The growth strategies of independent luxury companies

Hendrik Maximilian Thelen

Dissertation written under the supervision of professor Laure Leglise

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Table of Contents

Abstract

Today, the luxury industry mostly can be seen as made of few players, also being referred to as conglomerates. When companies grow within the luxury market, they usually belong to or are acquired by large conglomerates such as LVMH, Kering or Richemont. However, we do not know how independent luxury companies can grow in this competitive environment. To fill this gap, this thesis answers the following research question: *how can independent luxury companies grow?* I conducted a comparative case study on three brands. The results show that independent companies pursue different strategies for growth within the market, resulting from the fact that the companies use effects that are unique to their identity as an independent company; such as purpose, agility, and authenticity. In addition, the brand identity is deeply rooted within the corporate structure, and outsiders, such as shareholders, do not need to be primarily satisfied.

Resumo

Hoje em dia, a indústria do luxo pode ser vista principalmente como sendo feita de poucos intervenientes, sendo também referida como conglomerados. Quando as empresas crescem no mercado do luxo, normalmente pertencem ou são adquiridas por grandes conglomerados como a LVMH, Kering ou Richemont. No entanto, não sabemos como as empresas de luxo independentes podem crescer neste ambiente competitivo. Para preencher esta lacuna, esta tese responde à seguinte questão de investigação: *como é que as empresas de luxo independentes crescem?* Realizei um estudo de caso comparativo em três marcas. Os resultados mostram que as empresas independentes seguem diferentes estratégias de crescimento dentro do mercado, resultantes do facto de as empresas utilizarem efeitos que são únicos à sua identidade como empresa independente, tais como finalidade, agilidade e autenticidade. Além disso, a identidade da marca está profundamente enraizada na estrutura da empresa, e as pessoas de fora, como os accionistas, não precisam de ser satisfeitas em primeiro lugar.

The growth strategies of independent luxury companies

– How can independent luxury companies grow?

Hendrik Maximilian Thelen

Keywords: luxury, growth, independent companies, luxury market, luxury structure

1. Introduction

„Despite the events of the past decade, Prada has prospered even as many other fashion houses have struggled. Perhaps more remarkable, we have retained our independence in an industry increasingly dominated by luxury conglomerates. “ [1]

According to Massi & Turini, 2020, the luxury market has grown steadily for 25 years and is now home to market-listed conglomerates such as LVMH, Kering, Richemont, and Swatch Group. Records are broken when it comes to profitability and competitive advantage. The very concept of luxury associated with uniqueness, exclusivity, rarity, and prestigiousness is vastly distant from the reality of the market. Managing luxury brands today means creating artificial scarcity. Despite megabrands selling in high volume to serve the surging demand of the nouveau rich and the upper middle class of developing countries like China. The reality needs to be hidden, the story needs rarity. (Massi & Turrini, 2020)

Kapferer (2015) describes the luxury industry as quiet and driven excellence, and by families. Value was created through a mix of high quality, brand history, know-how, exclusivity, service, and customised communication. The target group consisted of select clientele and was categorised by high prices and prestigious brick and mortar stores. Time, class, and craftsmanship were the added value. Today, the sector is strongly influenced by strong internal and external forces. Hence, a backward step is no longer possible. (Kapferer, 2015) Two main factors are changing every industry: new technologies and changes in society. The luxury market has been growing steadily since 1985 and is strongly influenced by these factors. The structure and essence of luxury is under ongoing transformation. Political factors matter enormously. China's growing relevance as a world market player is a major illustration of this. China symbolises the new technology and acceded interest in luxury combined with strict political rules.

According to Achim (2021), during the COVID19-pandemic, the largest luxury companies were able to defend their market share and acquire further assets through acquisitions. However, brands such as Burberry, Missoni, Salvatore Ferragamo, Chanel, and Hermes have also shown that family-owned and private equity investments can be an attractive alternative to conglomerates. It is important to understand that the continued success of family businesses is

[1] Patritzio Bertelli, Prada’s CEO on Staying Independent in a Consolidating Industry (Boston, HBR, 2012), 39.

linked to access to capital and attractive financing from a financial perspective. Long-standing customer relationships and supply chains are also essential for success. The acquisition by LVMH or Kering, for example, can be the way forward for many companies, especially those with high debts. However, not every problem is solved by merger or acquisition. Many family-run companies simply do not want to give up shares and control in exchange for know-how and protection from market cycles.
In the luxury sector, it is known which synergies conglomerates have and how profitable they are (Deloitte, 2020). However, it is not known to which extent this makes the market challenging for independent companies to grow within the luxury industry in academic research. Specifically, how independent companies within the luxury industry develop and implement their growth strategies without conglomerates. This thesis is aimed at researchers investigating the luxury industry. Resulting from this is the research question of the thesis: How can independent luxury companies grow? For the management of independent luxury brands, this is a high priority; companies in the luxury market must grow like all other companies. (Kapferer, 2015) To remain competitive and, above all, relevant.

To answer my research question, I used a qualitative approach, i.e. a multiple case study method. The companies studied were: Ganni, Anima Aurea, and Josefin Liljeqvist.
The results prove that there are unique factors driving independent companies' growth, which companies belonging to conglomerates are lacking. Among other, these factors are: authenticity, uniqueness, and agility. Combined, these uniquely drive growth of independent companies.

The structure of this thesis is as follows: The second chapter is the Literature Review, where existing information is reviewed to help answer the research question. In the third chapter, the methodology of the thesis is addressed and described in detail. Then the case study companies are presented in a company profile, the empirical setting chapter. Finally, there are the findings, discussion, limitations, and further research.

2. Literature Review

This chapter contains the literature review and serves as a basis for the research question: "How independent luxury brands grow". The literature review also looks at the issues and structures of the luxury market to better understand them. In addition, the structures of conglomerates are shown to deepen the contrast with independent companies, respectively a comparison.

