeed, in order to make the correct decisions, it is important to know the rationale behind the specific linkage between SC choices and luxury CSF; hence, it is necessary – first of all – to well understand the set of CSF that the brand wish to pursue on the market; as a consequence, it is possible:

- (1) to evaluate the current configuration of the SC, in terms of choices and practices within the different process, so to understand in which aspects it is aligned towards the CSF defined for the market and, in contrast, which aspects are not coherent/need to be revised; and
- (2) to define explicitly the performance objectives to be pursued by SC processes, and their relative importance, in order to align them towards success on the market.

In addition to the method, which is generally valid, some concrete insights were extracted from the operating reality of the fashion-luxury companies involved in the case studies, in terms of which can be the relative relevance of the different CSF for the SC and in terms of possible instances of linkages between luxury CSF and SC objectives: these can be taken as starting point for concretely approaching the management of the SC of a luxury brand.

6.2 Research limitations and future developments

The results presented represent a useful guideline and offer some methodological suggestions. However, given the large amount of data collected during the case studies, further results should be organized and presented in following publications; in particular, some highlights regarding the linkage between luxury CSF and SC processes were investigated and would be worth analyzing and discussing. As well, it could be interesting to explore more deeply the differences between the different type of luxury (Absolute, Aspirational and Accessible) and the impact of company size/presence of a bigger group.

The main limitation of the study consists in the missing possibility of claiming generalizability of the detailed findings (e.g. which luxury CSF is linked with which SC objective), because the sample size and its composition do not allow statistical significance. Anyway, they can be kept as reasonable reference points for academics aiming at building further knowledge and for practitioners that wish to evaluate possible choices along the SC of their companies.

Clearly, while the research framework and the methodology applied for assessing the links can be applied in general, the detailed findings presented (in Section 5) can be considered reasonable only for the fashion part of the luxury industry: in order to provide insights on the other components of the luxury market (e.g. cars, yachts, etc.) the research should be extended to other sectors. As well, more stratification per product typology within the fashion-luxury market could be advisable, in order to catch the specificities connected to product features.

For sure, the topic of SC management in the luxury industry still deserves attention from both practitioner and academics.

Notes

1. www.altagamma.it (accessed April 17, 2014). The Altagamma report, developed together with Bain & Co., represents a major reference for classifying luxury brands; the proposed classification divides the luxury market into absolute, aspirational and accessible brands.
2. See the “Hot topics” section on www.bain.com (accessed February 13, 2015).
3. www.apics.org
4. For a detailed explanation of luxury CSF (see Caniato *et al.*, 2009).
5. These categories were derived from an in depth analysis of all the metrics that the SCOR model indicates as related to SC reliability: indeed all of them can be brought back to the four areas listed above.
6. <http://wps.prenhall.com/wps/media/objects/213/218150/glossary.html>
7. Just in time.
8. Vendor managed inventory.
9. Collaborative planning, forecasting and replenishment.
10. The total sample of occurrences, as specified in the methodological section, was of 745. However, not for all of them it was possible to associate a performance objectives of the SC: there were 23 cases for which no SC objective was indicated by the interviewee.

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