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The allure of exclusivity: From social influence to the global threat of counterfeiting in the luxury market

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INTRODUCTION

The goal of this thesis is to analyze how consumer behavior is influenced by luxury groups, as LVMH, Kering and other prominent players in this market, and to explore the implications on consumers' mental health.

This analysis focuses in particular on the interconnection between luxury goods and the status symbolism coming from the consumption of the former, nowadays augmented due to the constant interface between influencers and consumers.

This argument is particularly important in today' s digitalised world because luxury consumption has transcended its traditional boundaries of exclusivity and has become a cultural marker of aspiration.

Furthermore, the rise of social media and influencer marketing has democratised access to luxury imagery, and the constant exposure to this quixotic lifestyle has been linked to issues such as peer pressure, unrealistic expectations and mental health issues, including low self-esteem, social anxiety and FOMO (Fear Of Missing Out).

Chapter One will explain the concept of consumer behavior and the psychology of consumers, illustrating the drivers of conspicuous consumption and its relationship with people' s use of luxury products to construct and strengthen their own self-concept.

Chapter Two will explore the world of product placement and influencer marketing, highlighting the latter' s effect of peer pressure on attitudes toward luxury. In this chapter, an analysis between Generation Z and Generation X' s position toward influencer-displayed products will be conducted via questionnaires. The results will be displayed in graphs and will be subsequently explained, to show the generational gap on the perception of social media' s use to advertise high end products.

Chapter Three will illustrate the link between the desire of status seeking and the usage of counterfeit luxury goods and imitations, analysing the underlying moral mechanism and explaining the implications to luxury industries.

CHAPTER ONE

From desire to purchase: the forces shaping consumer choices

1.1 Introduction to consumer behaviour

Consumer behaviour is a dynamic and complex field, encompassing psychological, social and cultural influences. In marketing, psychology and economics, the former is an essential field of research, as it examines how individuals, groups and organizations make decisions regarding the purchase and disposal of goods and services. It incorporates a wide range of disciplines, including economics, behavioural psychology and sociology, as it seeks to comprehend why consumers favour specific products over others, how they respond to market stimuli and what factors influence their purchasing decisions.

Given that consumer behaviour is dynamic and constantly evolving due to technology advancements, cultural transformations and economic fluctuations, businesses must consistently adapt their marketing strategies to meet changing consumer expectations and align with shifting consumer demands.

- According to Engel, Blackwell and Miniard (1995)[1]

"Consumer behaviour includes those activities directly involved in obtaining, consuming and disposing of products and services, including the decision processes that precede and follow these actions."

This definition recognizes the wider context of consumer decisions, incorporating internal and external influences on decision-making, as well as pre-purchase and post-purchase behaviours.

[1] Engel, Blackwell and Miniard model of consumer behaviour.

- According to Schiffman and Kanuk[2], consumer behaviour is described as

"The behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs."

Their interpretation highlights another aspect of consumption, emphasising the role of both internal (psychological) and external (social and environmental) factors in shaping consumer behaviour.

Consumer behaviour, as denoted by the previous explanations, is not just about purchasing, but it is, indeed, an intricate process involving multiple stages, shaped by a myriad of factors, which can be broadly categorised into cultural, social, personal and psychological factors.

Although numerous models have been outlined, a major contribution was made by the aforementioned authors, whose theories have served as a cornerstone for strategies adopted by marketers.

The former one, Engel-Blackwell-Miniard model, is a widely recognized framework, which explains the decision-making process consumers go through when making purchasing decisions. It captures the fast-paced nature of consumer decisions, calling attention to how internal and external stimuli influence purchasing behaviour.

The model consists of five stages:

1. Need recognition, the consumer acknowledges a problem or a need, which can be triggered by internal or external stimuli.
2. Information search, the stage of the buyer decision process in which the consumer is motivated to search for more information, through personal, commercial, experiential or public sources.
3. Evaluation of alternatives, consumers use information to evaluate brands in the choice set, comparing available options based on specific evaluative criteria, such as price, quality and brand reputation.

[2] Schiffman-Kanuk model of consumer behaviour.

4. Purchase decision, brands are ranked, and purchase intentions are formed by future buyers, who may have to face with unexpected situational factors, which could change the intention, not always resulting in in an actual purchase choice.
5. Post-purchase behaviour, after the purchase, the consumer evaluates their satisfaction with the product or service, which can lead to either satisfaction, dissatisfaction or cognitive dissonance[3]

The Engel-Blackwell-Miniard model has a valuable significance in marketing, since it provides precious insights for marketers, who can tailor their strategies, by understanding each stage of the decision-making process.

The latter model, the Schiffman-Kanuk model of consumer behaviour, explains how and why consumers make purchasing decisions, taking into account also the previously explained model. It gives better understanding of consumer needs, emphasising the role of psychological factors and marketing stimuli, making it a comprehensive approach to analyzing consumer decisions.

The model follows a three-stage process:

1. Input stage, which consists of external factors that shape consumer behaviour, including marketing efforts and sociocultural influences. With regard to marketing stimuli, the 4Ps of marketing[4] are taken into consideration, since they are at the base of marketing stimuli. Sociocultural influences, on the other hand, include all those factors belonging to a consumer' s cultural-societal sphere.
2. Process stage, which includes both the previously discussed EBM model, to describe the decision-making process, and Maslow' s hierarchy of needs[5], which will be discussed in more details subsequently.
3. Output stage, that focuses on the consumer' s experience after the purchase, to evaluate whether the consumer' s expectations were met. For the brand this stage is crucial because, in the case of a positive post-purchase reaction, the customer is more eager to re-purchase the product and to try new ones, fostering brand

[3] Cognitive dissonance: feeling of anxiety, regret or discomfort that a customer may experience after making a purchase.
[4] 4Ps of marketing: Product, Place, Price and Promotion.
[5] Maslow' s hierarchy of needs: motivational theory in psychology comprising a five-tier model of human needs.

loyalty; in the case of failure to meet expectations, however, the brand will be subject to negative word-of-mouth marketing.

The Schiffman-Kanuk model is a powerful framework for analysing how consumers feel and think when making purchasing decisions, focusing more on the external influences and the internal psychological processes, rather than only on the decision-making process itself.

Many marketers, rather than viewing the buying process only as a set of specific stages, they perceive it as a broader customer journey, formed by the sum of the ongoing experiences consumer have with a brand.

Under the customer journey concept, marketers focus not only on what customers do across the stages and touch points in the buying process, but also on understanding and shaping the evolving customer experience, which will shape their continuing behaviour and attitudes toward the brand.

Beyond learning what paths customers are taking, marketers must dig deeper to learn the whys, which can be obtained by following the descriptive model of demand analysis, also know as the 6W model.

The descriptive model of demand analysis is formed by six questions to answer to:

1. What? To examine what products or services consumers buy and how they perceived product attributes.
2. Who? To identify who the buyers are, focusing on consumer segmentation based on demographic, psychographic and behavioural factors.
3. Why? To delve into consumer motivations behind purchasing decisions.
4. When? To study the timing of purchases to identify patterns and seasonality.
5. Where? To focus on the point of sale and the distribution channels where consumers purchase products.
6. HoW? To examine the purchasing process, focusing on how consumers make decisions and complete their purchases, analysing their buying behaviour.

A detailed explanation must be provided for three of those questions.

When answering to the first, "*What?*", a distinction must be made between products and services, based on the tangibility and frequency of the product, buying habits and ease of evaluation.

Products are divided into four categories, according to their tangibility and frequency:

- Durable goods, which are not for immediate consumption and are able to be kept for a period of time.
- Non-durable goods, that are either consumed in one use or over a short period of time.
- Continuative services, which are uninterrupted or long-term services provided on a continuous or recurring basis.
- Spot services, that are one-time or short-time services provided as needed, without a long-term commitment.

When referring to the buying habits of a product, there are three classifications:

- Convenience goods or fast-moving consumer goods, which are items widely available that can be purchased with minimal efforts.
- Shopping goods, that are goods for which the consumer typically compares for suitability, quality, price and features before selection and purchase.
- Specialty goods, which are goods with unique characteristics and brand identification for which buyers are willing to make a special purchasing effort.

Lastly, marketers need to make a distinction between goods, in accordance with their ease of evaluation:

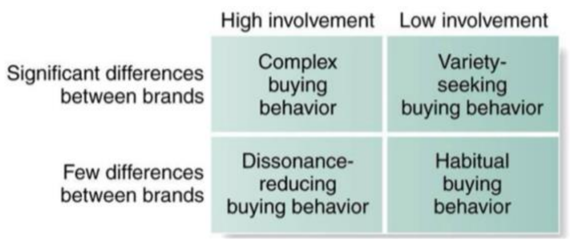
- Experience goods, which can be evaluated only after the product has been purchased and experienced.
- Credence goods, that are goods or services whose qualities are not perfectly identified, even after their purchase or use.
- Search goods, whose attributes can be evaluated prior to their purchase or consumption.

The third question, "*Why?*", needs to be elaborated, as it uncovers functional and emotional drivers that shape demand, seeking to understand the reasons people choose a particular product or service.

This aspect is critical in marketing because it helps businesses align their offerings with consumer values and expectations. Two essential concepts are related to the latter question:

1. The laddering technique, which is a qualitative research method, used in consumer psychology to explore the hierarchical relationship between personal values, psychological benefits, functional benefits and product or brand attributes. It is typically used in one-on-one interviews where respondents answer a series of "Why?" questions that progressively reveal their core motivations.
2. The customer value proposition, that defines why a customer should buy a product or a service over competitors, according to two types of benefits, which can be either functional[6] or psychological.[7]

As a final point, the last question that needs to be clarified is "*HoW?*", which explores the decision-making process and purchase journey.



One of the most effective models used during this phase is the Assael' s consumer involvement matrix.

Marketing: An Introduction – G. Armstrong, P. Kotler, M.O. Opresnik

This four-quadrant matrix categorises consumer purchasing behaviour based on two key dimensions: level of involvement and perceived differences between brands.

Complex buying behaviour is to be found in the upper-left quadrant, meaning that the customer research extensively before purchasing, comparing multiple brands, and is drawn to informational content, as detailed product descriptions.

[6] Functional benefits: based on a product attribute that provides the customer with functional utility.
[7] Psychological benefits: provide customers with a positive feeling when they purchase or use a particular brand.

The upper-right quadrant includes variety-seeking buying behaviour, which is typical of consumers who switch brands frequently for excitement or new experiences. Those types of customers are less loyal and more influenced by packaging or promotions.

High involvement and few differences between brands determine the dissonance-reducing buying behaviour of the lower-left quadrant, with consumers that make purchases but worry about post-purchase regrets, experiencing post-purchase cognitive dissonance. Those consumers are likely to choose a product based on its availability, convenience or price, even though involvement is high.

In the last quadrant, the lower-right one, is described a type of consumer who shows habitual buying behaviour, whose purchases are made without much thought and whose brand loyalty exists primarily due to habit rather than active preference.

Marketers, when studying consumer behaviour, recognize the importance of understanding the underlying psychological factors that drive purchasing decisions, often influenced by values, motivations and lifestyles.

Under this perspective, in 1970 the Stanford Research Institute International (SRI) designed the “Values and Lifestyles program”, commonly known as VALS framework, which classifies consumers into eight distinct segments, categorised on two main factors: primary motivation and resources.

Primary motivation is identified as the driving force behind consumer decisions, divided into three segments: ideals-oriented, achievement-oriented and self expression-oriented.

Resources, on the other hand, are classified either as shared resources or exclusive resources.

The eight consumer types are the following:

1. Innovators, with multiple types of primary motivation and high level of resources. Those are typically wealthy, confident and open to new ideas.
2. Thinkers, ideals-oriented and with exclusive level of resources. They are usually mature, well-educated, logical decision makers.
3. Believers, ideals-oriented with shared resources. Believers are conservative, brand-loyal and pursue traditional values.

4. Achievers, achievement-oriented and with exclusive resources. Those represent a type of customer who is success-driven and career-focused.
5. Strivers, still achievement-oriented but with shared resources. They differ from achievers because they are trend-followers and status-conscious.
6. Experiencers, self expression-oriented with exclusive resources. Experiencers are enthusiastic customers that love new trends.
7. Makers, self-expression oriented but with shared resources. Those are practical and DIY-oriented.
8. Survivors, the last type of consumer, do not have any type of primary motivation and they have a low level of resources. They are typically risk-averse, price-sensitive and focused on basic needs.

1.1.1 Psychology of consumers

Consumer psychology examines the underlying processes that drive individuals to make purchasing decisions. Factors such as perception, motivation and cognitive biases all play a role in shaping consumer behaviour. Furthermore, external influences as peer opinion and subconscious cues impact heavily on the consumers' mind, without them even realising it.

An important concept, related to the psychology of consumers, is the "attitudinal advocacy", which refers to a deep emotional and psychological commitment that consumers develop toward a brand, leading them to actively support and recommend it.
It is not simple brand loyalty, but it involves a strong attachment to the brand, which is identified as better than others.
The consumer who develops a strong attitudinal advocacy toward a specific brand will feel personally connected to it and will strongly advocate it.
This type of consumer will remain loyal, even when presented with more convenient competitive alternatives.

A classic example of how attitudinal advocacy overrides rational decision-making is the famous Pepsi Challenge, which showed that consumers, due to brand identity and social influence, preferred Coca-Cola, even though they actually liked more Pepsi.
The Pepsi Challenge, indeed, consisted of a blind taste test between Pepsi and Coca-Cola. At the beginning of the experiment, consumers affirmed to prefer Coca-Cola over Pepsi, but when they did the test, they liked more Pepsi' s flavour.

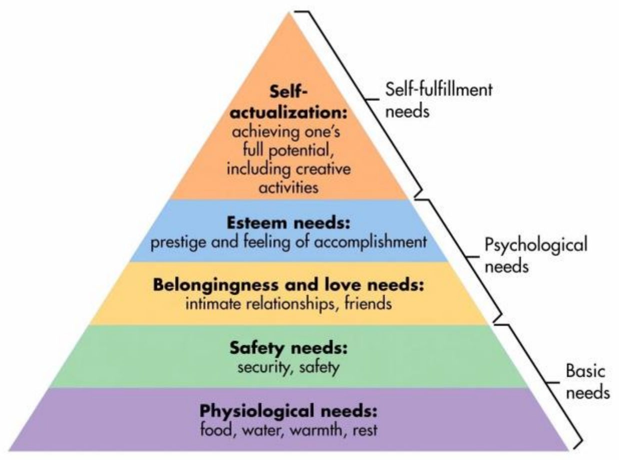
Numerous psychologists have sought to identify a rationale that explains why consumers act in a particular manner; however, particular attention should be given to the following:

- Abraham H. Maslow, who explained how individuals prioritise their needs in "Hierarchy of needs".
- Sigmund Freud, who suggested an unconscious division of the human' s mind with his "Motivation theory".
- Daniel Kahneman, who revolutionised consumer psychology with his theories "Dual-System thinking" and "Prospect theory".

- Ivan Pavlov, who explained how brands create emotional associations with their products in "Classical Conditioning theory".

The "Hierarchy of needs" is a psychological theory proposed by Abraham Maslow, which explains human motivation in a structured manner.

Since 1943, the American psychologist has studied the concepts of motivation and fulfilment of human desires. Many believe that, given the uniqueness of life, one should strive beyond mere physiological needs to attain self-actualisation; these ideas led Maslow to formulate the previously mentioned theory.



The hierarchy outlines five levels of human needs, arranged in a pyramid, from basic survival needs to higher-level psychological and self-fulfilment needs. The psychologist argued that survival needs must be satisfied before the individual can satisfy the higher needs.

https://www.simplypsychology.org/maslow.html

The higher up the hierarchy, the more difficult it is to satisfy the needs associated with that stage, because of the interpersonal and environmental barriers that inevitably frustrate us. Higher needs become increasingly psychological and long-term rather than physiological and short-term, as in the lower survival-related needs.

The most basic need is for physical survival, which will be the first thing that motivates consumer behaviour; as a consequence, at the base of the pyramid are located physiological needs, which are biological requirements for human survival. The human body cannot function optimally if physiological needs are not satisfied, so Maslow considers them the most important as all other needs become secondary until those are met.

The second level of the hierarchy is constituted by safety needs, that can be fulfilled by the family and the society, for example emotional security, financial security and social stability.

Once physiological and safety needs have been fulfilled, the third level of human needs is social, and it involves feelings of belongingness.

Love and belongingness needs refer to a human emotional necessity for interpersonal meaningful relationships, as friendship, family bonds and romantic relationships. Loneliness and social isolation can negatively impact psychological and physical health, especially in childhood, during which this need can override the one for safety.

Esteem needs are the fourth level in Maslow' s hierarchy and involve the desire for self-respect and respect from others. The psychologist has divided them in two categories:

- Lower-esteem needs, including seeking status, recognition and appreciation from peers.
- Higher-esteem needs, intended as self-esteem, personal growth and confidence in one' s ability.

At the peak of the pyramid is self-actualisation, which is the highest level and refers to the realisation of an individual' s full potential. Maslow describes this level as the desire to accomplish everything that one can, and "*to become everything one is capable of becoming*".

Sigmund Freud, on the other hand, emphasised that human behaviour is driven by unconscious desires, instincts and inner conflicts, stating that much of our motivation is shaped by forces outside of our conscious awareness.

He believed that the human psyche could be divided into conscious and unconscious mind and that human motivation is driven by the Id, Ego and Superego. These elements influence how consumers interact with brands and make purchasing decisions.

The Id represents the primitive, instinctual part of the psyche, related to pleasure-seeking. The Id is unconscious and does not consider morality or consequences, but it only demands fulfilment. Brands appeal to the Id by creating sensory rich advertising, that activate emotions as pleasure or the sense of luxury.

Furthermore, driven by the Id is the pleasure principle, which Freud defined as the seeking of instant gratification and the avoidance of pain or discomfort. This concept is widely used by marketers, through limited time offers and flash sales, to give the impression of urgency and scarcity, but also by placing small tempting items near checkout counters, encouraging impulse purchases.

The Ego, in contrast, is the rational part that mediates the desires of the Id and the constraints of the external world. It develops through learning and experience and is responsible for realistic and logical thinking, allowing an individual to navigate and interact effectively within society. The Ego is driven by the reality principle, which helps delay gratification when necessary to align with reality and long-term benefits. However, the Ego craves validation and social recognition, leading brands to appeal to this need by positioning their products as symbols of status and prestige, other than making them seem like logical and practical choices. The Ego, indeed, helps justify spending by creating rational explanations and this is smartly used by marketers, especially in the luxury sector, that describe their product offer as investments or justify their prices by emphasising the timeless value deriving from the latter.

In conclusion, the final part of the mind is the Superego, which represents internalised ideals and learned values, often clashing with the Id, creating internal conflicts to be managed by the Ego. It strives for perfection and judges whether actions are right or wrong, producing feelings of guilt or pride. Brands appeal to the Superego by aligning their messages with ethics, sustainability and social responsibility, proposing themselves as value-driven companies, committed to the collective well-being.

Other widely recognised theories are to be attributed to Daniel Kahneman, who has challenged the traditional view that humans are rational decision-makers, particularly through its “Dual-system thinking” and the “Prospect theory”.

The former explains how consumers’ minds process information and suggests that human cognition operates through two distinct, yet interconnected, systems.

System 1 is responsible for our instinctive and emotional responses, it operates quickly and automatically. Consumers, according to the psychologist, are often unaware of its influence, since it works subconsciously. Understanding the functioning of System 1 is crucial for marketers, in particular for those related to the luxury sector, since these brands heavily rely on System 1 processing to create strong associations, as prestige, status and exclusivity.

In addition, System 1 instinctively associates higher prices with superior quality, and it is subject to marketing strategies as psychological pricing. Due to System 1 processing, moreover, consumers rely on heuristics to simplify decision-making, and, in particular, they rely on social proof, which is the idea that people are influenced by others' choices. Marketers apply this theory by using influencers to display products, in order to trigger instant desire, by the help of customer reviews and testimonials and by activating System 1' s fear of missing out (FOMO), creating the message of scarcity.

System 2, conversely, is analytical and effortful and it comes into function when we engage in complex problem-solving and rational decision-making. This system is particularly useful when making high-stakes decisions, since it is not influenced by first impressions and also because it takes over when consumers feel the need to justify their choices or to rationalise their purchases.

While System 2 thinking is better equipped to handle complex decisions and mitigate the effects of biases, it is also more resource-intensive and can be influenced by fatigue or cognitive overload. As a result, individuals may revert to System 1 thinking when faced with challenging decisions, increasing the likelihood of cognitive biases impacting their choices.

The latter, the "Prospect theory", describes how people perceive and evaluate potential losses and gains when faced with uncertainty, in particular it explains that people do not behave rationally when evaluating outcomes based on perceived gains and losses.
The general concept is that if two choices are put before an individual, both equal, with one presented in terms of potential gains and the other in terms of potential losses, the former option will be chosen.
The underlying explanation for an individual' s behaviour, under prospect theory, is that because the choices are independent and singular, the probability of a gain or a loss is reasonably assumed as being 50/50 instead of the probability that is actually presented.
In synthesis, the probability of a gain is generally perceived as greater.

According to the "Prospect theory", decisions are made through a two-stage process. Instead of considering all available information and possible option, humans use a two-step process to narrow down the most important information.
The first step is the "Editing phase", during which people decide which information will be used in the evaluation stage and it is important because it can introduce biases that emerge later in the decision process.
The second step is the "Evaluation phase", where people make their final decision based on the assessment made in the editing phase. People weigh the probability of each outcome and take actions based on the perceived likelihood and desirability of each outcome.

This theory strongly relates to consumer psychology, in particular when referring to luxury and premium pricing: consumers perceived high-end products as losses if they choose a cheaper alternative and when they own them, they value those more and are less willing to part.