2.1 Luxury and its business

According to Cristini et al. (2017) luxury is multifaceted and is a complex concept. Much depends on the context in which the term is used. Also, the concept of luxury is paradoxical and constantly evolving. Assuming that the term is a paradigm, it can be said that a luxury good always fulfils three conditions: excellence, creativity, and exclusivity. However, a good can be excellent but not exclusive, hence high exclusivity is not sufficient and must always be paired with excellence. Therefore, the concept of luxury is asymmetrical; which means that all three conditions are sufficient to define luxury, but not essential. Nowadays, the harmony of the three conditions loses weight. Brands build products without the harmony of the conditions and are perceived as luxurious. Ultimate luxury, however, still requires the unity of the three conditions. (Cristini, Kaupinnen-Räisänen, Barthod-Prothade, & Woodside, 2017)
There is no universal definition for luxury or luxury brands. If one looks in the dictionary of the American Marketing Association, one will not find a definition for luxury or luxury brands. However, many different scholars have defined the term "luxury". (Ko, Costello, & Taylor, 2019). The oldest definition of luxury comes from Veblen, who observed that the consumption of goods can have the effect of signalling status and wealth towards others. (Veblen, 1899)

Kapferer & Bastien (2009) argue that luxury is everywhere, at least one sees it everywhere. Many products declare themselves to be luxury goods. People no longer talk only about luxury but about things like *new luxury* or *true luxury*. The concept of luxury is not an absolute category, but a relative variable that also depends on the social and political structure. What is luxury for one is not for another. What is considered luxury today will not be considered as such tomorrow. Infect, luxury needs a different approach than mass products – almost exactly the opposite. Traditional management approaches do not work for luxury goods. Luxury also serves social stratification. People within a democracy are free, within their financial constraints, to define their social lives as they wish. This is democratic luxury, a luxury item that exceptional people would classify as ordinary is at the same time an exceptional item for ordinary people. The DNA of luxury is the symbolic desire to belong to a higher class, which each person chooses according to their dreams, so anything that is categorised as social stratification can be luxury.

To be financially successful, luxury must adapt from a traditional business model, described in the next chapter.

2.2 The luxury business model

According to Chesbrough (2007) every company has a business model, whether it is formulated as one or not. A business model has two core functions, one is value creation, and the other is value capture. It defines a series of activities from raw materials to the satisfied customer. Business models are important and often outperform a better idea or technology. Regarding more specifically luxury, Bastien & Kapferer (2009) developed the luxury business model concept which is to be understood as a guideline for luxury companies. According to the authors, the luxury business model is divided into three levels: the product level, the production level, and the distribution level. On the product level, seven core elements are to be internalised:

1. Companies should focus on their core products, i.e., watch manufacturers should focus on the production of watches, and leather goods manufacturers on the production of leather goods.
2. Products should be everlasting.
3. New products are rarely introduced, and the product range is highly differentiated.
4. All products are selling and are profitable.
5. Mid-range products are the most profitable, entry-level products are not for profit or even volume, only for consumer entry into the brand universe. That is why the entry-level models are of high quality.
6. Limited introduction of new product categories to replace non-existing categories, to complement the offer. And should always be introduced at a higher price than existing categories.
7. If it is necessary to introduce new products at a lower price, this must be countered with a parallel launch of other products at a significantly higher price point.

At the production level, there are three core elements:

1. Fully controlled vertically integrated production; from production to sales.
2. No subcontracting in production, as production is considered artisanal and is an essential part of the dream.
3. Small artisanal production sites that are highly organised and not large mechanical ones. Production is to be understood as a culture of ritual and should be open for selected customers to visit.

At the distribution level, the following aspects need to be internalised:

The distribution is in full control of the company, the moment of sale is of increased importance in the luxury world and should not be done by external parties. For the success of the model, strict adherence to the model is required, and all-round competence is needed (creation, production, distribution, communication), as the companies are highly integrated and the focus is on the product, respectively how the product fulfils the client's dream. The essential characteristic of the model is that the most profitable models are in the mid-level region of the product range. Very expensive products are rarely profitable, so it is not worth selling many of them. Entry-level products are also rarely very profitable, as they serve as an entry point into the world of the brand and should never be perceived as too expensive or disappointing in any way. Entry-level products should symbolise all the signals of a brand. As a result, entry-level products are low-margin products and should encourage customers to buy other products of the brand. Therefore, you need entry-level products but never too many of them, as they do not make money.

Four parts of the distribution scheme are essential:

1. A short range of product categories.
2. A few "image" products, expensive but not often sold.
3. A small number of entry-level products.
4. a core product range that is balanced with highly differentiated products and low volume yet satisfies most client needs.

According to Kapferer (2012), the concept of luxury and its business model is closely linked to rarity and exclusivity. However, to meet the increasing market demand, luxury companies are developing virtual rarity methods, portraying themself as art, and adopting the fashion business model, thus weakening the exceptional quality and country of origin. Rarity of raw materials and craftsmanship is replaced by qualitative rarity. Luxury brands today sell symbolic and magical powers to the masses. (Kapferer, 2012)

The reshaping of the global luxury market, changing customer preferences, trends and new technologies are opening the opportunity for new luxury business models and market entries. Nowadays, the luxury market is very entrepreneurial. (Gutsatz & Heine, 2018) Start-ups reflect the new type of luxury from sustainable to slow luxury or value luxury and from digital and high-tech luxury to experience luxury. (Gutsatz & Heine, 2018)

As the market is moving and evolving, a static business model can only serve as an orientation. Given that the case study companies are all from the luxury segment, the extent to which they use the luxury business model to grow is examined. Movement is currently, among other trends, created by digital transformation, which is a challenge for independent companies and conglomerates. This is described in the next chapter.

2.3 Digital disruption in the luxury industry

McKinsey (2018) states that digital technology within the luxury industry is becoming increasingly essential. Digitalisation is a powerful tool for growth and brand identity to be enhanced by digital storytelling. *Luxury 4.0* is an emerging business model that allows brands to quickly identify customer proximity, trends, and preferences through data. And to manage the process in such a way that new products can be created. 8% of the total luxury market, or about USD 20 billion, are digitally purchased products. However, digital transformation has an even greater impact on how luxury shoppers choose their products and identify with a brand, with 80% of purchases made in the luxury market being digitally influenced. This means that true to the customer journey, there were at least one or more digital touch points. (McKinsey, 2018) McKinsey states that by 2025, one in five luxury purchases will be made online – changing the entire luxury industry in its business model and in effect its operations.

