INLUX

Luxury Expertise

Internal Branding in Personal Selling in the Luxury Industry:

A Holistic Framework for Making Salespeople Brand Ambassadors

by

Julia Riedmeier

INLUX / Luxury Expertise

Stievestr. 9, 80638 Munich, Germany

jr@inlux.biz

www.inlux.biz

Title

Internal Branding in Personal Selling in the Luxury Industry: A Holistic Framework for Making Salespeople Brand Ambassadors

Abstract

Salespeople of luxury brands are one of its most important assets and touch points. Though prevalently, management focuses on branding in external terms instead of internal ones. Giving salespeople the attention and investment needed, represents a prerequisite for the brand's future success. The paper's aim is to create a mindset for this crucial topic and to provide a holistic framework, action plan for luxury companies to make their salespeople passionate and authentic brand ambassadors. Hence, best practices are defined for achieving an effective internal branding program. This is based upon nineteen model comparisons of internal branding literature and six expert interviews from major luxury brands across three organizational levels (general management, shop management, salespeople), as well as one industry expert. These findings were merged, complemented by additional specific literature findings and with the author's own recommendations.

Conceptualized as a salesperson's journey, the framework splits into the stages before (attraction and recruitment) and during (socialization and core employment phase) the employment, which are furthermore subdivided into instruments. As the core employment phase is the journey's heart, trainings, rewards and benefits, internal communication, leadership and working atmosphere, physical work environment, and supporting structures present the corresponding instruments. This non-budget included approach is an ideal guideline to turn the right applicants into brand behaving ambassadors from the very beginning on.

Key words

Luxury, sales force management, personal selling, internal branding, retail, brand ambassador

Table of Contents

Index of Illustrations

Index of Appendices

Index of Abbreviations

ECCIA .... European Cultural and Creative Industries Alliance
HR ....Human Resources, Human Resource Management
LVMH ....Louis Vuitton Moët Hennessy

1 Introduction

Luxury is a global phenomenon that attracted over 390 million consumers worldwide in 2013 (Fondazione Altagamma 2013, 5), and its worldwide luxury market achieved more than 1,385 billion Euros in 2014 (BCG/Fondazione Altagamma 2015, 8). Hereby, the global sales of personal luxury goods accounted for 94 percent in 2014, whereas online sales accounted for six percent (McKinsey & Company 2015, 9). Moreover, focusing on the distribution channel, the physical luxury retail experience is internationally favored over shopping luxury products online (Google/Ipsos 2013; Verdict Retail 2014). At the shop, "the client can live the brand" (Kapferer/Bastien 2012, 234), whereby salespeople deliver the brand experience and shape brand perceptions (de Chernatony 1999, 158; Harris/de Chernatony 2001, 441; Kreutzer/Salomon 2009, 36; Punjaisri/Wilson 2007, 59). They are the brand's personification (Merk 2014, 1; Simi 2014, 90) and the interface to its external stakeholders (Harris/de Chernatony 2001, 441; Okonkwo 2007, 164). Besides, they present the largest employee number at the company (Gutsatz/Auguste 2013, 25), but are often considered and treated as "inferior or less important" (Merk 2014, 8). This degradation can also be recognized by the classification of e.g. Kapferer and Bastien (2012, 284-287) who only mentioned artists, artisans, and managers in managing the human capital in luxury business. They so neglected salespeople, though stated that "it is always people who make a brand" (Kapferer/Bastien 2012, 284). In turn, salespeople perceive such an inferiority, which negatively impacts the customer interaction e.g. resulting in customer complaints about poor service delivery (Okonkwo 2007, 164). Though, exceptional service ought to be one of the luxury industry's main characteristics (Chevalier/Mazzalovo 2012, 280; Kapferer/Bastien 2012, 47). In this respect, the luxury brand's focus needs to be on the salespeople. However, the managerial core priority is creating the external brand world via matching boutiques, visual merchandising, and communication (Gutsatz/Auguste 2013, 158-160). Hence, this triggers luxury customer's high expectations, which then need to be consistently met at every touch point. Respectively, in a survey about touch point management, Esch, Kochann, and Kanitz (2012, 6) found that touch points like employees and point-of-sale are the most important ones besides the product itself. Especially in luxury, this stresses the relevance of personal selling.