Ivan Pavlov focused on how associations between stimuli and responses are formed, introducing one of the most influential theories in psychology. Classical conditioning, also known as associative learning, is an unconscious process where an automatic, conditioned response becomes associated with a specific stimulus. This process involves several key components:

1. Unconditioned stimulus, something that naturally and automatically triggers a response without any prior learning.
2. Unconditioned response, the natural reaction to the unconditioned stimulus; it is an unlearned response that occurs automatically.
3. Conditioned stimulus, a neutral stimulus that, after being paired repeatedly with an unconditioned stimulus, begins to trigger a similar response as the unconditioned stimulus.
4. Conditioned response, the learned response to the previously neutral stimulus, which has become the conditioned stimulus.

It plays a fundamental role in marketing, and especially in advertising, because it helps shaping consumer perceptions and preferences, influencing buying decisions at a subconscious level.

Classical conditioning allows marketers to create emotional associations between their brand and positive feelings, as happiness, success or prestige. It helps recalling brand identity, when paired with sensory stimuli, as a jingle. It employs colour theory to evoke the right emotional response and to increase recognition of the brand, as in the case of McDonald' s red and yellow logo. Classical conditioning, ultimately, is also used by high-end brands for celebrity endorsements, to influence customers to associate A-list celebrities' status and values to a particular luxury brand.

1.2 Drivers of conspicuous consumption

Conspicuous consumption refers to the acquisition of goods and services primarily for the purpose of publicly displaying economic status, rather than for their inherent utility. Originally, this practice was limited to the wealthy elite, however, nowadays it has been democratised.

Luxury consumption is traditionally studied through the purchase and display of highly observable items by renowned luxury brands.
However, with the proliferation of luxury across diverse segments and markets, luxury consumption has taken on diverse forms, within the traditional luxury domain and beyond traditional luxury.

Within traditional brand offering, consumers exhibit a distinct preference for luxury products in ways that reflect what luxury consumption means and provides for the individual buyer. For example, consumers with less experience, typically from lower socioeconomic tiers, prefer 'loud' luxury products with more prominent brand identifiers. In contrast, those with greater expertise prefer 'quiet' luxury products with subtle or minimal branding.

Consumers also seek luxury benefits beyond traditional luxury offerings, often supplementing or even substituting traditional luxury brands with non-conventional products to strengthen the status-signalling value of their purchases. For example, high-status individuals mix luxury with non-luxury products to differentiate themselves from the middle-class masses Similarly, some opt for horizontally differentiated non-luxury items over traditionally vertically differentiated, to signal high status.

In a world where social media amplifies visibility and digital culture reshapes consumption patterns, understanding the motivation behind conspicuous spending has never become more relevant.

One of the primary drivers of conspicuous consumption is the need to signal economic success, social status and prestige.

Luxury goods act both as signals of one' s actual position and desired position; tightly associated with social rank, luxury is simultaneously "*the ordinary consumption of extraordinary people and the extraordinary consumption of ordinary people*" (Kapferer and Bastien, 2009).

In addition to the relationship between consumers' need for status and their desire for luxury goods, research efforts have increasingly investigated how people' s view on status affect luxury consumption. The idea that status can be achieved, and is not predetermined, opens the possibility that people may engage in conspicuous consumption to signal their social progress.

Buying luxury products that are more expensive than necessary, is a way to send a costly signal of one' s resources or traits to others and by choosing goods that are publicly recognisable as high-status, consumers communicate their position.

Because status has profound effects on how individuals feel and behave in the marketplace and upward comparisons to higher status individuals are unavoidable, consumers need to develop strategies to cope with the aversive impact of threat to their status and the way they choose to cope is by compensatory consumption.

A series of experiments, conducted by Nelissen and Meijers in 2011, showed that individuals wearing luxury clothes were more likely to get others to give them time or money when requested, but also, they showed more propensity to act powerfully in interpersonal context, as if wearing design clothes gave them more confidence.

However, a negative consequence arises from this phenomenon, being shown that at the interpersonal level luxury consumption can have adverse social costs.

Luxury consumers are perceived as less warm and less social because they are viewed as attempting to manage impressions. Consequently, people wearing luxury products are less attractive as new friends, in warmth-oriented job settings and in communal service relationships.

These are viewed as more wasteful, materialistic and even immoral by observers who oppose self-aggrandisement.

Another significant factor driving conspicuous consumption is the role of luxury goods in shaping personal identity, to construct and strengthen their own self-concept.
This factor was defined as “Self-congruity” in the 1980s by the psychologist M. Joseph Sirgy, who explained that through the act of buying and consumption of these products, individuals consolidate their self-image and identity.

Sirgy explained that the interaction between product-image and self-image is determined by the need to obtain self-esteem.
He focused in particular on the concept of “*positive self-incongruity*”, which occurs when a negative self-image is compared with a positive image of the product. In this case, it is assumed that the motivation to acquire the product is very high, because the product becomes a tool that gives the individual the opportunity to tend an ideal and to increase self-esteem.

Material possessions are also identified as a milestone for personal achievements, symbolising success and providing an immediate, temporary, boost in confidence, by masking underlying insecurities.
It has been scientifically shown that the act of purchasing luxury goods can trigger a dopamine release, providing a short-term emotional high. This phenomenon, known as “retail theory”, temporarily alleviates negative emotions, offering a quick self-esteem boost.
However, this over reliance on material purchases can lead to a cycle of dependency, where self-worth becomes conditioned upon continuous consumption.
Personal feelings of self-worth can strongly influence consumptions patterns, in fact, individuals with lower self-esteem are more prone to purchase flashy products.

Another important factor is social comparison, which plays a pivotal role in conspicuous consumption. People, indeed, constantly measure their own worth relative to the lifestyles and possessions of others, often leading to competitive consumption, where consumers try to match the consumption patterns of their peers.
Consumers strategically adapt their consumption to the structure of the social strata, focusing on specific aspects of the social surroundings they are part of.

The desire to assimilate is particularly prevalent among consumers who are particularly sensitive to their social environment and desire to fit in.
Purchasing particular brands or styles allows individuals to affiliate with certain social groups and broadcast their lifestyle.

Key aspects of competitive consumption include the social phenomenon called "*Keeping up with the Joneses*"[8] , where individuals feel compelled to the social and material status of their peers.
Consumers can be caught in performing two types of comparison:

- Upward comparison, where they tend to compare themselves to those who are wealthier. This can serve as motivation, but in the majority of cases leads only to dissatisfaction and envy.
- Downward comparison, where people compare themselves to those with a lower status, to boost their self-esteem and reinforcing the idea that, to stay ahead socially, maintaining a high level of consumption is a necessity.

The bandwagon effect is another aspect of competitive consumption, since it is a phenomenon in which individuals adopt certain behaviour or consumption patterns only because they have seen other doing the same.
This tendency is driven by the desire for social acceptance and belonging and it plays an important role in driving mass adoption of products. This is mostly because when people see a product being widely adopted, they assume that it must be valuable, reducing the cognitive effort to evaluate a decision independently.
Displaying luxury items in public often invites positive feedback or even envy, which can be psychologically rewarding. In this way, luxury purchases act as a social signal that one is worthy of honour or inclusion.
Importantly, the desire to bandwagon and imitate may sometimes backfire. A consumer unable to purchase a real luxury good may choose to purchase the counterfeit version.
The previously described phenomenon, known as "*luxury mimicry*", is often adopted by lower/middle-class consumers, who often attempt to emulate the consumption habits of

[8] A comic strip created by Arthur Momand. The comic depicted a middle-class family constantly struggling to keep up with their neighbours, the Joneses.

the wealthier class, purchasing affordable versions of high-end products or relying on imitation goods.

Since the dawn of civilisation, consumers have used luxury products to distinguish themselves from lower classes. The desire to differentiate oneself from others trough luxury may stem from consumers' tendency to compare themselves to others
Consumers with high levels of need for uniqueness tend to attribute more status and competence to nonconforming behaviours, engaging in luxury consumption with distinct objective and purchasing goals.
They may aim to differentiate themselves vertically in the social strata to show their superior social status and thus gravitate towards products that signal they are "better than others".
On the other hand, consumers may aim to differentiate themselves horizontally in the social strata and express their unicity compared to others, choosing non-conformity products or paying higher attention to sustainable goods.

Income inequality, so, amplifies conspicuous consumption. When the gap between social classes grows, those who are just below the top often feel increased pressure to spend more on "status products", tending to devote a larger share of their resources to those types of purchases, especially in environments where other are much wealthier, as a mean to restore their perceived social standing.
This behaviour is commonly known as "relative deprivation", because individuals feel deprived if their peers have more shallow possessions and, as the wealthy spend more on luxury, those slightly below them also increase their consumption to avoid feeling left behind.

Another important factor concerns the digitalisation of luxury goods. This digital revolution has been pivotal in making luxury fashion more accessible, online retail and social media have removed geographic and social barriers. Celebrities and influencers have popularised luxury to the masses, bringing those elite goods into everyday social feeds worldwide.

Moreover, with the increase of fast fashion, the lines between luxury and mass market have blurred.
Nowadays, fast-fashion retailers, like Zara or H&M collaborates with luxury brands, offering more accessible, yet still “luxurious” options, which have increased the phenomenon of conspicuous consumption.
Alongside collaborations, diffusion lines have also broadened luxury’ s reach. These lines offer the cachet of a marquee name that offers more affordable and accessible products compared to the main line, democratising the luxury brand’ s appeal.

The availability of financing and credit options is another detail to not leave out. In societies where credit cards and loans are readily accessible, consumers can purchase expensive goods even if they lack savings to afford them, lowering the immediate barriers to acquiring luxury items.
This availability of credit effectively “democratises” luxury consumption by letting people spend beyond their current income and, particularly, the easy credit access directly fuels status-seeking consumption, as people are willing to incur debt to obtain goods that signal wealth.

Marketing strategies too shape consumer desire for luxury items, through advertising and branding, creating an aspirational image around those goods, that become the symbol of success.
Scarcity of products increases perceived value, by creating a sense of urgency, and this strategy is often implemented by luxurious brands, fostering social competition.
Brands usually create limited editions or capsule collections, creating artificial scarcity
Advertising campaigns have the role of idealising and positioning the latter as markers of exclusivity.
By customising ads for users with the financial capacity and lifestyle that aligns with the brand’ s products, the campaign ensures that its message hits the right ears, increasing the chance that the viewer will desire and will buy the product.
Using browsing data and engagement metrics, brands can tailor their advertisings leveraging our online behaviour to stoke the desire for their goods.

The impact on consumer behaviour is significant, because by personalising and pinpointing the ads, social media makes luxury temptation ubiquitous for consumers. Someone aspiring to luxury is constantly shown images of those who have obtained their dream life.

As a result, many products are identified as Veblen[9] goods, which are an exception to the law of demand. Usually, when the price of a product increases, the demand for it decreases. However, due to its specific features as a luxury item, a Veblen good will see an increase in demand when its price increases.
This abnormal demand for Veblen goods is influenced by the snob effect, which is a situation where consumers prefer to own exclusive products that are different from the commonly preferred ones.
If the price of the product decreases, its snob appeal diminishes, which makes it less desirable to wealthy consumers.

Another economic phenomenon is the "Lipstick effect", where consumers continue to spend on small luxury items during economic downturns, even if they cut back on other purchases.
This concept was first articulated by Leonard Lauder, the chairman of Estée Lauder, who noticed that lipstick sales tended to rise during economic downturns, giving the name to this situation.
Consumers, in fact, even during high periods of crisis, still want to indulge in luxury, shifting, however, to more affordable alternatives. The underlying assumption is that, even though economic recessions often trigger increased stress and anxiety, buying affordable luxury items, such as lipsticks, becomes a defence mechanism that relieves those negative feelings, providing a sense of comfort.

Conspicuous consumption thus arises from an interplay between the society and the psyche. From influencers flexing designer brands to trend promoting "quiet luxury", the way people engage in this spending has transformed.

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[9] Thorstein Veblen was a sociologist and economist who introduced the concept of "conspicuous consumption" and its related atypical law of demand, to which he gave the name "Veblen Effect".

At its core, however, the motivation remains the same: it is not just about buying expensive items, but it is about what those mean and the correlated desire to be seen and to assert social standing through material possessions.

1.2.1 Link between luxury imagery and mental health issues

The relationship between the exposure to luxurious lifestyles and mental health has evolved significantly over time and modern media have exacerbated to normalise this imagery.
Increasingly, researchers and psychologists are examining how the constant exposure to luxury imagery on social media, television and advertising might affect individuals' well being.

In the context of luxury lifestyles, social comparison often means measuring our own success against the seemingly perfect images presented by others, however, on social media this behaviour is amplified, due to the blurred lines drawn between celebrities and "normal people" and envy tends to be stronger when the person we compare to is similar to us in key aspects, as age or background.
Following Festinger's theory[10] that people have an underlying motivation to evaluate themselves by referring to social information when objective parameters are not available, envy and social comparison are often considered to be closely intertwined.
Indeed, envy can be defined as a complex emotion that encompasses a mixture of unpleasant and painful feelings, such as inferiority, and arises as a contrastive reaction to an unflattering social comparison.
Cognitive dissonance theory is centred on the idea that people strive for consistency between their beliefs and desires and, when there is an inconsistency, psychological discomfort is produced, motivating the person to resolve the dissonance by changing attitudes and behaviour, for example, they might cope by rationalising or by striving in unhealthy ways to acquire luxury.

One might assume that luxury products are only capable of making the consumer feel special, worthy and part of an elite.
Indeed, the paradox of luxury is that it can provide self-esteem boosts, conferring a psychological lift, however the detrimental side of luxury exposure emerges strongly when one is not actually consuming the luxury, but only exposed to it.

[10] Cognitive dissonance theory: when two beliefs are inconsistent, individuals experience negatively arousing cognitive conflict.

The repeated exposure to idealised luxury lifestyles can erode a stable sense of self-worth in those who do not have the means to fully participate in it.
This phenomenon has been described in the "Self Discrepancy Theory" (Edward Tori Higgins, 1987), which posits that people hold mental representations of who they actually are and who they want to be.
The gap between the actual self and the idealised self can produce emotional distress, especially when they associate their idealised self with ubiquitous images of wealthy and successful lifestyles.

Interestingly, the impact of luxury on self-esteem isn' t limited to seeing others indulge, but it can also affect those consuming luxury themselves.
Luxury consumption can become a double-edged sword: while yielding status benefits, it can also make consumes feel unauthentic, backfiring and leading consumers to behave less confidently due to their undermined feelings of self-authenticity.
Over time, if self-esteem becomes tied to luxury possessions, it can become fragile, since consumers can become dependent on keeping up with luxury consumption.

When the contrast between a luxury ideal and one' s reality persists, it can lead to depression.
Feeling perpetually "less than" can hit one' s mood and satisfaction, which can evolve into more chronic depression or dysthymia, as the person internalises the belief that their life is failing.
In 1996, the psychologists Kasser and Ryan, while analysing the dark side of the "American Dream"[11], noticed that individuals who placed great importance on financial success and material possessions, reported greater greater depressive symptoms, due to the overemphasis given to money relative to other values.

[11] American dream: the ideal by which equality of opportunity is available to any American, allowing the highest aspirations and goals to be achieved.

They introduced the distinction between intrinsic goals[12] and extrinsic goals[13], showing that a strong focus on extrinsic aspirations correlates with poorer psychological health.

Several mechanisms explain why luxury exposure can lead to depression. Beginning with chronic disappointment and unattainable goals, luxury sets a moving target for happiness. There is always a more expensive item, used as a goal to find happiness. Contentment, however, remains elusive, because when the goal is reached, a new desire will appear, leading to a chronic feeling of unfulfillment.

Materialistic individuals tend to be less satisfied with their personal finances and achievements, because their aspirations increase with gains, generating a sense of insufficiency.

Over time, the previously described pattern of chasing always something "better" can culminate in a state of anhedonia leading to depression.

Continuing, a life focused on luxury often results in the neglection of other values, in particular true friendships, left aside for prioritising affluence and prestige, or family, sacrificed for working extremely long hours, in order to achieve the financial possibility to obtain the desired good.

Thus, the pursuit of luxury can indirect foster depression, by crowding out the true sources of happiness.

In addition, the collapse of a luxury-based lifestyle, due to job loss or debt, can precipitate in depressive episodes, in the cases where someone' s identity is heavily invested in luxury.

Depression related to luxury is not limited only to those who lack luxury, but it affects also those who own them.

The economists Luthar and Becker, in 2002, found unexpectedly high rates of depression and substance use among affluent youth, due to the pressure to achieve and maintain

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[12] Intrinsic goals: objectives that are inherently rewarding and personally meaningful, driven by internal values and personal growth, rather than external validation.

[13] Extrinsic goals: goals focused on external rewards, recognition and societal approval, driven by factors like status, wealth and material success.

status, showing depression rates up to three times higher than national averages, linked to pressures to live up to high expectations and the lack of authentic emotional support.

Multiple studies indicate that frequent comparison on social networks correlates with lower well-being and higher depressive symptoms, leading also to the coining of the term "Facebook depression". It has also been shown that people with depressive symptoms are more tempted to turn to social media for emotion regulation, as to avoid the anxiety of face-to-face interaction.
However, their lack of self-esteem and tendency to compare themselves negatively with others may make depressed individuals particularly vulnerable to envy.

The culture of luxury and aspirational consumption place also a significant psychological burden in terms of stress and anxiety, because made of an environment where people constantly strive for higher status symbols and compare their achievements.
One driver of stress is the phenomenon of status anxiety, deriving from individuals' fear of not living up to the affluence and success perceived by those who surround them, creating persistent mental pressure.
Unlike acute stress, status anxiety can always be present, and it can manifest in anxiety symptoms.
The sociologists Wilkinson and Pickett discovered, in 2018, that in societies with higher inequality, people experience higher levels of social threat and, seeing others enjoy luxury, can make people worry more about their rank, creating a real "social pyramid", where one' s lower position becomes a source of anxiety.

Another important source of stress is financial anxiety, due to the substantial financial resources required to conduct a particular lifestyle.
For those who cannot truly afford luxury consumption, trying to do so can lead to financial insecurity and debts, other than the stress coming from this economic situation.
People often overextend themselves with credit cards to buy high-end goods and the resulting debts generate constant worry and fear.
Even for those who are financially comfortable, the pressure to maintain the status and to keep earning at a high level is a stressor.

This dynamic has been given the name of “shopping and stress paradox”: many consumers engage in shopping therapy with the primary purpose of improving their mood or relieving stress. However, this behaviour can backfire, especially if done habitually.
The name retail therapy is ironic and semifacetious, acknowledging that shopping hardly qualifies as true therapy, since, even though it can provide a short time of comfort, it also imposes costs, due to the financial problems it brings or the buyer’s remorse.

In addition, materialistic values also correlate with general anxiety, because those for whom possessions are paramount, experience chronic fear of losing them.

The luxury sector, in particular luxury fashion, has always played an important role in shaping societal beauty ideals, becoming the first promoter of eating disorders.
Many luxury fashion brands have always showed a very narrow ideal of beauty, posing an emphasis on physical flawlessness and ultra-thin bodies.
The continuous exposure to such imagery has had a drastically impact on common imagery of beauty, which has negatively impacted consumers’ body satisfaction.
In the past there has been an internalisation of the “thin ideal”, which is still present and embodied in women’ s mind especially.
Luxury fashion, with its magazines and runways shoes, has been the prime purveyor of this ideal, thus, when a person sees an ad for an haute couture brand, not featuring a size-zero model, does not perceive the dress worn as luxurious.

The “Objectification theory” (Barbara L. Fredrickson and Tomi-Ann Roberts, 1997), provides a framework for understanding how these luxury ideals affect mental health and, in particular, the experiential consequences of being female in a culture where media and society objectifies and sexualise the female body.
By treating the body and an object valued for how it looks, women come to internalise an observer’ s view of themselves, self-objectifying and constantly monitoring their appearance and feeling shame when they deviate from the society-imposed beauty standards.

Luxury fashion marketing often exemplifies objectification, and it has imposed the cultural idea of extremely slim models, causing consumers to experience body shame if they don’ t fit that mold.
This internalised body standards is a strong risk factor for body-focused anxiety, which is a core component of body image disorders.

The promotion of the thin ideal is also directly tied to eating disorders, because of this widespread body dissatisfaction.
Many consumers view their normal body as inadequate, after comparing themselves with the supermodels portrayed in luxury campaigns.
Moreover, body dysmorphia is also aggravated luxury beauty advertising, that heavily edit their images to remove imperfections or blemishes.

When body dissatisfaction and objectification persist, it is much likely that people will develop an eating disorder.
Eating disorders as anorexia nervosa or bulimia nervosa are complex multifactorial psychiatric disorders with different causes, including genetic factors, however, sociocultural pressures are one of the highest factors for disordered eating.
The luxury fashion industry, indeed, by propagating extreme thinness as the ideal, has often been implicated in controversial causes, stating that the former fosters an environment where EDs can flourish.

To illustrate the role of luxury fashion in eating disorders, one can easily look at fashion models themselves, who embodies the concept of luxury beauty ideals, due to the constant pressure they face.
Models, in fact, face strong pressure to maintain a thin body frame and to meet certain measurement values, potentially causing the development of ED symptoms.
The average BMI[14] of female professional fashion models is well under the lower healthy limit and most of them report that they intentionally use weight controlling methods to get in shape.

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[14] Body Mass Index: an approximate measure of whether someone is over or under-weight, calculated by dividing their weight in kilograms by the square of their height in metres.

If even models, the definition closer to the ideal, suffer from these behaviours, it underscores how pernicious the luxury industry’ s standards can be.

Now focusing on consumers, even if most of them won’ t completely develop anorexia, the same pressure will still trickle them down.
The luxury diet culture can normalise eating disorders as a status symbol.
In societies and subcultures where the “thin ideal” is strong, rates of eating disorders and unhealthy weight control behaviours are higher than those where wider body acceptance is promoted, which are usually those societies where high-fashion circles are not an important presence and where luxury imagery is not frequently portrayed.

