Keeping Luxury Inaccessible

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Abstract
This paper sets out to explain and decipher luxury and especially inaccessible luxury with the intent to provide enterprises three new analytical tools to ensure they stay 'in front of the pack'.

The paper starts by assessing what luxury was and is today and how and why it has evolved so far. It looks at Mass and Intermediate luxuries and then discusses three models to assess also Inaccessible luxury. The three models specifically developed by the authors are: 1. The Tangibility of Luxury, 2. The Spectrum of Luxury and 3. Brand Identity of Luxury. It will be shown that a luxury product can indeed migrate towards intermediate and mass luxuries when its traits become tangible and when rarity turns into abundance and luxury becomes accessible. The authors promote the idea that this process can be controlled by the enterprise or industry providing the brand, product traits and distribution are managed accordingly.

The authors also examine the particular linkage between rational and emotional value through the brand and map the degree of luxury of a brand by assessing what actually differentiates the luxury products from the rest. This is not done in the traditional way of assessing the marketing mix (4P, 6P or 7p etc.) or examining the key features of the product but by building and managing a more integrated and knowledgeable approach, supported by the proposed models.

Although the paper makes strong reference to luxury fashion, the comments, concepts and counselling provided are applicable also to luxury yachts, sports cars, real estate, banking etc.

Keywords: Luxury, Inaccessibility, Fashion, Spectrum, Tangibility

Introduction
The cyclic financial behaviour of economies, industries and enterprises has long been recognised (Hickman, 1973) and every manager realises that there are times for 'cash cows' and times of severe market uncertainty and instability for any company (Mercer, 1993). Moreover, in a time when enterprises are fighting to survive let alone keep in front of the competition we see the exponential interest towards luxury products and services.
But this interest is not just about profitability and brand awareness, it is about structuring an enterprises' product-service offering within the *spectrum of luxury*. This implies the use of a framework based on models. Today companies rely on traditional marketing models such as the 4P model but, as will be seen, these are argued to be insufficient for luxury products and especially inaccessible luxury products-services. Hence the authors proposed three new models that take into account the identity and position of luxury products in general. This includes a discussion on the measures of tangibility, understanding where the luxury product offering sits within a spectrum of luxury offerings and the role brand identity plays in the status of luxury.
The intent is to promote good luxury housekeeping and keeping luxury inaccessible.
In this paper the authors focus on a classical example of luxury, namely fashion, but much of what is explained herein is not industry specific.

History of Fashion and the concept of Exclusivity
Historically luxury has been defined as anything which extends beyond the bare necessities and is upper bounded by the frivolous and rich. That said this definition is as broad as it is variable over time, because the superficiality criteria is not only linked to our physiological needs, but also to our so-called cultural needs (e.g. in terms of expenditure), which change according to the era in which we live in, and also discuss luxury itself.

Any form of luxury which satisfies the egocentric desires of the individual is known as material luxury (part of the so called *American Dream*), as opposed to ideological luxury, which is dedicated to altruism and all things sacred (Lipovetsky, 2007, pp.30-35) including morality and intellectuality. The market for luxury characterised by individualism has become ever more developed over the course of the centuries, driven by the glorification of all things sensual as well as the demand for refinement (Sombart, 1988).

This latter and modern type of luxury, which will be the subject of our analysis, is a demonstration of magnificence, a tangible emblem which in itself is more desirable than the actual goods. It involves by definition, both the modern and the post-modern, it is international in scope and it spans all social practices. Its interest is heavily biased towards the economics rather than the ethics even though it also has a moral dimension. Moreover, it creates jobs and, for example, improves standards of living even for the poorest classes. So the modern interpretation and claim is that luxury can do good for society in general (Abruzzese, 1988).

As can be imagined the benevolence of luxury hasn't always been so democratic and collective. For example, during the Greek-Roman era, luxury was always a public prerogative: personal luxury was shunned as elitist, looking down on other citizens, while public luxury, such as the building of a temple was regarded as noble. . Calefato (2003) also quite rightly points out that luxury is *taken to the tomb* with numeorus examples of 'pump and circumstance' across centuries, from the Kings and Queens of Egypt to Lady Diana with the culmination of a Goodbye to England's rose.

It was also dicriminatory since women were excluded from public life therefore automatically debarred from luxuryAccordingly women who wore makeup and jewellery this constituted private luxury which was disapproved of as it was considered the art of concealment. In contrast and in modern times, private luxury becomes a privilege of the weaker sex as the woman is relegated to the private sphere rendering her the retail cash cow and queen of entire luxury sectors, from foodstuffs to furniture (Lipovetsky, 2007).

In the building of modern luxury it is possible to distinguish several epochs and geographic clusters that testify its development. More precisely: the Italian period (XIV and XV Centuries), the German (XV and XVI Centuries), the Spanish-Dutch (XVII Century), and, finally, the French and English (XVIII Century) periods.

Each of these epochs were characterised by milestones that became the reference or guidelines for the future epochs. For example, the flourishing Italian court became a constant benchmark for the Kings and Princes of France. In particular the French realised the importance of displaying luxury through sumptuousness buildings as is still visible today in the opulence of Versailles. A major difference though with respect to the Italian principality was literally magnitude and over indulgence of this display.

The Spanish court instead became predominant with an unprecedented form of luxury stigmatised with the pomp of 'Philip the Handsome' (1478-1506), while the Stuarts dictate the maximum splendour to the English courts, having the French as their role model. The apparel of nobles at the court became not only an indication of who they were but also a distinctive social class symbol. This is exemplified by gold brocaded and oppulent clothing, gold plated and signage on carriages, servants in uniform and so on (Sombart, 1988). Luxury was not confined to and within the aristocracy but later also the gentry, the first industrialists, men of science and so on.

The aristocracy played a fundamental role in the moulding of future and modern luxury, claiming periods such as gothic, renaissance, baroque, rococo etc. Moreover, it wasn't confined to one particular product category but spanned from buildings to furniture to apparel and beyond. Since the nobility was inspired to lead a luxurious life and display their riches this was done within very well defined circles such as the courts (Sombart, 1988). However, the emulation of wealth, style and pomp was not a guarantee of success since numerous nobles became impoverished or worse, fell into ruin.

As we approach the 17th century luxury started to turn into a feminine prerogative. So the feminization of luxury occurred only during the 1700's and 1800's, this overturned the traditional

supremacy of men. As far back as the eve of the French Revolution's, the wardrobe value of aristocratic men and women's was very similar.
Towards the end of the Ancien Régime (18th century), women from the upper and middle class were spending at least twice as much as their husbands on clothes and the following century would institutionalize the presence of women in the field of appearance, fashion and luxury.
Later on, with the advent of high fashion, an industry of luxury was born exclusively for women but often (as we witness also today) became a showcase to demonstrate men's economic power and social condition. Hence we may conclude that from the Renaissance onwards, the attitude towards feminine beauty started to change and evolved into a divine expression, allowing the overturning of luxury for men in favour of luxury for women (Lipovetsky 2007, pp.63-69).
Modern luxury, even if negligible to what it was for the aristocracy at the time, can be traced back to the Bourgeoisie who were the social class that represented employment, education, and wealth. From it we may observe the birth of petty bourgeoisie (or petit bourgeoisie), the class between the bourgeoisie and the proletariat, but also the Urban haute bourgeois (roughly what we today call the 'upper class').
The concept of modern luxury is indeed closer to the aristocratic way of spending than it is to the way the bourgeoisie began to squander money at the pinnacle of their opulence.
Today, in fact, the outlay incurred in grooming one's body, form and fitness matches (in monetary terms) that of luxury goods (Secondulfo, 2007). Hence the hallmark of real new luxury is the prevalence for the immaterial (e..g. hyper-personalised services, the frivolous, the eccentric), for rarity and uniqueness (Canestrari, 2007).
From the onset of the industrial revolution to the capitalistic world of corporations of today economic growth through the exploitation and display of luxury has always been promoted as a demonstration of self-realisation, the ultimate stage in the Maslow pyramid (Maslow, 1954). In fact from the seventeenth century onwards the terms industry, manufacturing and wealth were used instead of what we call today as succesful capitalism. Of late we see a distintc shift from developing wealth to disseminating it and making it sustainable. All forms of luxury could therefore see a rise in consumer senstivity towards 'feel good' and sustainable luxury that respects the consumer.
Not surprising with such a strong bias towards ruthless entrepreneurship (more so in a total unconstrained global and liberal marketplace) entrepreneurs and their supporting politicians and their governments have tuned their policies in favour of luxury (Sombart, 1988) through the deliberate detaxation of inaccessible luxury while increasing taxation for other lower levels of luxury. Hence earmarking mass and intermediate types of luxury does not necessarily mean good for enterprises and their. It is not the momentary happiness that counts in the long run but the serenity that the product delivers over time.
Such a lopsided expansion of luxury can therefore prove detrimental to inaccessible luxury because, and in particular mass luxury, the promise is only temporary and the consumer quickly realises that he or she is simply a cogwheel in the machine for profit.
Today inaccessible luxury is under the menace of lower luxuries (mass and intermediate) hence correct luxury management will be fundamental for the future of companies operating or willing to operate in a such a lucrative marketplace.
Lipovetsky (2007, pp.69-74) goes on to say that today luxury is dominated by the *femalization of luxury* i.e. there is too much sway towards female luxury but predicts that the modern and future luxury market will become more balanced with the arrival of more male luxury. This is already appearing in perfumes, personal skin care etc.

Fashion, beneath the skin

Fashion is considered by many to be a reflection of the social, political, economic and artistic forces of the time. It indicates the ideas of the designer, the wearer and, by extension, culture as a whole. Curcio (2007) is right in claiming that luxury is the flagship of overindulgence and for Squilace (cited by Curcio) luxury is the economic distinction of fashion where the emphasis is on the materialistic, morals and intellectuality.

Much of what is said here about fashion has equal parallels for other forms of luxury going from a sense of belonging to something (included) to being detached (excluded). Luxury therefore lends itself to social exclusion or inclusion (Ward, Farmaki, 2006). In fact identity, personalisation, *to fit-in*, completeness, elite are just a few of the feelings and words to express luxury, including luxury fashion.