2.4 Market share of conglomerates and independent companies in the industry

According to a survey conducted by Deloitte (2020), the ten largest luxury companies in terms of turnover are all conglomerate companies except Chanel (FY19: 12,334 M USD, rank 6.) The other companies consisting of among others LVMH (FY19: 37,486 M USD, rank 1), Kering

SA (FY19: 17,777 M USD, rank 2), Richemont SA (FY 13,822 M USD, rank 4). The Top 100 further illustrates this impression: of the 100 largest companies in terms of turnover, 51% are independent companies and 49% are in conglomerate structures. However, if you look at the market, it can be observed that the top 10 companies, almost exclusively conglomerates, accounted for more than half of the total turnover of the top 100 in FY2019 for the first time. The top 10 outperformed the other 90 in turnover growth and net profit margin. (Deloitte, 2020) In the world of luxury, there are fewer and fewer independent companies. In the increasingly globalised and challenging luxury environment conglomerates like Swatch Group, LVMH, Kering and Richemont are growing rapidly. As of 2015, these largest four conglomerates have combined more than 100 companies and are keeping a steady pace in their new acquisitions, integrating much vertically, with that securing supply chains as well. The latter has a particularly negative impact on independent companies, making them harder to survive and ultimately acquiring or bankrupting them. (Hoffmann, 2021)

Group Name	**Selected Luxury Brands**	**Revenue [bn]**
LVMH	Louis Vuitton, Fendi, Bulgari, Guerlain	EUR 44,7
Richemont	Cartier, Chloé, IWC, A. Lange & Söhne	EUR 14,2
Kering	Gucci, Balenciaga, Bottega Veneta	EUR 13,1
Swatch Group	Blancpain, Omega, Rado, Brequet	CHF 5,6

Figure 1 Major luxury groups revenues, Source: Company Reports FY2020

According to Kapferer & Ijaouane (2012), concentration is a trend in many industries, including the luxury industry. Many independent family-run companies are joining conglomerates or forming new groups, a trend of consolidation. In the luxury segment, the depth of integration is very moderate, reflecting the balance between the search for synergies and the preservation of brand autonomy as an essential core issue. LVMH, the world's leading luxury conglomerate, was created in 1987 by merging a leather manufacturer with a cognac and champagne house.
Other industry experts also come to the same conclusion. So does Rambourg (2020), Global Head of Consumer & Retail Research at HSBC:

The luxury industry is dominated by families that control LVMH, Kering, Swatch Group, Hermes, and Chanel. The competition, which also wants to achieve economies of scale in order to grow, has two ways to go. They can increase volume, create new brands [Prada with Miu Miu] or take the fastest option, M&A. Mergers & Acquisitions benefit directly from economies of scale, particularly the synergy effects. However, M&A must not only be about brands, but also distribution, manufacturing, specialized software, know-how or technology as an acquisition target. One consequence of the COVID-19 pandemic is that luxury suppliers are in financial trouble. This could lead to them being integrated into the brands they manufacture for to retain jobs and know-how. Luxury craves control, and that control leads to price power. That is, if a brand can get control of an entire ecosystem, it certainly should. For example, Cartier, fifteen years ago, half of its jewelry production was outsourced. After a few acquisitions, most of the production was in-house, which helped from a quality assurance and productivity perspective. More importantly, it drives margins up. (Rambourg, 2020)
The chapters examine the increase in market share of conglomerates, which could make it more difficult for independent companies to grow.

2.5 Corporate structures that operate within the luxury market

Mueller (2003) states that a business conglomerate owns a portfolio of different independent companies that can engage in a wide variety of activities. This diversifies the conglomerate's risks and the variability of its performance. Building a conglomerate generates cost savings through economies of scope. This means that costs are reduced in the production of different products. In addition, the build-up increases the market power of the conglomerates. The increase in concentration results in increased profits in the market. This is due to groups dealing with third companies in other industries, as if a multimarket contact did not exist. (Mueller, 2003) Hoffmann & Lecamp (2015) found that with their large and financial capacities, large groups can easily invest in vertical and horizontal integration (buying competitors or other brands). These same forces put increased pressure on local distributors to favour the brands from conglomerates rather than those of independent brands. Large conglomerates can place their single-brand stores in strategic locations that have the most expensive rents and thus outperform the weaker competition. (Hoffmann & Lecamp, 2015)
Luxury conglomerates group brands with high symbolic value that require the luxury business strategy model, no matter what sector they belong to. Most luxury conglomerates minimise

cross-brand synergies to keep the brands autonomous. (JN Kapferer, personal communication, November 1, 2021)

Kammel (2021) states that in 2018, Michael Kors Holdings Ltd. [Capri] bought Gianni Versace SpA for 2,12 billion USD, leaving only a small number of independent fashion luxury brands within the market. Many big brands like Dior, Gucci or Yves Saint Laurent are united under the roofs of big global luxury conglomerates like Kering or LVMH. The remaining small companies still include big names that attract conglomerates, such as Chanel, Giorgio Armani, Burberry and Moncler. There are many other smaller well-known brands such as Etro, Brunello Cuccinelli and brands like Missoni, which sold its minority stake in Italy's state-backed Fondo Strategico Italiano in early 2018. (Kammel, 2021) According to Girod (2020), independent companies are used to operating in a highly competitive and concentrated environment. Therefore, they are often inclined to play the authentic card as well as responsible and sustainable one. That’s why independent brands are perfectly positioned to seize new trends. During the Covid period, the distance to the end consumer has become more equal for all luxury brands, allowing the smaller independent companies to have a similar impact and presence. Luxury conglomerates follow the criteria of the stock markets, independent brands do not have to play this game. Customers know when there is scarcity that is real and not artificially created by big conglomerates. Customers know exactly who made their watch, so it feels like they are wearing a Picasso around the arm. It's more of an art relationship, according to David Candoux, CEO of Candoux Watches. (Girod S. , 2020)

The different types of companies that exist within the luxury industry were described. It serves to distinguish the research question of how independent companies grow. Having looked at the characteristics of independent companies and conglomerates, we now look at growth in the luxury industry.