1.3 Cultural and social influences on luxury consumption

Luxury is far more than just high-end products or expensive services, it is, indeed a reflection of cultural values and social structures.

The term "luxury" comes from ancient times and has always been present in human history.

In many European languages the term employed nowadays for luxury comes from the Latin "*luxus*": the English *luxury*, the Italian *lusso*, the French *luxe* and the Spanish *lujo*. According to the Oxford Latin Dictionary (1992), the original Latin term *luxus* is used to indicate "*extravagant living and overindulgence*". This Latin meaning of luxury as a way of living was supported by two of the most famous Greek philosophers, Aristotle and Plato, who assigned a negative connotation of the term.

In time, the term luxury has shifted from this negative connotation becoming more related to the Latin word *luxuria*, used to indicate "excess" or "extras of life" and so it became connected to wealth, exclusivity and power, identified with the satisfaction of non-basic necessities (Bruno *et al.*, 2008).

Indeed, in Western societies, luxury is often tied to personal success, career achievements and self-reward, becoming a reflection of an individual' s taste and discernment.

An example is Italian' s luxury culture, strictly intertwined with the *dolce vita* philosophy, where luxury is not just about material goods but about a way of life, pleasure and enjoyment.

During the 20th century luxury fashion became aspirational rather than exclusive to aristocrats, influenced by cinema, designers and changing lifestyles.

Between the 1910s and 1920s, Coco Chanel introduced understated luxury with the little black dress and tweed suits and was followed by Cristobel Balenciaga, between 1930s and 1950s, who emphasised sculptural silhouettes.

In the post-war boom, luxury brands embraced ready-to-wear, prêt-à-porter, to reach a broader audience, with Dior' s opulent, feminine silhouettes and Yves Saint Laurent' s luxury tuxedo for women.

Italy emerged as a hub of craftsmanship with brands like Gucci, Ferragamo and Valentino, focusing on leather goods and high fashion and Swiss watchmaking became a symbol of masculine luxury, with brands like Rolex and Patek Philippe gaining prestige.

During the 1960s, luxury was democratised and its perception changed, particularly because of the success gained by "*La dolce vita*" and "*Breakfast at Tiffany's*", marking a transition from exclusivity to aspiration and accessibility.

Federico Fellini's *La dolce vita* transformed luxury into a lifestyle, one that could be observed, admired and even imitated by those outside of high society.
The film depicted a glamorous world of celebrities and socialites enjoying extravagant parties and nightlife in Rome. It wasn't just about material wealth, but it was, indeed, about *how* one lived, and luxury became attitude and aesthetics, rather than owning expensive things.

This shift allowed more people to aspire to luxury lifestyles and Anita Ekberg's black dress and Marcello Mastroianni's suit, in the Trevi fountain scene, became symbols of effortless luxury, inspiring affordable interpretations, to bridge the gap between haute couture and the everyday consumer.
Rome became a symbol of high society and indulgence and, while only a few could live like the characters, anyone could visit the cafés of Via Veneto and adopt the sophisticated Italian aesthetic.

The modern concept of the paparazzo was introduced, to highlight how the media played a role in making luxury lifestyles visible to the masses and this was a crucial step in the democratisation of luxury, allowing people to engage with it through media rather than needing direct access.

Breakfast at Tiffany's, directed by Blake Edwards, played an important role in redefining the concept of luxury too. This film shifted the perception of luxury from something purely material to an experience. The main character, in fact, is not a wealthy woman, she lives in a modest apartment and struggles financially, however, she relies on charm, embodying luxury through her style and ability to enjoy things, without necessarily owning them.

She represented a new kind of luxury, built on personality, choosing to live by her own rules, curating her life to feel luxurious, even not having money.
This concept revolutionised luxury by making it something that anyone could aspire to.
The store Tiffany & Co. became a symbol of elegance and dreams, that the character admired not because she could afford its jewellery, but because it represented a world of stability and sophistication.
The famous line "*Nothing bad can ever happen to you at Tiffany's*" suggested that luxury is about how a place makes you feel and not just the price tag, democratising the belief of exclusivity and making it something that anyone could engage with.

In addition, Audrey Hepburn's Givenchy *little black dress*[15] became a symbol of accessible elegance, proving that any woman could look sophisticated with a simple piece at all income levels, demonstrating that luxury was also about style, rather than price.

An important period for the history of luxury was determined by the 1980s, during which economic policies in the U.S. and the UK favoured deregulation, leading to financial booms.
Under President Ronald Reagan, the United States adopted a set of economic policies, commonly known as Reaganomics, which focused on supply-side economics.
In 1981, the Economic Recovery Tax Act reduced individual's income tax rates significantly, dropping from 70% to 50%, further lowered to 28% and, subsequently, restrictions on savings and loans were loosened, boosting lending and investment in the short-term.
The United Kingdom pursued a similar economic agenda, under Margaret Thatcher, focused on free-market capitalism and privatisation, which led to the "Big Bang" of 1986, that deregulated the London Stock Exchange, obtaining as a result a surge in investment banking and international capital flows.

[15] The little black dress is a timeless fashion staple, popularised by Coco Chanel as a symbol of minimalism and accessibility.

Those policies were crucial, because both countries saw rising wealth and a more-investment driven economy.

This new economic era positively influenced the rise of a new *money flash* and a new class of "*yuppies*", obsessed with wealth, success and power, which fuelled a culture of conspicuous consumption, making brand a status symbol.
Japan, on the other hand, had a huge economic rise, making it one of the biggest luxury markets.
The '90s were the height of the supermodel phenomenon, with figures like Naomi Campbell, Kate Moss and Claudia Schiffer becoming synonymous with high fashion, to whom luxury brands started relying heavily, setting the foundations for celebrity endorsements, which still continues today, extending to influencers and digital personalities.

An iconic television series went on air during these years, "Sex and the City", which had a massive influence on the consumption of luxury.
The main character' s obsession with Manolo Blahnik turned the brand into a global symbol of aspirational luxury, and the same happened with Fendi Baguette, becoming the "It bag" of the era, setting the foundation for the accessible luxury booms of the 2000s, where brands like Michael Kors and Coach thrived by imitating high fashion aesthetics at a lower price.

The collaboration between Fendi and the aforementioned show not only boosted the brand' s visibility, but also showcased the relationship between luxury consumption and popular culture, illustrating how product placement can transform fashion items into coveted symbols of style and status
Moreover, "Sex and the City" shifted the perception of luxury from being a symbol of privilege to a reward for independent women, which still resonates with the younger generations.

Nowadays, luxury is still evolving with cultural, economic and technological shifts. An increasing trend is the prioritisation of sustainability and ethics, which is reflected by the increasing number of e-commerce platforms offering pre-loved items, at affordable prices, enabling everyone to purchase them, or still many brands are pioneering ethical luxury.

In conclusion, social and cultural influences have always played a pivotal role in shaping luxury imagery and consumption. By aligning with evolving social dynamics and cultural narratives, luxury brands can foster deeper connections with consumers and sustain long-term desirability.

CHAPTER TWO

Measuring impact: quantitative research on digital influence

2.1 Introduction to product placement

Product placement, also known as in-program sponsoring or embedded marketing, refers to the strategic integration of brands or products into non-commercial media content, with promotional intent.

The first successful use of product placement has its roots in the movie "*E.T. the Extra-Terrestrial*", where Reese' s pieces were used to attract the alien, leading to an increase in awareness of the brand, but most particularly in sales, which rose around 65%. However, this particular marketing technique goes farther in time to the early 1900s, where Admiral Cigarettes and Nestle started displaying their products in films, going to the 1930s, where soap manufacturers of Procter & Gamble banked toward the production of radio programs, to promote their brands, by incorporating them in the scripts, leading to the rise of a new genre: the "soap opera".

Sponsor, nowadays, have gained more control over product placement, which, in some cases, has become more important than the actual media content, citing as example the movie "*Rocky III*", whose script was modified to include a scene featuring Wheaties cereal, or also a clip in "*Cocoon: The Return*", which was re-shoot to give more importance to a Quaker Instant Oatmeal.

Product placement has now risen to over $32.98 billion, affirming its popularity in television, which represents 70.1% of total product placement spending, followed by digital media, 15.1%, and music, circa 12% (PQ Media, 2024).

According to Shapiro, (1993), there are four types of product placement used in movies: product placement that provides clear visibility without verbal reference, meaning that the product or the brand name is shown, the product that is used, a spoken reference and when mentioned by a star or someone famous.

Subsequently, d’ Astous and Sequin, (1999), categorised these types into three main product placement strategies:

1. Implicit product placement strategy: The product, the brand or the firm is present and clearly visible in the program without being formally expressed.
2. Integrated explicit product placement strategy: The brand, the firm or the product is visible and formally stated, with a clear demonstration of its benefits and attributes.
3. Non-integrated explicit product placement strategy: The firm, the product or the brand is not visible, and it is not tied to the program’ s contents, but it is worded, as in the program’ s title.

Russel and Stern in 2006 explained that there is a relationship between character attachment from viewers and the success of product placement. Indeed, consumers tend to align their attitudes toward a product with the characters’ ones, which could either be intended as the fictional character or the actual actor/actress. If a consumer feels a connection with a character, which is featured with a good or a service, the former will be more open to the possibility of using that product.

However, a research conducted in 2010 by Van Reijmersdal, Smit and Neijens, explained the link between highly educated viewers and likeliness to be persuaded by brand placement. The former, indeed, have showed most of the time little to no change in their attitudes after seeing products displayed in movies and other media, compared to less educated viewers. In opposition, older viewers are more likely to show interest in the placed product.

This marketing strategy features several disadvantages, some of which not readily apparent, with the main one being the substantial risk of the flop of a show, in which a brand spent money in order to being displayed.

Another important, yet still common downside, is that marketers might have a lack of control over the incorporation of the product, which may end up being associated with questionable values or simply being ignored.

An additional risk that companies may face is the possibility of negative character association, which can heavily impact on the brand, due to the hazard of shift in attitude from the audience.

Pricing too plays an important role, due to the difficulty of assessing placement fees, even though those are generally based on a standard scale of expected audience size for the media vehicle. This method assumes that the exposure is equal across scenes, however how and when the product appears in the media vehicle is more important in determining cost and value. (Pokrywczynski, 2005).

The last issue concerning the use of product placement is of ethical nature. The displaying of products is typically accepted, because it gives a sense of familiarity and reality to the viewers, however, if its use becomes obvious or exaggerated, it may affect the audience' s judgment, leading to a negative reaction toward the brand. The integration of the product should be in accordance with the story, and it shouldn't be too prominent, as consumers might view the product as inauthentic and obnoxious.

Many believes that product placement should be banned or disclosed in the credits, as explained in an article of "The Economist" in 2005, especially when talking about implicit product placement. Others, as disclosed by Hackley, Tiwsakul and Preuss, 2008, exhibit different opinions across product categories, placing particular emphasis on ethically controversial products as guns, cigarettes and alcohol.

A key ethical concern is the targeting of vulnerable audiences, especially children, who are more sensitive to advertising and do not clearly distinguish between the reality and the displayed fictional one.

In contrast, the advantages for both media producers and brands are several. Starting with brand owners, product placement offers them the opportunity to operate within narrative environments, reinforcing brand recall. Moreover, product placement can be reinforced over time through streaming and reruns, since a film or a series may be consumed numerous times over years, providing a high return on investment (ROI) compared to traditional advertisements.

The most powerful advantage, even though it can be double sword edged, is its ability to link brands with emotional narratives, creating a relationship between characters and the brand, fostering not only interest but also affinity and loyalty.

Marketers can bypass advertising resistance, by incorporating products in the actual content, avoiding being ignored by viewers, and they can also target specific audience segments, ensuring that their messages are seen by the right audience.

Finally, also producers can benefit from this strategy, especially when it comes to financial support. Brands, indeed, pay substantial fees yo have their products featured in a digital content, offsetting the production costs and allowing better budget planning. Moreover, in many cases brands may provide set elements that would otherwise be purchased or rented, contributing to resource optimization, allowing also producers to benefit from collaborations with companies with whom they share their vision or target audience.

2.1.1 Product placement strategies adopted by luxury groups

Luxury is no longer confined to the physical exclusivity of boutiques and visibility and aspiration have become paramount over the decades.

Product placement, unlike traditional advertising, offers a unique opportunity for luxury groups to enhance the symbolic capital of their products.

This chapter will cover the strategies adopted by major luxury conglomerates, as LVMH, Kering, Richemont and Capri Holdings, in this field, supported by industry case studies, to provide a comprehensive understanding of how product placement functions as a strategic tool in the luxury sector.

Even though product placement traces its roots in the late 19th century, for luxury brands one of the earliest adoption goes back to 1956, with the film "*Funny Face*", in which Audrey Hepburn wore Givenchy, and then to 1961 with "*Breakfast at Tiffany' s*", establishing an enduring association between haute couture and cinema.

Release in 2006, "*The Devil Wears Prada*" is one of the most iconic fashion films and it features over one hundred high-end brands, but in particular those associated to the conglomerates LVMH and Prada Group, indirectly referenced.

Luxury items were prominently featured, even tough no explicit logos dominated the screen. The groups adopted a contextual placement and in particular the technique of storytelling, by integrating the use of those high-end brands into the character development, to elevate brand relevance.

The revenues generated were over $300 million worldwide and led to a notorious increase in media mentions and search traffic, creating familiarity with LVMH' s portfolio and marketing mix (Business of Fashion, 2016). LVMH' s internal press reported a 12% increase in Louis Vuitton accessories sales in the U.S. in the third quarter of 2006, following the release of the film (Harvard Business Review, 2007).

A similar impact has been generated by the HBO series "*Sex and the City*", aired from 1998 to 2004, in which groups as Capri Holdings, LVMH, Kering and other independent designers placed their products, performing a seamless integration of luxury items into the storyline. The infinite mentions of brands weren't incidental, they were, indeed, scripted and reinforced through dialogues and styling. The main character became the archetypical ambassador for fashion luxury, and her affinity for Manolo Blahnik, Jimmy Choo, Fendi and Dior was central in the definition of her identity.

Manolo Blahnik reported a 30% increase in sales between 2000 and 2003 (Financial Times) and in 2022, with the release of the sequel series "*And Just Like That…*", it experienced a 69% increase in sales, reaching €118 million (Financial Times).

Fendi, notoriously cited and showcased several times in the series "*Sex and the City*", brought back its iconic Fendi Baguette Bag also in the sequel "*And Just Like That…*", supplying exclusive accessories to HBO, after establishing a partnership with the latter.

The generated impact was more than positive: the Fendi Baguette relaunched in 2022 and in the first quarter of the same year, a 289% increase in searches for "Fendi Baguette" occurred (Lyst).

Gucci, alternatively, opts more for digital placements rather than television placement. Over the recent years, the company has preferred using influencers, embedded into real-time experiences, to give the impression of "reality".

It collaborates with celebrities and artists, by including its products in music videos, as for Harry Styles[16], with whom the last creative director of the House, Alessandro Michele, has started a collaboration, creating the "*HA HA HA*" capsule and who has now become one of Gucci' s muse.

The House has also dressed all the members of the Italian rock band Måneskin in one of their music videos[17], with its design playing a central role in the visual aesthetic.

A useful strategy that the company has been using is the Gucci Gift campaign, which is an annual marketing initiative released during the fourth quarter, before the holiday season. Gucci serves of multiple platforms, stylists and artists to promote its campaign and in 2018 it has experienced one of the most successful, due to the storytelling strategies adopted.

[16] The singer wears a Gucci wool-chasmere military jacket and jodhpur boots in "Sign of the Times".
[17] The band is dressed fully Gucci in the video clip of "Supermodel".

According to Kering’ s 2018 financial report, Gucci’ s revenue experimented a 36.9% increase from the previous year, with the fourth quarter registering a 28.1% increase in revenue compared to the 2017’ s one, generating a 22% increase in search traffic for the brand and over 50 million impressions in 48 hours (Lyst Index).

In 2021 the film “*House of Gucci*” was released and, even though it is an independent production, Gucci supported the project, despite the initial distance, by allowing access to archival pieces and house stylists.

The film led to a noteworthy increase in sales and especially in searches for Gucci, with an increase of 25% on Vestiaire Collective and a 40% increase in searches for bags according to nss magazine, supported by 25,000 posts between news and social media that has generated a visibility whose value has been estimated by Launchmetrics of around 104 million dollars (Business of Fashion).

In addition, the conglomerate Kering in its annual report showcased a 3.8% growth in sales for the brand during the third quarter of the year.

A peculiar strategy of product placement adopted by Gucci is its venture into the metaverse, in particular by launching in 2021 the *Gucci Garden* on the platform Roblox, which allowed users to explore themed rooms, as the psychical exhibition *Gucci Garden Archetypes* in Florence, to transform avatars and also purchase limited edition items.

A similar strategy was carried out also by collaborating with Zepeto, Asia’ s largest metaverse platform, allowing users to interact in the “Gucci Villa” and also to dress their avatars in pieces from Gucci’ s collections.

Balenciaga, also owned by the Kering group, experimented with the digital culture too, creating a video game launch to present its 2021 F/W collection with “*Afterworld: The Age of Tomorrow*”.

It also collaborated with “*The Simpson*”, with a ten-minute animated short, obtaining over 10 million YouTube views in October 2021 during Paris Fashion Week.

Moreover, in the previous month, Balenciaga partnered with Epic Games’ Fortnite, which introduced a capsule made of four virtual outfits, all inspired by the brand’ s runway designs, allowing players to accessorise their avatars with branded clothing.

Despite these innovations, other brands have only adopted more traditional strategies of product placement, which, anyway, has still borne its fruits.

Cartier, owned by Richemont Group, has co-produced the central plot device of the film "*Ocean' s 8*", released in 2018. The company served as a metaphor for wealth and, by recreating the necklace, it gained importance for the film' s plot. Richemont annual report, indeed, showcased a growth in jewellery sales in 2018 of 13.7% and Women' s Wear Daily reported a 49% rise in mentions of Cartier following the release.

Similarly, Chanel helped costume key character in Wes Anderson' s "*The French Dispatch*", released in 202, working with stylists and launching an editorial series to link the film to its legacy of supporting the arts.

Previously, it had also collaborated with directors for films as "*Chanel No. 5: The Film*", released in 2004, and "*Train de Nuit*", of 2009, reaching with the first over 400 million global impressions and experiencing a growth of 6.8% global market share for the perfume category (Euromonitor 2006).

To conclude, an important attention should be paid to the James Bond franchise, which is one of the most sophisticated and comprehensive examples of product placement adopted in film.

In the 1960s, James Bond' s films featured around five product placements per movie and by the 2010s this number had escalated to approximately thirty per film, carefully chosen to match Bond' s image of sophistication and power (Statista).

The first product placements were adopted by Smirnoff, Pan Am airlines and Rolex, arriving to "*Goldfinger*", which started featuring the most prestigious brands as Aston Martin, Mustang, Rolex, Rolls Royce and Bentley to cite a few and to "*GoldenEye*", establishing an official partnership with Omega, whose online searches rose to 33% thanks to the release of "*Spectre*".

One of the placements better succeeded is the one adopted by the BMW Group, by supplying the Z3 Roadster, which has been defined as the most successful product placement in 1995, experiencing a $240 million increase in sales as a direct result.

However, this strategy was as convenient to brands as to producers, that covered a great part of the production budget and became a substantial source of funding for Bond films.

Some of the James Bond films have received more than $70 million from brands, as for "*Tomorrow Never Dies*", which was partly funded by BMW Group and L' Oréal, with a brand revenue estimate of $100 million, or "*Skyfall*" for which Heineken spent $45 million, covering one third of the budget, accompanied by Tom Ford, Omega and Sony and the record-breaking "*No Time to Die*", which received over 100 million of dollars, by partnering with over 25 brands, including new ones as Chopard, thanks to the delays coming from the COVID-19 pandemic.

2.2 Influencer marketing

Influencer marketing is a form of social media marketing, which consists of placing celebrities and those who have established a large audience in campaigns and ads to increase interactions and sales by endorsing products in their contents.

Influencer marketing' s importance is especially pronounced in industries where lifestyle association and aspiration are important, in particular for the luxury sector. The evolution of influencer marketing has also been marked by a shift from celebrity endorsements to social media influencers, who have gained traction starting with fashion bloggers, as the Italian ClioMakeUp, who focused on promoting and recommending makeup brands, or Chiara Ferragni and her "The Blonde Salad" blog.

It encompasses different types of influencers, going from mega-influencers, including celebrities, as Kim Kardashian, to micro-influencers, as Afroza Khan, also known as Chic Stylista, on whom, nowadays, marketers are placing more emphasis, due to their perceived honesty and reliability.

On Instagram, brands pay special attention to their stories and posts, glamorising high-status products and showcasing luxurious lifestyles. Also, the choice of colours and aesthetics reinforces the brand prestige, directly fuelling desire in consumers who engage with social media.

On TikTok brands adopt creative strategies, especially by proposing challenges to followers, as Moncler has done in 2020 with its #MonclerBubbleUp challenge, partnering with creators who adhered to this challenge, generating over 29 million views only on the brand' s TikTok account.

Moreover, luxury brands rely also on behavioural tracking to reach the right audience and to customise ads for users with the financial capacity to engage with the brand. Nowadays, social media have also introduced audience tools and preference profiling, enabling brand to upload lists of their best consumers and finding other users with similar profiles, by the use of algorithms.

The impact on consumer behaviour is significant, since due to this personalisation of advertising, social media become a huge temptation for the target consumer, who is constantly shown images of desired products and has also the possibility of buying them just through the brand’ s social media, as for Instagram, which has a market section, on which followers can buy a product only clicking on the photo in which it is displayed.

However, at the heart of any endorsement’ s impact is the credibility of the communicator, which is often defined by two aspects: the expertise and the trustworthiness.

For this particular reason, brands in the majority of cases try to engage with influencers who acknowledge the product and have also a track record of authentic behaviour, in order to compensate with the point that those have been paid to recommend the product.