Rebecca Arnold holds that fashion is always the product of the wider society culture, reflected in its myriad of styles. Its constant changes allow fluid definitions of gender, sexuality, ethnicity, status and class which indicate transition cultural at any given time (Arnold, 2001, p. 125). She has argued that the nature of modern fashion is inherently contradictory because it illustrates *"the promise and the threat of the future…revealing both our desires and anxieties…constructing identities that use stylish dress as a route to self-creation and yet ultimately to self-destruction."* (Evans, 2003, p. 7)

According to the Simmel, fashion is a phenomenon affecting every social aspect, and although his view of the industry is almost exclusively about clothes, it in fact relates to the fragmentation of social life and the nervousness associated to the growth of the metropolis (Evans, 2003, p. 8).

Whereas Blumer (cited by Davis, 1993, pp. 191-192) agrees with him by affirming that every social life aspect characterised by constant changes is theoretically open to the intrusion of fashion, Fred Davis contests this idea, stating that it is not possible to avoid evaluating the difference between the criteria that science and technology are based on from those of the fashion system.

Gilles Lipovetsky, defines fashion: "…it *is a particular way of social changes, no matter what's the specific object of it. First of all it's characterized by a short length and by a more or less strange shifting from a habit to another."* (cited by Svendsen, 2006, p. 11).

The term *"fashion victim"* refers to someone who follows current fashions like a slave without a personality, ready to suffer if necessary, and willing to wear the least comfortable attire, simply because it is the current fashion. Svendsen distinguishes three main types of fashion:

- *Luxury fashion,* situated at the top of the market.
- *Industrial fashion,* representing mass production of a wide range of offerings from the most famous brands to the cheapest shopping chains. This evolved into a global phenomenon during the 1980s when both American and European manufacturers and retailers increased imports of textiles, apparel and accessories enormously (Gini et al., 2005, p. 23).
- *Street fashion,* which comes from the culture of the poorer suburbs now has an overall influence fashion, as the famous designer Christian Lacroix declared in Vogue in 1994:*"It's terrible to say, but very often the inspiration for the most famous pieces of wearing apparels comes out of looking at the poorest people in the street."* (Svendsen, 2006, p. 113).

Luxury fashion's highest expression is *haute couture*, "invented" by the English born Charles Worth in 1846 in Paris in the same epoch that the sewing machine was invented. It became a bridge between the class-structured fashion of the past, and the democratised fashion of today, enabling Richard Martin to claim that it represents the fusion of fashion, considered to be a modern entity with internal personal and social needs with costume: the art of dressmaking, tailoring and crafting clothing and accessories (Martin, Koda, 1995, pp. 11-13, 15).

<u>Modern Consumerism and Fashion</u>

Fashion, by definition, is seasonal, dynamic and change happens more rapidly than in other fields. Svendsen holds that fashion dynamics embody many of the negative aspects of *capitalism* that encourages consumers to buy unnecessary things and to identify themselves through the products they purchase, in particular those with famous brand names (Svendsen, 2006, pp. 123-126).
Mica Nava, however, has responded by stating *"Consumerism is far more than just economic activity: it's also about dreams and consolation, communication and confrontation, image and identity"*…that in Western culture is so often judged by appearance (Arnold, 2001, pp. 1, 3-4).

Colin Campbell has followed the same idea, saying that the fundamental activity of consumerism is not the single act of buying things, but the research of pleasure in the consumer's mind and the illusion of something perfect, that can not exist, but that it is heavily pushed by advertising. That is why every "new" product gives the hope of being the "perfect product" and it is better than the previous one. There is a link between the romantic ethic and the spirit of the modern consumerism characterised by the constant desire of novelties and improvement to transform into the reality dreamt of by consumers. It is easy to bend to the contemporary habit of looking in shop windows without buying anything, just for the pleasure of imagining wearing the clothes (Campbell, 1992, pp. 136-145, 309-313). Indeed the same sensation is generated whenever we look at other examples of luxury such as when we admire a flash sports car, a mega yacht, private jet etc.

Consequential to modern consumerism is also the phenomenon of buyers who are addicted to spending money are commonly defined *shopaholics:* they buy things not for the item itself, but rather the value of the symbol acquired. Renzo Rosso, founder of Diesel Jeans, supported this line of discourse stating: *"We don't sell a product, but a life style. I think that we have created a new cultural movement…The Diesel Concept is broad."*

Charles Revson, founder of Revlon, similarly stated about his own products: *"In the factory we make cosmetics, but in my stores we sell hope."*

To think that this idea is completely new is wrong: the very first shopping centres were built as places where the experience was a fundamental part of shopping itself, which is why they were enriched with art galleries and live performances of music. When in 1909, *Selfridges* stores were opened in London , the most evidenced issue was the *"luxurious experience"* and a shop assistant interviewed at the time declared *"People don't buy products but their effect."* (Svendsen, p. 134).

According to Svendsen, the main difference between the *classic* and the *post-modern* consumer is that the former was obliged to consume, from the very basic to the most sophisticated things, responding to social needs that human beings have always had, along with biological ones. He had, however, a maximum and a minimum for his personal expenses (expenditure), according to the social-material development of his historical period.

For the latter, the division between an *artificial* and a *natural* need is not so easy to define because it depends mainly on the individual's own culture and that of society. For instance we can consider a primary need such as wearing a sweater during the winter period, but it is not actually of fundamental importance to wear a branded one, it is rather an external social need that is interiorised and authorised by the individual (Svendsen, 2006, p.149).

Moreover, a research project conducted by Tomorrowproject (www.tomorrowproject.net) emphasises that extra items of the same product bring less satisfaction and that consumers will not want to keep buying the same things, they will instead turn more frequently to products that look fresh, attractive and aesthetically appealing. They will base their purchasing decisions on style, as well as on their income and elasticity.

Luxury Goods and their Traits

In economics, a *luxury good* (such as a luxury fashion product) is a good for which demand increases more than proportionally as income rises, contrary to inferior goods or normal goods. Luxury goods are said to have *high income elasticity of demand:* as people become more wealthy, they will buy more and more luxury goods (Ward, Secondi, 2005, pp.7-8).

Some luxury products have been claimed to be examples of *Veblen goods* (Veblen, 1998), with a positive price elasticity of demand: for example, making a perfume more expensive can increase its perceived value as a luxury item to such an extent that sales can go up, rather than go down. When commodities and services are priced higher, consumers with a high consumer surplus will purchase such goods.

Economists believe this effect can take place because of the firms' price differentiating strategies: customers are proud to pay more for the meaning the product has for them, not for its value. Both of these factors act together to create an exception to the law of demand that can grow because the consumer sees others purchasing the product – the so-called "bandwagon effect" – or fall, for precisely the same reason – the so-called "snob effect" – (Thomas, 2007, web page).

Goods can be perceived by the consumer as luxurious for different reasons and characteristics, which has been well highlighted by Dubois and Laurent in their research during 2003 (Tartaglia, Marinozzi, 2007, pp. 37-42):

- *Quality:* excellent quality comes from either the precious raw materials used (e.g. diamonds) or the elaborated and long processes used (e.g. restaurants);
- *Price:* high price comes from comparisons to products or services with similar functions;
- *Rarity:* either forced by limited offers or distribution or both;
- *Use of 5 senses:* the use of the product is considered as an hedonistic experience involving taste, sound, sight, touch and smell with a hostility towards dehumanising high-tech;
- *Privileged relation with the past:* history and tradition, very far from the fad of fashion;
- *Uselessness and futility:* the product has no useful function.

The same authors continue by making a list of the contents of luxury goods, according to the value they actually have and the pleasure they are able to bring to the consumers.

Exclusivity is the minimal level of content that a luxury product must have, that is to say, image (low value and low pleasure) to show for which a major price is paid. By raising the value, but keeping the same level of pleasure, it is possible to talk about *Uniqueness* where the brand is only needed to assure the expected quality that the brand historically carries. On the other hand, increasing pleasure and leaving the same level of value of exclusivity, the content of luxury becomes *Quality* due not only to the richness of the raw material, but also to the elaborate procedure necessary to make the product, typical of the crafting work (e.g. leather district of San Frediano in Florence).

Finally, when uniqueness and quality merge together at the highest possible level, we can talk about a *Myth,* the legend that becomes a real reference point for its category, such as Harley Davidson motorcycles, Benetti yachts, Rolls Royce etc.

What does Luxury really mean for the consumer?

For Dana Thomas, the author of *Deluxe: How Luxury Lost Its Lustre* and a critic of consumerism, it's about "hawking low-cost, high-profit items wrapped in logos" (cited by Hack in the Telegraph, 2008). Hack goes on to state '….If luxury is about the best of the best, and if we need to look for meaning in fashion, then what are the most relevant, stylish must-haves for the new year?' Predicting and therefore anticipating consumer needs is not so straight forward as one might think because vocabulary differs from person to person. Moreover, the very vocabulary itself will dictate how one expresses luxury (Ward and Secondi, 2005). Indeed Lipovestsky (2007, p.45) distunguishes luxury into two categories, namely Luxury and Semi-luxury and classifies semi-luxury as false luxury. The term 'false' may infer several meanings e.g. counterfeit, misleading, deceptive but when combined with luxury may infer a cheap imitation of an otherwise inaccessible dream.

In other words each one of us may express our own idea in a different way and this is very true for luxury products. In *American Demographics* (*"Oh, the Good life",* November 2002) recently asked consumers to define the meaning of luxury and the survey showed the following results regrouped in the table below highlighting the differences in definition of luxury by age, gender and race.

	Men	Women	18-34	35-54	55+	Black	Hispanic	White
Glamorous/Classic/Elegant	67%	73%	72%	66%	74%	69%	64%	72%
Comforting/Relaxing/Pampering	55%	54%	52%	56%	54%	38%	51%	58%
Status symbol/Exclusive/Prestigious	51%	51%	39%	50%	57%	43%	41%	53%
Wasteful/Unnecessary/Extravagant	27%	19%	19%	28%	19%	32%	14%	23%
Trendy/Fashionable/"In"	21%	23%	26%	19%	24%	30%	33%	18%
Flashy/Gaudy/Elitist	28%	12%	37%	22%	10%	**	31%	16%
Practical/Quality/Enduring	14%	18%	**	15%	20%	**	**	18%

*** - Sample size too small*

Note – Columns do not total 100 percent because more than one answer was allowed.

Table 1 – Definition of luxury

(source: www.ntaonline.com/staticfiles/psychtravel_luxury.pdf., accessed 26.09.2008)

For instance, White consumers are more likely to define luxury as something "prestigious" or "exclusive" than are Blacks or Hispanics that, on the other hand, are almost much more likely than Whites to define luxury as "trendy" or "fashionable". At the same time consumers in the 35-54 age group (the trailing edge of the *baby boomers*) use adjectives such as wasteful, extravagant and unnecessary, exactly the opposite of the older age ones that prefer thinking to a status symbol or something prestigious.

As underlined in the same research the data collected provides a solid understanding of how a target group of consumers might view luxury and how best to tailor the product offering. For instance if the younger population is targeted then extravagance becomes the focus, while for those 55 or older the same product would be viewed as classic and elegant (www.ntaonline.com). The survey was centered around the concept of 'The Voice of the Customer' hence there is a direct reference to QFD (Quality Function Deployment) by Yoji Akao and Shigeru Mizuno (www.12manage.com). Although this tool has its origins in quality management in the 60s, it is the authors opinion that it is one of the very few tools that allow a structured approach to integrating customer expression in the development of the product they really want and desire. This approach is in fact typical of luxury products that have to be tailored to suit the customer.

While luxury and prestige are pretty clear (but different) in the customer's mind, there is no longer a standard definition of what luxurious actually is. This lack of consensus is reflected even by the gurus of the fashion world, in fact according to Silvia Fendi, luxury is about "having the best… not just to follow the trend of the moment, but to have something for life that has been made to the highest quality". On the other hand Tom Ford believes it's about breaking away from the logo. This suggests that underneath there may be a 'spectrum' of definitions or classes of luxury. The authors suspect that this could reflect also social class i.e. those at the top think like Fendi while those at the bottom it is 'image' or the logo that counts.

How does Luxury link to needs and motivation?

Maslow's theory of needs (1954) helps marketers understand how various products fit into the plans, goals and lives of consumers, including luxury consumers. In the case of luxury products their consumers are biased towards the tip of pyramid although lower levels may also be equally important (e.g. emblems of luxury such as castles, private secluded mansions, bullet-proof cars include protection as a prime need).

The top three strata of Maslow's pyramid are, however, key to the realisation of what luxury should be for a prospective customer. How the strata is percieved or classified may differ from customer to customer and across luxury products. The accessibility of the luxury product will also differ and almost as if the pyramid is distorted or squeezed towards the top. Hence the social need becomes a need to be included and yet part of an 'exclusive' world while status may be more important than self-esteem.

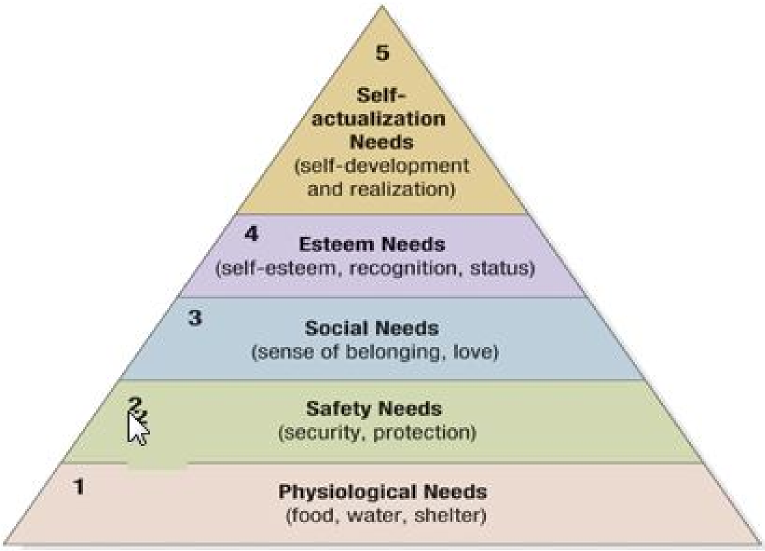

Figure 1 – Maslow's hierarchy of 5 needs
(source: Kotler and Keller (2006). *Marketing management (12th edition),* New Jersey, Pearson Prentice Hall, p. 185)

A European report indicates (www.fao.org), that with the increase of personal incomes, individuals tend to spend a higher proportion of their income on activities that are higher placed in Maslow's hierarchy of needs, and less on satisfying their basic needs. That is why, for example, in most developed countries, only a small proportion of personal income is currently spent on food, while in developing countries this can account for a significant proportion, or even the majority, of personal expenditure. Below is a graph shows that the lower the income, the bigger the percentage spent to satisfy primal needs.

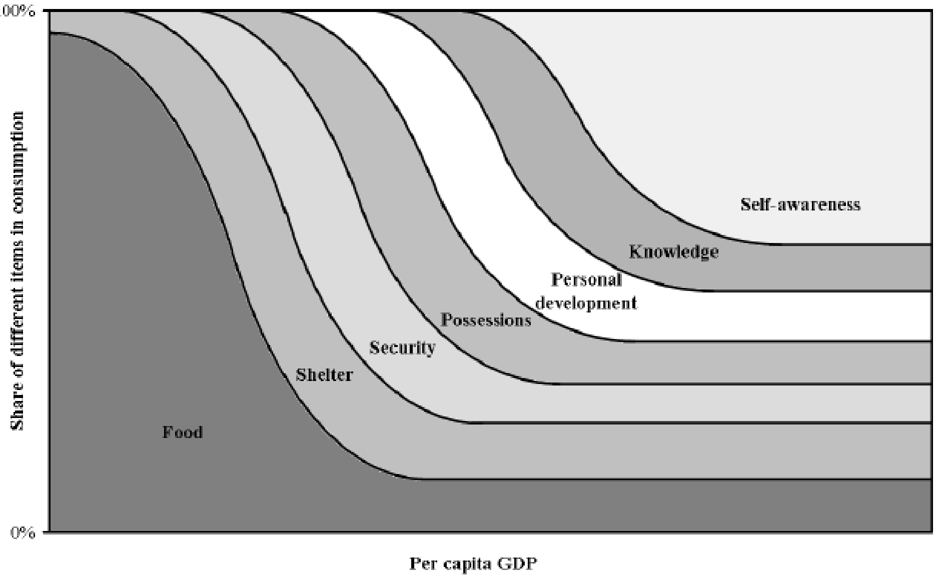

Figure 2 – Relationship between needs and income
(source: www.fao.org)

But motivation theory also includes ***Herzbergs theory*** that distinguishes *dissatisfiers* (factors that cause dissatisfaction) and *satisfiers* (factors that cause satisfaction). The absence of the former is not enough, because satisfiers have to be present to motivate a purchase. Therefore it is necessary that the sellers research the major consumers satisfiers in order to differ their product-service offering from that of the competition.

Kotler and Keller complete the analysis of the consumer's behaviour characteristics by depicting the stimulus-response model where marketing and environmental stimuli enter in the consumer's consciousness and psychological processes interact with personal characteristics that lead finally to the decision process and purchase decision, as illustrated in the figure below.

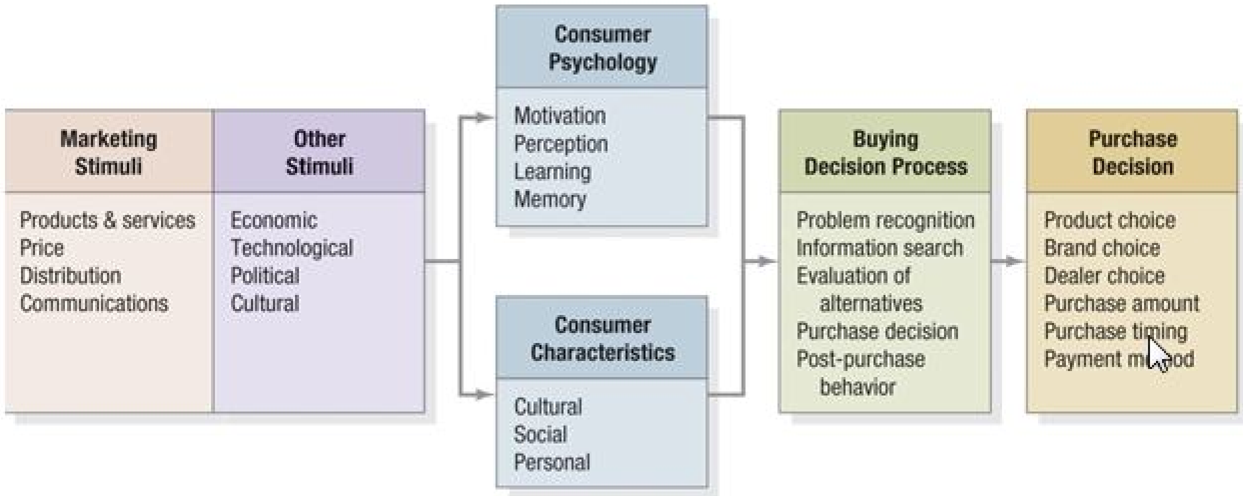

Figure 3 – Model of consumer's behaviour
(source: Kotler and Keller (2006). *Marketing management (12th edition),* New Jersey, Pearson Prentice Hall, p. 184)

Consumer characteristics are affected by three main factors: cultural, social and personal.

I. *Culture:* is the fundamental determining factor of a person's desires and behaviour acquired through socialisation processes and other key institutions (religion, racial groups or special interests).
II. *Social factors:* reference groups (such as membership, aspirations or groupings), family (religion, politics, economics or everyday buying behaviour), social roles and statuses can be considered components of social factors.
III. *Personal factors:* age, self-concept, lifestyle, values, personality, wealth, occupation and life cycle stage are all dimensions of personal factors.

One of the key marketers' tasks is to understand what happens in the customer's consciousness between the arrival of outside marketing stimuli and the ultimate purchasing decisions i.e. the motivation to buy.

Motivation to Buy Luxury

Going back to Table 1, a closer view reveals that costumers display a new attitude towards luxury. After an evaluation of value, style is valued over substance, and quality is valued over consumption, these aspects have intensified over the past year as recession and uncertainty about the future have become the norm.

An additional survey from September 2003 (www.ntaonline.com)., among an American representative sample of 876 adults, has shown that the reasons for purchasing luxury also differs by gender: both men and women say their most recent luxury purchase was made because *"I wanted to treat myself to something special"* (68% of men and 72% of women). However women are much more likely to say they bought their last luxury purchase because *"It made me feel good about myself"* (36% versus 26% respectively). Men are also more likely to say they aspire to live a lifestyle of luxury (45%) than women (38%).

According to *SRI Consulting Business Intelligence* (www.ntaonline.com) consumers can be placed in three groups depending on how they evaluate luxury:

I. Luxury is ***Functional:*** these consumers tend to buy luxury products for their superior functionality and quality. Consumers within this segment, which is the largest of the three, tend to be older and wealthier, and are willing to spend more money to buy things that will last and which have enduring value.

- Messages that highlight *product quality* and are information intensive are powerful for this group of buyer.

II. Luxury is ***Reward**:* these consumers tend to be younger than the first group, but older than the third one. They use luxury goods as a status symbol for recognition of their efforts. Luxury brands having widespread popularity are welcome, even though they do not wish to appear too lavish in their appearance.

- Marketing messages that communicate *acceptable exclusivity* resonate with this group.

III. Luxury is ***Indulgence**:* this group is the smallest of the three, and tends to include younger consumers and has slightly more males than the other two groups. Their reasons for buying luxury goods is to lavish themselves in self-indulgence. They are willing to pay a premium for goods capable of expressing their individuality. They enjoy luxury for the way it makes them feel, and therefore have a more emotional approach to purchases. They respond well to messages that highlight the unique and emotional qualities of a product.

An article from the International Herald Tribune give us an insight into the reasons for purchasing luxury goods. *"There is not a lot of information out there on what matters to consumers in luxury,"* - said Guy Salter, deputy chairman of Walpole - *The things that matter most to buyers of luxury goods are brand soul, story, myth and legend, product quality, rarity and cultural cool."* Lying beneath these elements is one fundamental rule, Salter said. *"We came to the enlightening realization that, at the bottom, it is all about a primal need to feel more desirable."* (Pfanner, 2005, web page).

The already mentioned *Unity Marketing* emphasises in a 2004 report that luxury marketers, therefore, not only need to maximize their customer's pleasure of the luxuries they offer, but they need to maximize the life enhancing qualities of their products and services. As luxury responds to the self-actualising need of the Maslow's hierarchy needs, luxury marketers must provide consumers with self-actualizing experiences while their use of the product or service (www.researchandmarket.com).

As customers today are more educated and informed than ever, the assessment of *Customer Perceived Value (CPV)* has became increasingly relevant. Customer-centered firms seek to create high customer satisfaction, not by lowering their prices, which could lead to lower profit margins, but for example, by investing more on Research and Development, or in manufacturing processes (Kotler, Keller, 2006, pp. 140-141, 144) or customer services etc.

For these reasons, a tool like ***Customer Relationship Management*** **(CRM)** is growing in popularity because it specifically addresses the issues of dealing with customers on a day-to-day basis. This is a strategy which uses technologies to learn more about customers' needs and behaviours in order to develop stronger customer relationship (www. businesslink.gov.uk).

The Art of Luxury Marketing

Even though the world of luxury is often perceived as frivolous by most people, it involves a lot of hard work. Luxury brands require advanced thinking in business practise, and the most creative approaches. Customers expect to see the highest standards at every level, and so luxury marketers immediately feel the pressure of competition and chase for high(er) creativity (www.vedior.com).

Luxury brands are characterised by constant research of new and more effective marketing approaches. Bernard Dubois in his publication *"Le luxe, un secteur pas comme les autres"* (*Luxury, a different sector from the others* - 2003) explores a list of the so-called *"paradox of luxury"* (Tartaglia, Marinozzi, 2007, pp. 67-68):

- ***Demand paradox:*** luxury products do not aim to build a demand loyalty, because once a luxury product or a brand has been experienced, it is unlikely that the same choice will be made in the future. For example, after a trip there is a high probability that the customer will choose another luxurious destination, not the same one again.

- ***Product paradox:*** luxury products come from stylist creations and not from studying of the consumer's needs. It is not a product that meets the customers' needs, but rather one which creates and markets itself because buyers simply desire the new creation.
- ***Price paradox:*** luxury product price is not the result of cost analysis or brand mapping. In fact the perceived value of the product is often unrelated to the cost of the raw material because the price of the product is, in a certain way, the price of a dream.
- ***Distribution paradox:*** high diffusion is negative for the luxury product or service image, because it would destroy the element of rarity.
- ***Communication paradox:*** creativity is already part of the product so does not need to be enhanced through communication. A product with the brand name is enough if the brand is really prestigious.

When competition increases, it is definitely more beneficial to change the rules because:

- It is important to create *fidelity* as it is more expensive to find a new customer rather than to keep the old one,
- It is necessary to create *new needs* when the natural ones end and at the same time create a product to satisfy them,
- No customer would choose a more expensive product if the *performances* were exactly the *same* as another,
- The customer does not hesitate to enter *any shop* if he finds the product he wants,
- When *selling* the *same products* as the competition, the only way to be different is by lowering the price or differentiating the advertising.

So, new luxury marketing seems to need new rules, slightly different from the classic paradox listed above. The expected change is towards a greater number of competitors, the acquisition of brands with a long history by large industrial groups, segmentation and augmentation by brand, an unavoidable lowering of prices, acquisition of medium-high level customers by the competition, an explosion of advertising investments and a general lowering of the product's quality.

In particular, today, the industry of luxury is facing a new approach towards customers. In fact, thanks to aggressive strategies, the sector has grown around 15% annually between 1995 and 2004. However, after this expansion phase, consolidation will be the next step to take because the occasional and recently acquired clients have not such a consolidated purchasing power or interest. Only those firms capable of preserving their best clients will be able to grow as they did in the past. So much so that the ***client relationship*** is becoming the key point and will certainly be a differentiation milestone amongst the firms within the sector (Tartaglia, Marinozzi, 2007, p. 199).

Luxury Market Strategies

As the *Boston Consulting Group* (cited by Tartaglia, Marinozzi, 2007, p. 69) highlights the luxury sector is becoming a *"specialised"* market rather than a *"fragmented"* one. In the latter case it would enjoy more differentiation advantages than economies of scales, whilst in the former it benefits from both.

Although this has some foundation, essentially a fragmented market is more vulnerable and hence as one massifies luxury so the product itself becomes more and more accessibile. This pushes companies to search for a more oligopoly oriented industry, economies of scale therefore become a true competive advantage and incumbency is used to stop competition from new entrants. On the other hand when a luxury company specialises and chases inaccessibility it vertically differentiates and tends (perhaps unconsciously) to neglect economies of scale. This too yields incumbency and, as inaccessibility grows, so it acts as a deterrent for new entrants.

The point that is being made is that the dividing line between accessibility and inaccessibility is a deliberate attempt to make high-end luxury strategies stronger and the product offering less vulnerable. Almost as if a *blue ocean* strategy for luxury becomes off-limits even for those companies that realise the long term negative effects of a red-ocean strategic approach.

It is possible to argue that key success factors in luxury are not so far from those of other sectors less exclusive or prestigious sectors. Pambianco's customer survey demonstrated that luxury goods have the key success factors indicated in the graph below (Tartaglia, Marinozzi, 2007, p. 70):

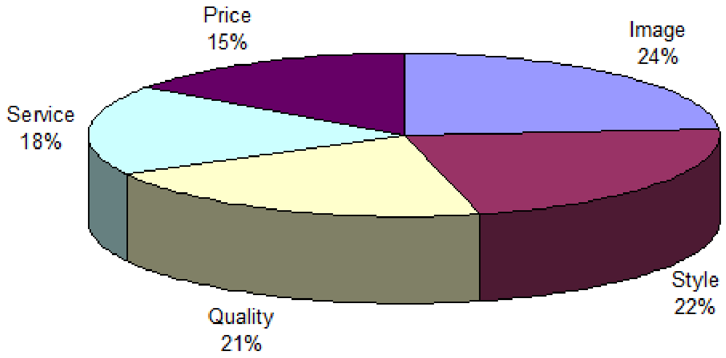

Figure 4 – Key success factors for luxury goods

(elaborated from the data: Tartaglia and Marinozzi (2007). *Il lusso…magia & marketing,* Milano, Franco Angeli, p. 70)

Henceforth, luxury goods do not currently have different marketing approaches, rather a different use and implementation of the relative tools. In fact, the current marketing strategies of luxury goods essentially differ in terms of their final objectives and according to the position the company plays in the market (Tartaglia, Marinozzi, 2007, pp. 126-130). For the *inaccessible luxury,* the primary exigency is surviving momentary trends and maintaining its own premium style. *Intermediary luxury* needs to belong to the luxury world and elite lifestyle, while *accessible luxury* must differentiate from premium products while indicating that they are the key to access to the luxury world.

Figure 5 – Main objectives of luxury markets

(source: Tartaglia and Marinozzi (2007). *Il lusso…magia & marketing,* Milano, Franco Angeli, p. 129)

Allères (1997) proposed three different marketing approaches: ***intuitive marketing*** for inaccessible luxury, ***elaborated marketing*** for intermediary luxury and ***sophisticated marketing*** for accessible or mass luxury.

The first approach is based on crafting skills, and how precious and scarce the raw materials are. It is mainly relationship marketing based on customisation and on the economic and cultural profile of the customer himself. It is based entirely on the beauty and quality of the product and so uses only part of the marketing tools. Examples can be seen in the products of Hermès, Lalique, Baccarat, Chanel, and Dior.

The second approach is based on the need for a similar status to inaccessible luxury. It is more elaborate than the first because competition needs careful monitoring, and distribution is broader and greater. The price has to be high because it represents high quality but also competitive to survive in the market, and the brand must always be well known, for example Louis Vuitton, Gucci and Prada.

The final approach makes great leverage of the brand and increases distribution of the products. This approach is frequently used in beauty, perfumes, accessories and exploit all the tools of the marketing communication mix. This is because customer tastes and preferences are less defined than those of the higher classes. It is for this reason that the best results are obtained with marketing skills that give a competitive advantage to the firm, for example L'Oréal, Unilever, P&G. So different types of marketing have different roles. Intuitive marketing has a more limited role, it basically provides support to routine activities. Elaborated marketing, in contrast, develops a more creative and incisive approach to the market itself. Sophisticated marketing is both strategic and operative, as information is not a replaceable source for elaborate marketing planning.

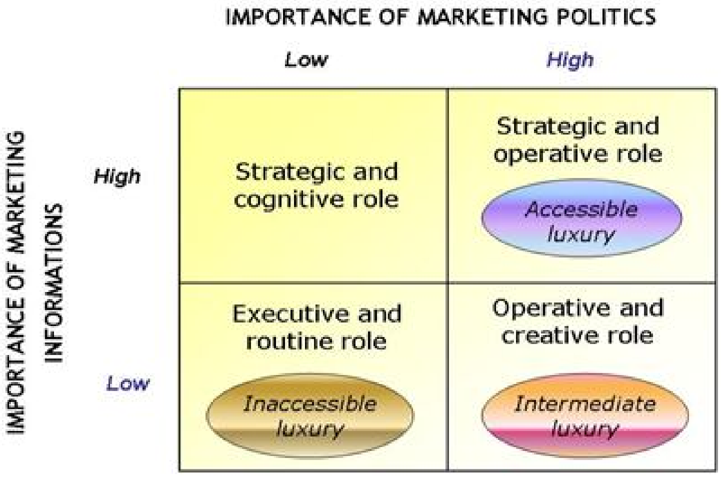

Figure 6 – Marketing function roles

(source: Tartaglia and Marinozzi (2007). *Il lusso…magia & marketing,* Milano, Franco Angeli, p. 130)

As far as the marketing strategies of luxury goods are concerned, there are two possible approches:

- Luxury companies could continue with the marketing they have always tried, simply going into a slightly higher market, leaving space for accessible luxury competitors or,
- They could consider the stability entrance of accessible luxury category based upon new rules, rather then the aforementioned paradox of rules.

These strategies cannot be mixed using the same brands: the same company may produce parallel brands for different market sectors, using brand positioning and proposals of a new marketing mix to achieve their strategic objectives (Tartaglia, Marinozzi, 2007, p. 71). The first strategy that must be realised by marketing mix tools is the ***mission*** assigned to the product by the firm, out of which come the strategic objectives (Tartaglia, Marinozzi, 2007, pp. 130-131).

In ***inaccessible luxury*** the life cycle of the product may be extremely short if it has been realised as a unique product for a single client (e.g. an evening dress by Valentino for the Oscar ceremony), or extremely long, as with products labelled as classics (e.g. a tailor made fur coat), even though they may have more or less the same characteristics in terms of glamour, rarity, quality etc.

As can probably be imagined in the fashion sector product quality and public relations are key marketing tools in maintaining the image of the Maison and both product and service are certainly vertically differentiated. This approach is maintained for all of the product life cycle.

In ***intermediate luxury*** the role of marketing takes an intermediate position and therefore operates across a broad yet restricted product range. In order to promote and manage the brand the company vertically differentiates the product deliberately and to some extent also the service. However, the approach remains solid and may only change towards the end of the product life cycle.

Finally, in ***accessible luxury,*** product life cycles are always short(er), almost fad and seasonal like, and the product range is wider. Hence the main function of marketing is to manage a product portfolio with different strategic goals that may differ during each of the life cycle phases. Max

Mara, Harlet Davison motorcycles etc. are good examples of this. Accessible luxury has a stronger tendency to towards horizontal differentiation and as the life cycle progresses will require different marketing and positioning approaches.

Luxury Marketing Mix

Luxury brands have a low ratio of functional utility to price, but a high intangible utility to price. Luxury goods marketing is very individual in many ways, as customers are influenced by glamour and style and want to stand out in a crowd (www.thehindubusinessline.com).

The following gives an analysis of the marketing mix according to the exigencies of luxury.

1. *Product:* The main benefit is a high quality level of production (often realized by hand) and the raw materials used, although nowadays technology remains important for adding the finishing touches to perfect the product or make it more accessible. The invention of the sewing machine (19^{th} century) provided the necessary technology to massify and disseminate quality clothing and therefore provide, for the first time, accesible luxury on a large scale.

The expected luxury product is desirable because it is stylish (and actual), because of the brand history, exceptional performance and durability. The *augmentedluxury product* is obtained only by adding tangible extras such as hyper-personalised service e.g. offering product pick-up, repair and return within, say 24hours. This trait is typical of inaccessible luxury, while in the category of intermediate luxury such extras may be available as an option or of lower personalisation. Consequently a personalised service for an intermediate luxury becomes common-place and likely to be standardised and/or incomplete.

Product variety may be also limited, for example, high luxury clothes would not be available in sizes that would not represent the image of the Maison. In addition even the *packaging* of luxury products plays a key role e.g. wood boxes for luxury watches. In fact blind tests have confirmed that the same product is more highly appreciated the more the packaging is prestigious (Tartaglia, Marinozzi, 2007, pp. 138-140). This implies that luxuriousness is not bounded to the product but goes much further, as we have seen for service.

2. *Price:* firstly, costs are high because of the raw materials chosen, manufacturing, processes used, selected distribution and advertisements placed in the most expensive spaces of magazines and expensive magazines. The final price can be defined as the amount of money that the customer is willing to pay plus the value added, hence:

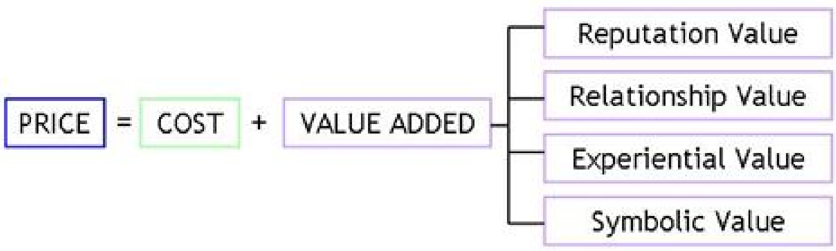

Figure 7 – Luxury goods' price

In managing the prices, luxury companies have to have entire control, because luxury consumers are cosmopolitan and compare different prices of the same product in different countries, which is why prices change according to the general cost of living and across amrkets. For example, the same luxury product and/or service may cost three times as more in Japan than in Italy (Tartaglia, Marinozzi, 2007, pp. 146-149).

3. *Promotion:* this must communicate brand and brand position. Luxury fashion companies regard the *press* as a communication tool, avoiding the typical elements in advertisements *(i.e. headline, body copy and pay-off).* Press advertising is static and centred around the product and the brand. Newspapers reach a large number of readers, but graphic quality is low and there is no true customer selection since there is limited selection. Specialised magazines, however, reach interested parties directly and the graphic quality is much higher consequently a higher price is charged for the space and audience.

Billboards and public transport advertsing are also used, albeit less frequently, but with a distinct advantage of being prominent but possibly intrusive. Television, radio and cinema are usually avoided because it again implies being too selective, restrictive or generic. Exceptions to this rule oiccur when the program is highly specific e.g. a TV series that is dedicated to high-end sports cars or luxury fashion TV channels. Events and public relations represent a fundamental promoting tool in the fashion system. The success of a new collection, a catwalk show or any events related to the brand, depends on the public relations and press offices (Galoforo et al., 2005, pp. 19-24, 32).

4. *Place:* rarity is the first need in the "distribution" of luxury goods.

Direct distribution allows control to be kept over the entire distribution system, providing assistance and technical support through agents, franchising or direct property of the points of purchase. This option should consider the volume of selling, the extension of the product range, and the level of importance of the targeted segment.

The main advantages are direct contact with the clients and customers, increased information from the market and direct application of strategic marketing policies.

Indirect distribution is, on the contrary, a situation in which product distribution is given to an external organization. This is valuable when the volume of selling is not enough to use direct distribution, and the firm wants to avoid costs of distribution and stocking, or a distribution network is required. In this way there is no direct contact with customers and strategies are not directly applied by the firm, therefore investment risk is definitely lower (Foglio, 2001, pp. 241, 246-247).

Product	**Add value to make product more special, unique, luxury value**
Price	**Price high enough to communicate specialness**
Promotion	**Tells stories to involve customer**
Place	**Use brand stories to enhance retail experience**

Table 2 – 4Ps for luxury marketers
(source: www.whypeoplebuy.com)

The 7 Ps marketing mix model, formulated by Booms and Bitners, which extends the previously mentioned 4 Ps model by adding three elements described after, is more useful in the luxury industry, as it is a knowledge-extensive environment and services are part of the product (www.12manage.com):

5. *People:* those directly or indirectly involved in the consumption of the product/service. Skilled workers, employees, management and consumers often add significant value to the total product or service offering. For example, an artwork by Bottero is in itself alreadt an icon of luxury and value.

6. *Process:* customer and product management processes are an essential part of marketing strategies. Today and especially the big luxury brands such as Prada, LV etc. have begun to pay much more attention and exploit the hidden knowledge of their clients by processing the computerised records of transactions and leveraging CRM and business intelligence. The concept of business intelligence is to make use of data to gain a better understanding of customer needs and habits, regardless of which store or place they shop in. Once data is translated into information and hopefully transformed into knowledge the company can personalise further and be more efficeint, such as by directly contacting and inviting potential customers to new product launches (Vedpuriswar, 2005, see www.thehindubusinessline.com).

7. *Physical evidence:* is the ability to obtain customer satisfaction and to create the environment in which the product and service is delivered.

Philip Keller was one of the first to consider the importance of the store environment, analysing the atmosphere of the *point of purchase (POS),* considering it *"more influential than the product itself in the purchase decision. In some cases the atmosphere is the primary product".* Keller identifies three different types of effect: it can be a means of attracting attention, to building an identity and to stimulating emotions in the customer (Galoforo et al., 2005, pp. 41-44).

Consequently the physical display of goods push communication, emphaise product tangibility but within an intangible experience or dream. The Ferrari store in Milan is an experience why the F1 real car is on display and this drives the sales of replicea or models and Ferrari kit.

Luxury marketers should also consider or add a new *"P"* to gauge success: ***performance.*** It is a key word for today's experiential market because luxury, according to Danzinger, can be considered to be a real verb performing for customers (Danzinger, 2005, web page). Performance, like discussed for Ferrari products, becomes the pinnacle and translation of physical evidence into figures and facts. Almost an official seal of dominance, distinction and distance and therefore a measure of inaccessibility.

The Value of Luxury Goods

In luxury fashion, the values to be considered are the same of those of the luxury goods system. These being quality, price, rarity, use of five senses, privilege with the past and uselessness, even though, according to the different types of luxury, one aspect could be more significant than the others.

As far as the most luxurious fashion (haute couture) goes, which falls into the category of inaccessible luxury, the most significant characteristic has always been high quality, hand-crafted goods using only the best raw materials. The price must be high enough to exclude everybody except those who are able to afford a certain life style. Rarity is acquired as a result of a low volume market strategy and narrow distribution, and, as previously mentioned, privilege with the past. In fact, inaccessible luxury items must sell and develop its own business volume, giving the client the impression that they are valued.

In some ways, inaccessible luxury represents the highest expression of client satisfaction in the era of consumerism. In the search for the "perfect product", customisation seems to be the best solution. Inaccessible luxury, also called "old luxury", is not famous for adding ***emotional value*** to the product. This value falls into "new luxury", which aims to realise customer's desires and so enter and conquer luxury markets.

In the analysis of emotional pools, categorised by Silverstein and Fiske (2003), ***individual style*** is the "pool" where fashion, clothes, and accessories are the best tools for expressing a person's individuality and values. It is one of the areas in which new luxury involves the upper-middle class to explore the luxury world, provoking the phenomenon of trading up and down.

It is important to consider that emotional value can achieve maximum expression through total customisation, which is available only in inaccessible luxury. In fact, if accessible luxury provides an emotional value, it does not customise the product, while intermediate luxury only provides partial customisation.

This leads to the line of thought that luxury fashion gains the most significant competitive advantage by providing experiential value for personal products, not forgetting that the brand/company relation is still the most influencing index for personal purchases, while the store/brand relation is currently perceived to be the most remarkable feature for experiential shopping. Luxury companies have to analyse their target market before deciding that one choice is more productive than another, or vice-versa.

A complete customised experience should consider customer relations in every aspect, from personalised packaging to the service in and out of the store, for example, being available to open at different hours to satisfy a customer's needs, or delivering a product to a customer's home, as a large part of affluent customers are busy with their own businesses and often need to save time.

Customers are willing to pay a high price for emotional value. This indirectly drives customers to avoids counterfeits or fakes since people look for the experience rather than for the logo. Ironically the brand would be less important if behind it there was no available emotional value.

Targeting the Luxury

As far as the American market is concerned, the most affluent segment is known as "Baby boomers", aged between 40 and 58 (or New High-End Customers). This is the sector that gives the highest importance to experiential purchases, putting personal expenses after home expenses.

Where taste and the meaning of luxury is concerned, the majority defines it as something which is elegant and classical. Prestigious products play a key role for the over 50s. Classic taste is best satisfied by the inaccessible luxury category, which also provides exclusivity and prestige, while experiential value is more easily provided by the category of intermediate luxury.

These two luxury sectors also respond to the question "Why buy luxury?" If the answer to this is because *"luxury is functional or rewarding"* the main characteristic requested is quality, which usually distinguishes the highest levels of luxury, and prestige to distinguish it from the others. Whereas, if it is *"luxury is indulgence"*, experience is the main request, and it usually affects the younger part of the analysed customer segment. In other marketing areas, experiential value has a considerable weight in inaccessible luxury (for instance in the luxury hotel or yacht sectors).

By mixing prestige (which is functional and acts as a reward) and experience (the indulgence of luxury) one obtains, what the authors define, as an *experiential inaccessible luxury*. This could be seen as a key to higher inaccessible luxury or simply as in-between luxury, i.e. a luxury that bridges intermediate and inaccessible luxuries. Chiari (2007, p.102) promotes the idea that this is both important and interesting for other emerging customers-markets. Indeed China and Russia have a young, rich and educated luxury customer (dominated today by males) that reflects this bridged luxury concept.

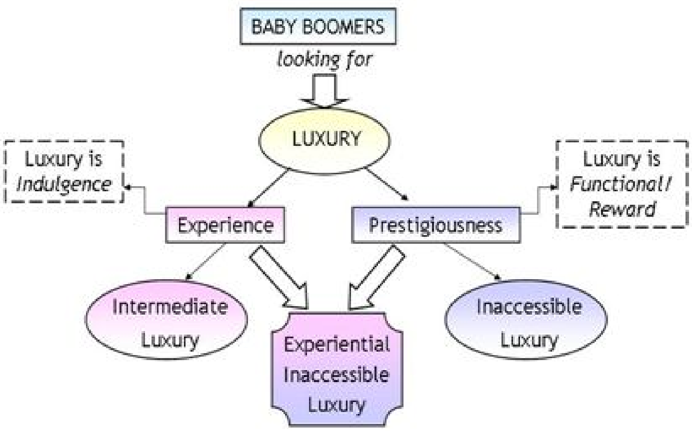

Figure 8 – The categorisation of luxury

Luxury Supply Chain and Integration

In order for a luxury product company to be considered such it must aspire for total quality management. Moreover, tTo build a strong brand and transform the company into a legend it must set its supply chain (Porter, 1985) well above the competition.

This involves paying particular attention to the "make-or-buy decision" and therefore assess their suppliers to ensure high quality and delivery punctuality in order to satisfy the customers' requests when direct production is not convenient. The best solution may be represented by a backward integration with suppliers, for instance, with a joint venture or strategic agreement that would provide acquiring production-process expertise, more rapid grow and simpler product development.

As can be imagined a (more) functional supply chain (supply on demand), efficient operations management, and lower production costs increase competitive advantage. Louis Vuitton stress the importance of supply-on-demand which allows them to keep stock low yet deliver the goods that the customer want. Similarly vertical product differentiation, obtained for example, also thanks to superior production-process skills together with fast product and technology development, will also improve competitiveness.

Another important competing factor in the luxury sector is the degree of vertical integration. In general companies usually opt for one of the three varieties of integration: backward (upstream) vertical integration, forward (downstream) vertical integration, and balanced (horizontal) vertical integration.

Vertical integration is the degree to which a firm *owns*[1] its upstream suppliers and its downstream buyers and consequently this is rare, even for luxury companies. On the contrary horizontal integration is when many firms handle the same part of the production process. However, vertical integration implies that one firm is engaged in different aspects of production such as growing raw materials or rearing animals, special manufacturing, transporting, marketing, and/or retailing etc.

In backward vertical integration, the company sets up subsidiaries that produce some of the inputs used in the production of its products. For example, an luxury automobile company may own a seating or leather company, a metal forming company, a design company. Control of these three subsidiaries is intended to create a stable supply of inputs and ensure a consistent quality in their final personalized product.

In forward vertical integration, the company sets up subsidiaries that distribute or market products to customers or use the products themselves.

In balanced vertical integration, the company sets up subsidiaries that both supply them with inputs and distribute their outputs. An example of this is a yacht builder that also owns a chain of smaller specialist yards e.g. for hull manufacturing, fitting, maintenance etc. but also ports, storage facilities, providing crews etc.

The choice of what type of integration is an intricate one and clearly strategic. For example, Jaguar now focuses only on those items that make their car unique: the design, optionals, accessories, body, engine, and suspension. All other things are considered non core (Heizer, Render, 2006, p. 440). Referring to the competitive advantage model below we may summarise as follows:

- For mass luxury products cost leadership becomes primary and response to trends is vital.
- For intermediate luxury response and cost leadership is the core of the strategic emphasis but differentiation is critical to make the product offering less vulnerable as possible.
- For inaccessible luxury it is about all three but where cost leadership becomes materials processing and transformation leadership, differentiation and response is about personalisation.

Figure 9 – Competitive advantage

(source: Heizer, Render (2006). *Operations Management,* New Jersey, Pearson Prentice Hall, p. 36)

[1] The concept of ownership is more about control rather possession.

Luxury Brand Building

Brands create promises for customers, by promoting values through communication and the products that the customer has already experienced. Consequently, if a brand has to be built and the product is not yet in the market, or is still unknown, the promise is the starting point for the establishing of the luxury company. The promise will be tested by the customers themselves, who will contribute to building brand equity if they think that the product has been good enough to maintain or, better, exceed the promise.

Figure 10 – Brand-promise relationship

In building luxury brand equity, two different "authors" have more power then others. The first group comprises the customers as inaccessible luxury does not use all the marketing tools and it is often through word-of-mouth that new customers become aware of the brand's performance. Influencers, such as retailers or other people that customers trust, comprise the other important "author". Influencers always follow the concept of intuitive marketing, where public relations are more important than advertisements or other communication tools.

In building the brand, the firm has to choose its map positioning, taking into consideration the selected target market and value proposition, "the promise to maintain". In this way, the brand should be able to reduce the distance between what the customer desires and what the firm is able to provide, and to distinguish themselves from the competition, maximising the perception of the brand's uniqueness and customer's loyalty. Understanding what brand means to customers is the key to building a strong brand with correct positioning.

Persistency and consistency are obviously needed to maintain the brand importance and keep it in the customer's mind.

Luxury Brand Equity Model

A brand equity model is a tool used to evaluate the brand as an intangible asset. There are several models based on different theoretical discourses, although none of the theories focus solely on the management of luxury goods.

Amongst the four dimensions of brand culture, symbolic value represents the background of building brand equity, because the identity of status symbol is part of the consumer culture, and luxury is the highest expression of this symbolism.

The customer's experiential value is the first step in building brand equity. This has been shaped by the company, although the technical content is often not investigated as deeply by the customer. Support is represented by the products and services provided by the firm to differentiate itself from the competition. If the experience is a positive one, the second value to build is the relationship from past experiences. The outcome is the client's trust in future satisfaction of needs. It is more easily obtained by increasing the emotional connection with the brand and, therefore, its importance to the customer.

Is Modern Luxury Really Luxury?

Most brands thought of as "luxury" in reality can be considered as "mass luxury" brands or if you prefer, democratised luxury now frequently replaces authentic luxury. Moreover, globalization has forced about a radical change in distribution and product availability making the same luxury brand available virtually in every city. In fact for mass luxury both the products and stores that stock them look exactly the same. Global availability seems to rhyme with standardisation and with it homogenisation. So even if products may still be luxurious (think of spectacles such as Ray Ban or Prada glasses), their dissemination plays a role in where they stand in the spectrum of luxury.

As analysed previously inaccessible luxury includes "experiential value" added to the product where total customisation is a further add-on to the exceptional and original characteristics of the product.

Tom Ford in a recent interview for CNN said that the core idea of true luxury is to create the very best that one can possibly have, *"taking a step back into quality and authenticity"* (www.edition.cnn.com).

Two approaches for building a new luxury brand in the current context may be summarised:

- **Bottom-up**: where a new mass luxury brand is brought to the market thanks to accurate communication and advertisements and the exploitation of celebrity images so that the customer feels part of the luxury world.
- **Top-down**: Exploitation of or building a niche market where characteristics of the classical or the "best of the best" luxury that can only be afforded by the elite - are merged with the experiential value that the true luxury buyers today want.

The first approach has been exploited by many brands, such as Diesel, "for successful living", or Morellato, "daily luxury", or GURU T-shirts, Sector no-limit watches, zRh sun glasses

The second approach includes examples such as Blackberries launched through the upper part of the business community, Demilitarised Hummer cars, Personal shopper assistants etc

Keeping Luxury Inaccessible

The auspice of the authors is that specific luxury products remain inaccessible but at the same time spin-off other lower luxury products without confusing the customer and market, or blurring the brand or killing the very essence of luxury as discussed previously. Good examples include actions of co-branding (e.g. Nike and iPod, Ferrari and Acer, Marlboro and Shell) or just simple mass luxury products promoted by companies such as Ferrari (think of Ferrari stationary),

Since the main scope of the paper is to show the marketer and enterprise how to conduct and fortify luxury business better three new models or tools are proposed and voiced, these being:

1. Tangibility of Luxury
2. Spectrum of Luxury
3. Brand identity of Luxury

We will now briefly discuss each one of these models.

Tangibility of Luxury

Inaccessible luxury is characterised by the features of the product including (exceptional) quality, craftsmanship, invaluable raw material, functionality, duration, value and, last but not least, high price and rarity. Furthermore such features remain unmoving and provide a measure of uniqueness and represent the ideal luxury brand. As a product moves away from these mainstays i.e. they are downgraded or fade, we move towards intermediate luxury. In the territory of intermediate luxury factors such as the quality of raw material or the skills of craftsman become less crucial and the hallmark of luxury moves towards a measure of tangibility. If one pushes the boundary of luxury even further down one enters the territory of mass luxury, where the appeal is linked to the image rather than to the product, consequently the brand outweighs the true luxury traits of the product.

One key characteristic of mass and intermediate luxuries is that both become more widespread, a good example of this is air conditioning in cars which is no longer considered a luxury option. Hence if a product and luxury is to remain inaccessible (or become such) then both the tangible (e.g. price) and intangible (e.g. designed and made-to-measure) must be high since this automatically avoids that the product becomes widespread and the uniqueness of the features disappears. Henceforth the fundamental nature of mass and intermediate luxuries is that they progress downwards i.e. they shift towards an area of non-luxury products as shown next.

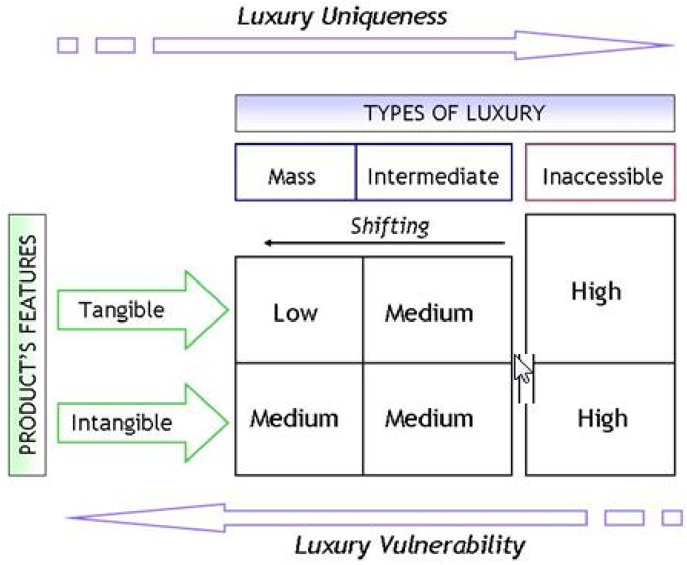

Figure 11 – Shifting of Luxury

The effect of this shifting is that luxury products are much more vulnerable when they are at the mass level, because at this level competition is particularly aggressive and both brand loyalty and fame is short lived. As we have seen the band wagon effect is strong if not dominant here.

Luxury uniqueness, on the other hand, move a luxury brand towards inaccessibility (or keep it there), where intangible characteristics (especially those based on one or more of the five senses) are less prone to vulnerability.

Spectrum of Luxury: Linking Rational and Emotional Value through the Brand

Luxury purchases, like any other purchases, move along an axis of functionality. In the second proposed model this axis has been converted into a spectrum of luxury ranging from a purely rational choice e.g. price to an emotional choice. Luxury products tend to be more emotional than rational, indeed perfect inaccessible luxury is when the two extremes of the spectrum are fused together, creating a uniqueness of the rational and emotional.

Luxury brands have a low functional utility to price ratio (Chiari, 2007), but a high intangible utility to price ratio. This means that the more emotional a luxury brand is, the more inaccessible the price becomes, as illustrated in the picture below.

Figure 12 – The spectrum of luxury brands

The spectrum of luxury is intended to be a method for establishing if a product is more rational or emotional, the more a customer positions a product to the left the less likely it will be perceived as luxury product. If the product renders more emotional content then the product will be perceived as being more luxurious by the customer.

A second advantage of the spectrum of luxury is to exploit it as a tool for brand positioning as well as positioning who the customer is and what he or she is willing to pay. If we take fashion as our example we may split the spectrum into at least three sections, namely:

1. Mass luxury as we have seen for Street fashion
2. Industrial luxury as we have seen for intermediate fashion

3. Inaccessible luxury as we have seen for luxury fashion i.e. haute couture

The spectrum for fashion thus becomes:

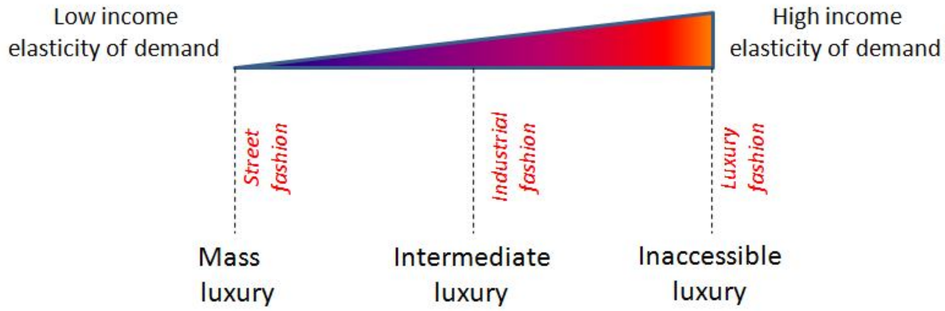

Figure 13 –The Spectrum of Luxury applied to fashion

As can be seen the two extremes of the spectrum can also be viewed in terms of elasticity of demand hence linked to the income of the customer. If the income is low then also elasticity will be too and these customers will be forced to purchase mass luxury products e.g. street fashion. On the other extreme customers will have a high income and hence the elasticity of demand will be high because of their superior purchasing power.

Yet another example comes from the degree of personlisation as shown below:

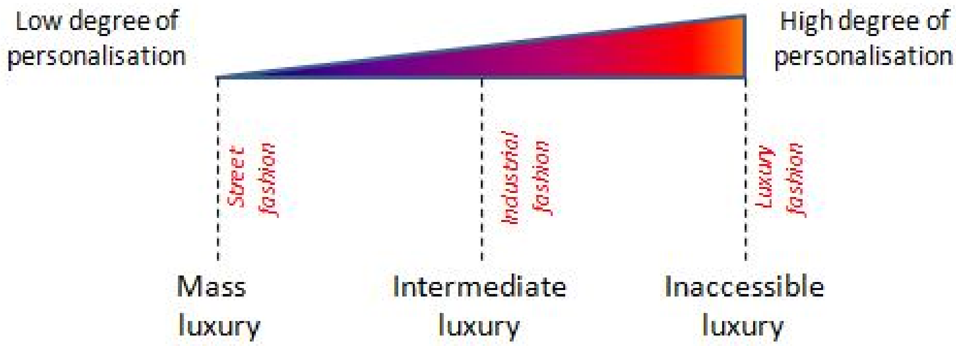

Figure 14 – The Spectrum of Luxury and Degree of Personalisation

Customers are always searching for personalised products because personalisation is a measure of self expression and rarity, two hallmarks of luxury. For customers with low incomes product personalisation will be limited so the brand will have to counterbalance this fall in expectations, indeed this is one reason why people buy counterfeit products. When customers have high incomes not only is personalisation expected but it is the essence of the brand itself. Consequently these customers will stay away from branded mass luxury (the snob effect we spoke of at the beginning) and prefer either non branded or new kid on the block brands.

Brand identity of Luxury

Mapping the degree of luxury of a brand is another task that requires further analysis, however, even modern branding tools do not differentiate (well) between luxury products and have little or no focus on luxury. One explanation for this is that the tools available have not been specifically developed for luxury goods and in fact the marketeers toolbox is full of good but middle-of-the-road tools such as those based on positioning. Even specific tools such as the brand asset evaluator, the brand identity prism or the five dimensions of brand personality are weak. Let us now examine these latter three models before discussing the third new tool proposed in this paper.

The concept of the Brand Asset Valuator or BAV (Young and Rubicam through BrandAsset Consulting website) is to measure the value of the brand. The emphasis is therefore monetary and oriented towards the 'cash cow' (www.12manage.com) approach or assessing the monetary status of the brand today and of course its potential for tomorrow.

The model is depicted next:

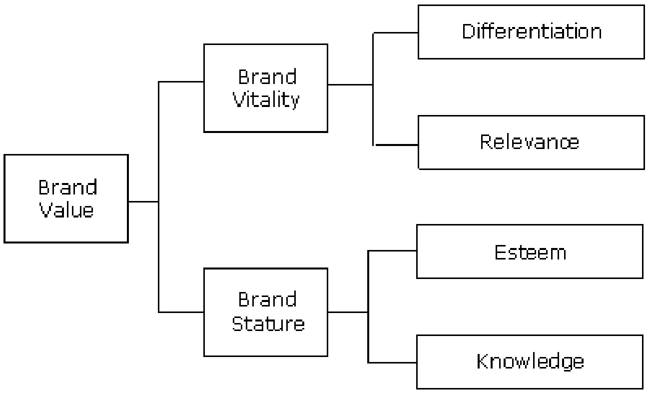

Figure 15 – BAV model

The value of the brand is split into two broad categories indicating Stature and/or Vitality.

Under stature, which represents what the power of brand is today, we have knowledge and esteem. In essence esteem expresses the brand promise and therefore speaks about the perceived quality and is also a measure of popularity. As can be imagined esteem will reflect the geographic perception of the brand hence it may vary from country to country and culture to culture. Knowledge address just how much the consumer knows about the brand and its identity. Henceforth knowledge expresses awareness and the intimacy that consumers have with the brand.

Brand vitality on the other hand is a measure of brand growth potential and is dependent on differentiation and perceived importance of the brand, summarised as relevance in the BAV model. Since we speaking of brand differentiation is not just about distinguishing it from the competition it also implies brand promise and thus the future status of the brand. Relevance appraises the degree of consumer fit of the brand. If the relevance of a brand is low this means that the consumer fit is equally low but nevertheless show potential for growth.

The second model conncerns the Brand Identity prism by Kapferer (ref. the strategic new brand management) which has been constructed over the last 30 to 40years with the help of other academics, in particular Martineu in the late 50s, Reeves in the 60 and 70s, Sègula and Bates in the 80s, Aaker in the 90s.

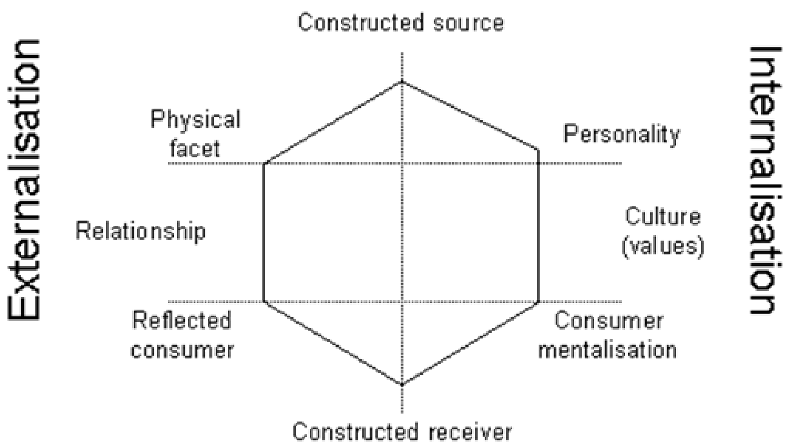

Figure 16 – Kapferer's Brand Identity Prism

The prism looks at the brand from two perspectives, Internalisation and Externalisation and then identifies two categories in terms of source and receiver. A correlation with the communication model by Shannon and Weaver (1949) is a convenient and suggested model to understand the prism better. The physical facet states the peformance of the product or service and therefore what it does.

The character looks at the personality of the brand while style is the communicative part of the brand. These three factors represent the externalisation of the brand.

The internalisation of the brand looks at the personality, cultural values and consumer mentalisation. When building a brand the source needs to be constructed just like data needs to be translated into information and subsequently knowledge. Once this is done the brand message is packaged and then comunicated. In doing do the consumer or receiver has been targeted and in this sense the receiver of the brand message is constructed. The means of comunication is therefore not just about the 'how' but about the externalisation and internalisation. If one or more of the parameters or facets of the prism is imperfect then the prism is distorted. The third model by Aaker (1997) focuses entirely on brand personality and five specific dimensions:

Sincerity : Similar to grass roots, being family oriented and down-to-earth

Excitement : Expresses up-to-dateness and inspirational facet of the brand e.g. daringness

Competence : Is the product intelligent, reliable and does it do its job properly e.g. German cars, Blueberry phones, Japanese consumer electronicsetc.

Sophistication : Its class status and how charming the brand is.

Ruggedness : Tough and suitable for 'bad' treatment

The model is depicted below:

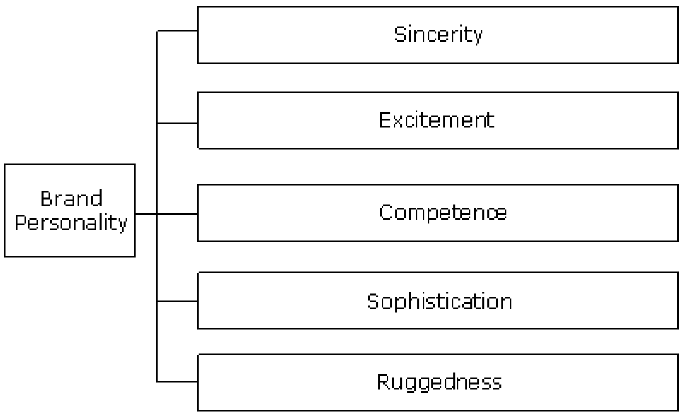

Figure 17 – Brand Personality model by Aaker

The model although very specific, has its main advantage in being focused and each dimension is measurable (usually measured on a 5 point scale). The output is therefore numerical and can act as a guidance tool for marketeers since it lends itself to capturing consumer insight in terms of the words they use to express their percpetion about the brand as well as provide a numerical scale and comparison with other brands. The main drawback is that not all dimensions are relevant for all products which is a handicap for brands in multibusinesses. The three branding models we have so far discussed view brand identity and building in terms of personality, value and relationship with the consumer and outside world.

These models are typical of those marketing tools that speak of dimensions rather than domains. Models usch as those of the marketing mix e.g. 4Ps (McCarthy and Cannon, 2006) or 4Cs are very different to models such as the BCG matrix, the Blue Ocean strategy and so on.

While dimensional models have the advantage of comparison and providing tangible measures they fail when it comes to viewing the domain in which they focus. This implies that the same domain can be populated with very different products (and hence brands) yet may have the same dimensions and relative measured values. To grasp this consider the typical SWOT tool that measures four dimensions. Looking at the internal and external aspects of an enterprise will provide a list of strengths, weaknesses, opportunities and threats together with relative measures. However, the tool itself doesn't say anything about the terrain where the enterprise is (or should be) competing. On the other hand the Ansoff matrix provides a map or domain (or 4 sub-domains) where the enterprise can see precisely where it is or should be in ther future. Although the Ansoff matrix is usually applied for business units and/or product portfolios its intent is potential growth and strategic development.

The authors of this paper claim that for the correct management of luxury brands it is not just a question of brand dimensions but also domain mapping. Only when these two aspects are clear can we contemplate brand strategy. The proposed new tool addresses this deficiency by providing a specific schematic for the classification of luxury products and the management of a luxury brand.

The schematic has been developed in a such a way that mass and intermediate luxuries are in separate domains that (both) shift as products and marketplaces evolve. The degree and speed of shift will be product evolution and may or may not be tied technological evolution. For evaluation air conditioining was once a luxury now it is standard on all cars and inn the future options such navigation systems will follow suit. The inaccessible luxury domain is however fixed or rather in order for such a type of luxury to be fixed then it must leverage one or more of the many levers of such luxury e.g. rarity, performance etc.

The model (shown next) uses facets or axes, namely luxury of inaccessibility and value of product (present or future). In realty the value facet can be substituted with other measures e.g. rarity, emotionality, monetary etc. The inaccessibility of luxury axis implies how many consumers can actually access the 'luxury'.

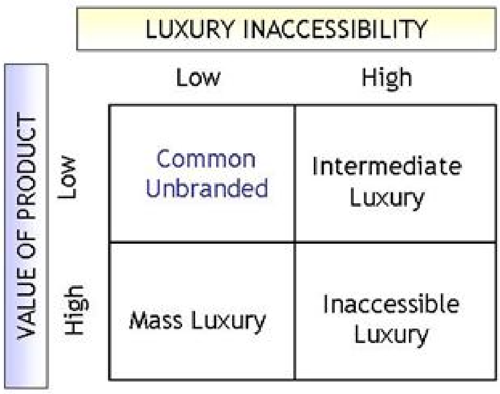

Figure 18 – Brand identity domain

Although we do not discuss the dimensions for each of the four quadrants (many of which are actually held within the previous dimensions discussed here in this paper or by the authors we have cited), we have provided four sub-domains and two levels (low and high). We believe it is equally feasible to use also a spectrum for each axis and as shown below:

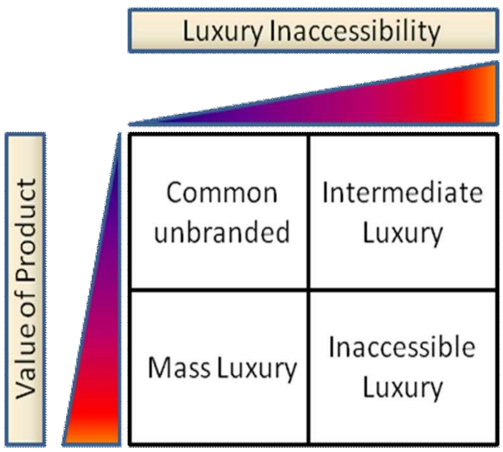

Figure 19 – Brand identity domain and axes spectrums

On a closing note even though it would be improper to consider this model complete it can be viewed as a starting point strategic brand management tool.

Conclusions

The debate about what luxury is and what it should be is a hot topic especially in those areas where fashion is not just a flagship but is the very essense or core of the business.

This discussion is not about an academic struggle for the truth rather it is about leading the luxury industry into new ‘blue ocean’ territory or help charter its route in a red ocean territory. The three new analytical tools have been deliberately developed to ensure that enterprises stay ‘in front of the pack’ and that in the event that they are forced to battle in the areas of mass and intermediate luxury they must be treat the risks and riches adequately. Moreover, it is hoped that the reader will now have a clearer picture of what luxury is, where they think it should be and just how difficult and important it is to manage a luxury enterprise and its brand. On a closing note it is hoped that the traditional tools used in marketing and in general, by upper management are not abused and that a more modern and dedicated approach be used to manage luxury.

Given the value and wealth of the luxury compartment it is trusted that it is treated with due respect, otherwise and using Tom Ford’s words *‘we will never break away from the logo mindset’*.

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Claudia Chiari earned a degree in Law at the University of Florence in 2006 and an MBA at the European School of Economics (Milan, Italy) the following year. Her masters thesis '*Everlasting Luxury, the future of Inaccessibility*' (2007) was the starting point of this paper. Claudia Chiari is currently administrator in a business consultancy company and also a freelance media specialist.

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