2.6 Growth and luxury

As a business sector, the luxury market needs to grow, no sector wants to stay small for too long. Luxury needs rarity, but brands need to go where wealth grow the fastest. (Kapferer, 2015) The problem with growth in the luxury industry is that demand should always outstrip supply, so growth must be approached carefully. To counter this risk, some companies limit their volume. The big challenge is to balance the desire for growth with the increasing demand from new customers. The luxury industry, like any other industry, needs to legitimise its existence and thus profitability. As long as luxury has existed, there has also been criticism of its excess. It is no wonder that the companies have established connections with artists, galleries, and museums in order to counteract this. (Kapferer, 2015) Growth in the luxury market is mainly explained by volume effects, under which the rarity and desirability of the brands suffer. The Veblen effect, stating that an increased price leads to increased demand, and thus balances growth and rarity. (Dahm & Fassnacht, 2021) Since the financial crisis in 2008/2009, the luxury market has grown at a rate of 71% between the years 2011 and 2017, reaching a total volume of 1.2 billion EUR in 2017. (Bain & Company, 2017)

To meet this increased demand, luxury companies must adapt their marketing mix and introduce new product lines that cater to new customers with accessories at the entry level of price. More distribution channels online and offline as well as communication efforts. The luxury market that was only for the elite is opening to the masses of consumers. The big challenge will be for these brands to maintain a balance between steep growth in the short term and maintaining their rarity in the long term. (Dahm & Fassnacht, 2021) Hugo Boss is a case in point. The brand's new CEO, Daniel Grieder, describes this in an interview with WWD. Daniel Grieder says that Hugo Boss has lost excitement, sexiness, and desirability in the last 10 years. The brand has lost appeal year after year, no changes have been made, Daniel Grieder continues. (Schaer, 2021)

Contrary to the above, the latest study by Bain & Company, 2021 provides new figures: in 2020, the overall luxury market fell by between 20% and 22% at current exchange rates. It is now at estimated 1 trillion EUR, back to 2015 levels. The decline is due to the strong effect of COVID-19 on the luxury market. The scenarios for 2021 vary and Bain predicts growth of between 10% and 19% depending on the macro-economic situation and the evolution of Covid. (Bain & Company, 2021)

The following chapter will now look at what has been named as growth accelerators in the near past and in the future.

2.7 Growth drivers for the luxury industry

An EY study in 2019 has identified trends within the luxury industry for growth. Over the last three years, the luxury market has achieved growth between 3 - 4% with a higher heterogeneity of performance among the major brands of all categories. The EY Factbook explains the main reasons that have driven this growth:

- Digital media connects consumers with brands in new direct ways. Communication is transforming from traditional media to digital. The consumer and the community become the center of communication. More than 60% of purchases are digitally influenced and 70% of consumers connect with their favorite brands via social media.
- The emerging markets such as China, Russia and the UAE are major growth drivers. In the luxury segment, year-over-year sales growth in the emerging markets was high, at 4.6% to 5.8%.
- Average capex has declined slightly in the last few years, as fewer monobrands are achieving lower sales and therefore fewer monobrands stores have been opened. In the coming years, the mix of store formats will continue to transform towards retail and airport stores. Omnichannel strategies that create an ecosystem where every customer interaction has a big impact will also increase.
- The market capitalization of almost all luxury companies has increased. The average increase was 8% over 2017.
- In 2017, there was a 20% increase in transactions in the luxury segment. M&A activity reached an all-time high with 140 transactions. Many transactions came from private equity funds with investors who have a strong interest in e-commerce.
- Premium and entry-luxury are likely to grow the most with a CAGR of 7.5%, while the luxury market is slowly decreasing its historically high CAGR, CAGR 3.0%.
- Luxury needs its own digital approach. Digital distribution enables another field for luxury brands. Fears that digital will not trigger the same emotional values as physical shops are not validated and brands are finding out how brick and mortar and digital can work together. With personalization, virtual reality and multi-brand platforms that allow for authentic brand exposure. Digital helps customer release management with data, recruitment, inventory management and finance.
- Innovation is a big factor for growth, but global luxury brands have had their difficulties in bringing innovation to market quickly. Global scale and craftsmanship are competitive advantages from this perspective. Customers expect a range of on-trend products that correspond to their desires –multichannel, tech-enabled engagement and interaction with luxury brands.
- The growing interest in non-financial information, such as social and environmental impacts, to identify potential investment opportunities and possible risks in markets that are increasingly ESG (environmental, social, and governance) sensitive.

- The digital transformations of machine learning, big data, analytics, e-commerce, blockchain and artificial intelligence are impacting the luxury industry. However, the luxury industry has historically been slow to act.

(EY, 2019)

In addition to the pre-covid EY study, Bain & Company (2021) anticipates the trends transforming the luxury industry by 2025:

- China will be the dominant luxury customer, accounting for over 45% of global sales.
- Mainland China is on track to become the largest luxury market.
- Online will become the best-selling channel for luxury.
- Younger as Y and Z will be the largest customer group, accounting for two-thirds of global sales.

(Bain & Company, 2021)

2.8 Research Gap

Several gaps in the academic literature can be identified on the topic. Academics have studied growth factors for conglomerates, among others (Kapferer, 2017), or highlighted the differences between conglomerates and independent companies (Kapferer & Ijaouane, 2012). However, there is little literature on the growth of independent brands in the luxury segment. Hoffmann (2015) has identified innovation and differentiation factors for independent brands in his book *Independent Luxury: The four innovation strategies to endure in the consolidation jungle*, but not explicitly how they grow. This is surprising as the luxury market is still part of many independent brands and they must find ways to compete due to the increased market concentration (Deloitte, 2020). A case study approach is not yet found in the academic literature, and thus of higher interest to scholars researching luxury.

3. Methodology

This chapter describes the methodology that was chosen to conduct the thesis.

3.1 Research Design

For my research, I chose the qualitative approach as it can play a critical role in interpreting a complex context – as well as international connections of companies in the international environment, according to Birkinshah, Brannen & Tung (2011). As the corporate world matures, a nuanced approach to understanding fundamental structures is needed (Birkinshaw , Brannen, & Tung, 2011). The issue of growth in the luxury industry is complex and multifactorial, so a nuanced approach is important to filter results in a targeted manner. In addition to the above, qualitative research can contribute to memorable examples of key management challenges and approaches, thus enriching the field of research. (Rynes & Gephart Jr., 2004) The growth of independent brands is a key challenge for managers, for which there are many challenges and solutions, as exemplified in the thesis.
As a qualitative method, I choose a multiple case study, as the results are robust and reliable within this method. (Baxter & Jack, 2008) If only one case study company had been taken, the results would have been one-sided and only applied to one case, I countered this by selecting three case study companies. This method allows the researched field to be illuminated with a broader view in the context of theoretical evolution and research questions. In addition, if suggestions can be found in different empirical evidence, the multiple case study methodology serves to build a more reliable theory. (Eisenhardt & Graebner, 2007)
Additionally, as the main rationale for the multiple case study, is it so that the researcher can classify the findings of the results whether they are valuable or not (Eisenhardt, 1991). As in my cases, growth strategies for independent companies within the luxury industry.
The potential cases for the thesis were selected in two steps. First, four criteria elements had to be met: independent, operating within the luxury industry, innovative approach within the business model and availability of secondary data. Then, dozens of companies were considered. Over 70 companies were contacted via LinkedIn and e-mail. In addition, over 50 industry experts were contacted in the same way for the general setting interviews. Three companies responded positively to the request, Ganni, Josefin Liljeqvist, and Anima Aurea, who wanted to participate and provided capacity and information. The three companies are suitable for the