A study conducted in 2019 by Lou and Yuan showed, indeed, that when consumers perceive as authentic the influencer who showcases a product, it is significantly reflected also in terms of trust for the brand.

The emotional one-sided relationship between customers and influencers also plays a strategic role in marketing. When the audience feels as if it knows the media personality, it gives lead to the creation of a deep attachments toward the latter, making the former more inclined to want the products showcased.

Brands gain high benefits from this dynamic, since this feeling of intimacy, created by the influencer, humanises the brands, which becomes associated with someone the consumer feels akin.

One of the most common strategies adopted is partnership, by offering influencers early access to products or by gifting them items, in exchange for positive reviews and word of mouth or, when talking about macro-influencers, invite them to be global ambassadors for certain lines, as Zendaya, who became brand ambassador for Louis Vuitton in 2023.

Some luxury brands offer also programs to recruit new influencers, who might collaborate in the production of a product or have a recurring role in campaigns, as for Dior, which has its “Dior Beauty Ambassador” program.

Another common strategy used by luxury brands is hosting exclusive events and inviting a curated list of influencers, who document them on social media. This strategy is, indeed, highly efficacious, because it offers the brand the opportunity to show an imagery, which goes beyond just the product, and its also creates FOMO among the audience.

In other cases, luxury brands explore more interactive strategies, as Gucci did in 2017 with its "*#TFWGucci*"[18] meme campaign, collaborating with different artists and Instagram influencers to create memes to promote its new product. Instead of traditional advertising, this campaign immediately went viral, becoming a shareable content not only within celebrities' circles but also within normal users, allowing the watch, and Gucci itself, to obtain a huge boost in exposure.

Another notorious case is the launch of Dior "Backstage" makeup line in 2018, for which the company invited a group of influencers and famous make up artists that were given early access to the products in turn of video content announcing and using those products around the launch date, generating hype especially for Dior Backstage foundation and highlighter. This particular case was so successful especially because of the role played by FOMO (Fear Of Missing Out): everyone who "mattered" had tried these products, creating a herd sensation for fans and non of the brand.

Rolex, on the same hand, has employed a similar advertising method, by establishing the Rolex Ambassador program, not featuring, however, media influencers in the strict term, but engaging with prominent figures in sports or arts, as the tennis champion Roger Federer or the pianist Yuja Wang.

This ingenious form of influencer marketing relies, indeed, on aspirational peer pressure, since fans of those ambassadors, who could also not be interested in the sector if it wasn't portrayed by those personalities, feel drawn to Rolex.

Patek Philippe too created a capsule limited to 170 pieces of its Nautilus 5711 model collection in collaboration with Tiffany & Co., which were acquired not by traditional influencers, but by prominent figures as LeBron James, Crown Prince of Qatar and Alexandre Pato. Social media was flooded with images of the watch, especially on YouTube channels, as Hodinkee, making the Tiffany Nautilus a symbol, especially between watch collectors.

A remarkable case study occurred in 2017 in China, which has its own influencers, known as KOLs (Key Opinion Leaders). One of the standouts in the luxury sector is Tao Liang, known as "Mr. Bags", whose influence on WeChat and Weibo is so massive, that

[18] TFW is internet slang for "That Feeling When…"

Givenchy collaborated with him for Valentine' s day, designing a limited edition handbag, "*Horizon*", with only 80 pieces available, which he was able to sell in only 12 minutes, yielding about RMB 1.2 million in sales.

A similar event happened also for Tod' s bags in 2018, that designed a special edition for the year of the dog. Tao Liang was able to sell 300 pieces in 6 minutes on WeChat, generating RMB 3.24 million in sales, which were sold through the online shop "*Baoshop*", opened by Mr. Bags himself.

On a negative note, however, when discussing about influencer marketing an interlude concerning ethical considerations should be made.

One of the principal ethical issues is transparency of the paid endorsements. Even though in many jurisdictions it is required to disclose the sponsorship or that the displayed product has been gifted by the brand, this practice has been inconsistent, misleading consumers into believing that these ads were genuine and unbiased.

From an ethical point of view, consumers should know when they' re being marketed to; in addition, there could also be implications concerning the market, because consumers might become cynical as a response to these omissions, loosing faith towards the brand, due to the reduced credibility of the influencers involved.

This lack of authenticity is displayed also in cases in which an influencer suddenly introduces in its contents products totally diverse and outside their routine.

Another important aspect to keep in mind is also the exacerbation of social comparison, due to the constant promotion of materialistic values. Even though some influencers are trying to eliminate this utopian luxurious lifestyle, by posting contents as "*Instagram vs real life*", it is still not common, and it is negatively impacting followers' mental health.

The same line of thought applies to the lack of diversity and stereotyping reinforced especially for the luxury market. If a luxury brand only works with a prototype influencer, it might alienate consumers who are different from what this portrayed "luxury life" is.

However, there have been advances, especially for luxury beauty brands, that are collaborating with influencers across different genders and skin tones to promote inclusivity, as the brand Fenty Beauty, which has partnered over the years with transgender influencers, male models and people of colour. Others have only recently started to adopt this diversification strategy to promote a more inclusive view of the brand, as Victoria' s Secret who has welcomed its first transgender models only in 2024 and its first curvy model only in 2019.

2.2.1 Effects of peer pressure and FOMO deriving from influencers' role

A concerning aspect of influencer marketing is the peer pressure and FOMO that it can generate. When referring to peer pressure, we mean the social influence exercised on consumers to meet the perceived expectations of a social group.

FOMO (Fear Of Missing Out), on the other hand, is a unique term introduced in 2013 in the oxford dictionary, which is defined as the "*anxiety that an exciting or interesting event may currently be happening elsewhere*" (Oxford languages), and is characterised by a strong desire to be constantly connected with others, in order to be informed about the experiences they are having.

The most common phenomenon, related to the creation of peer pressure, is the bandwagon effect, a psychological phenomenon in which as more people adopt something, the social pressure to adopt it increases.

Influencers have, indeed, the power to make certain luxury items go viral, transforming a product into the status symbol item of the moment. Moreover, by creating a community of thousands, if not millions, of followers, all interested in a particular content, they form a social peer circle, on which luxury brands rely significantly.

If owning a certain product is what distinguishes one from another, then those who aspire to be recognized will feel pressured to buy it.

Additionally, influencers usually create reference groups for their followers, frequently appearing together at events or being somehow involved also on social media. In this case, the audience might feel more drawn to them, especially due to the cheerleader effect[19], and might start referencing to that group, even without experiencing a direct pressure, but just desiring to belong there.

Additionally, some influencers are so strongly correlated to a specific brand, that also their community automatically becomes fan of that brand. Followers, in these cases, not only experience peer pressure from the influencer, but also from other members of that

[19] Cheerleader effect: a cognitive bias which causes people to perceive individual faces as more attractive when presented in a group.

community, who might be encouraged by the influencer itself to share whether they bought something on their recommendation, or to engage with other followers.

Another tactic usually employed especially from micro-influencers is becoming highly relatable, by sharing their personal life and everyday struggles, but when they showcase a new product, this automatically triggers followers, because they were used to think of them as equals, resulting in followers buying what the influencer buys to catch up.

The Theory of Planned Behaviour (Ajzen, 1991) well explains how a person' s attitudes, social pressures and perceived control over behaviour, combine together shaping their actions. According to the aforementioned theory, there are three determinants of intention, which are the *attitude* toward the behaviour, the *subjective norm* and the *perceived behavioural control*.

This theory can be easily applied to influencer marketing, since the latter operates especially on shaping attitudes and defining subjective norms. It impacts attitudes because influencers share reviews and provide information of a product, and it defines subjective norms by acting as trend-setters, generating, as a consequence, a perceived social pressure to engage with that product.

Additionally, often influencers use time-limited offers, especially with regards to promotional codes, in order to create a sense of urgency, which directly influences the FOMO of their audience, and the same concept applies to flash sales or giveaways. Scarcity, indeed, triggers a psychological reaction, since consumers worry that they are going to miss out an offer, if they don' t act immediately.

This behaviour leads to the development of constant checking and engagement habits, reinforces by the continuous social media activity of these media characters, who are always creating an invitation to engage with their contents.

This problem has been documented in 2015 by Casale and Fioravanti, who noticed that this behaviour is self-reinforcing, meaning that the more one checks social media to counterpart FOMO, the more it is enforced.

Another common complication is the increased consumerism, which has also been confirmed by one of the latest catchphrases: "*TikTok made my buy it*", that reassumes how this fear of missing out, and the social pressure that consumers face, generates a strong impulse to buy recommendations, even if not planned, only because an influencer made it seem necessary.

In 2021 this phenomenon reached its peak with a Sephora lip gloss, which was enthusiastically reviewed, resulting in a social media domino effect, where countless other TikTok user bought this lip gloss and showed themselves trying it on, leading to a noticeable increase in sales for Sephora for that product line.

TikTok trends are able to create intense peer pressure that can cross geographic barriers, creating a new type of reference group, which is not limited to just a few, but is, indeed, made up of thousands of people, who resonates with one' s tastes.

This pattern in many cases leads to conspicuous consumption, especially in those cases where consumers decide to acquire a product primarily for social display, which can result in financial difficulties, especially when referring to luxury goods.

In addition, this phenomenon has also societal implications, exacerbating social divides, generating a deep level of exclusion and inadequacy in those who bare not able to buy some specific products.

Beyond products, also the experiences broadcasted by influencers are able to instil FOMO in followers, which may feel as if they' re missing on experiences that others are having and may try to remediate by replicating those or at least a part of those experiences.

Several case studies illustrate how peer pressure and FOMO play out in different contexts.

Going back to 2017 and the Fyre Festival, around 400 social media influencers promoted the event, such as Kendall Jenner or Emily Ratajkowski, posting images and videos of the festival, without disclosing that they have been previously paid for advertising it, leading to the sold out of tickets, despite being extremely expensive, going from thousands to tens of thousands of dollars.

Obviously, this strategy was meant to induce peer pressure and FOMO in followers, due to the immense persuasive power of influencer hype, who generated a bandwagon effect and over 300 million social media impressions in 24 hours, according to The Guardian.

Furthermore, this case had also regulatory consequences, due to the lack of disclosure in influencer posts and the accused faced reputational damage, left aside those who had to settle a lawsuit for not disclosing, as Kendall Jenner did for having received $250,000 payment for her post.

This case study demonstrates, indeed how the peer pressure derived from influencers can generate an illusion of exclusiveness and mobilise masses.

On a different scale from Fyre' s event, in China two mega-influencers, or Key Opinion Leaders, Li Jiaqi and Viya, have made live-streaming commerce a cultural phenomenon. The former ones, as a matter of fact, routinely attract millions of viewers in their live broadcasts, in which they announce limited sales, creating a sense of urgency and an extremely higher FOMO in their viewers, who not only experience this rush excitement, but also the pressure derived from those who successfully share their purchase in the chat.

On Single' s day, 11th November, of 2024, Li Jiaqi was able to shake up the game by selling over 25 billion RMB ($3.4 billion) in products and this is especially true due to the socio-cultural aspect of China, in which being aligned with groups is fundamental.

2.3 Analysis between Generation Z and Generation X’ s position toward influencer-displayed products

This paragraph presents the empirical findings derived from two separate, yet equal, questionnaires, administered to a sample of 100 respondents, belonging to Generation Z, and an equal sample of respondents belonging to Generation X.

The objective of this dual approach was to gather insights into how social media influencers impact perceptions, preferences and purchasing intentions within the luxury market, in accordance with these two distinct consumer cohorts.

While Gen Z has grown up in an overly connected and media-saturated environment, Gen X has witnessed the digital revolution over time, often maintaining a more traditional approach to social media and luxury consumption.

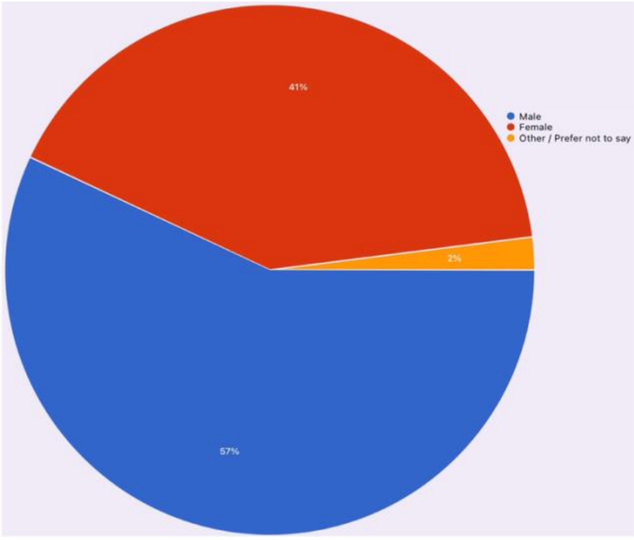
By juxtaposing the findings of these two groups, the scope of this analysis is to highlight the shifting paradigms in consumer engagement, trust in influencers and the relevance of the latter in shaping luxury preferences.

The questionnaires consisted of 20 questions, which were divided between 16 multiple choices, with one answer, 2 multiple choices for which respondents could select all that applied, and 2 Likert scales.

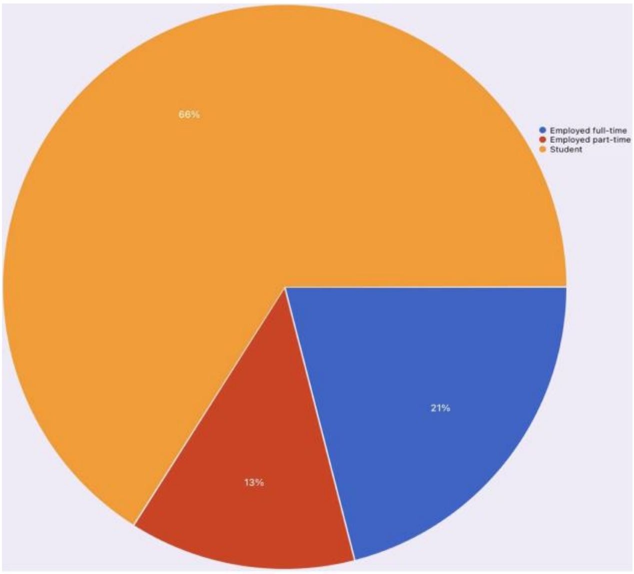
Each sample is composed by respondents of Italian nationality, belonging to the available market and to the penetrated market for luxury brands. Obviously, with reference to the Generation Z’s sample, the majority of the respondents do not have direct financial access to the luxury market, but they rely on, or have made use of, family financial resources.

The questionnaires were administered via social media (WhatsApp Messenger and Instagram directs) and were conducted in anonymous form.

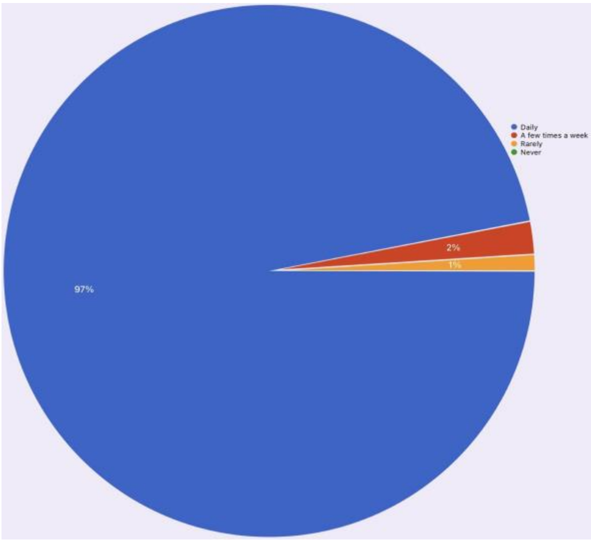
The first sample we’ re going to analyse is the one composed of Generation’ s Z respondents.



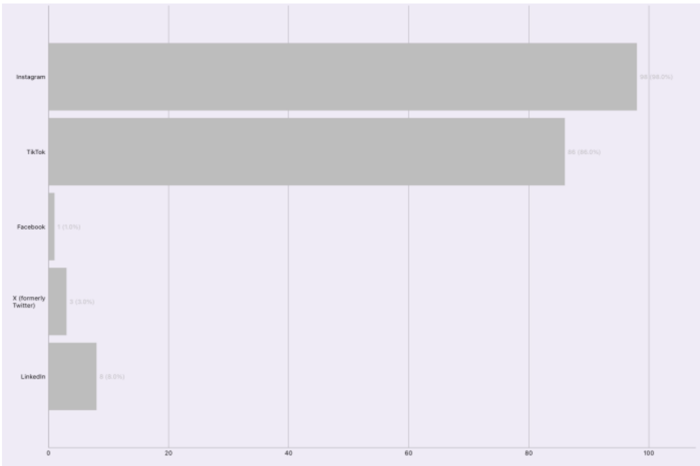
The gender distribution is relatively balanced: 57% of respondents identify as male, 41% as female and 2% preferred to not say.



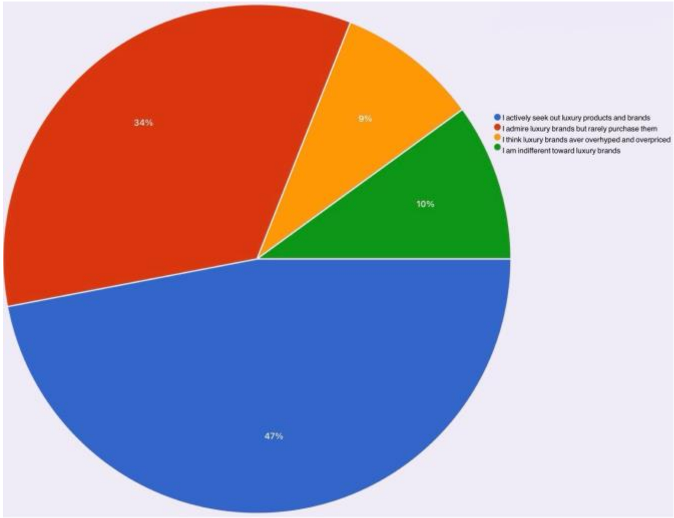
From an employment perspective, the sample was principally composed of students (66%), with a smaller segment reporting full-time employment (21%) and an even smaller reporting part-time employment (13%).



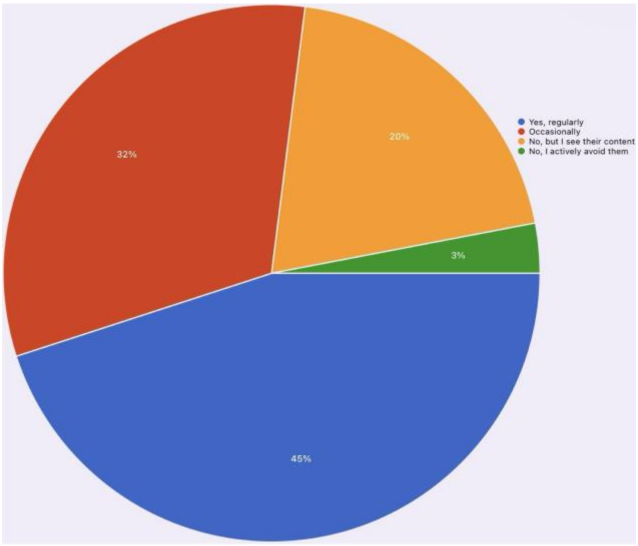
Social media use is universal among the sample, in which 97% of respondents report using social media daily, 2% only few times a week and 1% rarely.



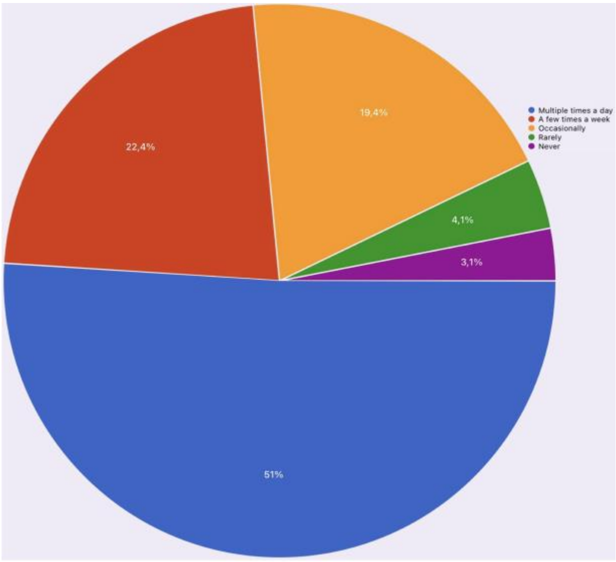
Instagram emerged as the most frequently used platform, select by 98% of respondents; TikTok is the second most used, with a not surprising 86%, while other platforms were largely insignificant in this context, with LinkedIn used by 8%, X (ex Twitter) by 3% and Facebook only by 1% of the respondents.



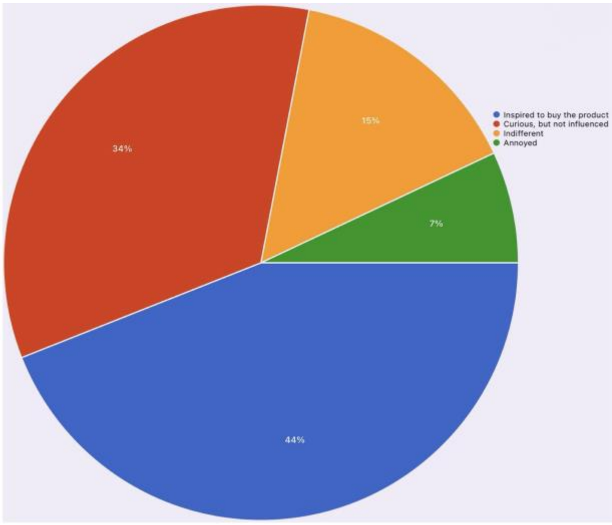
With regard to the attitudinal dispositions toward luxury brands, respondents were not unanimous: nearly half of the sample (47%) actively seek out luxury products and brands while 34% admire luxury brands but rarely purchase them. Only 10% of respondents claimed to be indifferent toward them and 9% believed them to be overhyped.



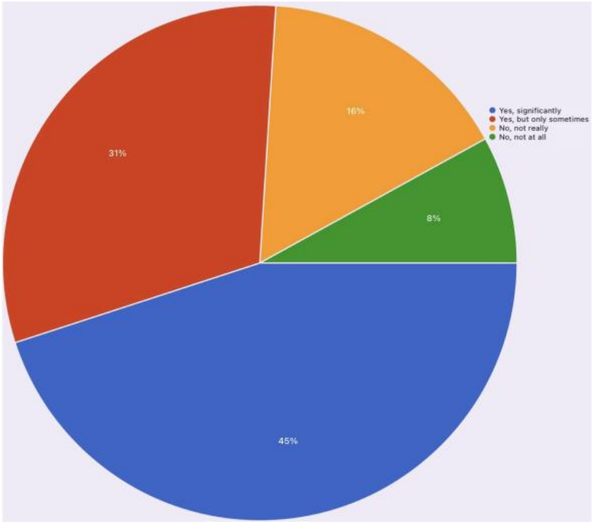
When asked about their engagement with influencers who promote luxury brands, 45% or respondents answered that they follow the formers regularly and 32% stated they do so occasionally. On the other hand, only a minimal share actively avoids them (3%), while 20%, even not following them, still se their contents.



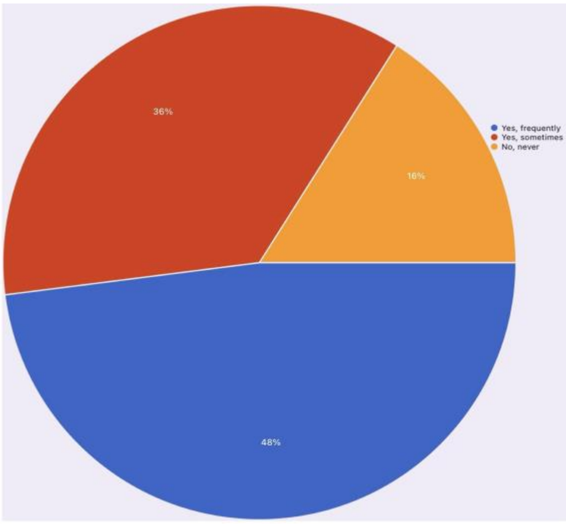
Talking about frequency of those engagements, 51% reported seeing influencers promoting luxury brands multiple times a day, followed by 22.4% who see them a few times a week, 19.4% occasionally, 4.1% rarely and only 3.1% have never seen an influencer showcasing luxury brands in their contents.



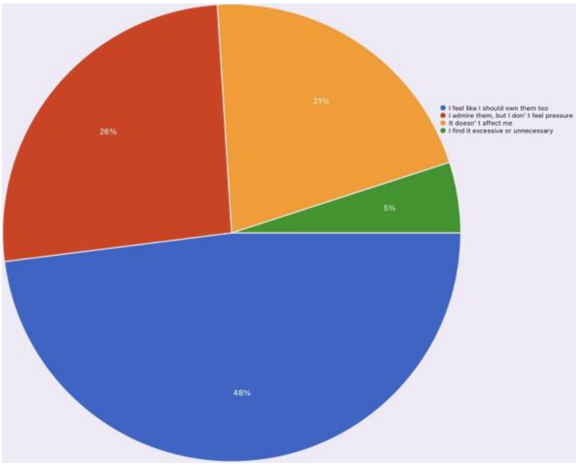
The emotional response to this activity was revealing. An important 44% unfolded that they feel inspired to buy the product promoted, followed by 34% who stated only being curious but not necessarily influenced. A smaller portion (15%) feels indifferent and only 7% are annoyed.



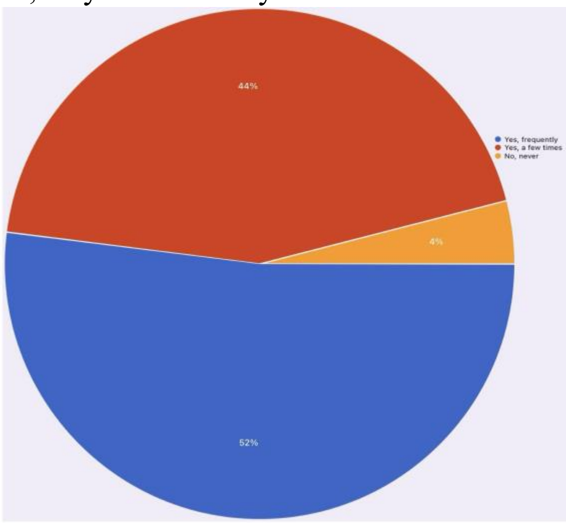
45% of the respondents believes that influencers affect their perception of luxury brands in a significant way, while 31% only sometimes. Out of 100 people, only 24 believe not being affected by them.



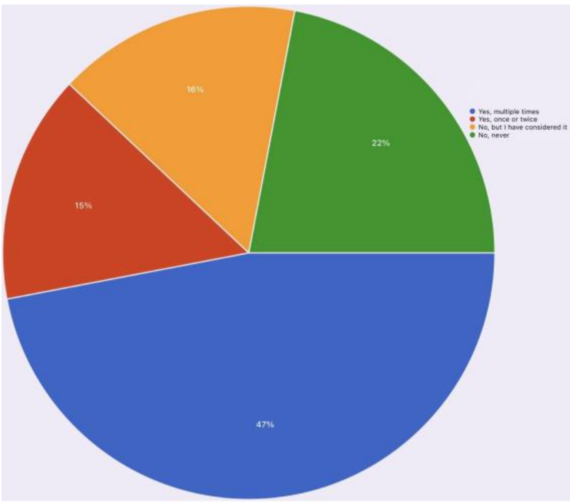
In a related question, almost half of the respondents (48%) admitted that their perception of a luxury item has changed several times after seeing it broadcasted on social media, 36% revealed that it has happened, but only sometimes, and 16% have never experienced this change of mind.



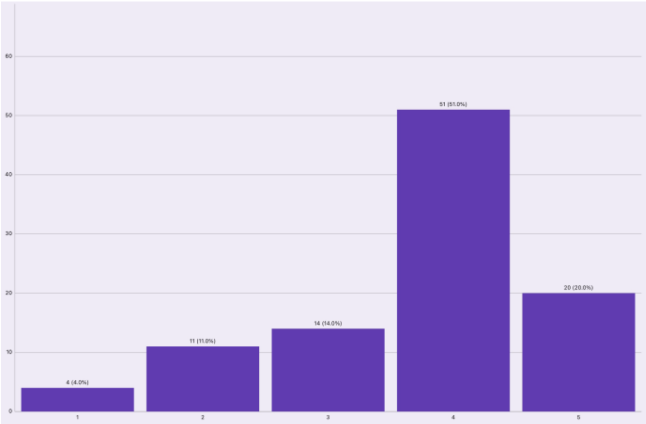
Reference groups also matter, since 48% reported that when they see friends showcasing luxury products online, they feel like they should own them too.



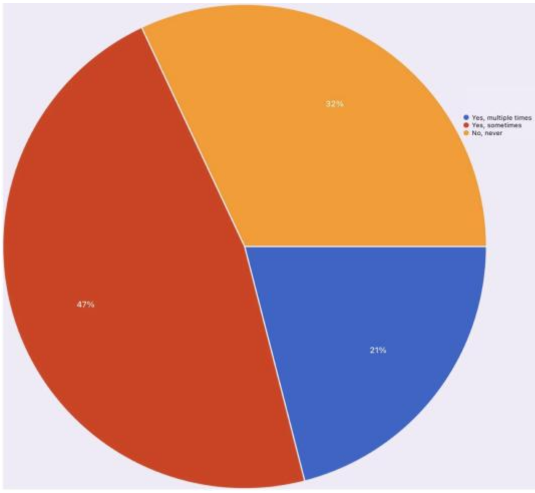
Additionally, 52% of respondents stated that they have frequently researched a product after seeing it promoted on social media, 44% only a few times and a smaller 4% has never looked for a product after seeing it promoted.



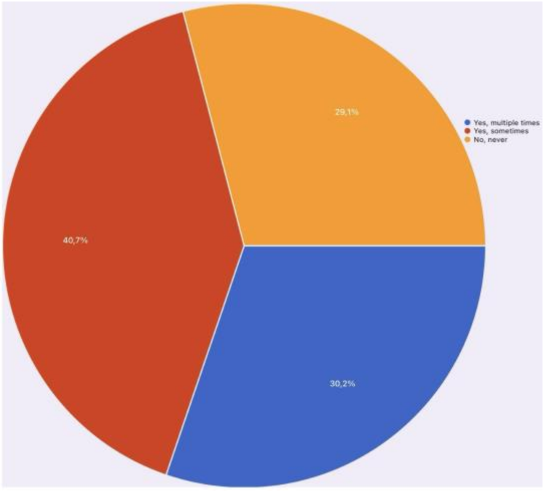
Importantly, 47% of participants confirmed having purchased multiple times a luxury item specifically because an influencer endorsed it. 15% have done the same, but only a few times and 16% have thought about it, but haven’t purchased anything yet. Not surprisingly, only 22% have never engaged in this activity.



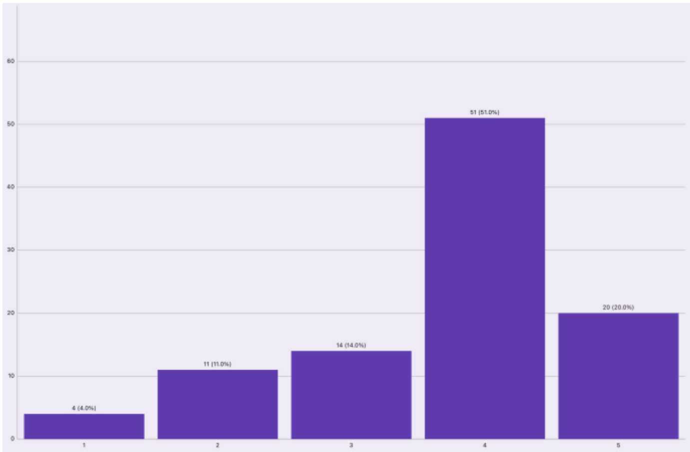
When asked to rate their likelihood of purchasing luxury products based on influencer recommendations on a scale from 1 to 5, the average score was 3.07, even though the biggest concentration is at 4, with 35% rating it.



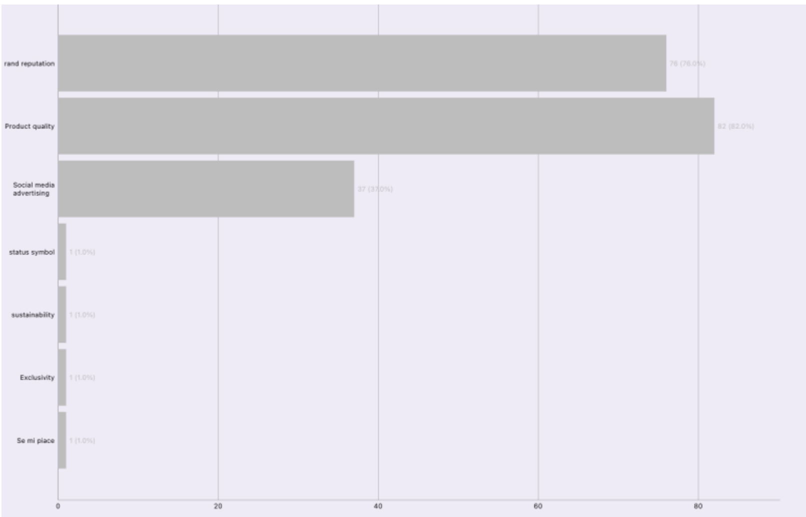
Nonetheless, post-purchase satisfaction is not guaranteed, since 47% of respondents confessed having regretted sometimes a purchase that was influenced by social media and 21% multiple times, while 32% have never.



However, even after this delusion they still have indulged in more purchases of the same type, with 30.2% declaring of having re-purchased multiple times and 40.7% a few times.



One of more delicate insights emerged from this questionnaire, however, is the perceived social pressure. Participants were asked to rate the extent to which social media creates peer pressure to own luxury items, and the average rating was 3.72 out of 5, with 71% selecting 4 or 5.



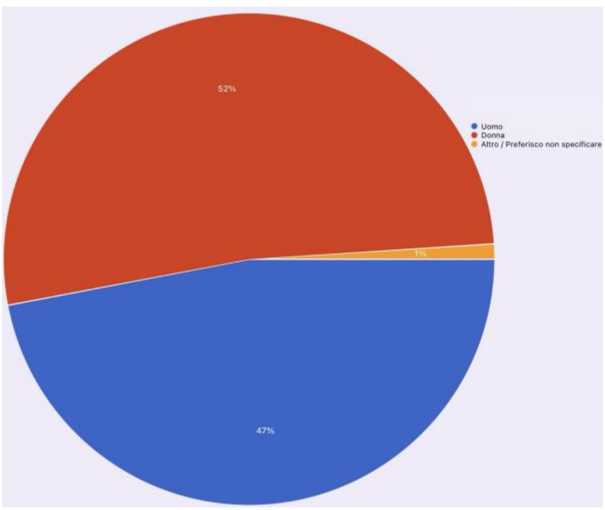
Finally, respondents were asked to indicate the factors that influence their decision to purchase a luxury product, and the leading motivators were its quality (82%) and brand reputation (76%), followed by social media advertising (37%), while only marginal numbers cited exclusivity or sustainability.

These findings confirm the knowledge that Gen Z operates primarily within highly visual, algorithmic environments and this is reflected especially in the dominance of Instagram and TikTok as social media used, which are not only content-centric, but are also structurally optimised for influencer marketing.

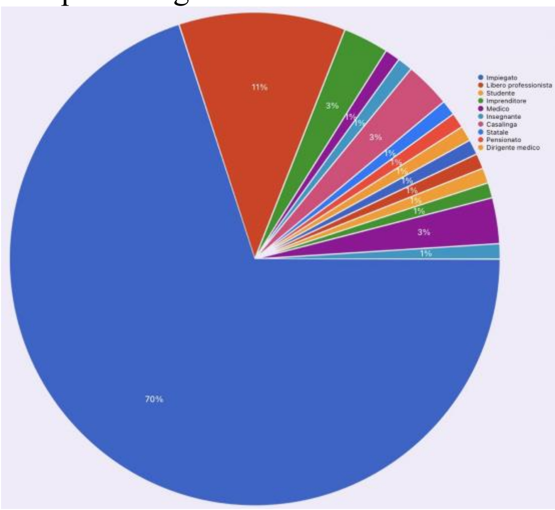
The emotional response to influencer content was unveiling, highlighting a pattern of emotional engagements, making influencers not simply content creators, but active shaper of taste and desire, suggesting that visibility alone has the power to change product value in the eyes of the consumer.

Furthermore, these statistics reflects the several studies conducted on the link between FOMO and peer pressure to social media, since respondents have internalised aspirational benchmarks portrayed by influencers. These results, indeed, strongly indicates that social media foster conspicuous consumerism, especially because of the perceived social pressure.

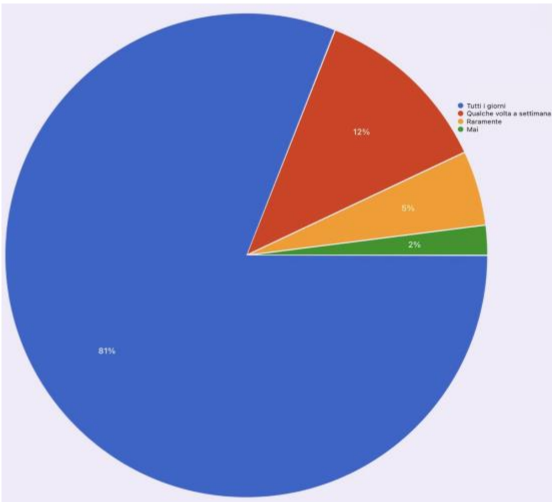
Even if not completely trusting, they are open to the possibility of trusting influencers, if the endorsement is perceived as authentic or aligned with personal values, even if post-purchase satisfaction is not guaranteed.



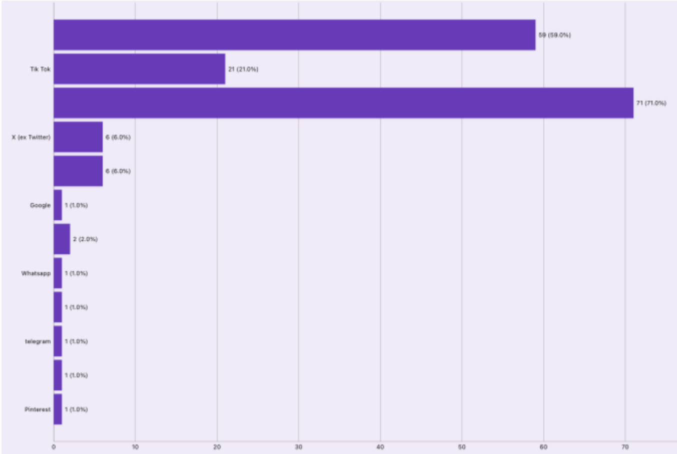
Now, focusing on the second sample, composed by respondents belonging to Generation X, the gender distribution is nearly balanced, with 52% identifying themselves as female, 47% as male and only 1% preferring not to disclose.



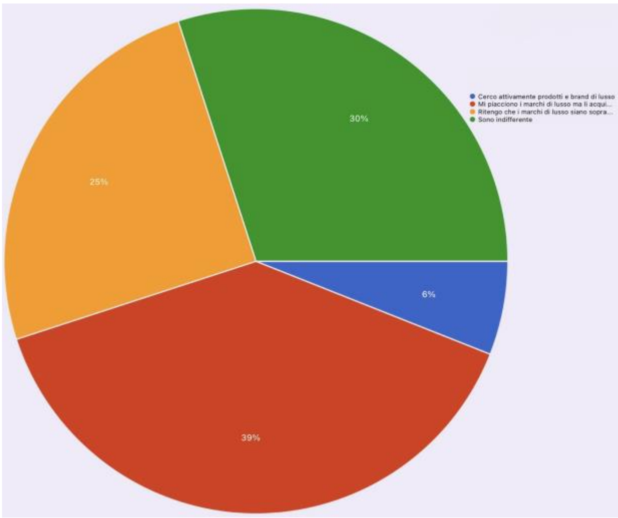
The majority of answerers, 82%, is employed full-time, followed by 14% freelancers and 4% retiree, indicating a relatively economically active group, likely to possess purchasing power.



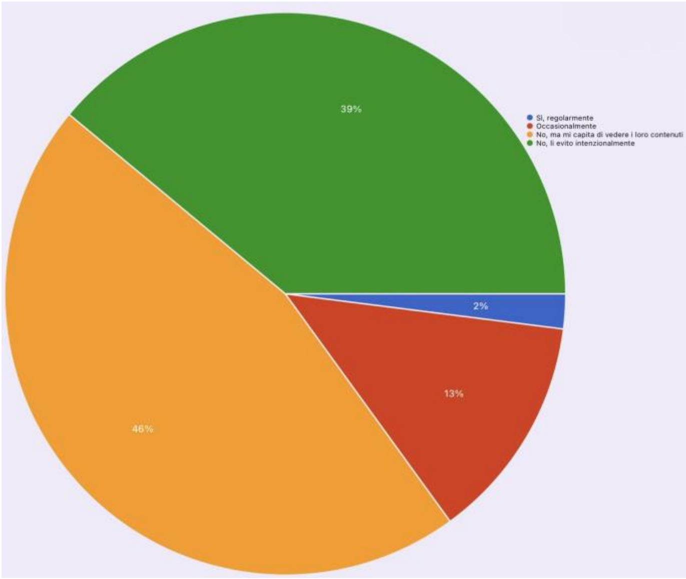
Despite generational assumptions about the use of social media, this group displays a surprisingly high rate of daily social media usage, with 81% of the participants using them every day, 12% a few times a week, 5% rarely and only 2% has admitted of never using them.



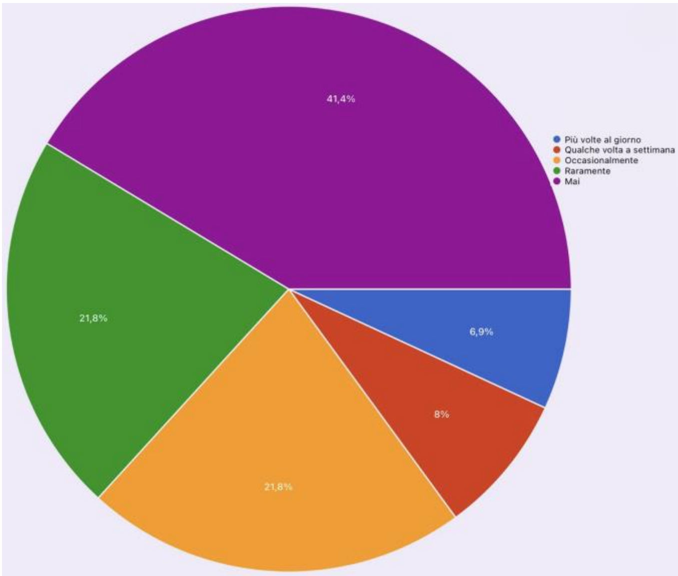
Furthermore, the preferred social media are Facebook, which appears to be the most popular platform, used by 71% of the group, closely followed by Instagram (59%) and TikTok (21%), while other social media, as X (6%) or LinkedIn (6%), have not gained the same popularity.



