
ELIE SAAB's Business Model: A Study

Introduction

ELIE SAAB (also referred to as ES) is a high fashion brand founded by Lebanese fashion designer Elie Saab in Beirut in 1982. (FMD, n.d.) In the 1980's his creations characterised by embroidered lace, precious fabrics, beading, crystals and other rich details started attracting royalty from all over the world, which had a positive impact on his label's reputation. (FMD, n.d.)

In the 1990's, Elie Saab achieved remarkable recognition outside of Lebanon after presenting his haute couture and ready-to-wear creations in Rome, Milan and Monaco. (FMD, n.d.) However, it wasn't until 2002 that ELIE SAAB became an internationally established luxury brand, when African American actress Halle Berry received the Best Actress Oscar in a highly decorated red gown designed by the Lebanese fashion designer.

As of today, Elie Saab has a showroom in Paris and a limited number of flagship stores and boutiques in Europe, Lebanon and Dubai. (Shuayto, N. and Kayyal, H., 2013) As a result of its distribution strategy which focuses mainly on Europe and the UAE, Elie Saab has a very weak presence in the Asia-Pacific region, which has already been targeted by most of its competitors in view of its high potential and growing number of high-net-worth individuals (henceforth, HNWI's). (Capgemini Lorenz Curve Analysis, 2013a)

In view of these considerations, this essay will analyse ELIE SAAB's business model using a combination of theoretical frameworks and socio-economic data which will be used to gain insight into its current strategy. Then, the information collected about the company's strengths and weaknesses will be used to devise a distribution strategy which should help it to expand and increase its brand awareness without jeopardising its luxury status.

ELIE SAAB's business model and strategy

As Shuayto and Kayyal (2006) pointed out, ELIE SAAB's main goal has always been to attract and keep customers who appreciate and demand high-end, unique fashion designs made from the richest materials. As a luxury fashion brand, one of the main challenges faced by ELIE SAAB is to satisfy consumers' varying needs and achieve steady revenues without losing its prestigious status. (Okonkwo, U., 2007)

Need help with the assignment?

Our professionals are ready to assist with any writing!

[GET HELP](#)

With regards to distribution, Orlovic (2003) noted that those who manage luxury companies must pay great attention not to ruin their brand image when selecting key distribution channels, as apparently advantageous options such as partnerships and licensing agreements may end up devaluing even the most successful luxury brands. In fact, in order to be perceived as exclusive and extraordinary, a luxury fashion brand should be constructed in such a way to be associated with wealthy individuals who belong to the highest strata of society and can afford extremely expensive, unnecessary goods. (Kapferer, J., 2012) In light of these observations, it can be inferred that the strategic plan adopted by ELIE SAAB has certainly proved effective as thanks to its limited number of flagship stores, reasonable licensing strategy and association with royalty and celebrities, the Lebanese brand is mainly associated with rarity, exclusivity and fine materials and evokes desirable and appealing lifestyles.

As Osterwalder and Pigneur (2013) pointed out, there is a number of elements that should be analysed in order to evaluate a company's business model and to provide a clear picture of its current market position, such as value propositions, key resources, key partners, cost structure, revenues, key activities, distribution, customer relationship and customer segments. The table below uses the "blocks" outlined by Osterwalder and Pigneur (2013) to analyse ELIE SAAB's business model.

Value propositions Key resources Key partners

ELIE SAAB aims to create exceptional, high-end designs made from exquisite materials and to offer competitive prices without sacrificing quality or exclusivity. (F.M.D., n.d.) • Flagship stores, salons, fabrics, materials, sewing and design tools (physical resources)

- Website, trademarks (intellectual resources)
- Designers' talent, skills and creativity; salesforce in flagship stores (human resources)
- Shareholders' equity (financial resources). Retailers and department stores, including Harrods (Elie Saab. 2014)
- Pronovias (Pronovias.com, 2014)
- Beaute Prestige International (Elie Saab, 2011)
- Fabric and material suppliers
- Manufacturers of Ready-to-wear clothes, accessories and footwear
- Companies investing in hotels (Trade Arabia, 2008)
- Yacht companies - Oceanco and Weyves International Ltd (Lorie, A., 2010)

Key activities Cost structure Revenues

- Haute couture design
- Design of ready-to-wear clothes, accessories and footwear

Need help with the assignment?

Our professionals are ready to assist with any writing!

GET HELP

-
- Wedding gown design
 - Luxury flagship store design
 - Website maintenance Materials
 - Fabrics
 - Selling, general and administrative expenses (salaries, commissions, marketing, advertising, travel-related costs)
 - Manufacturers
 - Fashion shows Direct sales
 - Indirect sales
 - License agreements
 - Partnerships

Customer segments Customers relationship Distribution channels

- ELIE SAAB'S main target customers are: elegant and wealthy women who appreciate unique, high-end clothes, accessories and footwear made from top quality materials
- Celebrities (natural target)
- Royalty (natural target) ELIE SAAB's main goal is to retain existing customers whilst attracting new ones. Their customer management strategy revolves around:
- Dedicated assistance support in flagship stores
- Personal, exclusive services offered to selected customers (mainly royalty and celebrities)
- Excellent customer support offered by carefully selected partners Distribution has certainly played a fundamental role in creating specific emotional associations with ELIE SAAB, as the Lebanese designer's creations are only distributed through the following channels:
- Company's flagship stores
- A limited number of multi-brand retailers like Pronovias
- Exceptional concessions
- Fashion shows

SWOT analysis

As a growing company which operates in various markets, ELIE SAAB cannot be analysed only in relation to its internal forces, strategic plan and goals. In fact, as Bamford and West (2010) noted, a business' management, operations and ability to achieve its goals is affected by a variety of internal and external factors which can be analysed through a very common management tool known as SWOT (acronym for strengths, weaknesses, opportunities and threats).

Need help with the assignment?

Our professionals are ready to assist with any writing!

GET HELP

The main advantage of SWOT analysis is that it allows management to determine whether strategic goals have been achieved whilst devising a new strategy that maximises a firm's strengths, minimises or eliminates its weaknesses, reduces its vulnerability to external threats and helps it to take advantage of new opportunities. (Bamford, C. E. and West, G. P., 2010) From an analysis of ELIE SAAB's operations, business model and internal/external environment through SWOT, it was found that one of the company's weakest areas is its low presence in markets with high HNWI's, especially Asia, which means that an adequate distribution and brand strategy should be developed for this particular area. (Appendix A)

A development strategy for ELIE SAAB

In view of the data and observations illustrated so far, it can be inferred that one of ELIE SAAB's main weaknesses is its weak presence in Asia, whose potential has already been recognised by numerous luxury brands which have already established themselves in various locations within the Asia-Pacific region. (Daedal Research, 2013) Therefore, this section will present a new strategy aimed at minimising ELIE SAAB's distribution-related weaknesses which emerged from the company's business model evaluation and SWOT analysis. (Appendix A) The said strategy will revolve around company-owned flagship stores which should help to increase the brand's reach in the Asia-Pacific region, without causing it to lose its luxury status, exclusivity or credibility.

Distribution and brand dilution

As Chevalier and Mazzalovo (2012) observed, there are various dynamics and factors which should be taken into consideration when developing a distribution strategy for a luxury brand. First of all, a luxury brand should embody timelessness, rarity, continuity, stability, wealthy lifestyles and prestige as without these associations it wouldn't be perceived as luxurious, otherwise it would be considered as an ordinary fashion brand. (Chevalier, M. and Mazzalovo, 2012) In fact, the difficulties encountered by companies such as Burberry, Gucci and Chanel suggest that when a luxury brand is managed in such a way to make it too available through uncontrolled licensing agreements and inefficient management control, its image would be severely damaged which would cause it to become diluted, suffer losses and even to lose its luxury status. (Kapferer, J., 2012; Moore, C. M. and Birtwistle, G., 2004)

In this regard, ELIE SAAB's distribution strategy has contributed to preserving its exclusivity and qualitative rarity by making its lines available through a limited number of channels, including a few flagship stores, department stores, concessions and fashion shows. (Elie Saab, 2014) However, as of today, ELIE SAAB's haute couture line can only be purchased at its flagship stores in France, Lebanon, whereas its ready-to-wear line is distributed through a limited number of boutiques in North America, Mexico, Hong Kong, Europe, Lebanon and in the

Need help with the assignment?

Our professionals are ready to assist with any writing!

GET HELP

UAE. (Elie Saab, 2014) Thanks to special concessions and licensing agreements, however, the brand's ready-to-wear collections can also be found in South Africa, South America and in Russia.

Considering that the global distribution of wealth has changed significantly during the past decade, it follows that ELIE SAAB's initial distribution strategy should be adapted to the latest socio-economic phenomena in order not to prevent it from becoming a strong brand in high-potential markets where competing luxury brands are already well established. (Daedal Research, 2013) In fact, ELIE SAAB has a very weak presence in the Asia-Pacific region, where the number of HNWI's rose by almost 13% in 2012, reaching 3.68 million people whose total wealth amounts to around \$12 trillion. (Capgemini Lorenz Curve Analysis, 2013a) To be more precise, China is an ideal target market where ELIE SAAB would certainly benefit from the establishment of a new flagship store and the implementation of a brand strategy aimed at increasing its brand awareness and strengthening its presence. The main reason why China was chosen as the area on which the company's distribution strategy should be focussed is because its HNWI and GDP statistics are very promising and numerous competing luxury brands have already identified it as a high-potential market. (Daedal Research, 2013; Capgemini Lorenz Curve Analysis, 2013b) Moreover, as Kapferer (2012) pointed out, the luxury sector is still experiencing remarkable growth in Asia, in spite of the negative effects of the 2008 financial crisis, which suggests that by launching a new flagship store in China, ELIE SAAB would become less vulnerable to financial crises and other potentially negative economic phenomena.

Reasoning for a flagship store strategy

Although there are various distribution channels which ELIE SAAB could use to enter the Chinese market, the launch of a company-owned flagship store combined with an adequate promotional campaign would increase brand awareness in the aforementioned area giving the company full control over its customer service and pricing strategy without diluting the brand. In fact, cases like Gucci and Burberry suggest that as advantageous as licensing agreements and concessions may seem, mainly due to their lower expenses and easier manageability, they can easily lead to brand dilution and decreased sales when partners are not chosen very carefully (Moore, C. M. and Birtwistle, G., 2004) In view of these considerations, it should be noted that ELIE SAAB's current brand strategy has allowed it to retain and strengthen its association with royalty, celebrities and luxury and that its position in the Asia-Pacific region is not strong enough to risk being perceived as a diluted brand. Therefore, it follows that the best way for the company to expand in China would be to establish a new flagship store showcasing the brand's haute couture, ready-to-wear and accessory lines in order to increase its brand awareness and ensure that consumers in the Asia-Pacific region see it as an exclusive and prestigious brand before considering more convenient distribution channels.

Need help with the assignment?

Our professionals are ready to assist with any writing!

GET HELP

Location

With regards to China, an analysis of the country's GDP distribution across different provinces combined with more practical considerations, such as strategic placement, wealth concentration and geographic/international relevance, revealed that Beijing would be the most adequate location for ELIE SAAB's new flagship stores. (The Economist, 2011; Lu, P. X., 2011)

As MacPherson (2013) reported, Wangfujing is a shopping area in Beijing which is known for its wide range of department stores, shops and high luxury shop density. Therefore, it follows that a flagship store in Wangfujing would increase ELIE SAAB's brand awareness in China whilst placing it at the same level as other popular luxury brands, including Chanel which has a boutique in the same area. (Chanel, n.d.)

Interior design

Both interior design and architecture play a fundamental role in ELIE SAAB's flagship store strategy, to the extent that Elie Saab has personally contributed to the design and decoration of most of his boutiques. (Elie Saab, 2012) The company's existing flagship stores share a number of common features, such as simplicity, a luxurious atmosphere and modern details, which should be preserved in order to ensure continuity and consistency.

As can be seen from the above images of ELIE SAAB's flagship stores in Dubai and Paris, travertine stone, leather furniture, dark wood and warm lighting are also part of the company's global approach to interior design which should be complied with when designing its new flagship store in China. Unlike the majority of ELIE SAAB's stores worldwide, the new flagship store will showcase not only the Lebanese designer's accessory and ready-to-wear line, but also his haute couture creations. Therefore, it would be appropriate to divide the internal space into two separate sections, one for the brand's ready-to-wear and accessory line and one for its haute couture range, in order to create a slightly different atmosphere for the latter which may emphasize the higher value, luxury and exclusivity of Elie Saab's high-fashion designs. With regards to brand name translation, most people in China cannot speak English, which means that the company should have a Chinese version of the ELIE SAAB logo in its new flagship store in order to allow locals to understand and familiarise themselves with its brand name. (Zou, S. and Fu, H., 2011)

Promotion

As Hines and Bruce (2007) pointed out, marketing plays a very important role in the creation and growth of luxury fashion brands and the launch of flagship stores can help to create brand awareness whilst increasing customer loyalty in a certain area. By opening a new flagship store

Need help with the assignment?

Our professionals are ready to assist with any writing!

GET HELP

in a strategic shopping district in China, ELIE SAAB will place itself as a luxury brand and will be able to strengthen its brand image within the Asia-Pacific region. However, in order to do that, the company will have to support its flagship store strategy with a number of promotional activities aimed at making consumers aware of the brand's expansion. First of all, three fashion shows could be held the new flagship store to draw consumers' attention and make opinion formers aware of the brand's offering. It would be ideal if local celebrities were invited to attend in order to strengthen ELIE SAAB's association with famous people and glamorous lifestyles. According to Kent and Brown (2009), another excellent way to promote a newly-opened flagship store would be to attract the fashion press by offering local fashion icons free products so that they can be photographed leaving the store.

Second of all, the company should ensure that local fashion magazines and newspapers dedicate special sections inclusive of articles and images to the launch of ELIE SAAB's new flagship store and to the fashion show which will be held to promote it. As far as international promotion is concerned, the company could use its website's news section as an inexpensive means to inform visitors about the upcoming flagship store and to publish pictures and videos of the aforementioned fashion show.

Flagship store weaknesses

Administrative expenses, salaries and other costs are among the main weaknesses associated with the establishment of a new flagship store. In this regard, Kent and Brown (2009) pointed out that flagship stores are usually quite expensive to set up and operate, which is why the majority of luxury brands can only afford to have a limited number of company-owned boutiques worldwide. Moreover, the company would have to deal with a number of potential obstacles, such as cultural differences and tax barriers which would require it to invest in relevant research and investigations. For instance, most of the promotional activities which would be needed to launch ELIE SAAB's new flagship store could not be undertaken without the knowledge and expertise of one or more marketing professionals who can help the company to understand and enter the Chinese market. Last but not least, the company may find it difficult to fully manage and control its Beijing-based flagship store, mainly due to geographical and administrative reasons.

Employee training

Considering that excellent customer service is key to offering people a unique and luxurious shopping experience, ELIE SAAB will to pay special attention to the selection and training of the staff members who will be working at its Beijing-based flagship store. As Kent and Brown (2009) observed, employees' helpfulness and knowledge play a very important role in helping a company relay a certain message through its flagship stores. That is why ELIE SAAB should

Need help with the assignment?

Our professionals are ready to assist with any writing!

GET HELP

evaluate its current sales workforce in order to identify at least two individuals who have been working for the company for at least two years and who have stood out for their ability to assist customers and perform store-related operational tasks in accordance with the brand's philosophy. The said individuals should then be invited to travel to Beijing to train the employees who will be working at the new flagship store. Training should mainly revolve around customer service, merchandise management and brand knowledge.

Conclusion

The theories and data presented in this essay indicate that luxury brands like ELIE SAAB should always be managed in such a way to achieve an adequate balance between contradictory forces and concepts including exclusivity and availability in order to ensure growth, profitability and success. It follows that distribution plays a very important role in a luxury brand's overall strategy, which is why strategic channels should be chosen after analysing their advantages and disadvantages, as well as the impact they could have on the brand's image. From an evaluation of ELIE SAAB's current distribution strategy, it emerged that the company has a weak presence in the Asia-Pacific region, whose potential has been growing exponentially during the past few years, thus encouraging most luxury brands to strengthen their presence within this region. (Daedal Research, 2013) From an analysis of socio-economic indicators it emerged that the launch a new flagship store in China would greatly benefit ELIE SAAB in terms of profitability, brand image and stability, as it would give the company full control over its customer service and pricing strategy, without risking diluting the ELIE SAAB brand. Moreover, a series of promotional activities including a fashion show, editorial coverage and celebrity gift giving should be undertaken in order to increase awareness among Asian consumers and opinion formers.

Need help with the assignment?

Our professionals are ready to assist with any writing!

[GET HELP](#)