Also in respect to branding, the external facet is still leading, so that the internal one is often neglected (de Chernatony 2001, 32; Kreutzer/Salomon 2009, 8; Simi 2014, 91; Tosti/Stotz 2001, 29). So, the focus of brand management is on building brands and a desired image via communication (Tosti/Stotz 2001, 29), what is likewise reflected in the prevailing managerial focus of luxury brands. However, the emerging consciousness that besides brands, people are one of the most precious assets of a company gave rise to internal brand management (Ambler/Barrow 1996, 185; Foster/Punjaisri/Cheng 2010, 401; King/Grace 2009, 124). Predominantly in service brand literature (Foster/Punjaisri/Cheng 2010, 401; Kreutzer/Salomon 2009, 8; Scheys/Baert 2007, 2), as people deliver the intangible offering and brand promise in the service industry (King/Grace 2009, 123). Respectively, employees are central for the company's success (Kreutzer/Salomon 2009, 8). More precisely, satisfied, loyal, and brand conform behaving employees are the most valuable brand's assets (Kreutzer/Salomon 2009, 15), who contribute in building (de Chernatony 2001, 32) and sustaining a brand (King/Grace 2008, 369; Simi 2014, 90). However, this is not only crucial for service brands, but also for product brands, of which the service component represents a part of the augmented product, like in the luxury industry. Furthermore, in a competitive and changing environment it is not sufficient to just communicate externally and make promises, but to live up on it authentically and consistently at every time the customer gets in contact with the brand. Hence, demanding, connected, and well-informed customers (Dauriz et al. 2014; Henkel et al. 2007, 320; Merk 2014, 4; Schmidt/Kilian 2012, 28) expect brands that keep their promise. Therefore, core values need to be lived internally, so that they are naturally transformed externally. This requires an internal approach before an external one, as strong brands always evolve from the inside to the outside and never vice versa (Urde 2009, 616; Schmidt 2007, 12). Hence, without congruently delivering on the brand's promise especially in-store, the high expenses made for marketing activities lead nowhere but to confusion, disappointment, remaining empty promise (Kreutzer/Salomon 2009, 7; Tosti/Stotz 2001, 30), lack of brand credibility (Scheys/Baert 2007, 2), or even potential refusal of the brand (Henkel et al. 2007, 311; Wentzel et al. 2012, 83).

Concluding, internal branding and personal selling in luxury are complementing concepts, and internal branding represents a mandatory condition for luxury brands. Furthermore, salespeople need to be recognized and appreciated with more relevance, and a shift from creating a shiny external brand approach to a holistic internal approach with the salespeople at its heart needs to be undertaken. Building an authentic brand from the inside and consciously valuing salespeople and their role should therefore be at any brand's main interest. Additionally, this topic relevance is augmented by the fact that prevailing luxury literature primarily focused on brand building, whereby salespeople are solely seen as a part of e.g. distribution (Chevalier/Mazzalovo 2012; Kapferer/Bastien 2012). So far, this lack of focus on sales force in existing luxury literature has been only gaped by Merk (2014) who discussed sales force management in luxury, but not in terms of internal branding. Moreover, several different theoretical internal branding approaches exist, though no holistically structured framework that addresses instruments to make salespeople or employees brand ambassadors. In the following, brand ambassadors are understood as salespeople who are passionate about the brand, live, and represent it congruently to its intended promise and values. They make the distinction to salespeople who just sell the product without any added value. In this respect, luxury brands do not just need employees or salespeople, but the highest form of it: brand ambassadors. Though, highly emotional committed employees who are true brand ambassadors only present a small ratio in companies (Gallup 2015, 18; Thomson et al. 1999, 828-829).