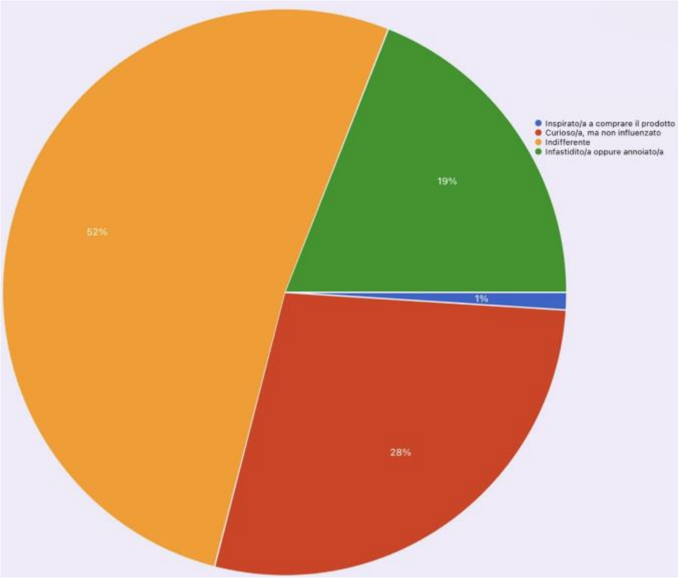
When asked to define their attitude toward luxury brands, the responses exhibit a complex balance between emotional appreciation and rational detachment. Only 6% of respondents actively seek out luxury products, while the largest segment (39%) states that they like luxury brands but rarely purchase them. Another 30% consider luxury brands overrated and 25% express complete indifference towards them.



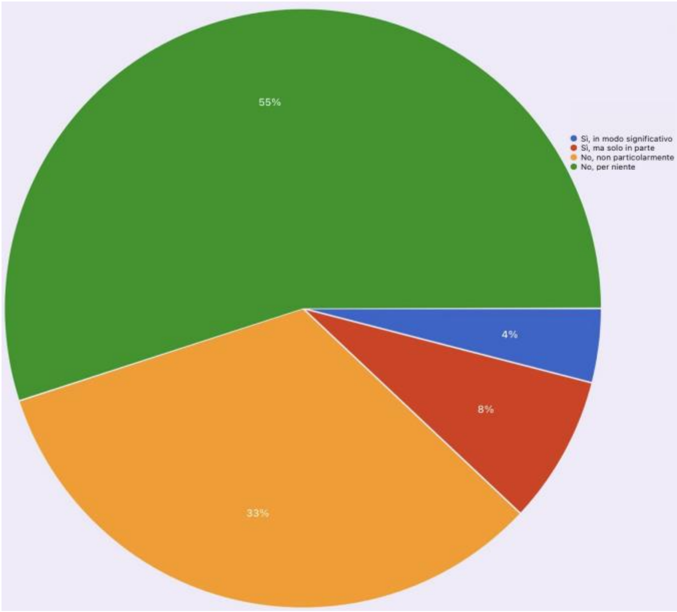
Moreover, participants show a clear distance from influencer culture, with only 2% regularly following those who promote luxury brands, while others (13%) only occasionally. 46% of voters don’ t follow them but see their contents and a strong 39% actively avoid them.



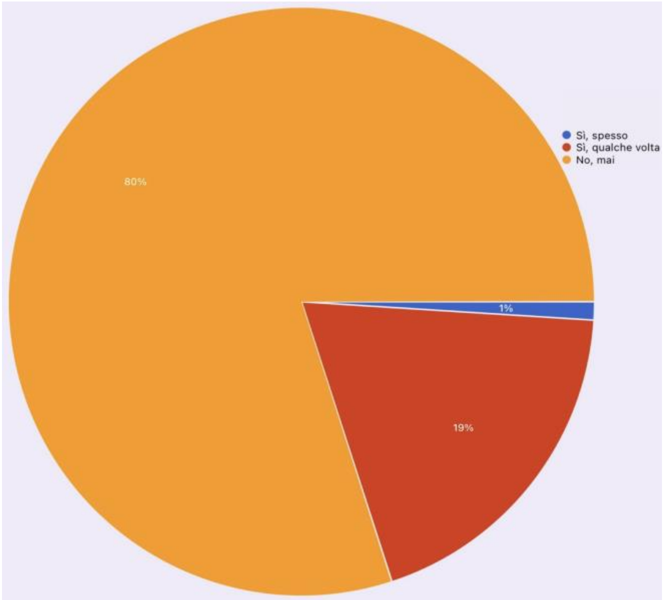
Additionally, when exposed to the formers, 6.9% only see them daily showcasing luxury brands, 8% just sometimes over a week, 21.8% occasionally, 21.8% rarely and, surprisingly, 41.4% of the respondents have never seen influencers promoting luxury products.



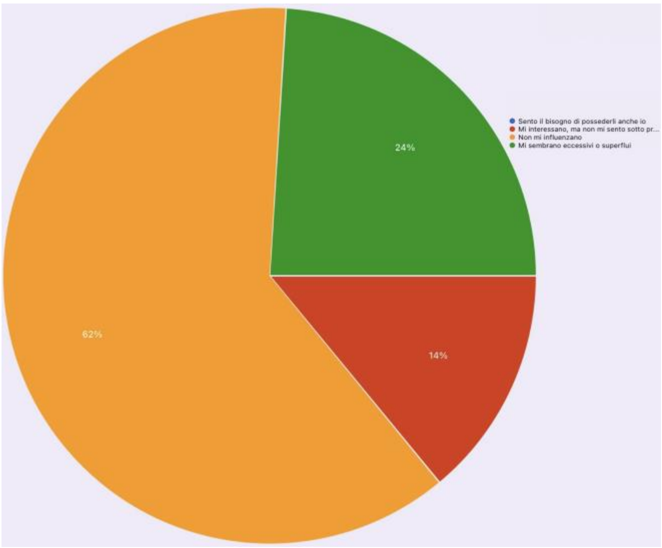
When exposed to them and to promoted items, 52% feel curious but not influenced. Only 1% feel inspired to buy, while 28% are indifferent and 19% are even annoyed.



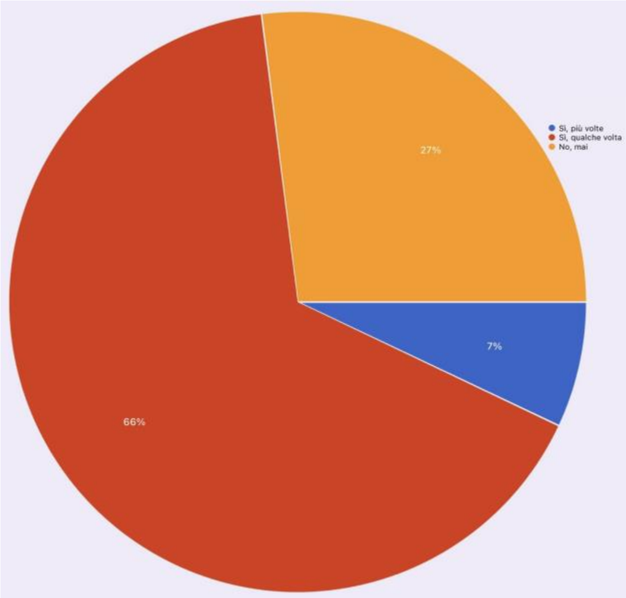
This skepticism is further validated by their responses to the question of whether influencers affect their perception of luxury brands, since 55% responded: “Not at all” and 33% “Not particularly”, with 8% reporting to be partly influenced and only 4% reporting a significant impact.



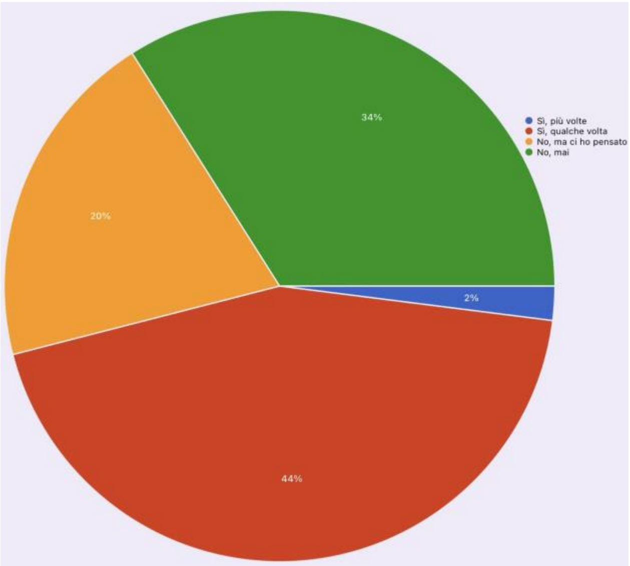
Those low levels of overt influence are also supported by a related question, for which a strong majority (80%) admitted that their perception of a luxury item has never changed after seeing it broadcasted on social media, with only 19% revealing that it has happened sometimes, and just 1% has often experienced this change of mind.



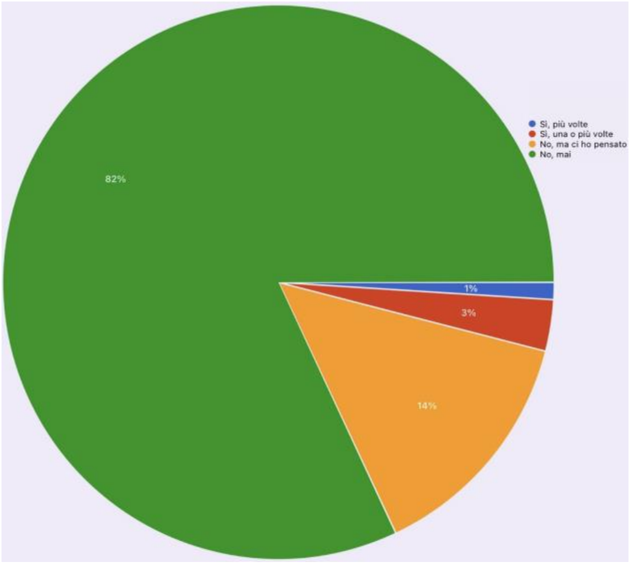
With reference to their peer group, no one has admitted feeling the desire to possess something that others show on social media, with just 14% stating that they' re interested yet not pressured to buy them. A strong 62% admitted that they' re not influenced and 24% believes that those showcasing luxury items online are undue and fulsome.



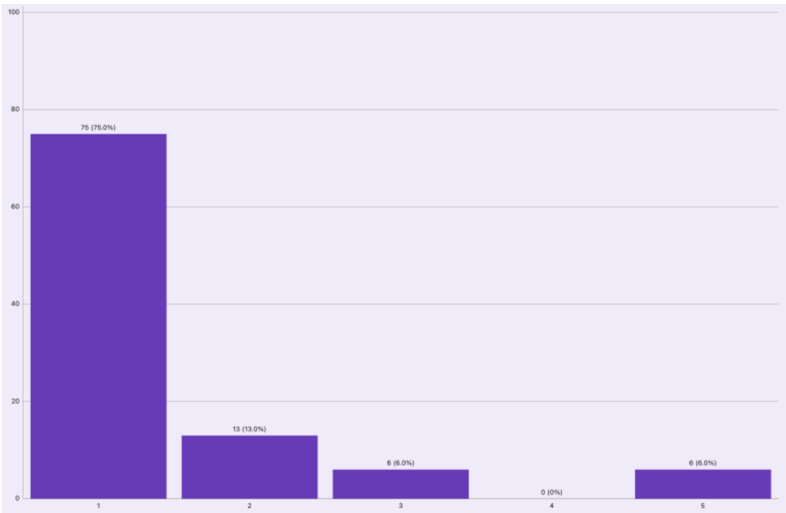
Despite it, however, respondents are still curious about products they see on social media, since 66% claim they have occasionally researched a product after seeing it promoted, while 7% have done it more times and 27% declared that they have never looked for informations.



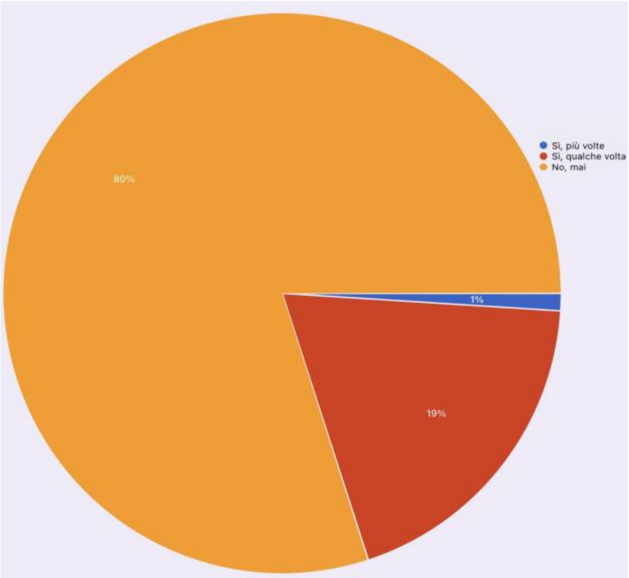
When asked if they' ve ever purchased a product after seeing it on social media, 44% admitted that they' ve done it every now and then, and 2% frequently, while 34% haven' t. However, 20%, despite not having purchased anything yet, they still have considered it.



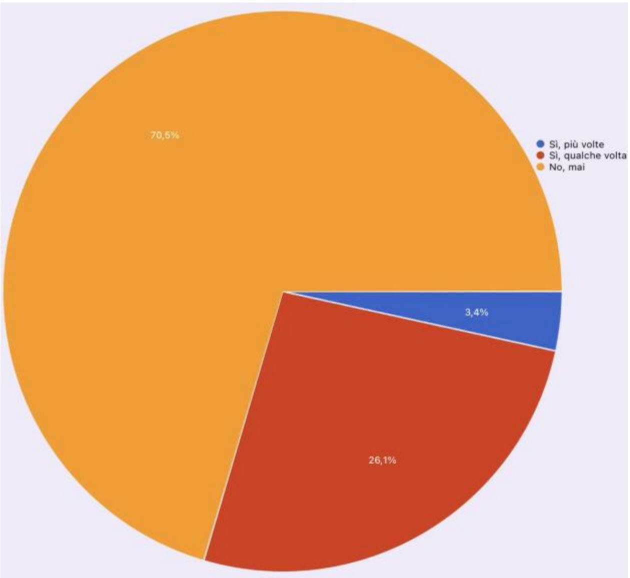
However, 82% of participants stated of not having purchased a luxury item specifically because an influencer endorsed it. 14% have thought about it but haven’t purchased anything yet. 1% have bought something numerous times and another 1% occasionally.



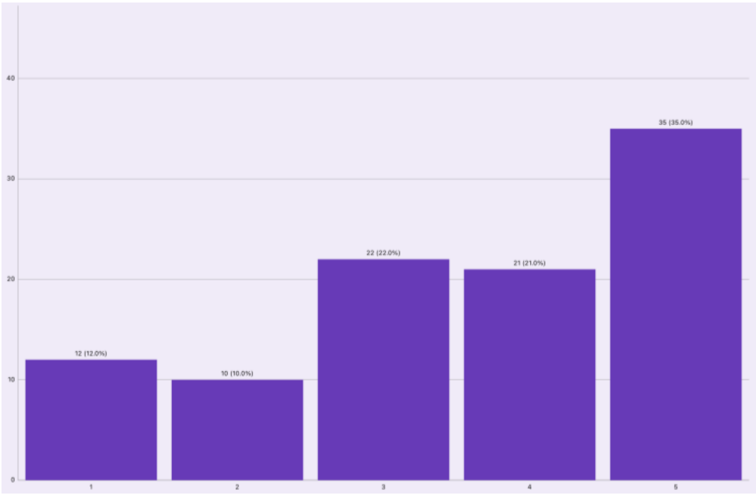
Not surprisingly, when asked about the likelihood of purchased luxury based on an influencer’ s recommendation (on a scale from 1 to 5) the average score is 1.49. a dominant 75% assigned a score of 1, 13% a score of 2, 6% a score of 3, no one a score of 4, and 6% a score of 5.



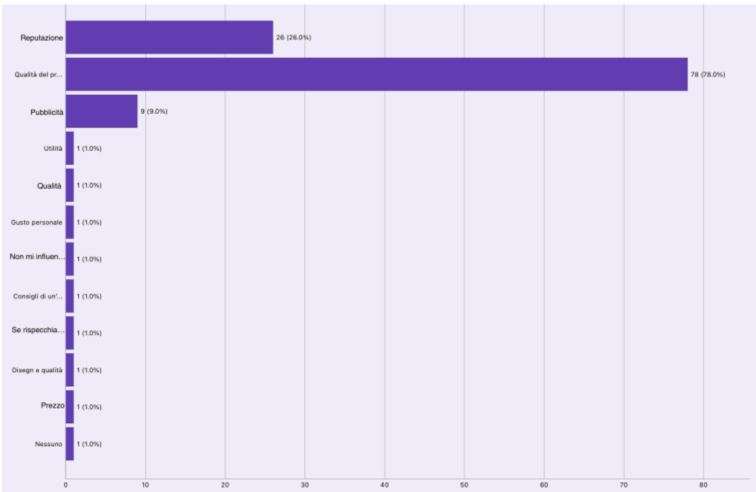
Furthermore, 80% have never regretted a social media-influenced purchase, with 19% having regretted it a few times and only 1% several times.



70.5% haven't repurchased a similar item, while 26.1% have continued to do so occasionally and 3.4% different times.



The final insight concerns perceived social pressure. Even though only a minority of this group actively responds to social persuasion, the average score on a 5-point scale evaluating perceived pressure is 3.57, with a majority of 56% assigning a high score, 35% a score of 5 and 21% a score of 4, while 22% assigned a score of 3, 10% a score of 2 and 12% a score of 1.



Lastly, when asked to identify the factors that influence their decision to buy luxury goods, the majority (80%) cited product quality, followed by brand reputation (26%), with social media advertising playing a marginal role, selected only by 9% of the respondents.

The findings of this second survey clearly delineate the generational differences and boundaries in luxury perception and digital influence. While this cohort is digitally present and actively engaged with platforms like Facebook, their behavioral response to influencer marketing is lacking in interest and enthusiasm.

The survey reveals that while desirability of luxury products is present, the act of purchase is driven by extreme judgment and financial prudence and this skepticism toward luxury branding may also be shaped by generational values that prioritise utility and authenticity over aspirational consumption.

While influencers reach this audience passively, their role is rarely persuasive, and the audience is even more aware of marketing tactics, with the implication that influencer marketing is insufficient to shape the luxury perception of this age group.

Indeed, this audience affirms that they do not interpret influencer authority as a valid source for guiding purchases and this is reflected also in the quasi-complete lack of cognitive dissonance, since the buying behaviours of respondents are intentional and immune to media impulsivity.

Now, in order to compute a thorough comparative interpretation, we' re going to analyse each question, excluding those related to the profiling of respondents.

"How often do you use social media?"

As we' ve seen, among Generation Z, 97% reported using social media daily, and none reported rare or no usage, while the Generation X' s group their daily usage rate was 81% and 7% using it less frequently or not at all, with the remaining 12% using them just several times a week.

The high level of social media engagement is reflected in both groups, confirming that those has now become a pervasive medium across generations. However, the frequency and function of use differ meaningfully. For Generation Z, social media is not only a communication tool, but ti also the primary platform through which identity is curated and where status and digital consumption converge, making them particularly sensitive to peer pressure.

For Generation X, on the other hand, social media are less immersive, but are used to maintain connections and access information. Even if they are exposed to brand messaging, they resist targeted ads and are more skeptical, especially about influencer contents.

“Which social media platforms do you use the most?”

Generation Z respondents expressed a strong preference for Instagram (98%) and TikTok (86%) as their main platforms, while Generation X uses primarily Facebook (71%) and Instagram (59%), with only 21% using TikTok.

The difference in platform preference reflects this generational divergence, since Instagram and TikTok are both algorithm-driven and highly visual. Those are deeply linked with influencer culture and foster continuously trend cycles, especially with regards to luxury contents.

In contrast, Facebook is oriented around stability and social connectivity and while luxury brands do maintain a presence on it, the content is less dynamic, as such their exposure to influencers is lower in frequency, compared to the relative quasi-minimum number of influencers on Facebook.

This huge difference in digital environments contributes, indeed, to an unequal brand impression ecology, with Gen Z being overly saturated with luxury narratives and older users being more passive and distant.

“Which of the following best describes your attitude toward luxury brands?

47% of Generation Z’ s respondents admitted of actively seeking luxury brands, while 34% admire them but rarely purchase and just 19% of voters expressed indifference or think that they are overhyped.

In the Generation X’ s group, on the other hand, only 6% seek out luxury, while 39% appreciate it but rarely consume it and a strong 55% expressed indifference of a belief that luxury is overrated.

As we notice, there is a contrast in the emotional and symbolic investment in luxury between the two samples, due to Generation Z’ s relationship with luxury brands, which is highly aspirational and culturally embedded. They are drawn to branded contents and aesthetics, positioning the achievement of luxury products as a marker of distinction.

For Generation X, this detachment might be driven by shifting values, explaining the indifference toward them, which could be even associated with wastefulness and ostentation.

Indeed, the younger generation is in a phase of identity formation and this conspicuous consumption may functions as a tool for social positioning, while the older adults are already settled and their desire for social recognition is lower.

"Do you follow influencers who promote luxury brands?"

Among Generation Z respondents, 45% reported regularly following influencers promoting luxury brands, and another 20% do so occasionally.

In contrast, only 4% of Generation X follows them regularly, while 46% do so occasionally or rarely and 39% claimed to be exposed to their content without any engagement and only passively.

The frequency in which each generation engage with luxury influencers, reflects an important divergence in media trust and also consumption psychology. Indeed, for Gen Z, influencers serve as intermediaries between accessibility and aspiration, functioning not only as product promoters but also as lifestyle curators, becoming leaders in what and how to consume.

Gen X, however, does not think of influencers the same way Gen Z does, especially due to the low credibility they attribute to those promoting products, valuing word-of-mouth recommendations and direct experience over influencer endorsements.

"If you follow them / see their contents, how often do you see them promoting luxury brands?"

