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Distribution and Sales

*An Exploratory Study on the Luxury Concept and Business Evolution:*

The Meaning of Real Luxury

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## *Introduction*

“Luxury is anything that is desirable and which exceeds necessity and ordinariness. As a general rule, this is defined from a global perspective, for the present and for normal conditions. While the exclusivity of resources is evaluated by the entire society, the desirability of resources and the appearance of luxury are determined by the upper class” (Heine, 2012).

Luxury definition has been generally accepted by world consumers as a means of communication among different countries just by behaving in a globally understandable way: luxury symbolized exclusivity, high quality, expensiveness, spending power. Purchasing from the luxury industry, indeed, meant mainly enhancing a social status to a wealthier level (Bearden and Etzel, 1982; Vigneron and Johnson, 2004) and social stratification was a clear consequence of this (Kapferer, 2012). Nowadays the panorama has been changed, and the way of relating to luxury real values have deviated from the traditional path. Emotional links gained importance over functionality features (Kapferer, 2008). Consumers began to search for more lifestyle experiences. Emerging countries were the key players ruling the rising from the recent economic downturns (Bain and Company, 2014). As a consequence, luxury began to exist simultaneously in a dual dimension regulated by dichotomies held on delicate balances. (Amatulli and Guido, 2012; Kapferer and Bastien, 2009). Because of the appearance of this new framework, our research will be mainly developed in order to analyze the literature that dealt with luxury traditional setting evolution to a new way to be perceived by consumers. Above all, the studies related to consumers’ purchasing behaviors (Dubois et al., 2001) and the relationship with the brand, played a central role in the explanations of the increased attention on customer-oriented strategies (Vigneron and Johnson, 2004; Nunes and Drèze, 2010). To enrich the exploratory research, our study will provide unique insights into real cases of luxury brand management in a new industry settlement.

## CHAPTER 1

### 1.1. The Evolution of Luxury Vs. Real Luxury

To analyze properly the evolution of luxury and the real value that engaged nowadays, our research began by obtaining some relevant data from Altagamma (2014) and Bain & Company (2014), which provided a full spectrum of information useful to understand what impacted the most luxury and which variables influenced it over the past decades. From the information gathered, it was clear that the luxury sector was and is still experiencing a slowdown across the board and, moreover, travels, self-indulgence and ‘accessorization’ are the new drivers of its positive growth as for hotels, food and wines, cars and personal luxury goods. The literature analyzed by our research dealt with the main factors that have made the market grow so quickly, with particular regard to: the spread of luxury purchasing attitude also from middle class (Okonkwo, 2007); the appearance of forms of consumption able to revolutionize the traditional path as the *masstige* and the mix and match phenomena; the spread of globalization consequences among most industries, as the birth of new luxury market opportunities (Okonkwo, 2007; Kapferer and Bastien, 2009); regarding the hospitality sector, a particular attention went to the high number of travels around the world allowing a growth of intercultural exposure (Silverstein and Fiske, 2008; Okonkwo, 2007); the democratization of luxury (Kapferer, 2012); the role of counterfeit goods (Juggessur, 2011). In addition, the upward trend of customers’ demand for personalized and for no logo products (Kapferer, 2010), seeking to satisfy intrinsic values rather than ostentation’s needs, during the purchase.

An important issue frequently discussed regarded the Corporate Social Responsibility activities. Ethical and environmentally friendly program are becoming more

relevant also among luxury companies, especially because the luxury customer showed an increasing sensibility to these topics. In this sense, some luxury companies devoted their efforts by making substantial donations to sustain important causes, as Bulgari did with Save the Children; while others financed the restoration of historical monuments in their country of origin and protected the rights of the artisans.

Euromonitor International (2015) remarked the evident differences between developed and emerging countries in the luxury distribution global framework, both by sales value and by demand growth. The constant yet increasing growth of these economies generated a high interest of luxury brands (Chadha and Husband, 2006). Particular attention has been given to the Chinese market trend which has confirmed as the top and the fastest growing among the others, despite significant deceleration of domestic consumption (Bain and Company, 2014).

## **1.2. Brands and Consumers: The Real Luxury Perception**

Luxury gained greater interest over the years not only for its high revenues and positive growth rates, since 2007 its market value has increased from 130 billion dollars to 223 billion dollars in 2014 (Bain and Company, 2014), but also because many people were stimulated by the positive emotions withdrawable from the possession of prestigious goods or by the exclusive experience offered. New possible markets aroused and threatened every certainty that existed about this topic, creating new issues worthy of the attention of researchers constantly looking for the best solutions applicable for a successful luxury brand management. The traditional concept deals with high-quality, exclusive goods represented mostly by jewelry, watches and prestigious means of transportation (cars, yachts, airplanes) capable of conveying gratifications not only in a personal way, reflecting

a certain status within a group of belonging. This gap was even more heightened by other phenomena world-wide that have directly or indirectly influenced the relationship between the brand and consumers, making this aspect crucial to understand the meaning of what is the real luxury. All these phenomena make it difficult to understand the real essence of this market, making it necessary to constant update it through testimonies on how it could be managed and integrated properly by a world-renowned luxury brand. For these reasons our main study will be focused on finding a *real luxury* definition that can clarify its role in people's life and can provide an empirical contribute to the literature.

### **1.3. General Scopes of the Research**

To better understand the evolutionary path of the luxury market, not focusing on the quantitative metrics which are clear and already available for everyone (as sales/income/rate of growth), but rather concentrate on the perception, the cultural differences and social changes that have been influencing consumers' approach to this industry. Brands and managers needed some updated guidelines in order to provide an improved framework able to unearth which direction to follow to remain at the pass and to avoid being cut off. The risk got real recently because of an increasingly selective reality, which is in constant evolution especially because of unpredictable and uncontrollable events in the macro environment, and to which firms can only adapt in the best possible way to survive and be successful. By providing a definition of the new concept of luxury, concerning its *real* meaning for consumers and companies, and how nowadays these two perspectives interact with each other in relation to this, is going to be the core of our research.

## 1.4. Literary Review

To analyze the Evolution of Luxury, which is going to be the heart of the thesis, it's important to start from the very beginning by understanding which definitions brought Luxury to become what it is nowadays. Although luxury represents an important industry there's little literature regarding the real concept at the basis and, moreover, the available studies are made on past research, still useful for understanding its traditional meaning, but that needed to be revised according to the changes occurred recently, to properly deliver a reliable framework from a real perspective. Indeed recent researchers like Heine, Pha and Waldschmidt (2014) felt the need to fulfill this gap by collecting and analyzing past and updated data dealing with the evolution of luxury.

Our research will be mainly based on selecting which approaches better explained the main steps made during the years till now, and how the results could be all useful to outline the real value of luxury nowadays.

### 1.4.1. The definition of luxury

Luxury was firstly defined as something necessary for people (Bearden and Etzel 1988, Muhlmann 1975, Reith and Meyer 2003, Sombart 1922), but later on was described by De Barnier et. Al. (2006), Dubois et al. (2001), Csaba (2008) and Geerts and Veg (2010) as something that consumers searched according to non-necessary and superfluous motivations. Among the recent studies done, other attributes gained importance in the way consumers perceived luxury, as the emotional and symbolical aspects over functional ones (Kapferer, 2008), making it harder to finalize the real definition.

Even if subsequent researches began to refocus on these changes (Heine, 2014; Kapferer, 2009; Geerts and Veg, 2010), providing a satisfactory framework about the common thread in the development of the luxury concept in all its facets, there are still few sources that deepened more on this issue, leaving this area unknown under a lot of aspects.

The first step of the research was the “Semantic approach” (Kromney 2009) by comparing among the meanings of luxury in different fields, to find an universally accepted one while keeping in mind that the definition obtained was still shaped according the sector of reference.

“Luxury products have more than necessary and ordinary characteristics compared to other products of their category, which include their relatively high level of price, quality, aesthetics, rarity, extraordinariness, and symbolic meaning” (Heine, 2012).

The above basic characterization, even if could be a good starting point for further empirical researches, can still be misleading because luxury is always meant to satisfy heterogeneous needs and desires (Geerts and Veg, 2010; Goody, 2006), which cannot be synthesized in a homogeneous way.

Jackson T.B. (2004) identified the main categories of luxury in its traditional way to be perceived: fashion business (accessories, couture,..); cosmetics and perfumes; jewelry and watches (major luxury sector); wines and spirits. However the need to reclassified luxury started to become urgent due to the rise of new luxury-related businesses as: hotels, food, restaurants, travels and arts (Chevalier and Mazzalovo, 2008).

The constant emergence of luxury-like brands typologies has led the existing literature to be deeply revised. Silvesternein and Fiske (2003) started dealing with the progressive detachment from what was considered the “old” luxury, to approach to a definition disconnected from the product itself (Danziger,2005), but capable of conveying the same satisfaction through an experience.



### 1.4.2. The symbolism of luxury

Even if most studies agree in assessing that the biggest destabilization of the market occurred after 2007, research on these mutations started even before the sub-prime mortgage crisis, giving a clear and strong signal of how the luxury path was already changing direction. Phau and Prendergast (2000) started redefining the main attributes by focusing on quality and exclusivity as a part of a multidimensional framework that still required further investigations and shed light on what might be considered “real” luxury today. To dig deeper and choose the right process capable of uncovering the right characteristics given to luxury products and brands, a dimensional approach was required to select the right ones (Kromney, 2009).

Two different perspectives arouse: the focus on product features and the consumer point of view. Jackson T.B. (2004) concentrated on developing the first approach by setting the characteristics needed to build a reliable definition for luxury products: as quality, exclusivity, craftsmanship and price level. These still represent key variables to be included in the luxury scenario but are not enough to differentiate from other luxury-like products or brands offering the same features (as premium luxury brands). In this sense the second approach encountered much interest from current studies due to the greater importance that marketing started giving to consumers’ role as central points around which to build brand strategies (Meffert et al. 2008). Subsequent studies on this last issue has been the most hype by scholars that needed to shed light a little more on consumers choices. Vigneron and Johnson (2004) were able to create a framework in which the main luxury factors were not studied separately, but interacted with each other resulting in a set of possible consumption behaviors. Indeed the core of recent studies deals with the required ability of brands on conveying their values through symbolic features instead of specific product characteristics (Kapferer and Bastien, 2009). Many brands belonging to

other categories may have the right product characteristics but still be out of the luxury zone because of the lack of emotions that consumers perceive (Heine, Phan, Waldschmidt, 2014). The rise of the symbolism approach kick started a new area of research which importance increased year after year, with the aim of providing an exhaustive overview since literature had online mentioned the issue just in relation to other luxury aspects and not with specific studies (Ourahmoune and Nyeck, 2008; Vigneron and Johnson, 2004; Kapferer, 2008).

### 1.4.3. The luxury brand personality

As a consequence of the rise of symbolism influence, some researchers began to analyze luxury brands with the help of other fields regarding mostly the psychological impulses of consumers in the moment of features appeared in the luxury scenario to help defining the real reasons behind luxury consumption, and how urgent is the importance to find some reliable guidelines useful to understand the dynamics of the market and successfully anticipate future trends. Based on this need, recent analysis (Esch, 2008) putted greater emphasis on the theories associating brands with specific human traits and the coherence with consumer's own personality in order to convey the right emotions (Trommsdorff and Heine 2008).

Our research will examine deeper the theories supporting the importance of brand personality influence on the real luxury definition. Pointed out by Aaker (1997) was followed by insights linking the results to other situational factors such as culture and nationality of consumers (Mader, 2005) and the category of brand, such as luxury restaurants (Siguaw, 1999). Because of the increased attention to the inner aspects of luxury consumption and its strictly subjective and multidimensional nature (Brannen,

1992), the traditional definition needed to be renewed and implemented with further studies with the awareness that an objective resolution could be inappropriate. Afterwards other situational dimensions gained relevance (Mandel, Petrova, and Cialdini, 2006) as well as studies on how to influence consumers' minds through the right primed exposure to luxury (Chartrand, 2008).