Respectively, all those aspects lead to the following general research question. *How can luxury companies make their salespeople passionate and authentic brand ambassadors?* Hereby, the paper focuses on salespeople of established major luxury brands selling via direct, face-to-face contact to customers. This implies that the paper will only focus on the professional environment. Nevertheless, the author is aware that salespeople also communicate positively or negatively in the private environment. Moreover, the customer-salesperson contact primarily happens at the physical store. As several distribution concepts exist, ranging from brand cathedral to multi-brand store (Bain & Company/Fondazione Altagamma 2014, 16; Okonkwo 2007, 80-81), the focus is on top luxury brands sold in mono-brand stores. Furthermore, the luxury industry covers a broad range of categories reaching from e.g. fashion to hotels (ECCIA 2014b, 2). However, this paper focuses on the categories fashion & accessories and jewelry & watches as part of personal luxury goods, which overall represent one of the largest categories (Bain & Company 2014; BCG/Fondazione Altagamma 2015, 8) and are homogenous regarding distribution. Additionally, the above-mentioned general research question leads to two subordinate research questions. *First, what are the key drivers for salespeople to be a true brand ambassador? Second, what instruments need to be applied by companies to turn a salesperson into an authentic brand ambassador?* So, certain employer-employee touch points and corresponding instruments need to be identified and analyzed. These touch points reach from the recruitment process or even before, to continuous training, and exit. Though, this paper will not touch the exit and beyond phase due to its implied complexity, which represents an own research question. To avoid any misconception, it should be highlighted that the paper's focus is not on how to improve customer service, but on how an employer should act holistically in relation to salespeople to make them genuine brand representatives via certain instruments and processes from the very beginning on.

2 Luxury Essentials

2.1 Luxury Concept

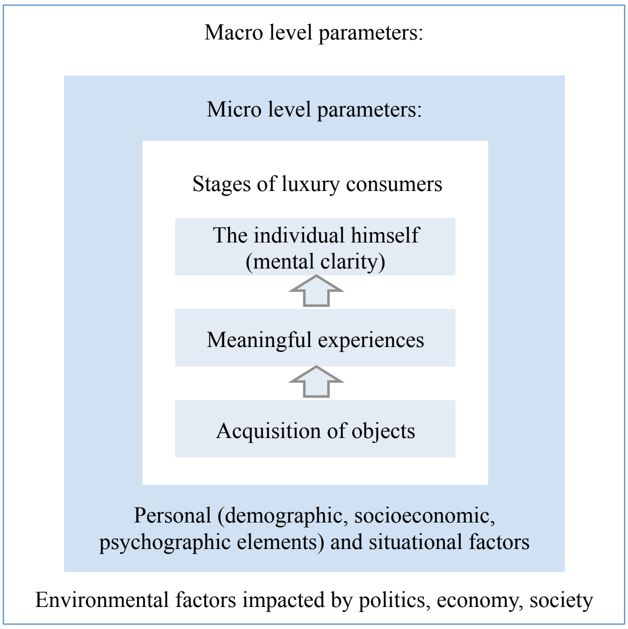
Generally, a common mindset about luxury needs to be created by approaching its concept from various angles. Luxury is stated to be an old and elusive concept (Berthon et al. 2009, 45; Büttner et al. 2006, 10; Kapferer/Bastien 2012, 45), which definition underwent changes over time (Chevalier/Gutsatz 2012, 3). According to Veblen (1915, 132), luxuries were expensive products solely being accessible for upper social classes. So an elitist product approach. Kapferer and Bastien (2012, 47) also defined luxury via a product approach, though characterized its specificity by six criteria as e.g. price premium and social benefit for the owner. Chevalier and Mazzalovo (2012, 2) likewise referred to the latter one as luxury brands being a social marker, which consequently implies a luxury product benefit and luxury being a social (consumption) concept. Heine (2012, 40) embraced luxury from a wider angle stating that "luxury is anything that is desirable and more than necessary and ordinary", which thus touches upon dreams, entails relative extraordinariness, and is detached from a pure product approach. Correspondingly, Bookhagen and Inlux (2013, 66) referred to luxury as being material or immaterial and sometimes not even possible to buy like time. In this regard, luxury can be tangible and intangible in form of resources, products, experiences, and so purchasable or non-purchasable. Leveraging these product approaches, the French luxury association Comité Colbert (2014, 49) regarded luxury as a distinct business strategy that is characterized by "traditional know-how, creativity and innovation". Furthermore, they stated that it is based upon the value of sustainability regarding e.g. products (Comité Colbert 2014, 20) and "long-term entrepreneurial vision" (Comité Colbert 2011, 20). In line with a brand-product definition, Herhoffer (2015, 37) stated that luxury is globally recognized as excellent services, expensive brands, and manufacturing products. However on an individual level, luxury is part of an overall individual orchestration, concept of desires, and form of escapism (Herhoffer 2015, 36-37). So for the latter aspect, luxury becomes very personal and can be the result of a product-experience combination or a certain state of mind. Additionally, Herhoffer (2015, 37) coined the term *public luxury* referring to luxury as a cultural asset of aesthetical architecture, opening a democratic angle to reflect the concept of luxury, but which will not be further stressed in the following. Hence, even though many approaches exist, shared concepts can be clustered. Those range from a brand strategy approach (luxury business strategy), an individual concept (personal luxury) that does not necessarily have to be consumption-based, to a democratic cultural asset (democratic public luxury) as the opposite of the personal dimension. Yet, to better understand the concept of luxury, its evolution needs to be considered according to brand and individual level.