thesis and the research question: *How can independent luxury companies grow?* – as they fulfil the four criteria and additionally provide a unique opportunity for comparison due to their location in different sectors (wine bottles, fashion, and shoes) within the luxury industry.

3.2 Data Collection

For the data collection, I collected secondary and primary data. The primary data was collected with semi-structured interviews with company managers, observations, and additional data from the companies, such as the investor presentation given by Josefin Liljeqvist. The secondary sources consist of semi-structured interviews conducted with industry experts (former and current CEOs in the luxury industry as well as professors with expertise in the field of luxury). In addition to the secondary data, company reports of the three companies were analysed, newspaper articles written about the companies and the company website and other public company publications. The multitude of secondary data, including the secondary interviews, was collected so that the respective case study company could be examined holistically. The aim is to get an accurate picture of the purpose, size, strategy, and performance of the company of the respective case study company. The data was also collected from different stakeholders of the companies in order to exclude a one-sided picture of the companies. Attempts are also made to triangulate the data, which helps to make findings more meaningful and accurate when they are based on several different sources of data. (Yin, 2009) The primary and secondary data were collected over a period of three months and consisted of two phases. In the first phase, luxury industry experts were interviewed about the case study companies to obtain a neutral external perspective and to cover the researched field as broadly as possible. In the second phase, interviews were conducted with the companies and secondary data was identified and selected. The table below lists all primary and secondary data for each case study company. In addition, the expert interviews with whom I spoke about all the companies, and growth characteristics for independent luxury companies, can be found.

Primary data

Type of Data	Name of the Interviewee	Organization	Position in the Organization	Date of the interview	Length of interview
Interview	Andrea Baldo	Ganni	CEO	05.11.21	1:30h

Secondary data

Type of Data	Title of the document/article	ame of the autho	Name of his/her organization	Date of publication
Company Report	Annual Report 2020	/	Ganni	12.03.21
Company Report	Annual Report 2019	/	Ganni	26.08.21
Company Report	Annual Report 2018	/	Ganni	12.04.21
Company Report	Sustainability Report 2020	/	Ganni	26.03.21
Case Study	Ganni: How a Local Label Built a Global Brand Case S	Kent & Crump	Business of fashion	01.10.19
Newspaper Article	How Ganni used tech-world tricks to grow from a cult f	Mcelroy	Fortune	18.01.20
Report	Ganni's Strategy	Lectra	/	29.10.21
Newspaper Article	On a Runway in Copenhagen, Dancing in the Rain	Woo	New York Times	13.08.19

Figure 2 Data collected primary and secondary data – Ganni

Josefin Liljeqvist:

Primary data

Type of Data	Name of the Interviewee	Organization	Position in the Organization	Date of the interview	Length of interview
Interview	Josefin Liljeqvist	Josefin Liljeqvis	CEO, Founder	06.12.21	1:20h
Interview	Erion Gjonaj	Josefin Liljeqvis	Production	14.12.21	20min

Secondary data

Type of Data	Title of the document/article	ame of the autho	Name of his/her organization	Date of publication
Presentation	Investor/Funding presentation	/	Josefin Liljeqvist	01.01.21
Newspaper Article	Can Traceable Footwear Change The Fashion Industry'	Sherriff	Forbes	10.03.20
Newspaper Article	Luxury Venture Group Selects Its First Luxury Innovati	Girod	Forbes, IMDB	30.08.20
Newspaper Article	Luxury Is Learning To Deal With The Contradictions C	Girod	Forbes, IMDB	01.07.21
Award / Summit	Luxury Innovation Award	/	Luxury Venture Group	01.09.21
Website	Company Website	/	Josefin Liljeqvist	

Figure 3 Data collected primary and secondary data – Josefin Liljeqvist

Anima Aurea:

Primary data

Type of Data	Name of the Interviewee	Organization	Position in the Organization	Date of the interview	Length of interview
Interview	Salvatore Valenti	Anima Aurea	CEO, Founder	23.11.21	1:50h

Secondary data

Type of Data	Title of the document/article	ame of the autho	Name of his/her organization	Date of publication
Presentation	Company Presentation	/	Anima Aurea	01.01.20
Award / Summit	Luxury Innovation Award	/	Luxury Venture Group	01.09.21
Newspaper Article	Vino, oro, argento: nasce Anima Aurea, la bottiglia "di	Curiose	WineNews	17.07.18
Website	Company Webstite	/	Anima Aurea	/
Video	Company Video	/	Anima Aurea	01.01.19

Figure 4 Data collected primary and secondary data – Anima Aurea

General setting + external perspective on case study companies

Secondary data

Type of Data	Name of the Interviewee	Organization	Position in the Organization	Date of the interview	Length of interview
Interview	Denis Morisset	ESSEC, ex Arma	Prof., former CEO	11.11.21	45min
Interview	Anonymized	ex LVMH	former Director	30.11.21	01:05h
Interview	Adina Laura Achim	Achim solutions	CEO, Journalist	02.11.21	35min
Interview	Stephane Girod	IMDB	Prof.	17.11.21	45min
E-Mail	Jean Noel Kapferer	HEC	Prof.	/	/

Figure 5 General setting & external perspective on case study companies

3.3 Data Analysis

I used the coding method to analyse the data. The first step was to allocate the collected data to the respective cases, both the data from the companies and the data from all other investigations. This was done to give context to the data and to make it inter-company comparative. From the literature review and the research question *How can independent luxury brands grow?,* a network of codes was built to help with the analysis. The network of codes can be found in the appendix. An attempt was made to include every chapter from the literature review so that important keywords could be filtered, such as financial capacities. If any of the codes were discussed in an interview, they could be directly related to the case or enriched the general context, thus building a deeper understanding of the case.