In the Gen Z group, 51% reported seeing influencers promote luxury brands multiple times a day, with only 3.1% affirming that they' ve never seen them, while in the Gen X group 41.4% stated they never see such content, with only 6.9% encountering them more than once per day.

From those answers, it is clear that there is a different algorithmic immersion between these two groups, affecting each generation' s exposure to luxury contents. Especially with regards to Instagram and TikTok, the algorithm for Gen Z is structured in a way that normalises the constant exposure to luxury branding, even without direct advertising.

In contrast, Generation X is algorithmically distanced from this kind of exposure: they do not engage with influencer accounts and, as a consequence, their feeds do not amplify such messaging.

"How do you usually feel when you see an influencer promoting a luxury product?"

44% of Gen Z respondents reported feeling inspired to buy the product and an additional 28% feels curious but not influenced, with only 22% feeling annoyed or indifferent.

In contrast, among Gen X, 71% reported being uninterested or bored, 28% curious and only 1% inspired to buy the product.

This contrast in emotional reaction confirms the hypothesis of a generational divide in content processing and authenticity perception. Generation Z, in fact, tends to engage with influencers in an emotionally responsive way, making the latter' s achievements an object of desire.

Generation X, by contrast, exhibits a cooler response to influencer promotion and even curiosity, when present, do not necessarily translate into purchase intention. In addition, in some cases it is interpreted as excessive and performative, especially when framed as everyday normalcy.

"Do you believe influencers affect your perception of luxury brands?"

The findings show that 45% of Gen Z respondents said that they do affect their perception significantly, with an additional 31% indicating a partial effect and only 22% affirmed that their perception is unaffected.

In contrast, 55% of the Gen X group expressed a strong aversion for them, stating that they do not affect their perception at all and 33% reported only minor influencer, while just 4% feel significantly influenced and 8% partly.

This result points that Gen Z operates in a digital environment where brand identity is co-constructed and when an influencer with whom a user identifies showcase a luxury brand, they may recontextualize that brand from a distant elite into something relevant and relatable, while this does not appear true for Gen X, who rarely re-evaluate their opinions and attitudes toward a brand, even when exposure occurs.

"Has your perception toward a luxury item ever changed because you' ve seen it broadcasted on social media?"

Among Gen Z respondents, 48% admitted that influencers had changed their perception of a luxury item, with an additional 36% indicating a partial effect and only 16% said that their perception has always been unaffected.

On the opposite hand, 80% of Generation X' s respondents reported that their perception has never changed due to social media and content creators and only 20% admitted that it has happened sometimes.

Generation Z consumers experience perception as fluid with their impressions of luxury brands being susceptible to shifts induced by influencers and social media.

In stark contrast, older adults exhibit stability in brand perception and luxury products are evaluated through more stable metrics, with social media playing little to no role in shaping their minds, especially because these platforms, and those related, do not appear credible.

"How do you feel when you see friends or influencers showcasing luxury products online?"

48% of the Generation Z group reported feeling the urge to own the luxury product posted by their friends or by an influencer, while 26% feel admiration towards them, but not the pressure to purchase the same product and 26% are either unaffected or consider it unnecessary.

From the Generation X group, 62% reported not feeling influenced at all and 24% consider them excessive, while only 14% express curiosity or admiration.

From this we can notice how deeply embedded social comparison and identity mirroring are among Gen Z. Social media serves as a tool to construct the self and seeing peers engage in luxury consumption activates a desire for inclusion, leading to the development of FOMO.

Older adults, however, have a different vision and are more detached. The majority is, indeed, unmoved and in general they are less interested in what is displayed by others, as it does not affect them or their self-worth.

"Have you ever researched a product after seeing it promoted on social media?"

Of the Gen Z respondents, 52% admitted of having researched a product several times after seeing it promoted and 44% sometimes, while only 4% have never done so.

Of the Gen X respondents, 66% have researched a few times something after seeing it promoted and 7% several times, while 27% stated of not having looked for informations.

Gen Z' s behaviour here aligns in part with the Gen X' s one, showing that both groups are curious about items portrayed and promoted on social media, despite the differences in buying behaviour and credibility for influencers.

"Have you ever bought a product because it has been promoted on social media?"

47% of the participants belonging to Generation Z affirm having purchased several times something and 33% only sometimes, while 17% haven' t yet, despite having considered it, and only 3% have never felt interest in buying something promoted.

Surprisingly, 46% of Gen X have bought something which had been advertised and other 20% have considered it, while 34% have neither purchased nor considered.

It is clear that the conversion from exposure to purchase is more likely in Generation Z than among older adults, reflecting their tendency toward emotion-based decisions, especially purchasing ones, moved by peer influence rather than calculated need.

By contrast, Gen X, even when exposed to and interested in a promoted product, they just stop at contemplation, calibrating their consumption habits with higher maturity, evaluating need and resisting external influence.

"Have you ever purchased a luxury item because an influencer promoted it?"

Even though the answers are quite similar, here 22% affirms of never having purchased something expressly because an influencer promoted it, while 16% have considered it and a total of 62% of respondents from the Gen Z group admitted of having purchased an influencer-promoted luxury item.

The situation with Gen X here, however, is completely different. 82% of respondents, indeed, have affirmed of never having purchased something simply because broadcasted by an influencer, with 14% having considered it and only 4% having purchased a luxury item as a result of influencer promotion.

Here, the divergence between those two samples is significant: for Gen Z influencer marketing is behaviourally effective and influencers' endorsements carry emotional resonance, resulting in an increase of the likelihood of purchasing something recommended by the formers.

However, between Gen Z' s and Gen X' s purchasing behaviours there is a huge gap, since the latter, despite having showed curiosity and likelihood to acquire items shown on social media, is extremely skeptical and believes that influencers lack the trustworthiness needed to influence high-involvement purchases as luxury goods, as confirmed by the following question.

"How likely are you to buy luxury products based on influencer recommendations?"

On a scale from 1 to 5, Generation Z respondents averaged a score of 3.01, with 46% selecting either 4 or 5, while Generation X averaged 1.49, with 88% selecting either 1 or 2.

Those results are not surprising, since it was already clear from the previous question what is the relationship that both groups have with influencers. Generation Z, indeed, exhibits moderate to high readiness to accept suggestions from influencers, while Generation X, not only believes that influencers' recommendations are insufficient, but those are also perceived as biased or commercially motivated. The extremely high number of respondents who selected the lowest possible score, in fact, reflects not just neutrality, but active aversion to influencers' promotions.

"Have you ever regretted a purchase influenced by social media?"

In the first sample, 68% reported regretting at least one purchase made as a result of social media influence and 32% have never regretted such a purchase, while from the Gen X group 80% has never felt disappointed and only 20% have experienced regret from a social media-influenced purchase.

Even though these differences in results are most probably due to the minority of people who have purchased something after seeing it promoted, belonging to Gen X sample, it could also be because of the lower volatility of emotionally driven consumption, rationalising purchases and the decision-making process.

For Gen Z, on the other hand, we can notice a higher emotional investment into their choices, reflected, indeed, in the higher number of consumers experiencing cognitive dissonance and unsatisfaction.

"If yes, have you ever re-purchased products after seeing them promoted on social media?"

70.9% of Generation Z respondents, even after having experienced regret for a social media-driven purchase, have once again purchased an item promoted online. In contrast, only 29.5% of Gen X has re-purchased something after the first disappointment.

Those results serve only as a confirm of what had been hypothesised previously, concerning the emotional link of Gen Z' s consumption pattern and social media. Even though they have been disappointed once by promoted items, they still trust in influencers, believing that recommendations are true to heart and are not driven by a paid commission from brands.

Conversely, Gen X rely on post-purchase opinions, meaning that if they' ve been dissatisfied once by a social media-promoted good, they are less likely to trust again social platforms and their ads.

"To what extent do you think social media creates peer pressure to own luxury items?

Generation Z respondents reported an average score of 3.72 out of 5 when asked whether they felt social media pressure to own luxury goods, with 71% selecting either 4 or 5, while the older respondents reported a slightly lower average score of 3.57, with 56% of respondents selecting either 4 or 5.

From these answers we can notice that both groups experience a moderate to high pressure to own luxury items, however, the key point is how they decide to face this perceived pressure. Gen X, as a matter of fact, even if it has reported feeling external pressure, still doesn' t indulge it, while we cannot say that being true for Gen Z.

“What factors influence your decision to buy a luxury product?”

Both groups ranked quality as the most important factor, 82% from Gen Z and 80% from Gen X, while brand reputation comes in second with 76% in the Gen Z group and 26% in the Gen X group. Social media advertising still plays a quite important role in the youngest group, selected by 37% of voters, opposing the 9% of Generation X who selected it.

This final question consolidates many of the trends revealed throughout the questionnaire. Despite the universal emphasis on quality, Gen Z differs from Gen X relying on symbolic and social indicators as brand reputation and its recognition, with influencer contents evaluating whether an item should be purchased or whether a brand is legitimate.

Generation X approaches luxury purchases rejecting social media advertising and giving less importance to brand reputation, prioritising direct experience and authenticity over digital narratives.

The comparative analysis presented has demonstrated the profound differences between Generation Z and Generation X in their engagement with luxury brands, social media platforms and influencers.

For Generation Z luxury not only as a symbol of aspiration, but also of social belonging, demonstrating that their purchasing behaviours are closely tied to emotional resonance and influencer mediation.

In contrast, Generation X approaches luxury with a more measured mindset, focusing more on product quality rather than social media persuasion and their exposure to luxury online rarely translates in the purchase of the latter.

CHAPTER THREE

Status at any cost: the shadow luxury market

3.1 Market of counterfeit goods

"The black market is the body of economic activities operating without official government regulation or record keeping and deliberately concealed from regulatory authorities" (Sanchez, Schwerzler, Parravicini, Aouad, Onal).

The term is often used interchangeably with underground economy, shadow economy or informal economy, even though the meaning is not precisely the same.

Underground economy, indeed, includes all illegal activities as well as unreported income from legal production, while shadow economy refers to legal economic activities concealed to avoid taxes or regulations.

Informal economy is similar to shadow economy in the sense that the economic activities are legal but unregulated and it usually occurs outside formal labor.

Black market, on the other hand, is the part of underground economy that involves illegal and criminal activities, as trade of counterfeit goods, drugs, weapons or human trafficking.

Counterfeit market represents a pervasive and complex challenge for international business, economics and law enforcement. Over the past decade, the combination of global manufacturing networks, e-commerce and free trade has enabled counterfeit goods to flow with unprecedented ease, making counterfeit trade borderless.

Grossman and Shapiro classified counterfeits in two categories: deceptive and non-deceptive. Non-deceptive counterfeits are those products that can be easily distinguished by consumers from genuine ones, primarily because of quality and price, while deceptive are the ones considered to be authentic, which are generally packaged and sold like the genuine good.

There is a great deal of evidence suggesting that consumers, even knowing when a product is a knock-off, they are still willing to buy it, typically because they want the prestige of a luxury brand but cannot afford it or are unwilling to pay for the authentic item, supporting the rise and expansion of black markets.

Cesareo and Bellezza in an article for the Journal of Association for Consumer Research, explained that consumers' knowledge and expertise in the luxury domain influences their attitude toward counterfeits. Those with low levels of "subjective knowledge" about luxury are, indeed, more drawn to counterfeits and are more prone to "morally disengage", don' t recognising the seriousness of their actions. In contrast, consumers with high knowledge tend to have stronger moral reservations against counterfeits.

Another critical factor is social influence. Luxury goods are, indeed, social symbols and owning them can fulfil a desire for status. Liu, Wakeman and Norton examined the link between income inequality perceptions and counterfeit consumption, introducing the concept of "egalitarian value" of counterfeit goods, which is *"a value associated with counterfeits' perceived ability to restore equality in society"*. They found that when people identify high income inequality in their society, they increasingly value counterfeit luxuries as a way to reduce the status gap. By democratising access to this luxury imagery, consumers believes that they can restore a sense of fairness in societies with large wealth disparities, undermining the exclusivity of brands.

A joint EUIPO[20] - OECD[21] study estimated the value of international trade of counterfeit goods at $509 billion in 2016, roughly equivalent to 3.3% of world trade and in 2021 it was estimated that it had reduced to $467 billion, excluding domestically sold counterfeit goods and pirated digital products (OECD). Despite the notorious decrease, industry forecasts suppose that the global economic value could approach to $1.8 - $2 trillion by the end of 2020s, as reported by Phys.org.

With regards to fashion goods, including luxury ones, clothing, leather goods and footwear accounted for 62% of counterfeits seized worldwide in 2021, as reported by OECD.

[20] EUIPO: European Union Intellectual Property Office
[21] OECD: Organization for Economic Cooperation and Development

China has the lead for counterfeit production of fashion goods, although other countries contribute significantly. The GTRIC[22], indeed, estimates that key sources of those goods are also Bangladesh, the UAE and Türkiye.

Counterfeit goods reach consumers through several distribution channels, which could be either physical, but also digital in our days. Traditionally, bazaars have been common outlets for imitation goods, as Istanbul' s Grand Bazaar and also the districts of Al Karama and Deira in Dubai, which are famous for their *en plein air* selling of counterfeit designer products.

Over the past years, however, the internet has revolutionised and democratised counterfeit distribution, with e-commerce platforms, such as E-bay, enabling D2C[23] international sales. With the help of online sales, counterfeiters can reach consumers, evading detection, since, instead of shipping large containers to brick-and-mortar stores, they are able to sell smaller individual packages, which are more difficult to inspect and seize.

Pirates are able to avoid the usual costs related to crafting and marketing of a product, by manufacturing with easily purchased high technology equipment, bought at reasonable prices. Technological developments, indeed, have eased processes as modelling or printing logos, allowing pirates to make convincing copies.

The global supply chain for counterfeit luxury goods is spread across multiple countries, however, production is heavily concentrated in numerous manufacturing hubs located in Asia, which produce those goods and then ship them through complex routes to camouflage their origin. Free trade zones, especially those located in the United Arab Emirates, serve as a transit for replicas moving from Asia to markets in Africa and Europe, especially due to the 100% exemption from corporate tax and import and export taxes, allowing also merchandise to remain undetected in storage.

Furthermore, unfinished products may be shipped to those areas for additional processing, as repackaging or adding trademarks or, in other cases, the whole product is produced in free trade zones.

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[22] GTRIC: Government Transportation Research Information Committee
[23] D2C: Direct to consumers

The OECD has explained the major reasons for counterfeiters' attraction to online sales. The Internet, indeed, provides anonymity, which is essential for pirates to lower the risk of detection. Flexibility is another important reason, since pirates are able to create websites to sell their products and then take it down or move it within 24 hours, avoiding IPR enforcements, which are avoided also by the market size of those e-commerce. Additionally, they are able to create clone websites, simulating official websites, deceiving consumers. Lastly, market reach allows them to reach a huge audience, globally distributed, at low costs.

3.1.1 Global economic impact of the underground economy

The underground market encompasses economic activities that operate outside government regulations and, because of their nature, those transactions are not calculated in the Gross Domestic Product (GDP) of a nation, which, as a result, cannot capture precisely the economic income.

Despite some differences between developed and developing countries, the size of this market is substantial also in developed ones, estimating that informal economy accounts for about 13% of GDP in developed countries and 36% in developing countries.

According to an extensive International Monetary Fund study, covering 157 countries from 1991-2017, the average unweighted global shadow economy corresponds to 30.9% of the official global GDP

Black market activity is left out of official GDP because of severe difficulties with regards to measurements, since transactions escape reporting channels, which are often used from governments to infer data regarding tax records or other accounts.

The International Monetary Fund reports: "*Not all productive activity is included in GDP. For example, unpaid work... and black-market activities are not included because they are difficult to measure and value accurately*".

The former definition explains that this exclusion is purely pragmatic, because of the absence of reliable data, even though some countries are able to form estimates of portions of this illegal economy.

The major problem represented by the black market is that it poses systemic risks to the economic stability of nations, especially for macroeconomic choices concerning financial stability, stabilisation policies and taxation.

Due to the unregulated financial flows coming from the black market, the latter represents a critical risk to the stability of the financial system, especially because of the large cash transactions that undermine the central bank' s control, not permitting to make adequate forecasts about money supply and reducing deposits in banks, impacting negatively also credit availability for investments.

Because of these discrepancies, macroeconomic stabilisation tools are impaired, since they rely on the economy captured by official channels. If a large part of the economy is not accounted for, government strategies in implementing stabilisation policies are hindered.

Every dollar of undeclared income corresponds to a percentage that should have been paid in taxes, contributing to the widening of the tax gap, which is the difference between potential tax revenues and the actual revenues collected.

A study conducted by the World Bank showed that “a 1% point increase in the shadow economy, corresponds to a 0.125% point decrease in the tax to GDP ratio”.

When a significant portion of economic activity goes untaxed, authorities may raise taxes, due to the lower government revenues, having as a consequence, however, a further worsening of the budget constraints, due to the increase in tax evasion, not only from those “working” in the black market, but also from honest citizens, who cannot bear any further the burden of taxes.

Governments, to face low tax revenues, might resort to printing money, leading to inflation or, even worse, those might end up trapped in a low-income equilibrium, due to the unfunded institutions.

Furthermore, black market activities are often linked with Illicit Financial Flows (IFFs)[24], as money laundering or tax evasion, representing lost domestic investment. As a consequence, the capital that might have been invested in businesses or banks is, indeed, hidden, reducing funds and, for this reasoning, countries that struggle with a big underground economy face difficulties to attract foreign direct investments.

Other biased indicators might concern household consumption, unemployment rate and the GDP itself.

With regards to household consumption, consumer spending is a critical component of GDP, however, several transactions go unrecorded, due to informal market. Consequently,

[24] Illicit financial flows: movements of money across borders that is illegal in its source, its transfer or its use (International Monetary Fund).

official consumption measures understate the actual consumption, distorting also consumer demand and the spending power of the economy.

The GDP itself is distorted by informal economy, as the total production might not be well accounted for and the same is true for the actual income earned by the population, meaning that metrics as GDP per capita are undervalued.

Additionally, growth rates might be biased, particularly in periods of recession, as was the case during the Coronavirus pandemic of 2020. A study conducted by Johannes Kepler University found that, in 36 European countries, the shadow economy jumped from 16.3% of GDP in 2019 to 17.9% in 2020, during the recession.

Unemployment rate, on the other hand, is in the majority of cases overstated, because of the large presence of informal labor force. However, informal workers have no legal protections and are more vulnerable to exploitation.

Additionally, since counterfeit sales displace genuine sales, companies produce less and hire fewer workers, reducing the overall formal employment, productivity in the affected sectors and crowding out innovation and entrepreneurship.

As reported by the Boston Consulting Group: "*many activities within the shadow economy operate without proper legal recognition or registration…thus miss out on benefits formal sectors offer, such as access to financing and government grants, which play a crucial role in enhancing productivity by enabling development of skills and technology*".

The former statement, indeed, emphasise an additional drawback of the informal economy, which contributes to a slower overall economic growth, due to the impossibility for workers to scale up by accessing to training programs or to better technologies.

Over time, the gap in productivity between informal and formal sectors can widen even further, dragging down the potential GDP growth rate of the country. Consequently, the economy could be damaged by the "low-level equilibrium trap"[25], remaining stuck with

[25] Low-level equilibrium trap: theory developed by Richard R. Nelson, where low levels of income per capita results in low rate of growth in national income, because of the impossibility for people to save and invest.

with an informal economy so large that it would be nearly impossible for a country to break out.

On an ethical point of view, the long-run prevalence of a shadow economy can create a culture of informality, normalising corruption and undermining the quality of governance, lowering even more the possibility of FDIs (Foreign Direct Investments), because of the erosion of public trust.

In addition, this normalisation is self-reinforcing, since new generations will grow up in this culture, continuing the pattern of informality, especially for those who live in poorer economic environments.

3.1.2 Case study: China

China has long been the world' s main source of counterfeit luxury goods, especially because of its manufacturing base. This practice emerged in the late 20^{th} century, where the country experienced a boom in manufacturing, as China opened to foreign investments, and by the 2010s it had become the leading epicentre, and it continues to be it as showed by a joint OECD-EUIPO analysis of 2021.

Historically, there has been a period where the "shanzhai" culture (counterfeit goods) carried less stigma in China, especially during the 1990s where many consumers thought that buying counterfeits was a clever and fast way to obtain fashion goods. This culture caught on especially because Chinese culture places importance on social reputation and respect, even though this attitude has been gradually changing due to the fear of public embarrassment, whether someone would be caught wearing a counterfeit, instead of the original product.

During the 1980s and 1990s, indeed, many Western brands started producing goods in China' s factories, that reproduced extra goods for the black market, earning to China the reputation of "the world' s workshop". Because of its weak enforcement rules and the fragmented supply chain, brands have often lost control, leading to the copycat culture.

The first trademark law was, as a matter of fact, introduced only in 1983, while the first IP tribunals were established in 2014, even though penalties have always been too light, giving aid to the affirmation of factories working for the black market.

Besides being the largest producer, it is also the largest exporter worldwide, indeed counterfeit and pirated goods were estimated at 2.3% of global trade, amounting to $467 billion worth of products in 2021.

Furthermore, China, including Hong Kong, accounted for 75% of the total value of goods seized by the U.S. Customs and Border Protection.

This counterfeit luxury industry spans a wide range of products, not limited only to fashion and leather goods, even though handbags and wallets are the top target, which are often replicated so meticulously that even receipts are forged. Footwear and apparel are also heavily counterfeited and Swiss luxury watch brands face the same destiny.

High-end electronics as Apple’ s smartphones or accessories, as well as spare parts of luxury cars models, are produced, posing safety risks. Other goods that represent a risk for the sake of the consumers are the counterfeit wines and spirits, that, despite being a niche area of counterfeited products, they are still an impactful one, along with make up and perfumes.

Decades of manufacturing for luxury brands have given Chinese factories the technical skills and experiences to produce goods and, so, counterfeits, benefiting in many cases also from the same materials or similar ones, especially because of the “ghost shifts” at legitimate factories, when extra unreported products are made to be sold to the black market.