On the brand level, luxury developed over certain phases. In the 17th century, luxury was associated with rare merchandises (Berthon et al. 2009, 45) implying a focus on the product and exclusiveness for a certain social group, so also a social concept. In the 19th and early 20th centuries, luxury was related to craftsmanship (Berthon et al. 2009, 45) involving the previous product aspect leveraged by the artisan. Then "in the industrialized world (…) luxury increasingly became the brand – carefully crafted symbols (…) to invoke a world of dreams, images, signs, and motifs" (Berthon et al. 2009, 45). Respectively, the product and material rarity in combination with the artisan's craftsmanship were loaded and augmented with a brand world of desires and emotions. Those features can also be found in the business model characteristics of luxury brands defined by the European Cultural and Creative Industries Alliance (ECCIA) (ECCIA 2014b, 6-7): aura (quality, craftsmanship, heritage, retail service), craftsmanship and creative people (long-term supplier relationships, highly trained and skilled employees), intellectual property and innovation (investment in design, quality, product development, branding), selective distribution (control of value chain), and orientation towards global markets (export, shopping tourism).

On the individual level, luxury is relative due to the individual defining it (Berthon et al. 2009, 47), impacted by “regional, temporal, economic, cultural and situational” (Heine 2012, 41) factors. So the individual evolution of luxury strongly depends on certain underlying conditions, which can be respectively clustered into a macro and micro perspective. Macro level parameters can be considered as external rooting from the environment and development of the country impacted by politics, economy, and society. Micro level parameters are determined by personal factors like demographic, socioeconomic, psychographic elements, as well as by the person’s current situation influenced by macro level factors. Hence, this implies that luxury can be anything depending on the individual’s situation and personality, though comparatively considered above standard.