By coding the primary and secondary data to the respective companies, and then to the codes, a detailed pattern was established. With these patterns, the data could then be analysed, comparisons made from company to company and finally the research question *How can independent luxury companies grow?* could be answered for the case study companies.

4. Empirical setting chapter

This chapter explores the three case study companies, Ganni, Anima Aurea and Josefin Liljeqvist. The companies are introduced and presented.

4.1 Ganni

Ganni was founded by Frans Truelsen, an art connoisseur and entrepreneur in 2000 as a cashmere brand. In 2009, the couple Ditte and Nicolaj Reffstrup took over the company. Ditte used to work as a buyer, Nicolaj in the technology segment. Since taking over the company, they have steadily grown the business and introduced cult items such as leopard print bucket hats and two-tone cowboy boots. Today, it is one of the best-selling brands on Net-a-Porter and is set to make a protected turnover of 72 million USD in 2019. The brand is in the middle of an expansion phase. (Woo, 2019) Ganni's fashion is colorful and trendy the price point of the products ranges from 20 euro for a scrunchie to 1.295 euro for a coat. The brand's focus is also on sustainable production, consumption, and transparency. The company publishes a sustainability report every year. In addition, the company has launched a circular initiative in 2019, Ganni Repeat, which offers and rents clothing. (Ganni, 2021)
Ganni's business is to produce and sell clothes. In addition, Ganni's goal is to create a green circular economy in the industry to protect the environment. In this regard, the company has designed a 44 Goal CSR strategy that focuses on people, planet, product, and prosperity. Issues such as gender equality also play an important role in Ganni's corporate culture, including a long-term goal of 50% of the board of directors being women. (Ganni, 2020)
Ganni creates trends and the clients come. Ganni clothes are sold in more than 400 shops worldwide and they will open between 6 and 8 flagship stores next year [2020]. In 2019 they made a turnover of £60m. (Finnigan, 2019) This case study focuses on understanding how Ganni has managed to grow successfully within the luxury market.

4.2 Anima Aurea

In my expert interview with the founder and CEO of Anima Aurea Salvatore Valenti, he told me about the founding story of the company: Salvatore Valenti is a professor of chemistry and researched the effects of noble metals like gold and silver. His company Anima Aurea is at the same time an R&D project, gold and silver gives wine a greater stability in the oxidation process, and thus enriches the taste. Anima Aurea was founded in 2015 and produces wine bottles made of gold and silver, the wine is selected by the company or by the customer and then bottled in the gold and silver bottle. The bottle is closed with a cork that is sealed with gold from below. This process and his idea resulted from a research project and has been patented by him from the company. The bottles cost from 10.000 euro, whereby there are no upper limits to the price. The most expensive bottle of Anima Aurea ever sold was for 100.000 euro. The bottles are produced exclusively with the agreement of the customer and are highly customizable. In addition, every year, a limited edition of wine bottles is also produced and available, the wine is selected by the founder, Salvatore Valenti. The individual production process is time-consuming and involves a waiting period of at least six months for a customer. Salvatore Valenti himself describes his product as a symbiosis between luxury and art. The wine bottle is distributed exclusively through direct contact with Anima Aurea; there are no intermediaries. However, his bottles can be found in selected exclusive restaurants, resorts, and art galleries. Anima Aurea relies on word-of-mouth marketing. In the near future, Anima Aurea will engage in a collaboration with a world-renowned luxury company from Italy. In the past, there was cooperation with a 3-star Michelin restaurant in Florence, for which Anima Aurea produced a limited edition of wine bottles. Anima Aurea will expand horizontally next year and establish a new business unit. This business unit will produce a fountain pen, made of gold and silver and other materials according to customer requirements. The special feature, however, will be the ink, which will be made with partial precious metals and customised for each customer. So that each customer has his own unique and only for him available ink to write with his fountain pen.

Anima Aurea was a finalist in the 2021 Arts and Culture section of the Luxury Innovation Award from the Luxury Venture Group. The award is supported by global companies such as Porsche, Bulgari and Vontobel. (Luxury Venture Group, 2021)

4.3 Josefin Liljeqvist

In my expert interview with Josefin Liljeqvist, CEO and founder, she told me the following about the company's history:

Josefin Liljeqvist founded her company in 2015. It produces shoes made of leather. The company pays special attention to the raw material leather, with a diligent focus on animal welfare. Its first five years after the founding were spent developing a supply chain for the company that is transparent and fully respects animal welfare. In the late 2010s, the first shoes made from ethically sourced raw materials were sold. Shoes range in price from around €800 for sneakers to €2,800 for dress shoes. In addition, the company also sells leather accessories such as wallets for €500 and up. There is also the option for bespoke shoes, in the process the customer can have their shoe completely customised to their liking. Currently, no shoes are kept in stock, but only made-to-order. The waiting time from order to delivery is between 3 and 4 months. The founder describes her company as a fusion between innovation, impact, and fashion, always with the aim of improving animal protection. Each shoe from Josefin Liljeqvist is provided with a traceable code. The traceable code allows the end consumer to get a transparent overview of the supply chain and the origin of the leather, via a website where they can enter the individual code. In the future, this code is to be recorded within the blockchain; the company is currently working on the technical implementation.