Traditionally, counterfeit luxury goods have been concentrated in specific cities and provinces.

Guangdong province has been notorious for apparel and handbags, especially for the Guangzhou’ s Baiyun district, famous for its workshops for apparel. Zhejiang province, on the other hand, is known for counterfeit accessories and jewellery, especially its city Yiwu, whose markets have connected pirates to global buyers.

Furthermore, cities like Beijing and Shanghai have famous markets, as Beijing’ s Silk Alley, that have become tourist attractions, even appearing on TripAdvisor. The front of each of those brick-and-mortar stalls shows only unbranded items, to avoid inspections, however, a shopper interested in those counterfeits can be led by the vendor to hidden backrooms or apartments, where the fake products are sold.

Besides physical presence of the counterfeit market, China has seen also a boom in e-commerce, with platforms as Pinduoduo and Taobao becoming primary channels for distribution. Despite enforcements and online IP mediation systems, sellers have always found a way to evade detection, simply misspelling brand names or completing sales via private messages.

Free trade zones as Guangzhou’ s Nansha or the ports in Shenzhen allow knockoffs to pass without being inspected and, in many cases, many counterfeit goods are shipped in parts or from Hong Kong, to evade Chinese scrutiny.

Between 2018 and 2024, China' s government has specialised enforcement campaigns and has introduced tighter laws, creating specialised IP courts, which use the "three-in-one" IP adjudication system, merging administrative, civil and criminal IP enforcement. In 2024 alone, China has prosecuted more than 21,000 individuals for the production and sale of counterfeit goods. In 2019, the Chinese General Administration of Customs has expanded inspections for imports and exports, and it has seized over 24 million counterfeit goods, followed in 2020 by the seize of over $120 million worth of fake cosmetics in Guangdong and the 2023 "Pandabuy" case, whose warehouses were raided, seizing more than 200,000 pairs of fake branded shoes.

Additionally, several e-commerce platforms and social media as WeChat have been repeatedly cited for selling counterfeits and, in 2019, China implemented the E-Commerce Law, introducing new liabilities for platforms that fail to take necessary measures when they notice IP infringement, making the platform jointly liable.

Still in 2019, China passed major amendments to its Trademark Law, changing significantly penalties for trademark infringement, whose maximum statutory damages went from RMB 3 million to RMB 5 million (around $725,000) plus up to five times the illegal profit as punitive damages. Under this new rule, any seized product is destructed and the same applies to materials and tools used to manufacture them.

For fighting counterfeits there have been different initiatives between Chinese authorities and major e-commerce companies. In 2017 Alibaba Group, comprehensive of platforms as Tmall and Taobao, founded the Alibaba Anti-Counterfeiting Alliance, representing over 700 brands globally. Through this initiative, Alibaba shares data with brands and consumers about suspect sellers and in 2020 it has facilitated the authorities, resulting in 2,927 arrests and the shutdown of 1,458 illicit facilities as reported by World Trademark Review.

Also other giants like JD.com and Pinduoduo have implemented systems able to flag potential counterfeit goods, comparing the product images with the original ones and social media marketplaces as Tencent announced partnerships with brand owners shutting down illicit stores on WeChat.

Luxury brands too have introduced new technologies for product authentication in China, as QR codes, used to verify the product packaging, collaborating with JD and Alibaba on the implementation of the latter in their products, to confirm the authenticity through blockchain ledgers.

Yet, challenges remain, especially because counterfeiters in China operate often in remote areas, difficult to detect, and the free port status of Hong Kong remains a major transshipment hub for those goods.

3.1.3 Case study: UAE

The United Arab Emirates plays a major role in the counterfeit of luxury goods, by being a major transit and export hub for trade due to its ports and numerous free trade zones. Its location and its logistic infrastructure have made it one of the busiest trading hub, especially Dubai' s Jebel Ali Port.

The majestic presence of free trade zones has played a pivotal role in evading enforcements, enabling easy entry and exit of containers. The country' s extensive trade infrastructure, including over 30 free trade zones and several ports or airports, have made the UAE the ideal international trade point. Until 2021 the Ajman Free Zone' s "China Mall" was the major point where counterfeits coming from China were stored. Conversely, markets in Deira and Al Karama are known for selling counterfeits to both tourists and locals.

The Deira district is, indeed, home of different traditional souks as the Gold Souk or the Perfume Souk, however, vendors typically have backrooms or houses with counterfeits, which are showed to tourists especially, who are drawn to the few unbranded products shown *en plein air*. Despite the several and frequent raids, fines are not a deterrent, and the shops are not closed permanently.

In other countries of the UAE, those types of sales are less frequent, but not absent. An example is the Abu Dhabi perfume factory, which was in theory a villa, that became an illegal factory producing counterfeit perfumes and also cosmetics. In 2021 the villa was raided by the Abu Dhabi Police, who seized more than 20,000 bottles of fake perfumes.

Additionally, online trade through social media or e-commerce websites is more popular than ever. Instagram and Facebook are used by sellers to show products and, when shut down, they create other accounts or use Telegram or WhatsApp groups, which are encoded and protected, making enforcement harder for authorities.

Luckily, being one of the biggest markets for genuine luxury, especially in the Middle East, counterfeits are mostly regulated to secondary retail zones and replicas are not present in reputable stores, especially because of the strict brand control.

The trade of knockoffs is huge in the UAE, as Jebel Ali can handle over 14 million of containers annually. In 2021, Dubai Customs was able to make around 390 seizures, resulting in 1.76 million of replicas and, by 2024, 285 IP seizures were reported by Dubai Customs, resulting in AED 92.7 million ($25 million), while, just in the first quarter of 2025, 68 shipments of counterfeits were seized worth AED 42.2 million.

According to a joint OECD-EUIPO study, conducted in 2019, the UAE accounted for 73% of fake goods exported worldwide, even though China was the producer of those goods.

Importantly, in 2018 the U.S. Trade Representative placed the UAE on the Special 301 Watch List for inadequate IP protection and, as a consequence, the UAE implemented several IPR enforcement, including new laws, resulting in their removal from the list in April 2021.

The UAE has taken part in several international cooperation to improve, joining the WIPO Madrid Protocol[26], and working with the World Customs Organization (WCO) to participate in operations against counterfeits, as for the operation "Thunder", which was coordinated by Interpol and WCO, in 2020, targeting counterfeit medicines.

As of 2021, under the updated UAE Trademark Law, penalties for counterfeiting consists in fines up to AED 1 million (so around $272,000) and possible imprisonment, also aligning more with international standards.

In 2022 the UAE established also a federal Prosecution for Economic Crimes, which is used to handle major IP infringement cases and, additionally, several emirates are now establishing dedicated teams focusing on IP, as the Dubai DED' s Commercial Compliance & Consumer Protection that has an Intellectual Property Protection section working directly with brand owners to identify counterfeit sellers.

Furthermore, the Dubai Customs and Dubai Economy have signed Memorandums of Understanding with major conglomerates, providing training and equipment to verify authenticity of products.

[26] WIPO Madrid Protocol: the primary international system for the registration of trademarks, administered by the International Bureau of the United Nations World Intellectual Property Organisation (WIPO)

Additionally, starting 2018, Dubai Customs have implemented a recycling program for counterfeit goods, which, instead of being incinerated, are shred and the materials are recycled, under the supervision of the brands collaborating, hindering goods from entering again circulation and, at the same time, focusing on sustainability and environmental awareness.

3.1.4 Case study: Türkiye

Unlike China, which is primarily a manufacturing base, or the UAE, which is mainly a transit hub, Türkiye has become one of the main players in the counterfeit of luxury goods, working both as a strategic transit point and as a manufacturing source. Its geographic location, between Europe and Asia, has made Türkiye an important corridor for trade, laying on routes connecting manufacturers from Asia to markets in Europe. Beyond its strategic position, the country has a strong manufacturing base, becoming one of the largest sources of counterfeit goods entering the European Union, third only to Hong Kong and China.

Besides Europe, Türkiye' s location makes it a pipe into North African markets and the Middle East, serving several markets located in Iran, Iraq and others of the Gulf.

According to a EUIPO report of 2020, there has been an incredible increase of replicas coming from Türkiye, whose goods seized at EU borders, from 2019 to 2020, reached around €134 million, becoming the leader in counterfeits fashion export to Europe, surpassing even China.

This is true especially for its peculiar nature as a transit point for those goods coming from Asia, which are often shipped to Türkiye and then re-exported with falsified "Made in Turkey" labels, masking their true origin. This information was revealed through the "Operation Monkey Box", where the Greek Financial Police Division found how Turkish organised criminal groups imported from China replicas and then sold it to Greece during 2016-2018, generating over €3,500,000 of profits.

Alongside transshipment, the country has a strong textile industry and is a major producer of legitimate apparel. Factories located in cities like Istanbul and Gaziantep host several clandestine workshops, due to the knowledge and skills acquired by manufacturers and, in particular, Istanbul' s districts as Laleli or Zeytinburnu have been noted for producing counterfeit leather goods, especially handbags and shoes.

The Grand Bazaar in Istanbul is one of the largest markets of the world and, even though it was originally known for carpets and handcrafts, it has gained the reputation of the "market of replicas", especially because of the common practice of vendors openly exhibiting counterfeits. The Grand Bazaar, indeed, has appeared in past USTR' s Notorious Markets List[27], cited as an area where piracy and counterfeiting are common.

For the previous reasoning, in 2021, Istanbul police conducted one of the largest raids, confiscating over 350,000 pairs of fake luxury shoes only from three workshops, highlighting how vast this market is in the city.

Previously, in 2019, Turkish Customs, along with the Ministry of Health, had intercepted a shipment of counterfeit cosmetics and pharmaceuticals at Istanbul' s airport, including fake Botox vials and perfumes, which could have severely damaged consumers' health.

In the same year, Turkish police raided the Grand Bazaar, confiscating over 30,000 items and several merchants were arrested.

Another notorious operation was the one conducted in 2020, where the police of Ankara raided a house that was used for storing and finishing luxury handbags. This operation resulted in the seizure of 3,000 bags and hundreds of logos and accessories, which were supplied to boutique stores that mixed fakes with genuine luxury items.

The factories that produce legitimate goods are the same producing knockoffs during ghost shifts, making "Made in Turkey" counterfeits of such good quality that can be sold at higher prices.

Türkiye has been under consistent pressure from the European Union to tighten IP enforcement, especially at its borders, like the Türkiye-Bulgaria, even though under the EU-Turkey Customs Union, the country is obliged to align certain standards with the EU. Several joint operations have, indeed, been conducted by EU Customs and Turkish Customs, by sharing intelligence and funds too. The European Union has indeed funded projects to assist Türkiye, providing also equipment and training to the police forces.

Furthermore, to align with European standards, Türkiye enacted a new Industrial Property Code No. 6769, which unifies trademarks and patents. Additionally, courts have become more rigorous in counterfeiting cases, especially because, even though it is considered a

[27] USTR' s Notorious Market List: United States Trade Representative' s list identifies markets that engage in or facilitate counterfeiting and piracy.

criminal act, punishable by imprisonment, courts have often commuted sentences to fines or reduced imprisonment.

Despite improvements, persistent challenges are still present. Because of the fragmented nature of enforcement forces, coordination is not always smooth, and not all counterfeit operations are detected.

Additionally, the few that are detected and that reach the courts, processes are slow, and, in many instances, authorities cannot pursue certain cases, because of the need of a complaint by the trademark holder, leading to cases being dropped or not even initiated.

Many of those goods end up in countries with even weaker enforcement, especially because of the presence of free trade zones and ports, which, even if tightened, are still numerous, allowing pirates to divert toward other routes.

Domestic economic factors also play a major role. Türkiye has experienced, over the past decade, an important depreciation of the Turkish lira and a rising inflation, which has decreased notoriously consumers' purchasing power, leading to a never-ending demand for cheaper commodities, especially luxury goods, making, at the same time, illicit products become more attractive.

The weak lira, additionally, has made Turkish exports cheaper for foreign buyers and Türkiye' s underpaid labor force has contributed significantly, especially because of the high number of refugees coming from Syria, starting from 2011 with the beginning of the Syrian civil war.

3.2 Implications and disadvantages for the luxury industry

The global trade of counterfeits produces severe implications for luxury brands. According to the OECD, in 2016 illicit goods accounted for 3.3% of the total world trade, generating around $500-600 billion annually. Luxury corporations and maisons suffer substantial financial losses due to replicas that undercut legitimate sales, not counting the dilution of the prestige that those firms cultivate.

One of the most direct implications for brand are financial losses due to sales displacement. As stated previously, in 2016 OECD, jointly with EUIPO, found that revenues coming from those goods amounted to $509 billion, representing 3.3% o the global trade. Even though in 2019 it had decreased, it still remained alarmingly high, amounting to $464 billion, around 2.5% of international trade.

The Global Brand Counterfeiting Report 2018, issued by Portfolio Management Research, estimated that counterfeit luxury goods cost manufacturers around $98 billion annually due to replicas.

The category that suffers the most from illicit goods is fashion and accessories, whose losses were estimated at $26.3 billion in 2020, as reported by Statista. Sales losses for leather goods, especially handbags, amounted to $1.6 billion and watches and jewellery amounted to $1.9 billion. Even cosmetics and perfume sector have suffered heavy losses, reaching $4.7 billion of losses for brands selling them.

Luxury firms are starting to invest heavily in brand protection. An example is Louis Vuitton, that spends more than $17 million per year on anti-counterfeiting measures, especially because of his position as one of the most targeted brands for counterfeit products.

Looking further losses coming from sales, knockoffs create sales displacements in different ways, since consumers become less trusting in vendors, avoiding certain brands due to counterfeit prevalence.

Another major concern is brand dilution, since luxury brands are built especially on intangible assets as brand equity and prestige associated with the brand’ s name. Counterfeit goods, by flooding the market with imitations, dilute that status, distorting the brand' s image and the perceived exclusivity of owning the original good, driving away consumers from brands that are easily counterfeited.

Additionally, in cases where consumers purchase deceptive products, they may find them low-quality and attribute it to the brand, not knowing that the good they are using is not the original one but a knockoff. In other cases, counterfeit products can seriously harm the health of consumers, in product categories like cosmetics or perfumes, damaging even more the brand' s reputation.

For this reason, counterfeiting undermines consumer trust in two ways: trust in product authenticity and trust in brand integrity.

For the former, consumers lose trust because, especially when engaging in online purchases, they are threatened by the possibility of being deceived by fake products and, as a result, they lose trust also in brand integrity, due to the easiness of obtaining a replica of that brand.

Even though luxury companies possess several IPR, as trademarks or copyrights, enforcing those rights is not so easy, especially because of legal hurdles due to different legislations. Counterfeiting operations, indeed, are soften spread across multiple countries, generating jurisdictional complexity especially because intellectual property rights are territorial and even when a brand wins a court injunction in a country, it is not reflected in another, since that order has no direct power.

While World Trade Organization[28] members are bound by the TRIPS Agreement[29] to provide basic IP enforcements, counterfeiters seek out jurisdictions with weaker enforcement and legal loopholes, as countries with free trade zones, to protect themselves.

Furthermore, many counterfeits operate in anonymity, and it is not so rare that luxury brands have to resort to civil litigation against *John Doe* defendants. In other cases, brands have to deal with online shops, as Alibaba Group Holding Ltd, which was victim of a lawsuit filed by Kering S.A. in 2015, for having facilitated the sale of counterfeit products.

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28 World Trade Organization: intergovernmental organization that regulates international trade.
29 TRIPS Agreement: Trade-Related Aspects of Intellectual Property Rights is an international legal agreement, used to establish minimum standards for the protection of IPR.

Even when counterfeit products are identified, penalties might be too tolerant, due to the penalties decided by each country. Even though under TRIPS Agreement countries must have criminal penalties for counterfeiting, sentences vary widely, allowing counterfeiters to avoid serious punishments and to open other operations, once the former one is shut down.

Furthermore, the dark web and other underground networks introduces new enforcement challenges, since websites can be hosted in one country, while having their server in another and shutting down those sites is particularly arduous because it would require multi-jurisdictional legal actions.

However, major luxury groups and conglomerates have developed strategic responses.

LVMH has a large IP department and has reported that it allocates over €15 million annually solely to anti-counterfeiting legal matters. One of its brands, Louis Vuitton, has become famous for its zero-tolerance, continuously filing lawsuit. In 2024 the brand has won a lawsuit against at least 51 websites, obtaining a compensation of $30.7 million.

Kering, on the other hand, has opted for a different strategy. In 2015 the luxury conglomerate filed a lawsuit to the e-commerce giant Alibaba, however, after a protracted fight, Kering dropped the lawsuit in exchange for a partnership with Alibaba' s Anti-Counterfeiting Alliance.

Despite the adopted legal measures, luxury brands are investing also in technological solutions to assure customers of authenticity. Chanel, for example, in 2021 has started introducing microchip tags, containing encrypted informations and identifiers, in its handbags, replacing hologram stickers and authenticity cards. At the same time, also Prada and Ferragamo have adopted those microchips, while Rolex has introduced micro engraved serials and QR codes.

Furthermore, LVMH, Prada Group and Richemont have formed the Aura Blockchain Consortium in 2021, which is a collaborative project aimed at protecting those groups from the counterfeits' threat, allowing consumers to check a digital certificate of authenticity.

Other luxury firms use advanced physical markers to authenticate products. An example are Hermès and Louis Vuitton, that use subtle identifiers as micro-stitching details, ro also nanotechnology, by applying tracers in fabric dye.

Other brands as Omega use strict serial number tracking, which can be verified also online, in order to acknowledge the customer of the authenticity of the product or, in worse cases, if the product is reported stolen or fake.

Another strategy adopted by some luxury firms is restricting distribution, as Rolex does through authorised dealers only and Hermès with waitlists, or refusing to engage in markdowns.

Despite those strategies, there are still several vulnerabilities in supply chains, that give aid to counterfeiters. Factories might have excess fabric or leather going missing which is used for counterfeits, or some counterfeiters might collude with workers. Another not so uncommon risk is that authorised factories might produce extras that are then sold in the black market or, when a product has some defects, instead of tossing it away, workers store it for later selling.

The counterfeit market has impacts on how luxury brands price their products and define their customer segments.

One might think that if there is a great availability of counterfeits, then luxury brands would lower their prices. However, luxury brands have taken the opposite approach, raising prices to increase exclusivity and to reinforce a clear separation between original items and replicas. Furthermore, they have established entry-level luxury items as perfumes or small leather goods to capture aspirants who might otherwise buy a counterfeit.

Additionally, social media amplifies further this phenomenon, especially because of the marketplaces on platforms as Facebook or WeChat, which are less monitored because of end-to-end encryption. Moving on this line, TikTok has also influencers showing “haul videos” of purchases coming from sites as DHGate, which sells superfakes, “AAA”[30], at reasonable prices, advertising involuntarily those websites.

[30] AAA counterfeits are high-quality replicas quasi equal to the original products

To overcome those difficulties, luxury brands should adopt digital product passports, enabling the traceability of the products, from raw materials to post-sale, allowing both consumers and authorities to verify the authenticity of those.

Additionally, brands should invest in AI surveillance systems to flag suspect listings online, based on anomalies and also shipping patterns.

Another strategic decision would be to fully vertical integrate, assuming control over processes that are outsourced, to minimise the risk of leakage.

Lastly, they could invest in global awareness campaigns that describe the economic and social consequences of counterfeiting, focusing on emotional storytelling and even testimonials, trying also to communicate the story behind the creation of products, as LVMH does with its LVMH Inside program.

CONCLUSION

Throughout this thesis, the intricate relationship between consumer behaviour and the luxury industry has been outlined and, by exploring consumer psychology, this research has shed light on the underlying factors shaping luxury consumption.

Additionally, the former findings have set the bases for a quantitative analysis, performed to explore the differences between Gen Z and Gen X and the corresponding attitudes toward luxury items and the role of influencers.

A delineation of the shadow economy and its impact on the GDP has been reported, in order to explain the negative implications that luxury companies face, due to the proliferation of counterfeits.

These findings revealed that consumers are driven by the desire of "belonging" to social groups, feeling pressured to buy high-end goods to explain and show their status.

Several researchers have delineated the psychology of consumers, noticing that their consumption pattern is not dictated by the likeliness of a product, but rather by the likelihood that they wouldn' t be "left out" by their peers if they possessed a specific good.

As a result, those feeling left out, due to financial reasons, engage with counterfeits trying to become part of the social group they aspire to belong to. However, this desire has multiple consequences both for the economy and for the luxury industry.

The economy is negatively affected, because the ever-increasing profits coming from the shadow economy are not registered by the GDP of nations, that are not able to formulate appropriate measures to use when performing stabilising policies.

The industry of luxury goods, following the same line, is not positive affected, especially because of the dilution of brand values, rather than the loss of profits and are conducting numerous policies acted against counterfeits.

Furthermore, influencers serve as aspirational figures, able to carry more weight than traditional advertising, especially among Gen Z consumers, who are significantly influenced by these figures. These younger customers, in many cases, do not have an opinion of their own, and their product perception, or even brand perception, is heavily shaped by influencers.

Gen X consumers, on the opposite hand, differs from Generation Z, valuing their own judgments and weighting more their needs. They are not affected by the role of influencers and social media and consider them annoying, rather than inspiring.

In our digitalised and rapidly evolving landscape, the pursuit of luxury for the younger generations is no longer driven by the appreciation of quality, but by deeper psychological needs. The true value of luxury does not lie anymore in the product itself, but in the meaning it holds for the society.

Understanding the psychological drivers behind conspicuous consumption and especially the economic consequences for our fast-paced word, is not only crucial for policymakers aiming to preserve the economic stability of this market, but also for brands, who are inevitably affected.

Recognising and addressing these emotional dimensions is, now more than ever, essential for preserving the essence of luxury, hoping to build a more inclusive and conscious industry for the future.

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