Merging the brand and individual aspect and regarding the luxury evolution from the angle of an industrialized country, luxury was and for some still is a privilege for an exclusive group who ostentatiously demonstrates their wealth via “conspicuous consumption” (Veblen 1915, 68). This is also reflected by the etymology of the word luxury, which is derived from the same Latin word meaning extravagance (Berthon et al. 2009, 46; Chevalier/Mazzalovo 2012, 3). From that opulence and sometimes negative associated connotations, luxury can become more than the acquisition of objects (The Future Laboratory 2011, 26-49), as some consumers become more sophisticated and strive for a meaningful, hedonistic experience instead of demonstrative consumption (Kapferer/Bastien 2012, 47; The Future Laboratory 2011, 45). Hence, experiential-latent luxury that goes far beyond the product and brand, surpassing public-ostentatious consumption. Correspondingly, it is possible to go even further and regard personal mental clarity and healthiness as the form of highest individual luxury. Luxury then becomes the person himself due to the associated investment in and the maintenance of oneself like a luxury yacht (Messner 2015, 52). Such a personal evolution from acquisition to experiences or even state of mind depends on external macro parameters, but also on having the mindset and ability to develop as a luxury consumer. So, linking luxury solely with an opulent consumption and excess of big logos would not do justice to its broad concept. Even though, this type of consumption can be broadly recognized globally as new wealth and luxury aspirants display it (McKinsey 2011, 20), it is one type of luxury consumption demonstrated by certain consumers. Hence, the way luxury is lived and perceived not only depends on the development phase of a country, but also on the individual defining it, his personality, and experience with luxury (see Illustration 1).

Illustration 1: Influencing Factors and Development Stages of Luxury Consumers



Source: Own illustration

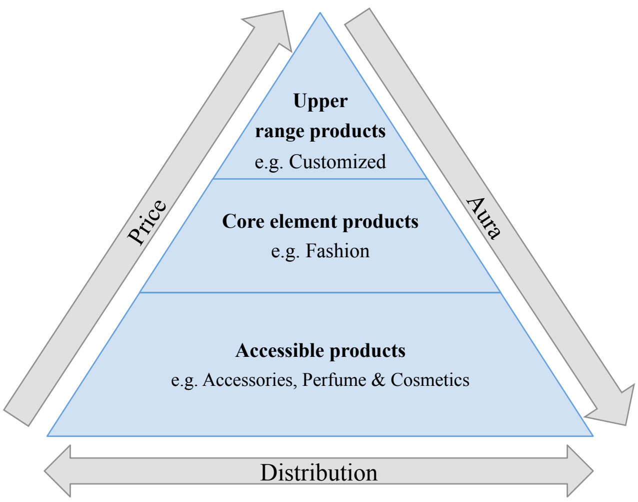
It can be overall concluded that luxury is a concept of desires expressed in a multi-sensual experience or consumption and emotional immersion on both, the individual and brand level. So, on the individual level it can be considered as a personal concept with multiple facets. Whereas on the brand level, luxury is a certain business strategy and becomes distinctive, as luxury goods share same characteristics, which will be discussed in the following.

2.2 Luxury Goods Characteristics

Several authors identified specific facets of luxury goods characteristics that do resemble each other. Dubois, Laurent, and Czellar (2001, 8-17) defined six characteristics of luxury goods: exceptional quality, high price, rarity and exceptionality, aesthetics and multi-sensuality, heritage, non-necessity. Similarly, Heine (2012, 53) stated “relatively high level of price, quality, aesthetics, rarity, extraordinariness, and symbolic meaning” as luxury goods features. This is in line with luxury good levers identified by Ernst & Young and Inlux (2012, 49): high price, limitations, exclusive distribution, design, material refinement, and longevity. Kapferer and Bastien (2012, 47) stated analogously, though included the facet “offered with personalized accompanying services”. More precisely, the German luxury association Meisterkreis and consultancy Roland Berger (2013, 5) defined category-related criteria for high-end products that ease the differentiation of luxury goods. These criteria are price-related regarding an average price above a certain amount or are relational more expensive as a product in the same category like e.g. “watches priced over EUR 2,500” (Meisterkreis/Roland Berger 2013, 5), product feature-related as e.g. “sailing yachts over 15 meters long” (Meisterkreis/Roland Berger 2013, 5), or distribution-related as e.g. selective distribution (see Appendix 1).

Consequently, these attributes can not only be summarized but also categorized according to the five Ps of the Marketing Mix (product, price, promotion, place, people). First, outstanding quality, craftsmanship, design and aesthetics, distinctive traditional heritage and authenticity, multi-sensual experience, and the component that functionality is second, all together constitute the product facet. Second, the price of luxury goods is above the average price of a product in the same category, which directly "evokes associations of rarity" (Heine 2012, 83). Third regarding promotion, emotional benefits are generated via communication activities that immerse consumers in the brand world by e.g. educating about the brand and promoting its craftsmanship. This is executed online and offline via mass (e.g. print advertisement) and personal communication channels (e.g. company website) (Heine 2012, 88; Kapferer/Bastien 2012, 258; Kotler/Keller 2012, 47). Fourth, distribution (place) is managed selectively and exclusively offline and online in limited amounts. Offline, top luxury brands of traditional luxury goods are sold in mono-brand stores, which can be the flagship store as the brand cathedral, brand boutiques in prestigious international shopping locations, shop-in-shop systems of upscale department stores (Okonkwo 2007, 80-81), or at airports' duty free areas (Bain & Company/Fondazione Altagamma 2014, 16). Online, some top luxury brands have an own online shop (e.g. Hermès), though more accessible luxury brands sell offline and online also besides their own shop presence via multi-brand stores (e.g. Fendi). As luxury brands need to manage rarity that is achieved via distribution and price, the least accessible products have the highest price, are available in a small amount, and create the myth around the brand (Kapferer/Bastien 2012, 306). In turn, entry-level products are available to a wider range of customers due to its price and accessibility (Bain & Company/Fondazione Altagamma 2014, 4; Heine 2012, 57; Kapferer/Bastien 2012, 306) (see Illustration 2). Thus, are sold in diverse distribution channels.

Illustration 2: Luxury Business Model Pyramid



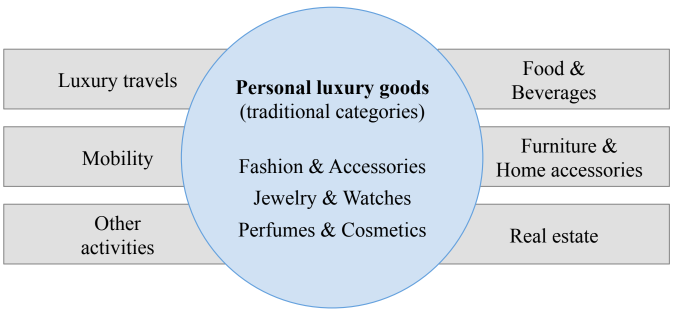
Source: Own illustration based on Kapferer/Bastien 2012, 306-307

Fifth, excellent accompanying services (people) complete the characteristics, as people are the ones who bring the brand alive (see chapter 4). Hence, luxury goods are more than just products with functionality. They are holistic experiences that go far beyond the functional value and include a symbolic, emotional one (Keller 1993; Berthon et al. 2009). Overall, the specificity of luxury goods is grounded in its "business model, target market, pricing strategy and branding/marketing" (MSCI/S&P Dow Jones Indices 2014, 18), which differentiates it from other goods. So in the following chapter, luxury goods are taken on a higher level to the luxury industry, which is grasped via certain dimensions.

2.3 Luxury Industry

Having defined the luxury concept and product characteristics, the luxury industry needs to be further understood regarding categories, market size, main markets, and key players. First, associations alone or together with consultancies and authors followed different approaches to cluster the luxury industry into categories, however have shared similarities. The most common ones are accessible summarized in a spreadsheet (see Appendix 1). Hereby, to compare different approaches and obtain a comprehensive category classification, categories were clustered according to the wide-ranging categories suggested by ECCIA. Generally, ECCIA (2014a) "is composed of the five national European luxury goods and creative industries organizations Circulo Fortuny (Spain), Comité Colbert (France), Fondazione Altagamma (Italy), Meisterkreis (Germany), Walpole British Luxury (UK)". Each organization defined their sector categorization differently, depending on their national craftsmanship. Comparing different approaches (see Appendix 1), luxury categories can be overall summarized into the category of personal luxury goods being compromised of fashion & accessories, watches & jewelry, and perfume & cosmetics. As Bain & Company (2014, 3) referred to personal luxury goods as "the 'core of the core' of luxury", this can be regarded as the traditional luxury category. Additionally, it needs to be extended by the categories luxury travels, food and beverages, furniture and home accessories (including art), mobility (jets, yachts, cars), and other activities (retailing, publishing, private banking, diverse). However, the category *real estate* is missing, but should be taken into account as it goes hand in hand with luxury and complements a luxury lifestyle (see Illustration 3).

Illustration 3: Luxury Categories



Source: Own illustration

Furthermore and second, different approaches provided by various consultancies measure and grasp the luxury industry by its market size and main markets. In this context, Bain & Company annually initiates a worldwide luxury market study and thus will be referred to. The total luxury market measured more than 850 billion Euros in 2014, which is expected to grow in the next years, even though slowly (Bain & Company 2014, 3). The main and largest luxury market is the US followed in order by China, France, Italy, and Japan (Bain & Company 2014, 11).

Third, key players of the luxury industry drive and dominate the market, which need to be defined to better understand underlying structures in the luxury industry. Those key players are either privately held businesses like Hermès (Kennedy/Stoehrer/Calderin 2013, 267) or brand conglomerates. The four key conglomerates are Louis Vuitton Moët Hennessy (LVMH), Kering, Richemont, and Swatch Group (see Appendix 2). The luxury conglomerate LVMH is present in most of the luxury categories and consists of 70 brands: wines and spirits (e.g. Dom Pérignon), fashion and leather goods (e.g. Christian Dior), perfumes and cosmetics (e.g. Acqua di Parma), watches and jewelry (e.g. Bvlagri), selective retailing (e.g. Sephora), and other activities in the field of publishing (e.g. Les Echos group), hotels (e.g. Cheval Blanc), yachts (e.g. Royal Van Lent) (LVMH 2015). With this amount of brands, a revenue of 30.6 billion Euros, and more than 120,000 employees in 2014, LVMH is the worldwide luxury leader (LVMH 2015). Kering considers itself as "world leader in apparel and accessories (…) [in] Luxury and Sport & Lifestyle" (Kering 2015a). This conglomerate owns 22 brands of which 17 are luxury brands (e.g. Gucci) that focus on leather goods, fashion, jewelry and watches (Kering 2015b). The other five brands are sport and lifestyle brands as e.g. Puma (Kering 2015b). In 2014, they achieved 10 billion Euros of revenue and had more than 37,000 employees (Kering 2015a). In this regard, Kering is the second largest luxury conglomerate. These first two conglomerates consolidate various categories, whereas the following two are specialized conglomerates. Richemont owns 30 brands in the categories jewelry (e.g. Cartier), watches (e.g. Piaget), and other businesses (e.g. Net-a-Porter) (Richemont 2014, 1). In 2014, the group had approximately 30,000 employees (Richemont 2014, 3) and revenue of 10,649 million Euros (Richemont 2014, 75). Furthermore, the Swatch Group also operates in the categories jewelry and watches, owns 18 brands ranging from basic to luxury brands, of which seven are luxury and premium brands (e.g. Harry Winston), employs approximately 35,500 people worldwide, and achieved revenue of 9.22 billion Swiss Franks in 2014 (Swatch 2015). Moreover according to Interbrand (2015), the main four of the most valuable global luxury brands are Louis Vuitton (brand value of 22,552 Million US Dollars), Gucci (brand value of 10,386 Million US Dollars), Hermès (brand value of 8,977 Million US Dollars), and Cartier (brand value of 7,449 Million US Dollars). Besides Hermès, these top ranks are part of the above-mentioned conglomerates and are managed differently. Generally, merging brands can be a growth strategy due to synergies, financial power for investments and innovations, and a unique brand portfolio. Though, a top priority of a conglomerate is to manage brand diversity, which leads to the next chapter focusing on branding and internal branding.