Josefin Liljeqvist does not want simple solutions to complex problems. During the development phase of the company, 570 million farmers were documented all over the world. Farmers who cooperate with Josefin Liljeqvist are compensated monetarily. The prerequisite for this is that the farmers reduce CO_2 emissions and treat the animals ethically. Simply replacing leather with artificial leather is a two-edged sword, the company wants to give farmers an incentive to be more animal-welfare oriented and not get rid of leather. (Forbes, 2021)

5. Findings and analysis of the three companies

The literature review shows that the large conglomerates in the luxury industry grow to a large extent through M&A, and through their financial resources, limiting the market opportunities for independent companies (Hoffmann & Lecamp, 2015; Hoffmann, 2021). However, it is unknown how independent companies can survive in this competitive environment. This thesis aims at answering the following research question: *How can independent luxury companies grow?*

5.1 Implementing zeitgeist in the business model

According to an interview with Andrea Baldo CEO, Ganni, 2021, it is important to capture the zeitgeist within the company's business model, growth comes from demand. In 2025, two-thirds of luxury consumers will come from generation Y and Z (Bain & Company, 2021) and this is who should be addressed. In an Interview with Josefin Liljeqvist, CEO, Josefin Liljeqvist, 2021, confirms this for her company. The largest conglomerate in the luxury industry, LVMH, is also trying to appeal to the younger generation and wants to recruit 25.000 young people to make brands like Louis Vuitton and Dior more appealing. (Spencer, 2021) However, Prof. Girod, 2021, luxury industry expert, professor at IMD and director of the Reinventing Luxury Lab, says that independent brands such as Ganni or Josefin Liljeqvist have a competitive advantage. Professor Girod implies with independent companies can communicate in a more appealing and authentic manner towards generation Y and Z. In example if Josefin Liljenquist communicates about sustainability, it is perceived more authentic because luxury conglomerates can be contradictory regarding the sustainability aspect. In general, independent brands are more authentic in the luxury industry, says Prof. Girod.
Anima Aurea follows a different strategy in this area, according to Salvatore Valenti, CEO, Anima Aura, 2021. Due to the very high price point, from €10.000 up to six figures, the company's buyer base is limited, which is reinforced by the fact that the company specifically targets wine collectors and ultra-high net worth individuals, says Salvatore Valenti, CEO, Anima Aurea. Anima Aurea is not targeting young consumers specifically, but those who have the financial capacity, regardless of the age group of the potential consumer. It should be said that Anima Aurea's marketing tool is almost exclusively word-of-mouth.

To bring this back to the research question of how independent luxury companies grow, two companies are incorporating trends into their business model, Ganni and Josefin Liljeqvist. Anima Aurea, on the other hand, strives for a timeless product and related strategy, according to an Interview with Salvatore Valenti.

5.2 Using scarcity and growth as strategies for independent luxury brands

For Anima Aurea, scarcity is based on actual rarity due to handmade production, rare precious metals, and gemstones according to the CEO, Anima Aurea, 2021. Therefore, the process from order to delivery takes up to six months for Anima Aurea, a by-product of which is that the real scarcity makes the product even more desirable, according to Salvatore Valenti. Anima Aurea wants to grow but not to serve the mass market or to become very well known, but to seek exclusive partnerships. Therefore, growth is aimed at increasing the awareness of the brand among the people they want to address, people-in-the-know, Salvatore Valenti adds. The growth strategy will be applied carefully, to make sure to reach the right customer and not to exceed the desired goals. For Josefin Lilliquist, the same regarding the process is valid. The shoes are not produced for stock, but only on order. This also results in waiting times of several months for the product at this company. At Josefin Lilliquist, this is also because the shoes are handmade and the raw material, in this case leather, is purchased in a very sustainable, ethical, and transparent manner.

Ganni, on the other hand, is a different story. The business model is strongly oriented towards the fashion industry and Ganni's products are distributed through 546 wholesale accounts in FY19 (Kent & Crump, 2019), thus the availability of Ganni's products is high and not associated with rarity at all. There is also no attempt to artificially scarce the products, according to their CEO.

5.3 Pricing, applying the Veblen effect to reach growth

Regarding the Veblen effect (Veblen, 1899) and the pricing which is significantly correlated with the growth of the company, the situation for the companies is as follows. For Josefin Liljeqvist and Anima Aurea, pricing is important, according to the companies' CEOs. Salvatore Valenti from Anima Aurea says that the high pricing makes his product more desirable and thus increases demand and confirms Veblen's theory. For Josefin Liljeqvist, the increased price of a pair of sneakers, 800€, comes from the ethical sourcing of leather and handcrafting. The customer makes a high investment, deals with the issue forced. At Ganni, things look different as in Ganni's competing peer group are brands like Isabel Marant and Acne Studios. These have gradually increased prices over time. Ganni stands out within the peer group by being priced just below the peer group. (Lectra, 2021)

5.4 Using agility as the path for independent luxury growth

Large conglomerates in the luxury industry have long paths for decision-making and are historically known for not being agile, according to Adina Laura-Achim, a Journalist for JingDaily, CEO of Achim-Solutions and luxury expert, 2021. Independent companies are more known for higher agility, including Anima Aurea, Ganni and Josefin Liljeqvist. From all interviews with the companies, it can be derived that decisions can be made quickly, due to small teams, flat hierarchies, and little need for coordination with shareholders of the companies. This agility helps to react quickly and efficiently to market conditions, current trends, and new developments, according to the Ganni-CEO. Adina Laura-Achim confirms this in our industry expert-interview. Additionally, she argues that the agility of the companies has helped to enable opportunities from e-commerce faster for independent brands in the luxury industry, in the current pandemic. All three companies are characterised by the above-mentioned features of agility, which is a factor that distinguishes independent companies from conglomerates, thus opportunity for growth.

5.5 Dealing with the lack of financial capacity for independent companies

Prof. Denis Morisset, professor at ESSEC and former France CEO of Giorgio Armani, states in an expert interview that financial capacities are needed for growth. Financial capacities like those of LVMH or Richemont are needed for marketing campaigns, R&D projects, for production costs, customer management, etc., according to Prof. Morisset, 2021. These are often lacking for independent companies, confirm Prof Girod and CEO, Josefin Liljeqvist, 2021. The young company Josefin Liljeqvist is therefore actively seeking investors to provide funding for growth. With this funding Josefin Liljeqvist aims to achieve a projected growth of CAGR 94.28% between FY22-29 by investing the funding in Sales, Supply Chain, Design & Production, Marketing, R&D and employees. (Josefin Liljeqvist, 2021) Anima Aurea, on the other hand, is seeking partnerships with other companies in the future, but are not actively looking for investors, according to the company's CEO. Ganni, on the other hand, has chosen a different path. In their first years, they have achieved a lot of momentum and a strong growth of CAGR + 23,72% FY 15-20. (Ganni, 2021) This has attracted investors to the company, and in 2018 the LVMH associated PE fund L Catterton invested 40m€ in Ganni. (PitchBook, 2021) Subsequently, it opened more stores and expanded internationally into additional countries. (Kent & Crump, 2019)

Even if Josefin Liljeqvist cannot profit from its financial backup, the vertical integration is high, i.e. that they control almost the entire shoe manufacturing process, according to the brand. Anima Aurea is similarly positioned, as manufacturing also takes place through the company. Ganni is a different story, and so they cannot benefit from high integration.