#### 1.4.4. The new luxury consumption trends

The importance of getting familiar with the evolution of this industry got even greater when, according to McKinsey (2010), Luxury market started to be a key contributor to the global economy resurgence, especially after the crisis of 2007. Some recent phenomena put at risk the fundamentals on which luxury was traditionally based, generating a confusing framework both for brand and customers. The relevance of the psychological aspect of luxury products became even higher when the counterfeited phenomena kicked off affecting the brand image as demonstrated by Perez et al. (2010), Phan et al. (2010), Phau et al. (2009) and Wilcox et al. (2009) thus generating the need to create a strong strategy around features difficult to imitate, as the emotions delivered, enhancing the symbolic value attached to their products. Other researchers developed studies dealing specific dichotomies born during the years: Silverstein and Fisk (2003, 2005) introduced concepts as old luxury, referring to well-known brands relating to particularly wealthy consumers, and new luxury which provides goods at lower prices and high quality able to satisfy middle-classes desire for prestige status through a constant dialogue between brand and consumers. Later on another issue gain relevance and was defined by Amatulli and Guido (2011) as externalized and internalized behaviors. The former deals with the research of a status symbol while the latter focused on a more individual and personal level (Wiedmann

et al. , 2009). Studies on the evolution of luxury must also face the important transition occurred from conspicuous consumption behavior, firstly outlined by Veblen (1899) and still widely accepted, to the increased conscious consumption attitude towards luxury products, mainly driven by the lower economic availability together with the rise of alternative and new forms of luxury.

The coexistence of luxury dichotomies in the market make it even harder to shed light on the true essence of the luxury definition. In this sense, real luxury is something in between two worlds, in which the main driving forces are still ambiguous and unknown since literature started dealing with this issue only in recent years. Concurrently to this revolution other phenomena occurred impetuously in the already confused luxury industry by shifting the focus of researchers on new and undefined issues. An example is the faster growing masstige trend, consisting in offering prestigious products/services at prices that can meet the economic differences between social classes that want to embrace luxury in their lives (Silverstein and Fiske, 2003). However most researchers agree in giving greater importance on studies among consumer behavior and luxury consumption, making a clear distinction between emerging countries, mainly characterized by holistic processing (Wong and Ahuvia, 1998), and the western society still attached to analytic features. Moreover recent studies gave credit to the dependence of the luxury definition, not only on demographic aspects, but also on the way it is differently perceived according to the motives (Tsai, 2005), attitudes (Dubois et al., 2005), values (Heine and Trommsdorf, 2010), environment (Wiedmann et al. 2007) and culture (Casaburi, 2010).

Since this search field is still working on outlining an updated framework about an extremely controversial theme, our main contribution through this explorative research will concern with the major theories that influenced the luxury development (already described from previous researchers) and how these may be applicable or need to be revised by modern luxury brands to still be successfully defined as that by consumers worldwide.

## CHAPTER 2

### 2.1. Research goals & objectives

The changes that have been permeating this industry however, didn't started all when the latest crisis began, since already existed some relevant signs showing how the world was moving towards the classical definition of luxury, searching for something else to satisfy old and new desires. The research divided the traditional concept of luxury brands and products (Jackson T.B., 2004), by analyzing brands dealing within the hard luxury sector, from the rise of new forms of conceiving luxury towards a more consumer-oriented approach, with particular attention to the different perception of the brand identity (Esch, 2008) and brand personality (Heine, 2009) according to the country of origin. One of the objectives of the research is to shed light on the main variables that are influencing emerging and developed countries.

It will point out how the basic definition based on Bearden and Etzel (1982) *the necessity-luxury continuum* theory, was later on revised (Chaudhuri, 1998; Meyers, 1995) and enriched with further notions, as the desirability degree (Geerts and Veg 2010). Subsequent studies went further by linking the above definition to more symbolic (Dubois et al., 2005; Vernier and Ghewy, 2006) and emotional aspects of luxury, pointing out the importance of building a strong brand personality. Afterwards our research will consider the psychological aspect by explaining how the Repertory Grid Method, implemented by Dubois et al. (2001) and then developed also for online channels, could be useful to integrate Aaker's theoretical framework (1997) and explain how consumers really perceive the brand personality (Kapferer and Bastien, 2009), and how this contribution may reveal important aspects dealing with the evolution of luxury.

Since updated and complete researches are hard to find in literature, our main goal was to give an overview of the already existing luxury definition evolution, and included it into a practical framework, through case studies analysis and interviews with luxury brand managers. These studies will cover different areas of this industry: the hard luxury, the strongest and more traditional one; the food and restaurant sector, which is revolutionizing the concept of luxury experience; the hospitality and traveling sector, and its growing importance within consumers' needs and desires.

Thus the main contribution provided by these cases will be a unique insight on the complexity of the luxury market in all its facets, bringing together into a clear framework the different visions and approaches, related to both customers' behavior and brand management, and refocus on the real motivations: The main issues that our research will try to explain through the case studies will regard:

- *The Luxury market: developed countries Vs. emerging countries?*
- *Luxury Vs. Real Luxury: what do consumers really want?*
- *Luxury and sustainability: concrete actions?*
- *Luxury and online penetration: opportunity or thread?*

## **2.2. Methodology used: Interviews and case studies**

Since the core of this research was the study of the evolution of luxury definition, a constantly changing market, it was difficult to find updated sources with the necessary tools to understand the path followed and will be following in future.

To bring some useful contributions to the already existing database, made of both statistical analysis and qualitative measurements, our research will firstly analyze the

framework in which the evolution of luxury has been recently studied (Kromrey, 2009; Heine 2014). The qualitative methods adopted will include: the 5-steps process of conceptualization (Kromrey, 2009); the RGM model developed firstly by Kelly (1995) for psychotherapy purposes and then followed for marketing and luxury brand personality purposes (Dubois et al., 2001). In addition to literature references our research will include unstructured interviews with managers belonging to old and new luxury business.

Case studies were among the best approaches to analyze the argument properly, creating a direct contact with the ones working inside these businesses able to make real-time considerations. To generate a natural flow of the discussion during the meeting, all the interviews were done in an unstructured way able to follow the natural turns by respondents, while remaining focused on the main themes asked. The strength of this approach was that both parts could feel more comfortable because the mechanical behavior brought by a question-answer formulation was avoided, so the atmosphere generated was more confidential, thus open and constructive.

However the questions asked in the three different cases were basically the same (excluding the ones regarding specifically each kind of market segmented), in order to provide comparable results used to create a general and realistic framework adaptable to the whole luxury industry. Among the relevant topics capable of outlining some of the reasons behind the evolution of luxury and its real meaning, our research will mainly focus on: The meaning of real luxury; the changes in consumption behavior in emerging and developed countries; the role of sustainability for luxury brands; the alternative distribution channels together with the new trends in the luxury market.

## 2.2.1. Luxury brand and product analysis

### *2.2.1.1. Five-steps approach to luxury definition*

Empirical researches have focused firstly on Luxury products definitions (Vigneron and Johnson, 2004) and the characteristics required to suit in the market. Kromrey (2009) presented the most acknowledged approach able to follow the evolution behind the concept. The research developed within 5 steps hierarchically organized, represented the most accredited to serve as a base for future studies.

#### **1. The semantic approach**

Kromrey (2009) started by collecting and analyzing all the existing material related to the many interpretations of luxury, to identify a basic definition for luxury accepted by the scientific community (Opp, 2005).

However it was later on demonstrated that the semantic meanings assigned could vary depending on the objective of researches, and so the need to give more consistency and clarity to the definition became a priority (Bortz and Döring 2006). Indeed subsequent analysis were focused on the limitation of the scope of luxury studies, and Kromrey (2009) developed a dimensional approach to reveal the dimensions composing luxury products and selecting the most appropriate ones.

#### **2. The dimensional analysis**

The technique used relied on international literature analysis and empirical studies that resulted in a further categorization of luxury according to the motives and values guiding the purchasing behavior, characteristics-oriented versus consequence-oriented, or in relation to the source of information, consumer-oriented versus expert-oriented approach. Berthon et al. (2009), Vigneron and Johnson (2004), Wiedmann et al. (2007) were the main supporters of the consequence approach demonstrating how the willingness to benefit



of the prestige derived from luxury was the key for consumers. However, these benefits could be also obtainable from non-luxury related goods making it an inappropriate approach for the research, since our goal is to delineate a real relationship linking customers specifically to the luxury industry. Following the widely accepted characteristic-based approach seemed more adequate to unearth the relevant features of luxury products and brands nowadays (Heine, 2012). After selecting the basic object to analyze, some researchers like Fionda and Moore (2009), Kapferer (1997), Keller (2009) and Kisabaka (2001) decided to base the data gathering on the literature already available, relying on definitions coming directly from the main academics in this field. Recent phenomena worldwide generated more informed consumers that started to directly influence companies' strategies, getting an eye especially by the marketing department.

In order to provide updated data on luxury-related issues, scholars started to move towards a more consumer-oriented approach to reveal the real reasons behind the continuous evolution of the luxury consumption path. Since the core of our research will be how traditional luxury concepts were putted under discussion by the need to find an explanation of its real meaning, to focus on how customers related to luxury and on the most influential characteristics to develop, an updated framework was required.

### **3. Operationalisation**

The third step had the goal of identifying the main characteristics for the creation of a definition through literature reviews and empirical studies already available (Heine, 2012). Following a consumer orientation approach, brands were seen as images created by companies and designers to identify clearly their products in consumers' minds (Esch, 2010; Kotler et al., 2009) in a way that Luxury brands resulted highly associated with the core products and their specific features (Kapferer, 2008; Büttner et al., 2006; Valtin 2004)

Consequently to this assumptions, it was possible to refer to brands' luxurious aspects in the same way as luxury products through a general definition, as they had the

same main basic continuous characteristics (Atteslander, 2010) needed to the categorization among products into luxury or non-luxury, thus facilitating practical brand management purposes (Heine, 2012). Consumers' perceptions on luxury products were divided into six macro characteristics: aesthetics, extraordinariness, quality, price, rarity and symbolism.

Price: The products offered belonged to the brand's most expensive category in order to underline the exclusivity and luxuriousness of its characteristics. As a consequence, consumers used price to evaluate the level of product quality (Trommsdorff 2009) and some of them were willing to pay more for exclusive products. However, Kapferer and Bastien (2009) underlined that, since this price range could have overlapped between products from luxury and non-luxury categories, it could not have been used as the main indicator to define luxury.

Quality: Heine (2012) explained how this indicator was often directly associated with luxury products if brands could have created the right interaction among three main areas: manufacturing, referred to technical and stylistic identity (Meffert & Lasslop 2003; Vickers & Renand, 2003; Kapferer & Bastien, 2009), concrete or "objective" characteristics, like raw materials (Kisabaka, 2001), workmanship (Mortelmans, 2005), features, services (Kapferer & Bastien, 2009; Keller, 2009) and abstract or "subjective" features, as comfortability, value, performance and durability (Lasslop, 2002; Kisabaka, 2001; Berthon et al., 2009). Hence, high quality products could become iconic and could emphasize brand's reputation for a long time-lapse.

Aesthetics: the aesthetic appearance played a key role in the re-definition of luxury since it represented the immediate mean for luxury brands' self-expression and differentiation from the masses (Kapferer, 2001). A brand that embodied the qualities that claimed to possess, as elegance and exclusiveness (Kapferer and Bastien, 2009), could have better communicated the real value of its aesthetics to consumers, with the possibility to

reproduce a polysensuality aspect, described by Dubois et al. (2001) through LPC studies (which are going to be explained in the following paragraph).

Rarity: Another key element needed to differentiate luxury product from the mass-market brands, was the limited availability. Kisabaka (2001) was among the first scholars that dedicated major attention to this feature describing how luxury companies could have ensured rarity through limiting production and increasing the individualization of products (Catry, 2003; Nueno and Quelch, 1998). In addition, special editions and personalization strategies, could have increased the individuality through consumers' personal requisites (Kisabaka, 2001). High quantities of a certain good/service could compromise the intrinsic values of luxuriousness as a non-ordinariness consequence.

Extraordinariness: The brand had the power to evoke uniqueness by enhancing a particular design or detail able to affect consumers minds (Goody, 2006), or by reproducing a long lasting "wow" effect. Moreover, innovative functionalities and rare manufacturing production processes, contributed to the overall brand image (which importance will be discussed later in the research).

Symbolism: symbols had the power to speak louder than anything else since the immediateness of the message delivered allowing it to be easily recognizable around the world despite any language, culture or religion. Indeed, Heine (2012) and Mortelmans (2005) focused on the ability of symbolism to surpass functional benefits in terms of relevance in consumer minds. Moreover, the perception of luxury had been increasingly linked to specific human traits (Vigneron and Johnson, 2004) till the point that could create a brands' own personality (Heine, 2009). Among the symbols through which the brand could communicated its prestige level the design (Kotler et al., 2007; Valtin, 2004) and specific information related to the product itself, were the most effectives ones with the additional feature represented by the country of origin (Keller, 2009).

#### **4. & 5. Deriving the definitions of luxury and reviewing the semantic process**

The fourth step represented the moment in which the results were interpreted and summarized through a prototype method, to outline all the possible luxury brand and product definitions. The results outlined the typical attributes suitable only to develop basic researches since it needed to consider how the importance given to each of them could have been influenced by many contextual differences as cultural changes, country of origin, traditions, level of information, that required continuous reconditions to fulfill these differences properly (Chaigneau et al., 2008). In this sense, Heine (2012) underlined also the urge to review the semantic terms used at the beginning of the process since they could be no longer adaptable for future applications.

To complete the process a fifth and last step was required to confirm or eventually modify the results of the semantic step by collecting, analyzing and categorizing new data through an iterative method capable of providing a more adequate and updated definition (Opp, 2005; Pidgeon and Henwood, 2009).

##### ***2.2.1.2. Luxury brand personality approach***

The symbolism behind luxury brands had gained an eye from recent researchers since the emotional connection with consumers had surpassed the functional one, generating a new kind of empirical approach based on a rising attention to symbols.

However, not every symbol was suitable for the luxury industry because it could have targeted a particular segment of consumers looking for specific attributes able to enhance, first of all, their social status at a prestige level, making this last feature an essential and priority requisite for luxury brands (Kapferer and Bastien, 2009). Talking about this specific feature of Luxury definition, it became important to refer to brand

personality's studies and how this aspect had to be correctly developed to create a relationship with consumers. Since the emotional aspect was linked to the personality of consumers (Vigneron and Johnson, 2004), brands were seen as projections of a set of attributes which concurred to form the brand personality.

Aaker's study (1997) was the first on relating the dimension of mass-market brands and the dimensions of human personality in a luxury segment context, which resulted in 5 human-like traits applicable for a brand's personality framework. The results were built on a quantitative approach that dealt with large-scale consumer surveys followed by factor analysis on the personality traits which gained more relevance during the study: sincerity, excitement, competence, sophistication, ruggedness. Aaker's model, even if it was suitable for basic definitions based on product category features, also contributed to modern researches focused on the role of brand's personality as the real added value for luxury companies. According to more recent surveys mainly conducted by Heine (2012), the 5 traits resulted in previous studies had to be re adapted to new forms of consumers' perception, fulfilling the missing variables as, the country (Mader, 2005) and the development of new special luxury categories (travels, food, restaurants). In contrast with the brand personality model, subsequent researches and methods were developed to test its reliability and validity, and the most effective among these was certainly the Repertory Grid Method. The RGM, and the further online adaptability, represented the most accredited qualitative methodology for luxury brand analysis purposes since it included the main limits derived from quantitative researches, by adding the subjectivity dimension and the personal constructs to analyze and to identify, through an iterative process, a clear structure of luxury brand personality. The results of the surveys led to new five dimensions: modernity, eccentricity, opulence, elitism, strength. Since the relevant similarities with the 1997's model, the framework outlined by RGM, gained a theoretical

support and produced a model representing the degree of orientation of brands regarding a specific characteristic and positioning in a precise point within the scale:

Tradition Vs. Modern: allowed to discover if the brand was rooted in the past, lived in the present, or looked at a future perspective.

Decent Vs. Eccentric: Identified if the brands acted in accordance to society trends or was projected on breaking them with unexpected actions.

Discreet Vs. Opulence related to which wealth association the brand aimed to communicate and the level of conspicuousness of its values.

Democratic Vs. Elitist: underlined which kind of status the brand wanted to be related to by the degree of exclusivity proposed.

Soft Vs. Strong: typically these features referred to the accepted idea of feminine traits, as emotional ones, or masculine adjectives, as realistic ones.

Table 1: Functional features related to emotional orientation (Heine,2012)

<u>Functional component</u>	<u>Emotional component</u>
Products characteristics	Dimensions of luxury brands personality
<i>Price</i>	<i>Tradition vs. modern</i>
<i>Quality</i>	<i>Decent vs. eccentric</i>
<i>Rarity</i>	<i>Discrete vs. opulence</i>
<i>Extraordinariness</i>	<i>Democratic vs. elitist</i>
<i>Aesthetics</i>	<i>Soft vs. strong</i>
<i>Symbols</i>	

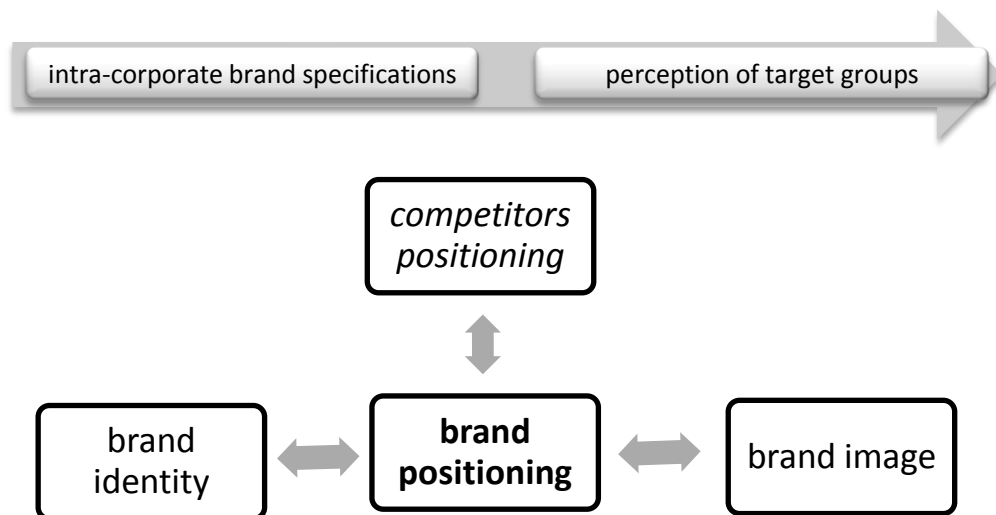
Notes 1: the table shows the relation between the physical characteristics and the emotional dimension

To provide a clear framework of how products features were linked to brand's personality traits, Heine (2012) assembled the main findings in an explicative table of what formed the overall brand identity. This operation was possible because of the greater symbolic

meaning that products characteristics were gaining year by year and that could be easily seen as projections of a brand's personality, becoming a valid foundation for future researches dealing with the new direction of luxury brands consumption.

According to Heine, Phan, and Waldschmidt (2014) theories and Esch (2008) table (table n.2), the strong linkage between brand identity and brand image needed to convey to the market in a proper way, without dangerous discrepancies, through a careful management of all the components.

Figure 1: shows the main elements influencing a brand's positioning



Moreover, Esch (2010) outlined a clear and still valid grid (Figure 1) showing how symbolic features, which had the highest relevance in luxury than in other industries, could led to the symbolic benefits searched by consumers nowadays. As it was showed by empirical researches and literature analysis, the focus on a multidimensional approach was capable to identify which were some of the values and motives that drove the luxury industry evolution. Our research, which aimed in exploring the world behind the luxury industry and the possible real values, needed a further and deeper analysis on consumers' approaches to this sector in order to integrate the general framework outlined till now.

### 2.2.2. Luxury consumers analysis

Although the researches done may have produced conflicting results or could still be incomplete, everyone could agree that luxury represented the changing nature of consumer needs towards self-actualization goals. Indeed many consumers no longer struggle to follow Maslow's hierarchy pyramid, by satisfying first of all their basic needs of survival, security, and comfort but, instead, strived towards enhancing their pleasure and broadening their life experiences. As the face of the luxury market rapidly changed, academics had to deal with how luxury brand management should strategically and dynamically make a connection with consumers on an emotional level, ensuring a prestigious and remarkable experience.

To produce the wanted perceptions in the market and to surprise with the "expected unexpected" was one of the key aspects that had to be implemented carefully because, as for other human relationships, "expectations" were still valid for consumers who did not want to be totally disoriented nor confused due to too "unexpected" variations from the claimed path of the brand, and so a coherent strategy on the brand image building had to be followed through time. Hence, consumers' reactions and purchasing decisions were highly influenced by the gap between the expectations about the relevant product characteristics and the effective perceived product benefits delivered (Kisabaka, 2001; Kotler et al., 2007).

Building and maintaining balanced this relation was as difficult as any other brand's strategic operation since it also had to avoid possible conflicts arising among different cultures and values worldwide. Moreover Luxury brands' customers became highly diversified (especially coming from China, Russia and Brazil) meaning that all of them had to perceive the right message in the brand's desired way, without confusions or misunderstandings that could have resulted in the lost of an important part of the market.



Consequently, consumer-oriented researches became the preferred direction basing, as much as possible, both stimuli and reactions on them. Later studies started to create subject-subject-processes of qualitative researches (Bortz and Döring, 2002; Lindlof and Taylor, 2002) with the awareness of the set of criteria coming from theory based analysis which helped in identifying which of the traits could be part of a brand personality profile. In fact, in order to represent a general framework excluding the consumers-related differences, these should have met at least some of the basic requirements as neutrality, human-like adjectives and without general evaluations (Heine, 2012).

#### ***2.2.2.1. LPC (luxury product consumer) approach***

The firsts to sketch a basic framework based on a *luxury product consumer analysis* (LPC) were Dubois et al. (2001). The characteristics outlined in their research served to generate further studies focused also on other relevant situational factors, as the country of origin (De Bernier et al., 2006). Even if available literature on this issue was still scattering and needed continuous integrations, most LPC agreed on which features consumers relied when perceiving luxury products:

*Excellent quality*: the link between quality and luxury perception was the strongest and the most dangerous association, till becoming almost synonymous for some consumers. This thread could be associated mainly to eastern countries which still relied on the "show-off" traditional idea of luxury.

*Very high price*: this feature represented an equally intense relation with luxury, as for quality, and generated the same risks which could give the possibility for non-luxury brands to enter the market as "comparisons", especially during economic difficulties.

*Scarcity and Uniqueness:* exclusivity of the luxury products represented an important variable for consumer, requiring luxury brands to fortify their brand image and to find the right balance between accessibility and exclusivity. This issue gained relevance especially when the “democratization“ of luxury kicked off and generated collateral trends as, *masstige* (Okonkwo, 2007; Kapferer and Bastien, 2009) and *Mix & Match* phenomena. Fiske and Silverstein (2003), Chevalier and Mazzalovo (2009) and Tungate (2008) began researches in order to clarify the impact of these themes on the real value of luxury.

*Aesthetics and Polysensuality:* a particular scenario that has sprung in the recent years was the shift from materialism consumption purposes to more personal experiences, especially regarding some clusters of consumers that looked to new luxury prospective (Chaudhuri and Majumdar, 2006).

*Ancestral heritage and personal history:* the enhancement of the heritage recently became a primary goal for luxury brands in developed countries, seen as the creators and developers of the luxury industry, to stand out from luxury-like phenomena.

*Superfluosness:* this feature was mainly referred to those consumers which were still linked to a more conspicuous way of relating to the benefits derived from luxury goods.

Due to the extremely variegate consumers’ reactions to these characteristics, LPC surveys needed to constantly keep in mind the target group preferences, in order to choose the right brand’s luxury level and specifically combining the degrees of luxuriousness of the ideal product’s main characteristics. The six dimensions allowed products and brands to impact on subjective perceptions about the attributes rather than on the objective level of luxury, which could have not be affected by the target group in the same way (Catry, 2003; Mortelmans, 2005). Given the importance of the different brand identity perceptions, brand built the competitive advantage on dedicated marketing and communication strategies to obtain the desired positioning in the luxury market (Kisabaka, 2001; Vigneron and Johnson, 2004).

Accordingly to what has been shown, the symbolism of luxury brands has become the driving concept at the base of recent analysis in charge of disassembling and recreating the features of luxury brands, since the functional characteristics could offer a level of differentiation which needed additional features on the emotional side. Consequently, the importance of creating a strong and unique brand personality perceived able to influence consumers consumption preferences, became the main goal of all brand's strategies. Through studies on the importance of perceptions, our research will further investigate how the luxury concept evolved, and which are the main factors that are influencing and changing the luxury industry and its real perceived meaning nowadays.

#### ***2.2.2.2. Consumers and brand prominence***

The new trend in luxury brand management has led to many empirical studies which came up with models (Vigneron and Johnson, 2004) that were later on reviewed focusing more on consumers' continuous changes. One of the most accepted and updated framework was provided by Nunes and Drèze (2010) which detected luxury consumer typologies based on the wealth and need for status degree, referring mainly to the level of desired prominence association. By introducing this new variable, the authors wanted to point out how consumer-oriented marketing strategies could be useful more than ever to build a successful luxury brand image. The main tool highlighted by the research which could be able to represent a certain degree of prominence, was the logo and the message it delivered to the target market. A logo-based differentiation was only mentioned by Wilcox, Kim, and Sen (2009) referring to the differences aroused in the need-for-status scale, without considering how the income level could influence the overall behavior towards the final choice. Focusing on this "apparently" simple symbol, luxury brands could cover a wider range of consumers' preferences based on conspicuousness rather than on conscious

consumption attitude. According to this new concept, Nunes and Drèze (2010) outlined four different categories: patrician, parvenus, and poseurs, proletarian.

*Patricians*: their high income was used to buy products that only other components of the same group could understand, avoiding obvious symbols.

*Parvenus*: this category preferred to invest the high disposals on products easily recognizable as luxury through their logos.

*Poseurs*: due to a lack of wealth and a high need for status, these consumers aspired to become as parvenus, mainly by using counterfeited luxury products with loud logos.

*Proletarian*: this particular group of consumers, lacking both in wealth and need for status, were not interest in being associate to upper classes or dissociate from lower ones by buying luxury products.

The quantitative analysis made by Nunes and Drèze (2010) outlined several issues which the recent luxury industry studies found to be useful in the creation of no-logo strategies (Kapferer, 2010) and in the understanding of the counterfeit market which could put a risk most brand images.

### **2.3. Case studies**

To better understand the dynamics behind each industry and how to address the right message to the right customers at the right moment, our research will provide recent examples on brands that changed or not direction according to the new luxury trends previously analyzed.

The first case will concern with a well-establish luxury brand that has developed and lived in this industry since the beginning of its activity, representing the perfect example of the traditional part of the luxury market, as it has always been intended.

The second one, instead, will focus on how a well-established company in the textile world, Sermoneta, has had the courage and readiness to figure out which way to go and which other areas of the luxury would have been more and more popular over the time. This step is due to the change occurred regarding the ways consumers were searching to satisfy new desires often by putting primary emphasis on living a prestigious experience rather than relying on buying luxurious goods. In this sense, also the third analysis deals with the willingness of people to enrich their emotional side by making luxury choices in more lifestyle related areas, as traveling. The rapid growth of this trend brought many entrepreneurs to start rethinking their investments in more profitable projects that could not be too much affected by the economic difficulties experienced in other industries, as the real estate. Entering the hospitality world for the first time could be very difficult to manage, many threats and difficulties could be encountered on the way before getting to the success and to obtain a relevant position in the market.

## CASE STUDY: Bulgari: jewelry market

### **Bulgari**

The company was created in 1884 by Sotiro Bulgari, craftsman coming from Greece that, after having a huge success in Via Sistina through its silver creations, decided to upgrade both the raw materials used and the location to sell them by moving in Via Condotti with a jewelry collection that included gold, emeralds, diamonds, and other precious stones. The roots in the hard luxury industry allowed the brand to build a strong reputation and heritage around the world, and creating iconic products able to interpret the values of the traditional luxury concept. Moreover, in 2012, the family-based business decided to join the biggest luxury group, LVMH, showing that, even with strong management and craftsmanship skills, the brand needed the support and the synergies generated by the group in order to still be positioned at the top among its competitors, even after the crisis and the new trends in luxury that had shifted the attention to other markets and values. Even if the brand expanded itself in other sectors, as Hospitality, the need to return to the core values on which the reputation was initially built became the best strategy to remain in a dominant position despite the changes in the luxury world. Although the deviations from the traditional concept are increasing, Emerging countries with bigger spending power and the “old” luxury generation, are still willing to invest in the hard luxury in order to celebrate special life events or to enhance a wealthier social status.

Regarding the more traditional aspect of the definition that we decided to analyze, certainly the hard luxury industry, related to the jewelry and watches businesses, captured the attention from the beginning as it is the emblem of what is universally acknowledged as luxury. Possessing accessories made out of the most prestigious raw materials (diamonds, gold, precious gemstones,..) and assembled by the best craftsman in the world, was the main vehicle used by consumers in order to feel unique and have something that could bring happiness every time they used them. However, the high monetary investment required to satisfy these desires, not affordable by everybody. Made it also a way to establish an evident social and economic status of prestige.

Thus ostentation has always been the primary reason behind hard luxury consumption and therefore luxury brands have always used it in their communication and distribution strategies to leverage their clients and to create a faithful and lasting bond. In fact, jewelry and watches also represent an investment transmittable for decades and even centuries, and so a way for families to bond with the present and the future, being able to tell a story after passing on from generation to generation.

To deepen these aspects, our research developed a case study on one of the most prestigious and recognized luxury brands regarding the jewelry and watches market, which is Bulgari. Among this category, it surely represents a perfect example on how the evolution of the traditional concept of luxury can harm not only sales, but also the brand image itself, if not managed with attention to what happens in the world scenario. As analyzed in the previous chapters, the focus has moved to emerging countries belonging to a different culture, with different needs and desires, but still aspiring to belong to the western idea of society by investing in the hard luxury sector.

The features searched by consumers from each country when buying these products are quality, craftsmanship and heritage values above all, and is on these ones that brands must count on in order to create and sustain a successful strategy and resume from where they had stopped before the crisis of 2007.

In order to enhance these characteristics, brands are now going back to their roots, limiting expansions strategies within other related or unrelated businesses, and rather refocusing on their core assets as the main growth drivers. The first step needed was to enlighten the history behind each brand, the DNA that that makes it unique and better from the others, by going over each step that made up what the brand currently is made of.

From the main street locations (1884, Via Sistina; 1905, Via Condotti), to the exterior and interior layouts of its stores (Green African marble and Travertine marble are the iconic materials used since 1933 and kept by Peter Marino in the restructuring of ),

Bulgari has always wanted to incorporate the prestige of the eternal city in its heritage, creating a link able to last over the centuries (in fact it celebrated the 130° anniversary in 2014) thus becoming a perfect example of what is considered a successful luxury brand today. This reputation brought it to become a target of the luxury giant LVMH that in 2011, in the absence of a central player in the jewelry industry, won a majority of the family company in exchange for the perfect partner to rely on to face the complexity and risky world of luxury in which small fish were fading. Not only in terms of revenue, but also with regard to the synergies across policies and investments, Bulgari has managed to rise again after the crisis head-on managing to preserve its position in the market (since LVMH is focused on enhancing each individual firm values without stereotyping them to a sample model).

Moreover, to celebrate its past and the strong attachment to Rome, the firm inaugurated the DOMVS, a space in which are exposed historical pieces, mostly gathered from auctions all over the world, in order to trace the evolution of the design and the ability of incorporating continuous stylistic innovations without however ever losing the classicism traits that made its brand image as stronger than ever. This exclusive spot and the Heritage Collection, reserved for the most passionate and loyal consumers, it is also a way to strengthen these existing ties and also to show to potential consumers, coming from the new influential countries, how the brand points on the deepest values of luxury (as craftsmanship and heritage), searched by those who want to satisfy an inner desire but also by the ones that want to show off their personal goals.

To better understand how the firm cope with this dichotomy, I decided to ask directly to who has to deal with it daily, in order to manage correctly this success in an environment that is having continuous changing. Alberto Festa has been living in Bulgari's world since 2000, firstly as Area Director of South Europe and Italy till in 2012, he crossed



the Atlantic ocean to take charge of all channels DOS, wholesale and perfume sector as President North America.

The main topics on my list were certainly the changes occurred in the Luxury definition, how the brand managed the difficulties of the economic crisis of 2007 and the consequences that have resulted due to it.

As analyzed in the previous chapters all brands agree in telling that the industry it's still submitted to a massive shift of emerging countries coming strong into the luxury world, always belonged to western nations, forcing top brands to enter a little-known area where the rules were completely different and where eastern consumers behaved in a way that traditional ones were leaving behind to feel the emotions delivered by luxury market through other values.

*"(...) The real challenge though is represented by the turn that western consumers had due to changes of the values of the society and the hyperinflation, that is bringing them to move a little away from products belonging to the hard luxury, as watches, accessories and jewelry, and get closer to lifestyle related goods and services able to generate lasting emotions, as going on vacation, having a car or buying a house". Alberto Festa*

After the 2007 crisis, people started to refocus on satisfying the intimate values through a conscious behavior widely based on the best value-for-price relation. By analyzing singly these two elements is evident how they've changed, and the effects provoked on this particular market that counted mainly on those factor.

Price has always been one of the most direct vehicles through firms could communicate a clear position among the others, and stating at what level rank themselves. In fact higher the price of a good/service and higher the exclusivity perceived will be, since this last feature represents a prerogative to be classified as luxury. In the past people had

the will and the economic possibilities to hand over part of their income to obtain the gratifications delivered by this industry, nowadays the cost related to achieve those feelings is much higher because the recent crisis has brought everyone forcing them to invest more savvy in things which inner value could stay longer, as life experiences, without vanishing due to external situations.

*“this event had influenced a lot the way western clients related to Luxury that, becoming more conscious of their spendable money, no longer found a valid reason to continue in investing in this market”. Alberto Festa*

In this sense, lifestyle related goods, as travels and food, acquired an added value that was able to develop other segments not traditionally belonging to the luxury market, at the expense of jewelry, accessories and watches.

So how could a brand like Bulgari, based on the traditional production of these elements, survive and still continue growing in future?

The answer wasn't the most obvious one, i.e. lowering prices to make the brand more accessible and gain profits, because the risk of losing the typical luxury traits was inevitable with the result that, avoiding this rebates, most brands still sell at the same price, or even at higher. Higher the prices higher the demand? How could this be possible, since microeconomics studies demonstrate the inverse relation between prices and demand?

The answer is given by the second and final variable of the abovementioned relation, the value, because through leveraging this trade off, firms started to enhance the quality of their goods, not only through prestigious raw materials, but also by creating strong marketing and communication strategies able to convey the added value in consumers' mind. Even if these processes on the relevant characteristics searched by the western countries, as craftsmanship and heritage, were successful for Bulgari, on the

profits side the situation was still unclear because the key players started coming from the eastern area of the world, and dealing with this new types of costumers became a huge challenge for luxury brands accustomed to having to handle another mindset now directed to satisfy inner aspects of life rather than externalizing their belongings.

*“ (...) Instead the eastern consumer is still putting greater attention to ostentation and hedonism values, using Luxury as a vehicle to declare a social status. Luxury Companies all over the world have seen that year after year 1 or 2 percentage points of their total sales have been moving from the western to the eastern countries, resulting in more than 2/3 of sales in these countries”. Alberto Festa*

As declared by Festa, sales had been carried on mainly by Asian customers that brought attention to their potential in this industry and being able to satisfy their requests was one of the concerns of most brands. This category looked especially at the hedonism values that could assert a position of prestige on the other and give a clear sign to the world that the deprivation status in which they lived before was over. Traditional luxury, rather than the new luxury concept, became an obsession for them in the sense that the willingness to belong to the western luxury world and its values, captured most of their income. Ostentation and materialism were at the base of this consumption behavior, and brand image's reputation was the decisive factor on which customers relied on in the moment of choosing among a crowded industry. Stronger companies got stronger, and smaller ones started disappearing, so the decision to form groups able to sustain each other and share synergies, became natural for most big brands, also for Bulgari that in 2011 joined the leading luxury conglomerate, LVMH. Even if the positive consequences of this decision were a lot, there still remained the risk of diluting the image and compromising the individuality of the brand in favor of standards and the overall reputation of the group.

*“I think it has strengthened Bulgari, because the group works in the behind and, even better, it has refocused the mission of each brand, giving the right discipline to acts individually and remain attached to its own root, avoiding meaningless brand extensions and reinforcing the market positioning”.*

In order to make a complete framework about the brand and its contribution to our research, additional relevant themes were analyzed, in particular the ones related to sustainability and other social issues since, especially in the jewelry sector, had always dealt with claims regarding the conflict diamond and the preservation of human rights. Due to the increased consciousness and attention of consumers towards these aspects at the moment of making purchasing choices, brands like Bulgari had to implemented specific actions, as advertising and communication campaigns to ensure consumers about their position.

*“about sustainability efforts, the brand has already undertaken many concrete activities as joining together with other luxury companies, a council devoted to provide regulations and procedures that ensure the correct implementation of actions. In addition to this, Bulgari has by its own helped many non-profit associations during these years and has also contributed to support Save the Children by creating a dedicated collection from which to draw a percentage of their sales to favor the onlus, resulting in a conspicuous sum compared to the other brands”.* Alberto Festa

The fact that the brand itself created and implemented the activities regarding this field, represented another proof that, belonging to a group, didn't compromised nor harmed the identity. The main reason was that LVMH contributed to its companies in a more

general way, by developing a cooperative atmosphere and remaining focused on global plans in order to further develop the industry.

*“ LVHM, instead, is engaged in other fronts focused more on the support of the development of the arts, the cultural heritage and the development of new brands worldwide”. Alberto Festa*

Some countries needed the attention more than others, especially after the consequences brought by the democratization processes that occurred in the luxury market. Among them, a phenomenon that could have had a huge impact on the traditional sector was the disintermediation processes driven by the internet penetration in consumer lives, allowing them to access easily and constantly to a database of information coming from the brand, till the point of becoming an integral part in the processes demanding for the personalization of products. As Kapferer and Bastien (2009) argued, luxury consumption represented a moment in which consumers asked from sales persons to live a particular experience, these interpersonal dynamics (also influenced by the store atmosphere, the store layout and other situational factors) could be weakened, and negatively compromise the exclusivity of that moment (Okonkwo, 2007)

*“ Let’s say that the essence of the products we sell and the specificity of the buying conditions, often linked to celebration events, make our products difficult to sell online since, given that the investment is substantial, our customers look from us especially a unique service and a sales experience able to enthrall them. Having said that, Bulgari has also an efficient e-commerce channel available to customers, but it doesn’t play a core role as the in-store service still does”. Alberto Festa*

Even if online channels could offer a wide range of products quickly visible and comparable among each other, the in-store purchases remained the main driver preferred by consumers when relating to the overall luxury experience. Indeed, the above testimonial, underlined the fact that the hard luxury business is still strongly linked to the emotional aspect derived from the connection with the brand's environment and overall service offered. However, by putting greater attention to implementing actions to highlight the importance and exclusivity offered by the brand's unique atmosphere, as the celebration of the 130° anniversary of Bulgari through the creation of a collection dedicated to the history of the brand and its evolution during the years, the offline world had to be included in the overall strategy to avoid losing part of consumers. In fact most brands successfully integrated at least an effective web site, and others moved forward by implementing an e-commerce distribution network directed to those customers still looking for the product as a status symbol, and having less regard for the emotional relation with the brand.

## CASE STUDY: Tartufi & Friends: food and restaurant

### **Tartufi & Friends**

The truffle lounge opened in Rome in March of 2013, and represented the second big investment, after the partnership with Laduree, of the family-business Sermoneta Luxury Group Food Division guided by Alberto Sermoneta. The concept behind the project was to open in a unique location both a store and a restaurant dedicated to just one luxurious ingredient: the truffle. The prestige of this raw material was enhanced by the ability of the chef Jean Christophe Reali that, in addition to having created the menu offered in the restaurant, has been able to prepare an equally tasty offer for those who wanted to just make a brief stop between 10 am and 11 pm. Moreover Tartufi & Friends made available a range of products based on the truffle in order to be used for personal purposes or as precious gifts. After the great success obtained in Rome, mainly through tourists coming from Russia, South America and South-East Countries, Alberto Sermoneta decided to open in September of 2014 a bigger second store in the heart of Milan, a cosmopolitan city always looking for new trends to follow. Since the curiosity of consumers to experiment new forms of luxury experiences is driving most industries, the Luxury Group has already planned some other

The world of luxury restaurants & food, as its known, gained a lot of importance within this sector, becoming a reference point for initiatives with a high probability of success today. Bain and Company (2014) showed how the demand for gourmet food has been increasing yearly, also related to the need of finding new ways of making gifts to people (as paid dinners in prestigious restaurants, gourmet souvenirs from around the world and country-related food specialties). In relation to restaurants activities, the business has had a rapid growth due to the renewed values that consumer are putting on the culinary experience, as a way to get pleasure from food and the ability (chef, environment, service, atmosphere,...) to enhanced the prestigious qualities of the raw material.

Indeed, the idea that led our research to include this apparently unrelated market, was the fast-growing demand by consumers interested in luxury as a lifestyle experience, linked to the emotional aspect offered by its consumption. To satisfy an internalized desire

of luxury (Amatulli and Guido, 2011), the experience offered by the overall environment which customers encountered during their gastronomical journey, could assured a unique involvement with the brand and the product itself. However, since this sector embraces a lot of areas, our research will mainly stay focus on the processes behind the enhancement of the exclusive and prestigious raw material characterizing Tartufi&Friends: the truffle.

The idea of making a business entirely focused on just one ingredient came surprisingly from one of the most well-established Italian fashion groups, the Sermoneta Luxury Group, which decided to open a food division in 2010, to embrace the growing trend of luxury towards this new market, instead of remaining trapped in the stagnating fashion world. The family based business, embraced the philosophy of offering a 360° luxury experience (owning already fashion stores and hotels) to its loyal clientele which included also consumers with a more lifestyle oriented behavior. Guided by Alberto Sermoneta, the Food division of the group began with the successful partnership with Laduree and the Cadeaux Royale company and then followed with the opening of the truffle lounge in 2013. Tartufi&Friends was born in Rome, the heart of Italian heritage and elegance, but immediately expanded abroad exploiting the big success obtained. In 2014 opened in Milan, with a much bigger store but following the same philosophy as the original one in order to maintain a thread able to build an established and recognizable image also for future openings, including London and Dubai.

The concept behind the project embraced the exclusivity feature from the beginning, not only for the prestigious ingredient offered, but also for the way in which was developed the restaurant-store. In fact, Tartufi&Friends, a part of being a restaurant formed only by 14 seating, dedicated also an area of the store to the sales of its branded products which, as the financials demonstrated (2015), represented the major source of profits. To better understand the choices behind certain expedients in the service level and in-store layout, the case will introduce briefly the concept of relationship marketing at the



base of the main decisions. Boulding et al. (2005) remarked how its primary objective was the creation of value for both costumers and brands based on long-lasting relationships, which was mainly appropriate for companies that offered a service, as restaurants, rather than a product, as fashion firms. In order to create and sustain such connection, a study conducted by Kim et al. (2006) regarding Korean customers, showed how the luxury food-related activities needed to work especially on certain features that were common independently from the subjects of their analysis, thus allowing the development of our case study to be based on these:

*-Physical environment:* each facility related to the store acquired importance. The unique atmosphere reminds a vintage bistrot located in the heart of Rome, precisely in Via Borgogna, in which people could sit also in non-meals hours, just to sip a glass of wine with appetizers. The elegance and the cleanliness of the store match perfectly with the Florentine details and materials creating, together with a soft music in the background, a successful and unique atmosphere. Moreover, Tartufi&Friends, by embracing also the rising trend of gourmet fast-food, offered a complete culinary experience that consumers could continue also at home by buying the products or the raw ingredients, as the fresh truffle, at the base of the menu choices.

*-Food quality:* this variable is certainly among the most important ones in creating customers satisfaction and loyalty, not only because of the ingredient itself, but also depends on the ability of enhancing the prestigious characteristics. Since the raw material is considered among the most expensive foods worldwide, Sermoneta searched for a qualified chef that could bring to light its peculiarities in order to satisfy a heterogeneous clientele with different tastes, including the connoisseurs' ones. Jean Christophe Reali, a young and talented chef which boasts already a prestigious curriculum by working from the Hassler and Ripetta Palace in Rome, till prestigious restaurants in Australia and Mallorca, was able from the beginning to increase the value of the unique heritage behind

the truffle processing through its inherent italian-french taste and presentation skills. Moreover, the same ingredients used in the kitchen and other ones, could be found in elegant packages ready to make a remarkable gift.

*-Customer orientation:* the many experiences made abroad allowed the store to benefit of a consumer orientation based on the knowledge of the main behaviors according to the country of origin of the clientele. In this sense the service entourage needed to be aware of the specificities related to each nationality to always provide the best possible experience. An additional feature that Tartufi&Friends can count on is the continuous hours (from 10 am to 11 pm) in which it can serve its customers that may have different necessities and meal habits.

*-Communication level:* this aspect became relevant, not only inside the restaurant by making the clientele feel in the spotlight without being intrusive, but also in relation with attracting new consumers that might develop an interest for the business offer. So the challenge was also represented by the capability of being able to communicate the luxuriousness of the ingredient to the possible external buyers, and only the consumers inside the restaurants.

*-Relationship benefits:* as the relationship marketing stated, in order to be beneficial, both parties must take advantage of the relationship and obtain some benefits. In this sense consumers could be included in a prestigious location and in a unique brand philosophy, while the restaurant could enjoy how curious people may increase the popularity by taking photos and posting on social media having a free wifi spot available by creating a multidimensional and interconnected environment.

*-Price fairness:* the fact that the truffle is an expensive ingredient is universally known, and so customers that decide to enter the lounge is well aware that the price will be high. However, when talking about the fairness of the expense, customers expect to be able to recognize every single prestigious characteristic in the taste, presentation and overall

experience. If the product is not well delivered at the end, the potentially successful product could not be so because it may lose the intrinsic value which characterizes the expensiveness. In the light of this analysis the case contributes in bringing a real example of what a successful luxury food business need to implement to be part of this new market. The emotional link between the culinary experience and the customer expectations remained the main driver in decision making strategies since the key ingredient for maintaining a positive relation in the long term was based on the personal feelings and reactions generated after the experience. The food and restaurant sector, indeed, needed to reinforce the level of the final service delivered in order to leave a remarkable and positive impression that could create a stronger link with current customers enable them to promote the brand with word of mouth actions, as through social media comments, and by reviewing the good experience in the most reliable websites, as Tripadvisor. Consumer orientation visions are at the baseline of the rising new trends in luxury, which make the industry even more complex due the subjectivity feature brought in.

## CASE STUDY : Torre Salinas Mare&Natura: Hospitality market

### **Hotel Torre Salinas Mare & Natura**

The project began in 2008 after the acquisition by Turieco Srl of a Vatican-owned structure located in the heart of the wildest and most beautiful landscapes offered by Sardinia Island, Italy. The restructuration process required a total investment of 9 million Euros, which 2 million came from European Funds allocated to raise the touristic flow in the Euro Zone, and will be finished and ready for consumers use in May 2015. The reasons behind the investment in the luxury hospitality sector were the increased interest of people in travel and lifestyle related experiences and the opportunity to exploit the inherit prestige of the natural resources that Italy, home country of the Luxury concept, could offer. The particular location of the hotel, at a distance of just 50 mt from the beach, offers 100 rooms suitable to satisfy any customer's requests: possibility of bringing pets, people with handicaps, families, and so on. However, the risks associated of opening a new hotel were mainly linked to the big efforts that the company needed to make, as integrating in a sustainable way with local communities and environment, and the strategies required to sustain it in the present and future years, as communication and advertising campaigns able to differentiate the offer from the already established and successful luxury hotels situated across Sardinia's shores.

As analyzed previously, the real luxury definition hasn't going in a straight direction, instead has branched into many other solutions bringing along a complicated framework which brands must fit in order to not be excluded from it. Luxury has been linked more and more to people's personal emotions, mainly through an increased attention over issues like brand personality and symbolism, therefore generating the need to include other fields of research, as psychology and sociology, able to integrate the missing details.

Bain and Company (2014) gave support to the changing attitudes towards luxury, by showing how consumers began to invest in different sectors, linked more on the emotional side rather than on the conspicuous one, typical addressed to hard luxury goods purchases. Hence, leisure and, in particular, the touristic-related spending have been driving the market and, as for the other luxury sectors, the most relevant investments in

Europe and Usa came from emerging countries consumers, mainly Chinese ones. As a consequence, brands needed to learn how to go global by approaching their offer with a consumer-oriented approach including the differences across nationalities and the addition of innovative distribution processes. However, as Bain and Company (2014) specified in its reports, the increased importance of the travel industry created a lot of opportunities for brands dealing with the satisfaction of luxury experiences demands, as for luxury hotels, cars, food and art. These new perspectives started to intrigue entrepreneurs around the world, including those who were unfamiliar with the industry but saw the benefits that could be reach if managed the proper way. Even data provided by Bain (2014) reassured positive results especially if targeting wealthy or younger generations seeking for lifestyle experiences instead of traditional hard-luxury goods.

The literature available on the new trend of luxury still lacked in researches focused on the rising topic concerning businesses dealing more with generating experiences rather than physical goods. Since our research has the purpose of creating an exploratory framework in which the evolutionary path of this industry could be synthesized, the urge of finding a way to fill the gap still existing regarding lifestyle-related brands led us to consider bringing a contribution based on real investments decisions. In the light of these new and growing trends, our research will analyze a third case based on a realistic and personal testimonial on the growing luxury hospitality industry. The study will explore the reasons behind the decision of an entrepreneur to enter the luxury hospitality and the tools to develop it successfully, describing which difficulties aroused over time and showing the final steps (communication, target decision) necessary to excel in Italy, home country of the traditional luxury heritage. The development of the 8-year project of “Torre Salinas Mare&Natura” was born in 2008 with the idea to exploit the beauty of Sardegna’s natural resources, creating a business able to bring back to Italy the noble character which has always distinguished it in the luxury world.

First of all it's important to underline how the Hotel can be qualified as a "green" structure, as the name remarked "Mare&Natura", since the primary attention putted in respecting the environmental resources and exploiting them in the right way. However, to manage such denomination, the company needed to carefully address the 9 million Euros investment on decision that could actually reflect a responsible attitude. As Rashid, Sprecklemeyer and Angrisano (2012) outlined, the increased attention to sustainability related issues increased the number of hospitality activities that kept in heart and mind the wealth of nature's beauties. However, the too much focus on green investments could have led many of them in the trap of wasting and damaging resources during the construction more than a normal hotel would have made (Butler, 2008), losing the initial purpose. To avoid this, Hotel Torre Salinas engaged the correct direction from the beginning, by employing local companies, and so reducing the gas emissions and cost of transportation from other countries, that had higher interesting in preserving their environment more than foreign companies could have.

To respect the host region, the project made studies and researches about the local residents' social, cultural, traditional and economical situation in order to respect and, perhaps, increase the value of the territory by implementing the project. After analyzing the actual conditions, further studies were made to choose the target of consumers to which address the offer of the hotel. This step represented a challenging moment since Sardinia's stunning resources have attracted lots of investors willing to exploit them through the luxury hospitality industry, generating a crowded scenario. Many were the competitors that successfully established a global reputation by offering prestigious experiences surrounded by the naturally luxuriousness of the location. To be able to compete in the market, and having little literature research to support a deeper analysis, Torre Salinas began by trying to explore the surrounding in order to find "that" added value that could attract clients. The location itself represented an unique structure since, acquired through an auction of

Vatican properties, it was built right on the beach, which is a position no longer allowed to protect the flora and fauna of the marine environment and the surrounding territory (in Sardinia there are only 2 other structures with the same distance from the beach). In addition it is surrounded by an ancient lighthouse on top of a hill facing the sea with its back on a blue lagoon populated by pink flamingos. The importance of developing the national and regional territory tourism, indeed, was among the main priorities also for big institutions, as the European ones, that allocated funds in order to help each nation to reach a wealthy position and attract tourist exploiting as much as possible the natural resources. In fact, Hotel Torre Salinas benefited of a 2 million euro contribution with the condition of developing itself the project for at least 5 years, which is the main reason why the hotel will remain a “family-business” .

The beauties naturally inherit brought along also greater responsibilities to avoid wasting or damaging them with wrong decisions. The isolated position, indeed, offered a situation of maximum relaxation in contact with the wildest side of Sardinia’s nature and, while this could be appealing for some customers, it automatically excluded some others. Paradoxically young generations and Italian citizens did not suit the target of the hotel, which focused on wealthy couples or families from the northern European countries able to appreciate a low-crowded ambience to be in during vacations. About this specific issue, that is the selection of the target, the case shed light on the purpose of our research dealing with the real meaning of luxury nowadays. As widely discussed before, the literature offered little contributions in this field, leaving it ambiguous and confused for brand management purposes. However, by analyzing the different reactions of customers towards something that could be objectively defined as prestigious, i.e. the location of the hotel, the case may contribute by demonstrating how luxury nowadays is extremely linked to personal taste and desires, and how difficult could be reach an universal definition suitable for every segment, every country and every customer.

## CHAPTER 3

### 3.1. Results

The previous chapters showed the variability of the market and the continuous generation of trends adjusting to consumer needs evolution which mostly occurred concurrently with the big macro environmental proceedings. The results of our explorative research focused on analyzing which the evolution of consumer trends in order to understand the real perception of luxury and how the industry has widening into many directions creating new markets.

Firstly we started from the basic taxonomy behind the luxury definition to understand better the steps made by the industry year by year. The main approaches used were: the “*Five-steps approach to luxury definition*” (Kromney, 2009) which outlined the main processes required to create a basic notion of luxury. However, as the study demonstrated in the last step, the result obtained was not definitive since the definition inputs, highlighted in the semantic step, required further reviews in order to be in line with current motivations. Relying on these findings to create an objective and globally accepted definition was nearly impossible, because of the high influence of an emotional and personal approach to luxury. Following the trend based on more consumer-oriented processes, scholars introduced a new issue which began to have a great impact both on consumer attitudes and on brand’s offer: *the RGM on Brand Personality* (Aaker, 1997; Heine, 2012) represented a useful study for our purpose since, based on a qualitative research among quantitative data, showed the importance of the link between consumers and the personality perceived. The traits, as the research demonstrated, underwent through an evolutionary process from 1997 to 2012, but the essence remained quite similar during



time showing the reliability of the theoretical framework and the existence of common traits which were not highly influenced by world changes. The model allowed to create, for the first time, a link between the functional characteristics of products and the emotional components attached to brand's own personality, making it possible to obtain a more clear and updated overview of the main influencers of the meaning that luxury has engaged recently.

After analyzing the basis of luxury understanding, the next focus of our research dealt with the inclusion of the results obtained with the theories lying behind the evolution of consumers' approach to luxury. After reviewing the little literature existing on these issues, our attention stopped on a particular typology of consumer-based surveys, using the *LPC approach* (Dubois et al., 2001; De Bernier et al., 2006) which outlined six different dimensions used by brand to differentiate themselves by impacting on subjective perceptions about the attributes rather than an objective level of luxury. The results confirmed the importance of symbolism as a main driver for customers purchasing decision nowadays, and how the individual perception increasingly influences the relationship with the brand. Following this path, we have integrated these surveys with a theoretical framework dealing with the level of prominence required by a certain type of consumer. Nunes and Drèze (2010) were the first on putting together a framework that could simplify the understanding of the importance of certain brand characteristics, as the logo. However, because of the limited literature available on these matters, our study will integrate the review analysis by including three case studies linked to different luxury market segments in order to practically evaluate how brands deal with the constant evolution behind this industry and the heterogeneity of consumers related with the brand.

### 3.2. Luxury market trends

The recent economic crisis began in 2007 had had a big impact people's lives and the behavior towards spending money to fulfill an emptiness state of mind occurred after the pitfall. At first glance the luxury industry was expected to draw since it was mainly linked to products and services "not-necessary" in the "ordinary" lives of consumers, which needed to first had the possibilities of satisfying basic needs to be able to reach the self-esteem ones (Maslow, 1943). However, as previously analyzed, the literature regarding luxury consumption behaviors has been completely revolutionized, and the basic frameworks on which the luxury definition relied on were expanded including other influential factors as, brand personality (Heine, Phan, and Waldschmidt, 2014) and brand prominence (*Nunes and Drèze, 2010*) trends, resulting in a more complex panorama in which the real luxury meaning remains ambiguous.

Despite the forecasts, companies operating in the Luxury business have had a unique response to the sub-prime mortgage crisis causing greater attention of analysts worldwide on how companies and consumers reacted towards each other after that. Historically luxury companies have been leaving in a prosperity situation facing constant growth of rates and market shares despite any crisis and uncertainties that other industries had to face in the past. As Ciornea et al. (2010) confirmed, a part for a slowdown of the global recession between 2008 and 2009, the crisis didn't damage the market which, instead, had a quick response by quickly eliminating the consequences of the crisis (HSBC Global Research, 2011). According to the World Luxury Index (2014), most brands faced a 40% of losses in their stock value and to save the remaining one, most of them refocused the attention to their core implementing and investing money in what seemed more important: implementing flagship stores, effective marketing plans and conducting more customer-oriented actions.

### 3.2.1. Luxury dichotomies

In order to face the main directions of luxury which aroused recently, most researches dealt with influential dichotomies regarding the approach of brands and consumers towards this industry, as: externalized vs. internalized luxury and old vs. new luxury (Amatulli and Guido, 2011)? The first contraposition derived from subsequent distinctions concerning the driving motives, social or personal oriented, of luxury consumption which could be grouped into two different classes: “externalized”, linked to the need of demonstrating a particular social status, based mostly on interpersonal motivations and on the aim of creating “luxury for others”; while “internalized” consumption moved in the opposite way by considering personal satisfaction by searching for luxury brands able to reproduce an individual style as a “luxury for one self”. To provide a clear framework of these contrasts, the table below synthesizes the main contributions of literature during the years:

**Table 2: Summary of the main dichotomies in luxury definition**

<b>Authors</b>	<b>“Traditional” features</b>	<b>“Real” features</b>
<i>(Bearden and Etzel, 1982)</i>	Private	Public
<i>(Vigneron and Johnson, 2004)</i>	Personal	Interpersonal
<i>(Kapferer and Bastien, 2009)</i>	Luxury for one self	Luxury for others
<i>(Wiedmann et al., 2009)</i>	personal needs	socially positioned
<i>(Amatulli and Guido, 2011)</i>	Internalized	Externalized

**Notes 2: this table shows the main contributions during the years on luxury definition evolution**

Other than the outlined ones, another dichotomy aroused after the consequences of democratization processes in which the luxury product category lost its primacy as a distinguishing factor for luxury brands, introducing the old and new luxury concepts. The former remained linked to the product category (Danziger, 2005) and still aimed to social status through a conspicuous consumption approach to luxury. while the latter, developed

mainly after an increased availability of luxury products (Tsai 2005), was dissociate by the category and, instead, was driven by emotional motivations able to generate a 360° lifestyle experience of luxury. Since these opposites direction coexisted in the same market, brand management had to deal with the redefinition of its main strategies to convey the right perception of its image, with a particular eye on the *Brand image paradox*.

Bain & Company (2009) showed how the implementation of new strategies aimed at conciliating these dichotomies, needed to consider the dangerous discrepancy between the risks of compromising excellence values to favor a wider offer requested by the market. This gap has had an almost uncontrolled effect on luxury perception allowing the idea of a democratization of luxury to take root in the minds of consumer adding a higher degree of complexity in an already intricate industry.

Before diversifying the offer, brands needed to really understand consumers' desires and how these could change according to multiple variables interacting in countless different ways. The real challenge for Luxury companies was represented by the ability to protect the distinctive values and exclusivity while generating profits in a period in which the general purchasing power was facing a slowdown. The major risk was to become a part of popularization phenomena that could have damaged the image and the true essence of the market by generating a confused environment in which premium, fast-fashion and luxury brands collapsed with the risk of losing their own identities.

The issue of remaining loyal to the core values was discussed also in relation with the rise of big luxury groups which started to acquire many brands, creating a monopoly in the luxury industry. Top luxury global brands included: the LVMH group (Moët Hennessy - Louis Vuitton), founded in 1987 and counting a 60 luxury brands portfolio, with a brand value of \$22,552 million; Richemont group, which included most of the watch makers luxury brands; PPR, mainly driven by the brand value of its star brand Gucci, \$10,385

million. An exception is represented by Hermes which is the second leading brand in the luxury market, after LVMH, still based on a family-owned tradition and counting an extraordinary brand value of \$8,977 million. As shown by Interbrand analysis (2014), conglomerates were much more protected because of the wide portfolio offered and, especially big ones as LVMH, took advantage and started acquiring those luxury brands that were damaged. However, no matter these advantages and still representing the most powerful luxury group, LVMH was the only one among its competitors that faced a drop (of 9%) from its previous year's brand value, showing that even a solid group for years has had difficulty adjusting after the crisis showing some weaknesses.

### 3.2.2. Luxury democratization

The main contribution to this argument belonged to Kapferer (2010, 2012), which analyzed the basics of this phenomena and outlined the main consequences on the perception of luxury nowadays. He demonstrated how the traditional social function of luxury, had to be completely reviewed generating a confusing scenario in which the real understanding of luxury meaning remained obscure. The continuous changes of the definitions outlined an important feature, which is the relativity of luxury consumption according to many different variables that related in unique and personal ways. In this sense Kapferer (2010) confirmed that "Most of the definitions do refer to well crafted, hedonistic and aesthetic objects, priced excessively above their functional utility, sold in exclusive stores delivering personal service and unique consumer experience, most often from a brand with history, heritage, the whole delivering a rare feeling of exclusivity". With the democratization processes, however, these traditional ways to refer to luxury were putted apart generating the need to produce a real definition for the luxury industry by understanding the triggers

of this evolutionary process, which is indeed the core of our research. Above the primary causes, the higher accessibility of mass consumers to the luxury world revolutionized the traditional concept that had been behind this concept since the beginning, the exclusivity feature. However, as Kapferer (2012) underlined, to avoid a “vulgarization” of the meaning the brand could implement specific strategies to widening its offer without falling in the trap. Moreover, democratization is, as the name itself underlines, related to a more democratic society, in which social status didn’t count that much regarding this world. Since the extended clientele base occurred, the symbolism of prestige and the mainly high wealth accessibility to luxury, began to vanish in favor of an equally distributed level of wealth among social classes. Even with a high possibility that this scenario could harmed the market, Kapferer (2012) showed how the luxury consumption was still a clear symbol of “humanity” because of the specific emotional relation between consumers and luxury products or brands. However this industry had to deal also with a change on customers’ way of buying, a more conscious approach searching for emotions and experiences able to deliver a superior value to satisfy their desire for luxury. due the degree of complexity, this issue still represents a contradictory area for researches, also because of the lack of control over the process and the distribution channel that may led to a democratization of what is meant to be defined as Luxury.

The increased availability of Luxury unearthed also some difficulties in managing the exclusivity factor that characterized these items. Some new trends kicked off and their management became the new challenge for most brands around the world. The increased spending power of emerging countries (Kapferer, 2012); the shift to a more conscious consumption due to the crisis of 2007; and globalization consequences, as the leveling of social classes due to new ways of mixing up with cultures and religions worldwide (Kapferer, 2012), were just some of the reason behind the complexity of luxury nowadays.

Other relevant phenomena were born and brought back the necessity to rethink again and again how to stay loyal to the luxury characteristics without falling into the fashion level:

### **3.3.3.1 *Masstige***

One of such effects is the masstige trend that gained ground faster than imagined and consisted in offering prestigious products/services at prices that could meet the economic differences between social classes that wanted to embrace luxury in their lives (Silverstein and Fiske, 2003).

*“One phenomenon will accelerate: there will be segmentation between brands with high quality, craftsmanship and quality materials - and masstige”*

Patrick Thomas, CEO, Hèrmes International.

Managers worldwide have become aware of the threat and coping with these social changes, have become a central point for brands' strategies. Customers were willing to spend on luxury by undertaking a more conscious approach on investing in goods that were able to deliver superior values. Also marketing strategies were affected by the urgent need to reinvent and implement new forms of retaining and engaging the loyalty of clients by following a customer orientation approach, communicating properly the unique values, as the “country of origin”, taking into account the higher complexity reached by the industry.

### 3.2.2.2 *Mix and Match phenomena*

The higher accessibility to Luxury through a wider range of products to choose from brought consumers to search for an individual style by mixing different items, brands and even fashion trends. This variety seeking spirit coupled with the need to cope with a devastating crisis that reduced the budget available for “not-necessary” goods, resulted in a particular phenomenon called Mix & Match: the peculiarity is that consumer wears accessories by luxury brands and apparel by fast fashion ones, in daily occasions and special events to have a more luxurious aspect. Fast fashion brands, as Zara and H&M, not only created a business made of items that imitate almost to the perfection the ones offered by luxury brands, but were able to generate a successful distribution process enough to achieve a powerful influential position on people’s buying choices. Offering monthly different products that followed the latest trends allowed them to fight for the best locations in major cities, rivaling directly with high-ended firms putting the latter in a crumbling situation.

The new panorama had consequences on marketing decision, distribution strategies and even on the product layout of luxury brands’ stores: if they are in commercial and touristic areas, they exhibit bags and SLG on the ground floor in front to the main entrance, making them more accessible also to the *Excursionist Consumers* (Dubois and Laurent, 1996), that are fascinating and attracted by this world but cannot afford to maintain a lifestyle completely based on it but still want to feel part of luxury.



#### ***4.2.2.3. No-logo Strategy***

The increased accessibility of luxury had also an impact on the top luxury consumers which approached to the industry because of its exclusivity features and the ability of creating distinctiveness among social classes. With the rise of democratization processes, however, this specific characteristic began to disappear and generated new type of products demands by consumers. As previously mentioned, the most recognizable element of a product was its logo prominence, able to clearly demonstrate the prestige of the item purchased. As Kapferer demonstrated (2010), the strategy on the logo entered in a redefinition process to be able to satisfy the part of consumers that still wanted to get away from the masstige effects through real luxury consumption. He continued by analyzing how this category of people preferred products with lower logo prominence in a way that only them and their peers had the capacity of understanding the real value and prestige. Basing the purchasing decisions mainly on the unique details created by the brand, these consumers that possess an already high status and spending availability, were willing to pay also higher prices for less recognizable logos. The second kinds of consumers that Kapferer analyzed (2010) were characterized by the need to achieve a high status through their high money availability. As (Jee Han, et al., 2010) confirmed , since the main drivers of this trend were the level of richness and status, the priority for this group was to purchase globally recognizable luxury products, with clear and visible logos. Moreover, the same purchasing behavior was embraced by a third consumer's category of people that lacked both in money and status, making them the primary cause of the increased counterfeited market for luxury goods (Koncept Analytics, 2011). The dynamics behind this phenomenon have dramatically expanded to the luxury industry, generating a whole new well organized sector which threatens brands and manufacturers worldwide (Chadha and Husband, 2006). Despite the dangerous aura, some authors also believed that it could

actually be a strengthener for the real luxury concept and the increased awareness from emerging countries (Juggessur, 2011; KPMG, 2007).

To avoid falling in this trap, brands must manage separately the consumers who prefer no-logo products and the ones that still are attached to the visibility of it. However, most top luxury brands are following the direction of a less logo prominence, in order to enhance the unique core values that only people who created a strong relationship with them, could recognize and appreciate.

#### 4.2.3. Luxury and sustainability

Among the most insidious issues that managers around the world have had to deal with particular care, especially after the sub-prime mortgage crisis, sustainability played a central role. Leslie Pascaud (2014) demonstrated how the apparently discordant worlds may, instead, coexist in harmony if well managed and could communicate the mistrustful consumers the many advantages that luxury could obtain with compromising the environment. The main consequences underlined by Pascaud's study dealt mainly with social issues born due to globalization, as the protection of human rights, and the preservation of the biodiversity of each country needed to be considered by brands.

Moreover, the sustainability feature could be found also in the DNA of the brand because luxury ensembles the uniqueness and rarity values, as the environment's beauty, which needed to be preserved especially in an industry where democratization processes have taken the lead (Kapferer, 2012). In this sense, this issue represented an advantage for real luxury brands, encouraging conscious consumption attitudes, to differentiate among the other luxury-like brands which were mainly based over conspicuous attitudes.

For these reasons the first moves in that direction needed to come from the leader brands that had the power to influence consumers' perceptions over this topic, and could encourage them to invest in the luxury industry, that could rebuild the concept of luxury experience around important values as: longevity, quality, craftsmanship, respect and protection.

Due to its importance, many entities were created to protect the environment from over-exploitation that would lead to a depletion of resources as well as to irreparable damages inflicted:

-USEPA (United States Environmental protection agency) started by acting as a controller that all the fundamental requirements were respected, and then evolved and created helpful tools aimed to prevent critical issues.

The traditional sector of hard-luxury related companies, as Cartier and Bulgari, had to put greater attention to the "conflict diamonds" topic and took immediate actions to support the cause through the agreement at the RJC (Responsible Jewelry Certified) and by the communications and marketing activities to assure customers about their position.

Another issue related to the sustainability of the environment regarded the luxury accessories (as furs, bags, shoes,...) made by real animal fur which, due to the increased availability of items that may include fur pieces, were continuously putted under pressure by associations for the safeguard of animals.

-IFTF (International Fur Trade Federation) monitored very closely the actions of brands and implemented measures for the protection of animal rights capable of putting under pressure the luxury industry dealing with these materials.

### **3.3. Luxury consumers trends**

Despite the economic difficulties after 2007, IPSOS organization, found out that the luxury market was not really facing a decrease in sales or consumption actions but, instead, was going to have a positive path in the following years (Bain & Company, 2009). The reason behind was addressed to the fact that luxury itself was not qualified as a necessity, but it was linked to consumers desires and dreams which became priorities in order to go through the difficult times. As previously enounced, the true change came from the re-direction of their focus on more quality related values as, craftsmanship, design, heritage and experiential features and, to meet such expectations, luxury brands needed to concentrate the attention on consumers' behavior studies and the evolution of their approach towards this industry. Greater attention must also be paid to the revolutionary effects that the latest crisis generate in the "typical" Luxury consumer classification, since the HNWII panorama changed drastically in favor of people from emerging countries that are driving the luxury market without doubts. Moreover, as Bain & Company (2014) stated, middle-class clients became more conscious during luxury consumption and the richest ones started to re focusing their demand for luxury goods able to give internal pleasure (as art, food and travels) rather than "superfluous" ones (as cars, yachts and, obviously, properties).

The IMF (2014) found out that in the developed countries (as USA, Europe and Japan) the crisis has had more violent consequences than in emerging countries (as China, Brazil and Russia) and some industries were affected with greater intensity than other, as the industrial sector (especially the automotive) and real-estate over Luxury sector. Historically Luxury was driven by European and American citizens (that still play an important role thanks the their richest and traditional consumers), but for several years now its growth was led by the dynamic demand from BRICS (Brazil, Russia, India, China and

South Africa) and other emerging countries, and the recent crisis created a wider gap in their approach to luxury consumption between developed and developing countries.

The heterogeneity of consumers worldwide has been the driving motive behind the main classifications that segmented them according to multiple factors interacting in multiple ways: wealth and status needed (Han et al., 2010). All of these studies, firstly based on important distinctions both on the socio-demographic variables: generation (Danziger, 2005), social class (Alleres, 1997), and psychographic ones, through AIO (Attitude, Interests, Opinions) surveys, resulted in an exhaustive database already available. However, to keep up with the changes that continuously affected the global landscape, these parameters were not enough to explain the emerging contradictions that put a strain on the ability of businesses to understand and meet their customers, thus requiring constant updates and models to support brands., as the importance of cognitive age (Amatulli and Guido, 2011) and the type of luxury consumed (Okonkwo, 2007).

A framework made by Vigneron and Johnson (2004), captured the main determinants of the buying attitude of consumers regardless the country of origin that played a determinant role after the crisis in relation to externalized and internalized luxury strategies, and focused more on the value perceived by consumers. To debunk this theory, however, a Bain & Company's (2014) study demonstrated how the recent economic gap reflected the cultural differences and the type of luxury consumption behavior towards an inner satisfaction (mostly European and North Americans) or an outer one (referring mostly to Asia-Pacific countries).

Despite the still unknown area in which consumers behavior developed, provoking contrasts among scholars in the succession of the years, most researches have agree in the existence of a basic distinction among consumers, which allowed a categorization following two different directions: A social orientation or an individual approach. The first one is mostly searched by those who need to assert their status within the society or within

a group of belonging or aspire to belong. This approach was also chosen by countries that, after centuries of poverty and deprivation, took purchasing decisions based on conspicuousness and materialism values, in order to increase the quantity of luxury goods possessed to reach a higher degree of success (Richins and Dawson, 1992). Opposed to these category of consumers, researches focused on those that searched for other characteristics to be satisfied by luxury brands and reflected a more conscious way of buying, motivated by personal satisfaction through self-directed and hedonic pleasure (Tsai, 2005) to find internal fulfillment (Richins and Dawson, 1992).

From this basic distinction were born further and more detailed studies, deeply analyzed in the previous chapter, in order to find the key motivations behind the increasingly complexity of the consumption behavior and how a real value of luxury need to be found.

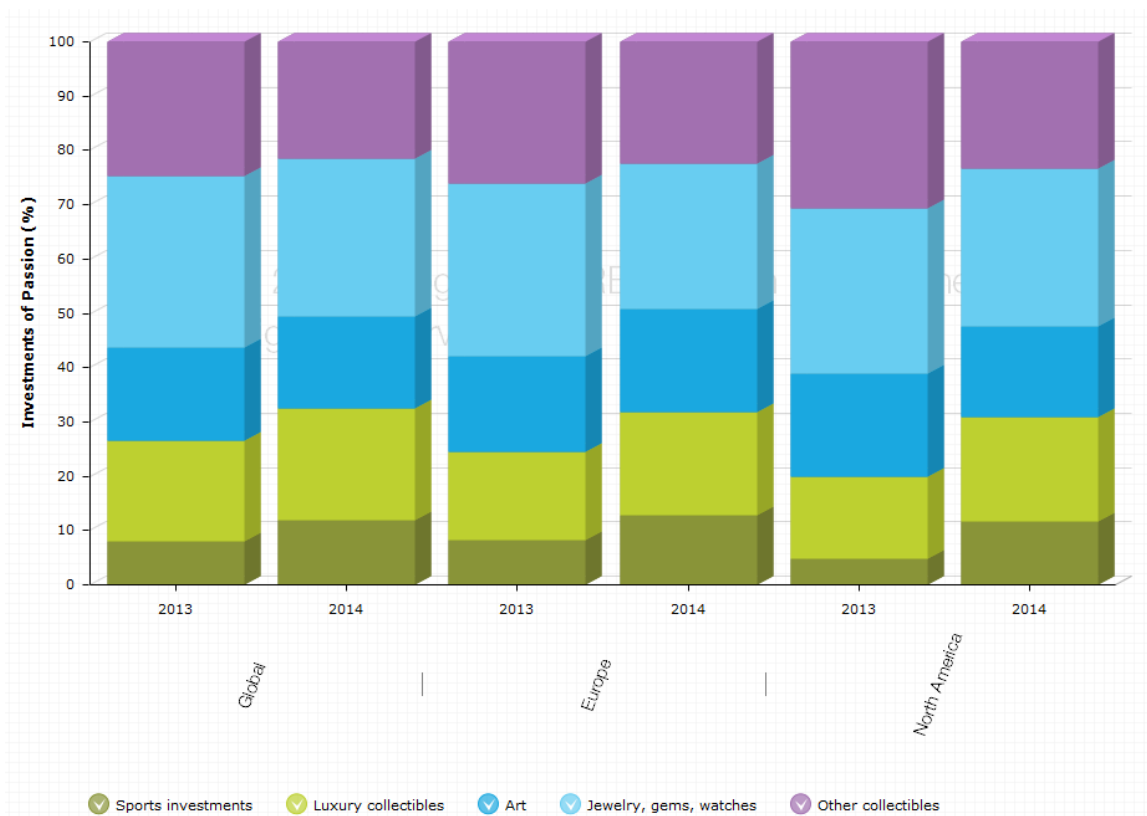
### 3.3.1. Consumers in developed countries

The luxury sector had its roots in the European continent, in particular in France and Italy, and the most spending and loyal costumers where those coming also from other developed countries as North Americans and Japanese who, due to a well establish economy, where able to spend their revenues in Luxury goods. High Net Working Individuals in these countries have experienced a drastically reduction of their purchasing power after the crisis even if from 2009, as shown in the graph, the wealth degree started to growth a little bit allowing the rise of the investments in luxury goods and the related businesses. Another leading country in the developed areas, Japan, suffered a lot after the crisis by entering in recession and dealing with the continuous fluctuations of its currency against the Euro

(Bain and company, 2014), influencing consequently all the big and small companies operating in the market, and the luxury market was not left alone.

Moreover, as is shown in Figure 2, the global investments of the developed countries, especially on Luxury areas has changed a lot from the previous year focusing more on “lifestyle” related areas such as Sports Investments (+3.9%) and Luxury collectibles (+2%) rather than in Jewelry, Gems and Watches area (-2.4%), demonstrating that, even if the luxury investments are still high in these countries, their direction is changing fast revolutionizing totally the Luxury consumptions preferences that began to be focused more on travels, food, restaurants and arts

Figure 2: shows the Investment degree on Passions among Europe, North America and the World



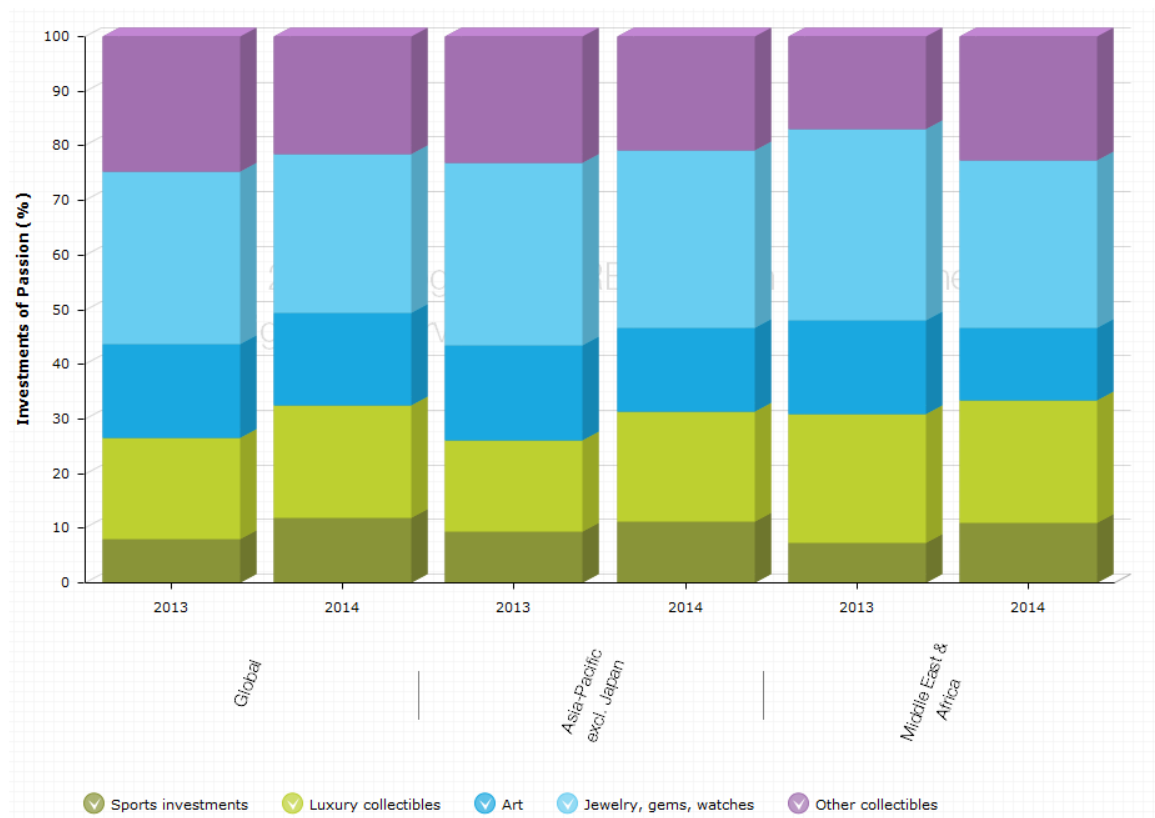
(Source: World Wealth Report 2013)

### 3.3.1. Consumers in emerging countries

As it is known, the major actors which saved the luxury sector in 2009 were the emerging countries' consumers which decided to invest their higher disposal income in goods representing prestige, reliability and modernity, characteristics mainly embodied by European luxury brands. Historically these nations have always lived in economic, political and social situations severely disadvantaged compared to those of more developed countries and after the crisis of 2007, which has devastated the giants of luxury mainly based in Europe and North America, have found a way and an opportunity to showcase their belonging to this world through an increase in demand for luxury products. Ostentation and prestige were certainly the main reasons behind the consumption behavior in emerging countries which focused more on characteristics able to show a newly and luxurious status. In fact, as it is showed in Figure 3, the Asia-Pacific Area had an increase of 3.3% from the previous years in luxury collectibles consumption, demonstrating how cars, yachts, and other kind of goods able to externalized a prestigious economic position, are still on the priority list. Analyzing deeply the table it's possible to notice how the driving force of the industry Hard Luxury, represented by jewelry, gems and watches, began to follow the Global decreasing trend, facing an investment slowdown (-1%) and underlying how some of these countries are refocusing on more internalized factors.



Figure 3: shows the Investment degree on Passions among Asia-Pacific, Middle-East and the World



(Source: World Wealth Report 2013)

### 3.4. Main contributions to existence literature

The main objective of our research was providing a selection of the most influential researches made during the years about the luxury industry evolution. Since the literature available regarding the new and influential trends affecting this market is still limited and based especially on estimations, the necessity to have an updated framework useful for brands to manage their relationships with consumers, has become urgent. In addition to the creation of a link between these unrelated analysis, the research included the contribution of three cases related to three different aspects of luxury. The analysis of Bulgari, belonging to the traditional luxury idea, could help top managers to take example

from the practical actions made by one of the most successful hard luxury brands nowadays. The case unlighted also the importance and the advantages derived from being part of a large group, seen not as a disadvantage as is commonly thought, able to protect against economic pitfalls and exploiting the synergies created by the many strategies shared, as the investments on marketing actions and the high-end reputational level. Another issue that came out clear was that the main influence of the emerging countries on the positive growth of the market, and how brands are shaping their strategies on these consumers in order to firstly increase profitability rates and then to involve a wider consumption base. In fact, touristic flows coming from the eastern part of the world, has been a constant on all the cases under analysis, proving the strong position of these countries in the market. Thus, the second case, which instead was focused on the new luxury direction towards the food industry, dealt with the importance of a clientele mainly coming from the eastern culture as the main target of the brand. Tartufi and Friends, represented a perfect example of how the definition of luxury has widening recently, including non-traditional sectors that were able to enhance the emotional involvement at the core of a new luxury perspective. Raw materials' prestige, as for jewelry and for ingredients, became one of the real values driving luxury consumption together with the desire of living unique and remarkable lifestyle experiences. The introduction of the hospitality market as part of the luxury concept enlighten further the requisites that a brand must possess in order to be qualified as luxury, and differ from the increasing number of non-luxury related trends which are putting at risk the industry. Exclusivity remained the main factor on which to invest, which could be further enhanced by the sustainable integration with the environment. Sustainability, indeed, became a new issue that influenced brands both coming from the traditional area of luxury and from the emerging ones, in the sense that people are getting more and more aware of the damages caused to the planet and, in order to contribute positively, consumption decisions have been very

conscious about this issue lately and, since luxury has always had a controversial relationship with it, the cases brought practical and real testimonials on how differently each manager reacted towards sustainability.

### **3.5. Limitations and further research**

Studies among luxury evolution issues represented a limitation themselves already from the beginning, due to the little literature available to support recent studies and also because of the continuous changing of direction. Indeed our research provided an analysis of the most accredited theories regarding the relationship between luxury brands and consumers purchasing behavior, excluding the not pertinent studies but that, however, are impacting the luxury industry more and more.

E-commerce started playing an important role (Okonkwo, 2007), not only for fast-fashion brands, but also for many luxury companies. Online and mobile channels were becoming key areas as well as offline ones (Chadha and Husband, 2006; Okonkwo, 2007, Fiske and Silverstein, 2002). Luxury companies were already trying to develop digital strategies to make their online word similar to the physical one, making customers to be able to live the same emotions, to find the same products and also a the entire collection of belonging, and the same brand values represented.

In association with this trend, recent studies have enhanced the potential of social media, especially blogs on high-end fashion consumer. As the novelty appeared, researchers were initially reluctant to accept it, and underlined the main risks of its inclusion, like jeopardize the integrity of the image with lack of coherence between online and offline channels (Okonkwo, 2009). However, recent studies showed higher investments by many luxury brands on digital marketing activities (Bjorn-Andersen and

Hansen, 2011). Moreover technological devices as Ipad or Tablet, were used more and more to enhance customer experience and to facilitate the communication not only among the company's departments, but also to the point of sales.

Even if we contributed by developing three different cases dealing with the major trends in luxury: traditional and well-established brand (Bulgari); from traditional to new luxury market (Sermoneta – Tartufi&Friends); new and unknown growing sector (Hotel Torre Salinas Mare&Natura), a limitation of the research is represented by the specificity of the studies analyzed and the subjectivity of the results obtained. However, the subjective perception remained a shared obstacle for an updated luxury definition, since the widening of the industry to so many different cultures and tradition, could not allowed an empirical solution suitable for each case. Brands would surely need to embrace a customer orientation as a determinant for all the strategies, including it first of all as a brand's culture value permeating all the departments and not only the marketing one.

### **3.6. Conclusions**

From a luxury brand perspective, the literature analyzed through our research underlines a general tendency of returning to the core values as a safe anchor. New strategies to maintain a prestigious level and quality of the products without losing profits or consumers were required Country of origin enhancement played a key role especially after globalization processes. Craftsmanship uniqueness was an efficient way to engage customers and the marketing department, by communicating experiences and not only products features, became “experiential” and “relationship” based. In this sense the contribution of the three cases, revealed the general need to implement a new thinking scheme capable to create a bridge linking the past with the future through present actions.

From consumers' management point of view, interpretation and subjectivity were the keywords of the studies related to luxury behaviors. Emotional drivers grew faster than functionalities ones and new sciences, as psychology and sociology, were needed to shed some light on the inner focus of the industry. The general agreement on the difficulties in finding objectivity features in specifically subjective fields led to new researchers strongly oriented in including in most brands' strategies consumers personal contributions as much as possible in order to understand better the target market. Adaptability skills were required to build an offer appealing both developed and emerging countries. The development of this kind of explorative research unlighted how the luxury trends generated nowadays have come mainly from a bottom-up direction which gave a boost on social stratification transformation. Globalization and democratization were two phenomena which consequences remained still ambiguous since their influences have not stopped yet, but still are evolving in ever-changing trends centered on customers purchasing orientations. Successful businesses were created directly from unskilled consumers which, indeed, were able to correctly interpret society's changes and needs through social interactions, in both online and offline channels (as social networks and social events).

Focusing on understanding a little bit more the Real meaning of luxury nowadays it's important because we can be able to predict how to make people happy by satisfying their inner and most wanted desires through specific brand management actions.

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