Even if Anima Aurea, and Josefin Liljeqvist lack financial capacity for growth currently, it is possible to grow without, see Ganni until 2018. Financial capacities are built up over time in the market and do not arise at once, which is also evident in the three case study companies.

5.6 Utilizing the corporate identity

Josefin Liljeqvist characterizes her corporate culture as young and dynamic, when being interviewed. Another interview with one of her employees underlined this self-characterization. Every team member can contribute their ideas. The same is true for Ganni, according to their CEO. At Anima Aurea, corporate culture is also highly empathized, as this is deemed expecially important according to my interview with CEO Salvatore Valenti.

Anima Aurea is using a proximity to art to sell its products, the object sold is a symbiosis between art and luxury, selected materials, and handwork, says Salvatore Valenti. Ganni also uses this tool, they also offer a coffee table book about their company. Josefin Liljeqvist does not offer such things yet, but through the design process it can also understood as form of art, according to CEO, Josefin Liljeqvist, 2021.

The uniqueness of the identity, which is easier to create due to the manageable size of the three companies, is a unique positioning factor. Through the clear and unique positioning, the market is satisfied by one, in a way that is not possible for conglomerates, says Adina-Laura Achim in our interview.

5.7 Implementing growth drivers in the strategies of independent companies

The defined growth drivers from the EY (2019) study described in the chapter play a major role in future growth opportunities for the entire luxury industry. Among other things, the trends indicate how essential digital is becoming for luxury companies. Josefin Liljeqvist, puts this in terms of an Instagram account, future blockchain technologies, and website development to reach customers, according to Josefin Liljeqvist. Ganni's focus is also clearly on digital, according to Andrea Baldo. Ganni convinces through excellent social media marketing and achieved worldwide success with the hashtag #gannigirl. Even though the EY study says that in the technology context the industry itself is slow and unagile, this is not the case for the case study companies. As described, blockchain technology, internet presence is being worked on at Josefin Liljeqvist and Ganni. Anima Aurea, on the other hand, as already described, relies on a traditional strategy, and has no focus on digital. Although it is of course also an important factor, says CEO, Anima Aurea, 2021. Another trend described is the consumer's increased interest in sustainability, Ganni publishes an annual sustainability report (Ganni, 2021) and Josefin Liljeqvist also informs about her sustainability focus via website and Instagram, according to her. In the Interview with the CEO of Anima Aurea, Salvatore Valenti says that his product is already sustainable due to its rarity and longevity. The EY study, EY (2019), states that consumers will increasingly base their purchases on the sustainability characteristics of companies.

6. Discussion & Conclusion

Independent companies in the luxury industry, or rather the case study companies, grow through their unique approach within the industry. Whether the unique approach is a patented business model for wine bottles, shoes that support animal welfare, or a sustainable fashion brand. All three hit the *Zeitgeist* and try to pick up the trends from studies like Bain&Company, EY and more, or have internalized them automatically with their business model. There are also considerable hurdles and entry barriers to the luxury market, but an innovative approach can overcome them, as seen in Ganni.

All three CEOs of the surveyed brands confirmed that steep growth at any price is not the goal of the companies. Although Anima Aurea, Josefin Liljeqvist and Ganni operate in different sectors of the industry, they all pursue an individual purpose. This purpose is authentically reflected in the brand identities of the companies, and it is the reason for all operations and existence. At Anima Aurea and Josefin Liljeqvist in particular, the goal is not to make a lot of revenue for the shareholders but to develop organically and steadily and thus grow.

Because Ganni has a large PE investor (PitchBook, 2021), the situation is different, even though the focus is strongly on purpose of transparency and sustainability.

Companies grow by picking up on current trends and marketing them, says Adina-Laura-Achim. Josefin Liljeqvist and Ganni are doing this, and through their agility and dynamic teams, they can respond quickly and efficiently to implement them, different from the conglomerates in the industry.

From this it can be derived that innovation or new approaches in the luxury industry are the way to success for independent companies. Independent companies have many advantages, such as agility, corporate culture, picking up on trends and, above all, authenticity.

The definition of luxury and the need for rarity (Kapferer & Bastien, 2009), is changing as Prof. Girod says. He goes on to say that issues such as authenticity and sustainability are much more important now and in the future. Under this aspect, I predict that my three case study companies have a promising future ahead of them.

In addition, it can be said that specific growth factors and reasons for growth can be identified for the individual companies as they can be found in chapter 5. However, no further generally valid success factors can be derived for independent companies in the luxury industry, as the various companies within the sector are too individual, their products too different and the respective business models behind them.

It is clear to see that growth in this broad segment of luxury is as individual as the industry. The pursuit of growth for Ganni, Anima Aurea, and Josefin Liljeqvist follows different rationales. This makes different types of growth interesting for the three companies. Whether it is making the planet a better place by addressing a major issue, animal-welfare, with an innovative unique business model, as with Josefin Liljeqvist. Or making the planet a more beautiful place with innovative wine bottles that age high-priced wines like they have never been aged before, as for Anima Aurea. Or Ganni, which is disrupting the premium luxury segment and raising awareness of sustainability issues to make the planet a cleaner place. The different rationales aim at different growth strategies, whether the ultimate goal is to link companies in leather manufacturing and make ethical leather commercial, or to enter into an exclusive cooperation with a big luxury company, or again to generate money to satisfy shareholders and become more sustainable at the same time, who could tell.

6.1 Limitations

The thesis and its results are subject to several limitations. First, it is not possible to generalize the findings and derive generality from them. By choosing the methodology of a multiply case study, one must consider that the results cannot be further generalized without a quantitative study. Also, access to data has been limited because few companies are willing to share details and insights about their growth story. The shared data is also very sensitive for the company and therefore not fully comprehensive, and one-sided. Time limitations, lack of budget for deeper research also led to significant limitation of research. For a more holistic profile, more interviews would have to be conducted.

6.2 Further Research

There are many options to study the field of growth of independent luxury companies from an industry point of view, and from a consumer standpoint. This could be done by industry sector research, focusing for example only on fashion or only on wine products. Also, the investigated field could be illuminated differently with the inclusion of quantitative data. The case study company could also be studied in more depth, or other companies could be included.

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Appendix

Coding: