

## **Pursuing the Concept of Luxury**

### **A cross-country comparison and segmentation of luxury buyers' perception of luxury**

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#### **ABSTRACT**

In modern economies, luxury represents one of the most global sectors; the same brands are leaders in most of the countries where they operate, and they deliver mostly the same luxury experience. Yet no global consensus among academics allows for a definition of luxury, including what makes a product a luxury product or what makes a brand a luxury brand. The present article, therefore, reports on a novel analysis of how luxury buyers define luxury, according to its most salient attributes. The data come from 3217 luxury buyers, recruited from six countries, both Western and Asian, developed and emerging, and mature luxury markets or not. The results reveal a common core of three central attributes that is used to define luxury worldwide, though strong differences arise across countries on the more peripheral attributes of luxury. A typology of luxury buyers, in turn, suggests five definitions of luxury, each with distinct weights in the examined countries. Notably, four of them do not reflect the three core determinants of luxury revealed by the country analysis. Thus, each country's luxury profile mixes two dominant types, and these findings offer some unique theoretical and managerial implications for the luxury sector.

**Keywords:** Luxury, Fashion, Prestige, Segmentation, Categorization, Globalization, Localization.

#### **INTRODUCTION**

The luxury domain is a paradox. Economic data show that it has been growing robustly since 1995 (Bain & Co., 2016) despite temporary recessions during economic, financial, and political crises. Thus the current slowdown in China or the impacts of health crises (e.g., SARS) might imply a deceleration of sales, but consumers who postpone their purchase of unnecessary goods soon will come back. This recovery also reflects the increasing numbers of people with wealth in the world, as a consequence of global economic growth driven by emerging countries and their soaring middle classes. The emergence of these “new riches” creates worldwide desires for hedonic, premium products and services that help consumers express their good taste and enjoy a high quality of life, facilitated by international brands that represent symbols of success, achievement, and power. In Asia in particular, the cult of luxury has developed rapidly in recent years (Chadha and Husband, 2007; Rambourg, 2014; Chevalier and Lu, 2016).

Yet despite the growing visibility of luxury stores in international capital cities, airports, or the Internet, questions about what constitutes *luxury* continue to be debated. Cornell (2002, p. 47) summarizes the challenge by noting, “Luxury is particularly slippery to define.” There are as many definitions as there are researchers, and these definitions change over time. But even if the essence of luxury remains elusive, its existence is clear for consumers all around the world. Surveys by research institutes (Ipsos, 2015) consistently reveal that the pantheon of luxury brands is a small club; when asked to cite the brands that provide the best exemplars of luxury, respondents around the world tend to mention the same names: Rolex, Gucci, Louis Vuitton, Chanel, Burberry, Hermès, Ferrari, Rolls Royce. These brands thus are at the core of the luxury dream. Their names embody the desire for luxury—what some even call the cult of luxury (Cornell, 2002; Chadha and Husband, 2007). It may well be that global consumers share perceptions of luxury, even as academics keep debating its meaning. In the market, luxury is incarnated by very few brands, which have built this macroeconomic sector and thereby shaped consumers' experience of what luxury is. This view is not to deny the existence of differences across countries, yet a common perceptual core likely exists, simply because people's comprehension of luxury is shaped by the very brands that have

established their luxury presence worldwide. Considering that the brands are global, they likely have imprinted some similar vision of “what luxury is” across countries, continents, and cultures. This assertion constitutes the main hypothesis of our research.

#### **LITERATURE REVIEW: WHY SO MANY LUXURY DEFINITIONS?**

A plethora of definitions is available for the luxury concept. This should come as no surprise; luxury is a multifaceted notion. It is also part of other concepts, such as art or culture, which themselves can be approached from different angles, each creating a prism for analyzing the concept. Economists since Adam Smith, the founder of modern economics, have equated luxury with anything that is beyond necessary (Kemp, 1998), such that sparkling water qualifies as a luxury, because people need to drink but certainly not fizzy beverages. Thus, typical economic definitions of luxury center on needlessly expensive products or services, priced above their functional value (Godin, 2009; Yeoman, 2011). They highlight that most of the value of luxury goods is not functionally based. Nueno and Quelch (1998) even define luxury brands as those whose ratio of functionality to price is low. To check the time, a Swatch or a mobile phone is sufficient; buying a Rolex implies nonfunctional motives. However, such definitions apply equally well to the price of rare stamps or other collections, which typically are not perceived as luxuries.

Another angle of analysis comes from sociology and studies the dynamics of competition among groups and classes within society. For sociologists, what is missing from economic definitions (as well as from a stamp collection) is luxury’s social stratification role. As the sociologist Pierre Bourdieu (1984) notes, luxury reflects the taste of the elites; its function is to demonstrate their power and impose their taste on others in society. Baudrillard (1998) shows that as soon as the wider public starts purchasing some objects of taste, elites move to other consumption, regarded as more discriminant. This discriminatory abandonment of preferences has been validated empirically for music too (Berger and Heath, 2008)

Beyond the multitude of angles and theoretical prisms for considering a luxury, a key reason it eludes any sort of consensus definition is that most people, even researchers, do not know what would make for a good definition. According to metatheory (i.e., principles of good theorizing; Zaltman et al., 1973), a good definition of a concept clearly specifies the properties (i.e., defining characteristics) that an entity must possess to be included in the concept. Such belonging might be discrete (e.g., binary, such as even versus odd numbers) or probabilistic, with varying degrees. Most proposed definitions of luxury in marketing literature fail to meet this metatheoretical demand, in several ways. For example,

- *Too many definitions are lexical definitions.* They substitute the word luxury with another word; itself left undefined. Thus Bain & Co. (2016, p. 2) define luxury as “premium goods sold at premium prices in premium stores,” without defining “premium.” Similarly, Vigneron and Johnson (1999, p. 11) identify a luxury brand as “the highest level of prestigious brands encompassing several physical and psychological values.” But what is prestige in this case?
- *Individual definitions* also disregard the classic difference between a concept and a conception. A concept is shared. A conception is personal. Thus, there are as many conceptions as there are individuals. For some people, luxury goods are those whose consumption or possession prompts a sense of elevation in terms of social status, cultural superiority, or pleasure. But does everyone agree about luxury serving these purposes? Conceptions flourish because they promote the individual’s own interests. Notably, in luxury-producing nations, luxury companies generally join professional syndicates (e.g., Comité Colbert in France, Altagamma in Italy, Meisterkreis in Germany). Each syndicate promotes and defends its own conception of luxury: Comité Colbert uses terms such as “patrimony,” “heritage,” “*Art de Vivre*,” and “creativity,” but Altagamma uses terminology like “*bello, bono e ben fatto*” (“beautiful, good and well done”) to describe its “high range” (English translation of the Italian phrase “*alta gamma*”) goods. More broadly, whereas luxury manufacturers tend to stress history, know-how, skills, heritage, culture, or kinship with the arts, they underemphasize exclusivity, high prices, or social elitism. On the contrary, social critics and nongovernmental organizations tend to

embrace conceptions that stress the negative facets (e.g., social discrimination, conspicuousness) and ignore dimensions such as artisanship, handmade, durability, or timelessness.

*Many classic definitions combine these problems.* Bourdieu and Nice (1984) assert that “luxury is the taste of elites,” a conceptualization that combines two problems: It is both lexical (what is an elite?) and too personal (a luxury product is luxurious only if its owner perceives it as symbolic of the taste of elites).

- To evaluate the quality of any definition, we must consider its *discriminating power*. Beverland (2006) identifies six attributes of luxury wine: heritage and pedigree, stylistic consistency, quality commitment, relationships to place, a unique method of production, and downplaying commercial motives (close to art). This definition (which could be extended to other product categories) specifies the attributes that warrant the inclusion of wine in a luxury category or concept. However, this list of attributes cannot discriminate between, say, a Mouton Cadet Bordeaux wine sold for 15 € and a Mouton-Rothschild sold for 500 €. Both are Moutons, but the former is a sub-brand of the latter, launched 50 years ago to sell wine that was not good enough to be sold under the Rothschild name. Since then, Mouton Cadet has become one of France’s best-selling bottled wine brands; it is surely not a luxury product.

To ensure the discriminatory power of a definition, we need lists of both the defining attributes and appropriate levels for each attribute. In this sense, it is not just quality but the highest quality that matters. Dubois et al. (2005) come close; on the basis of a factor analysis of perceptions of luxury goods, they define luxury as a combination of six facets: high price, high quality, uniqueness, aesthetics, personal history, and superfluousness. Yet five issues indicate the limits of this classic definition:

1. It does not discriminate between luxury and antiques.
2. Most possessions are superfluous. Do we really need an iPad or Coke?
3. Superfluousness or needless is a value judgment, not a defining characteristic. It can be applied to identify an anti-luxury consumer segment. In addition, Dubois et al. (2005) measure superfluousness with two items (uselessness, non-functional), which tend to apply more appropriately to art than to luxury. For example, a Porsche is a useful, dependable, functional car, but it still is a luxury.
4. All six factors might not be necessary, such that something might still be considered a luxury even if some of the facets are not present. Is a 35 € Dior Diorific lipstick a luxury product? In absolute terms, the price is not very high, yet it is five times the price of a lipstick sold by Maybelline, a mass brand. Women who buy it consider it “a luxury” or “their own little luxury,” mostly due to the glamor and feelings of exclusivity attached to the brand name Dior, which is generally included in the worldwide luxury pantheon.
5. Finally, the definition raises concerns with regard to scarcity. A few brands—such as Romanée Conti wines (5600 bottles per year), Krug champagne, Ferrari cars (7500 per year), and Hermès Kelly bags—limit their production purposely to starve the market. But more generally, luxury has become an important economic sector, with revenues estimated above 1 trillion € (Bain & Co., 2016). Such growth is possible only by eliminating scarcity. Thus the luxury industry has moved from scarcity to virtual rarity, produced by feelings of exclusivity and uniqueness, also called “abundant rarity” (Kapferer, 2015). If physical rarity were a determinant of luxury, the luxury sector would not have boomed since 1995. The case of Louis Vuitton, the top luxury brand in the world (Interbrand, 2016), is typical: The Speedy bag, the iconic Vuitton product, is no longer rare, yet it remains a luxury product made by a luxury brand.

From a metatheoretical standpoint, luxury definitions thus must go further to specify if all defining characteristics should be present or if it is possible to skip one or two of them and still be a luxury. At what point does a product cease to be a luxury product? Recent research indicates that entry prices have a prominent role for unknown brands; they must be high for the brand to be identified as a luxury provider

(Kapferer and Laurent, 2016). But a famous brand can extend its halo of luxury over price-accessible products, such as 350 € Chanel eyewear, 180 € ties by Hermès, or the Diorific lipstick (Kapferer, 2015). Accordingly, it is not the goal of this article to propose yet another luxury definition or list of attributes. Nor do we offer a new measure; prior research already features various scales to measure the degree of luxuriousness, based on semantic analyses of qualitative interviews (Godey, 2013) or on factor analyses of consumers' perceptions (Kapferer, 1998; Vigneron and Johnson, 1999; Dubois et al., 2005). De Barnier et al. (2012) also analyze these popular scales together and find that, despite their idiosyncratic differences, the three scales converge on an elitism factor, characterized by high loadings on items such as high price and being for a minority, for few people, or for the wealthy. Beyond elitism, three other factors emerged from their analysis: superior quality; an affective dimension with sub-facets such as hedonism, refinement, and creativity; and a power dimension. Thus, we posit that elitism is the kernel of the concept of luxury: having something that others do not have. Even if many brands like to promise "accessible luxury" (a euphemism for relatively wide diffusion) and even if they constitute a feeling of luxury for their clients, they do not represent "true luxury." Elitism also is a source of growth for the luxury sector, because this notion attracts the happy few on a regular basis but appeals to the happy many on a more exceptional basis. These broader segments are willing to imitate the affluent few to enjoy, if not their idealized lifestyle, at least some of the brands they appreciate. Thus a common denominator emerges from these scales, in which luxury can be defined *as access to hedonistic, very high quality objects, experiences, and personal services, sold at a price far beyond what their functional value would command, which represent sources of a sense of privilege, taste, and refinement and produce recognition by relevant others, due to the power of the brand.*

### **ONE OR MANY LUXURIES? RESEARCH HYPOTHESES**

There is an apparent simplicity to the word luxury. In the Western hemisphere, most languages share the same linguistic root for the concept, so they refer to lusso, luxe, luxury, luxus, luksus or lyx. The word needs to be translated into Chinese though since Chinese clients represent the vast majority (31%) of buyers of personal luxury goods (Bain & Co., 2016). Here a problem arises: there are at least four different ways to convey what "luxury" is supposed to mean in Chinese. Some Chinese characters focus on the conspicuousness dimension (luxury for others), others on high quality. Thus, despite the broad universality of the word "luxury," there are nuances in its understanding. For example, several U.S. brands promote themselves as "luxury brands," yet they are based on a value chain whose purpose is to provide widely accessible products that they are willing to sell in price-discounted outlets. Some even produce specific lines for these outlets. For example, the typical bags by Coach, Tory Burch, or Michael Kors sell for less than \$1000, which is the entry price for Hermes, Dior, or Chanel bags. Both sets qualify as luxury brands, according to our definition at the end of the last section, but they express different degrees and define "very expensive" differently. This meaning is determined by choice of whom the brand targets. Luxury for the many demands an accessible price (Silverstein et al., 2003). A very elitist (typically European) vision of luxury instead would call for setting the bar very high, to prevent diffusion of the product or brand. These variations reflect deep cultural differences.

With the current research, we, therefore, seek to measure how luxury consumers themselves define luxury, worldwide. What do they consider to be the kernel of luxury? By kernel, we mean the core constituents of the concept, which weigh the most in its social representation and for categorizing an item as part of the luxury concept (e.g., Abric, 1994; Moscovici, 2001). We, in turn, propose three hypotheses, in accordance with the preceding discussions.

First, we note that for most people, meanings are learned not from some abstract learning process (mathematical, philosophical, or religious concepts) but through experience (Medin and Smith, 1984). To paraphrase Wittgenstein, we do not call an animal a bird because it is characterized by two attributes (it has a beak and wings) but because it looks like the most visible animal that everyone else calls a bird (e.g.,

sparrow, redbreast). This process is the essence of prototypicality theory (Rosch and Lloyd, 1978). We learn from the best exemplars, not from abstract dimensions. In the present case then, luxury is what so-called luxury brands do. Coco Chanel is rumored to have said, “Do not ask me what is luxury, I am luxury.” Around the world, the same luxury brands dominate stores, malls, airports, and tax-free zones, so luxury is them. The result should be a rather homogeneous consumer perception of what luxury is, across countries.

*H1: Across countries, there is a common core of attributes defining luxury, shared by consumers throughout the world.*

Second, in the theory of social representations, a structural approach states that representations are organized around a central core that grants the representations their meaning, surrounded by a periphery that mediates this core and concrete reality (e.g., Molinari and Emiliani, 1996). Nuances are predictable and attributable to cultural differences or varying levels of economic growth, which advance the maturity of the relationship to the possession of material objects. Chadha and Husband (2007) segment Asian countries according to their level of economic development, such that Japan is the most mature, in the post-Louis Vuitton era. China is just starting to access the luxury banquet; as new riches, Chinese consumers want to buy the whole store. India still features substantial poverty, such that only a small minority can buy luxury, mostly while traveling overseas.

*H2: There are also nuances across countries in the core attributes that define luxury.*

Third, the nuances and core attributes are consistently present across countries but take different weights or importance for each country’s population and their access to luxury goods. For example, almost 50 million Chinese consumers are able to buy luxury goods today, so this group clearly can be segmented in terms of their understanding of what luxury is or means.

*H3: Differences across countries in perceptions of what luxury is also reflect the presence of different segments of consumers within countries, such that each segment has its own vision.*

## **METHODOLOGY**

To address these three hypotheses, we developed a specific methodology. This research focuses on luxury buyers exclusively; ultimately, we are interested in understanding luxury consumption motives, so they are the most relevant respondents, and arguably the most knowledgeable. Accordingly, we address an issue with previous academic studies based on student samples, which actually interview people who are unlikely able to buy luxury.

Our samples came from six countries, both Asian and Western, developed and emerging: United States, Germany, France, Brazil, Japan, and China. Some countries are recognized luxury producers (France, Germany), and others are strong, mature luxury markets (The United States, followed by Japan). Domestic China is a non-mature yet important luxury markets. Considering international retailing, China is the biggest source of buyers who travel and purchase personal luxury (31%).

In all, 3217 people were interviewed (see Table 1), through online panels conducted in each country (France 533 buyers, United States 501 buyers, China 672 buyers, Brazil 538 buyers, Germany 512 buyers, and Japan 461 buyers). They were recruited on the basis of their declared purchases of five products beyond a certain price, adjusted from country to country (e.g., champagne that costs more than 45 €, versus an average price of 13.75 € in France; shoes priced above 250 €; sunglasses that cost more than 250 €) (Appendix 1).

In terms of age, 14.9% of the interviewees were 18–24 years of age, 30.2% were 25–34 years, 22.8% were 35–49 years, 19.3% were 50–65 years, and 12.8% were 65–75 years of age. Male respondents accounted for 56.5% of the sample. For the income questions, nearly half of the luxury buyers chose not to provide an answer; among those who answered 29.9% declared monthly incomes of less than 3000 €.

To interview these respondents about their views of luxury, including its core and most relevant attributes, we listed (with rotation) 14 potentially defining attributes of luxury, excerpted from prior research (see the Literature Review section). The luxury buyers selected the four characteristics that best described “luxury” in their eyes. This methodology ensured that luxury consumers, whatever their national origin, could find elements that corresponded to their own definition.

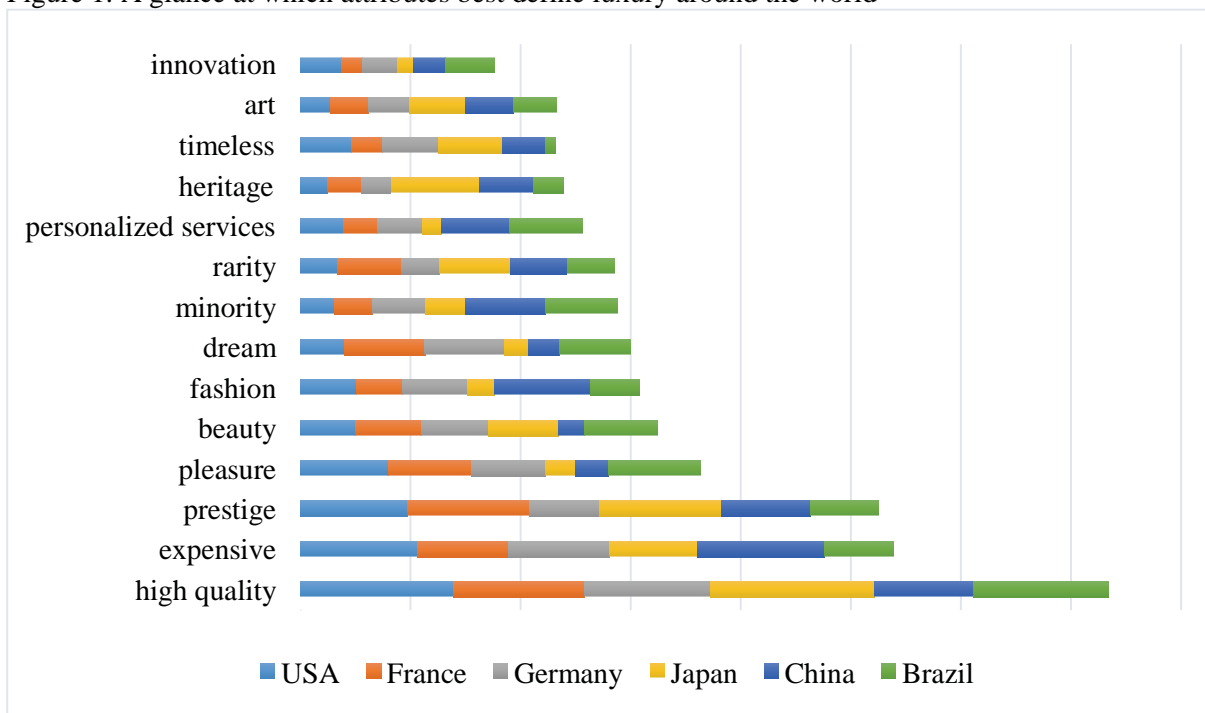
Table 1. Descriptive statistics per country: sample size

	N	%	Cumulative %
USA	501	15.6	15.6
France	533	16.6	32.2
Germany	512	15.9	48.1
Japan	461	14.3	62.4
China	672	20.9	83.3
Brazil	538	16.7	100.0
Total	3217	100.0	

### ANALYSES

The data analyses are based on the frequency with which any of the 14 proposed items are selected into the most salient set of four attributes that define luxury by the respondents. The analyses refer to the country level in the first part of this section.

Figure 1: A glance at which attributes best define luxury around the world



### **Aggregate level**

Across all respondents, the top three items defining luxury are “high quality,” “expensiveness,” and “prestige” (see Figure 1). Thus the core of luxury is clear, especially noting the substantial gap between this set of three items and the next most frequently mentioned attributes (e.g., pleasure, beauty), indicating a curve with a long tail. These findings also confirm the fundamental role of price in defining luxury and echo the results of the meta-analysis of luxury scales by De Barnier et al. (2012), which stressed the “elitism dimension.” Luxury value rests, above all else, on a promise of exclusivity. The long tail also indicates the impact of country differences on the fourth item cited, which varies widely from one country to the next. The strong position of prestige also is interesting, because it refers implicitly to the role of the brand itself. Etymologically, prestige has the same root as “impress” and “prestidigitation” (i.e., illusion, magic). A prestige brand thus “magically” carries the memory of its prestigious clients or its own prestigious moments in history.

For many luxury buyers, the fourth item involves hedonist consumption (pleasure). This attribute ranks especially highly among Brazil consumers, but also in France, the United States, and Germany. In contrast, Chinese and Japanese consumers seldom mention pleasure in their luxury definitions; what counts more is “fashion” in China and “heritage” in Japan.

### **Country level**

By reviewing each national profile (Table 2), we can identify idiosyncrasies that confirm that all countries cannot be treated completely the same when it comes to luxury. Even within continents, we find strong variations in consumers’ perceptions of luxury.

In particular, China is the only country where expensiveness is a prime defining attribute. Typically, newly rich Chinese consumers enter stores and simply ask for the most expensive product. Coming in third place in their definitions is fashion; in China, it is very much in fashion to buy luxury. The tendency to buy a few brands that are fashionable leads to “winner-take-all” successes by mega-brands such as Chanel, Louis Vuitton, and Gucci (Solca et al., 2013). In the United States, France, Germany, and Italy, we find a clearer distinction between luxury (i.e., timeless) and fashion (i.e., constantly changing), such that fashion rarely is mentioned as a defining attribute of luxury. Furthermore, Chinese luxury buyers equate luxury with “selling to a minority,” such that luxury purchases enable them to communicate their success. This trait is cited among the top four attributes by 36.31% of Chinese luxury buyers. In direct contrast, in the United States, the attribute of selling to a minority earns the lowest frequency (15.57%) of mentions, which resonates with the image of the United States as a classless, open society that is home to accessible luxury brands (Coach, Michael Kors, Tory Burch), as well as masstige brands.

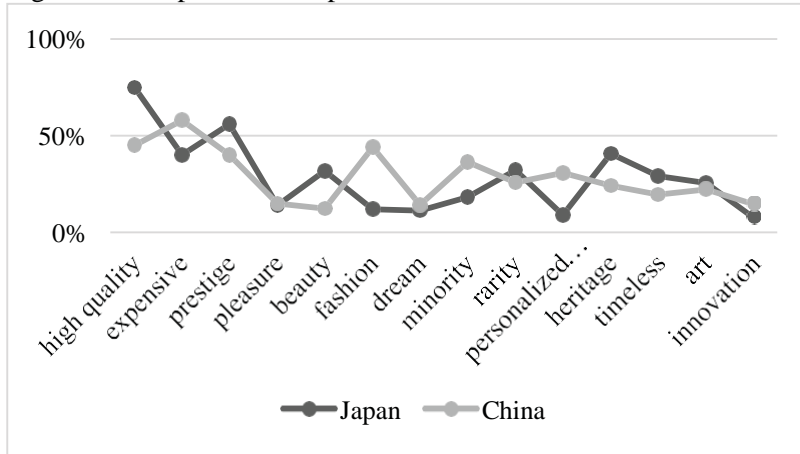
Japan ranks high quality at the highest level of all six countries (74%), far above the second item (prestige 55%). Japanese consumers’ high expectations of quality often surprise companies attempting to export to Japan. This powerful notion of quality relates closely to the work of craftspeople (Yanagi and Leach, 2013). Heritage ranks third, demonstrating that Japan makes history and respect for tradition a sine qua non condition of luxury (40.56 %), far more so than any other countries, even European ones that have a long heritage of luxury production.

Brazil, still an emerging economy and small luxury market, also ranks high quality as a first defining attribute, though at a lower level (61.15%), followed immediately by the pleasure (41%) and restricted to a minority (32.53%) attributes, as well as expensive. This focus on luxury for a minority resonates with the view of Chinese clients, who also are newly affluent. It appears typical of rapidly emerging countries.

**Comparisons**

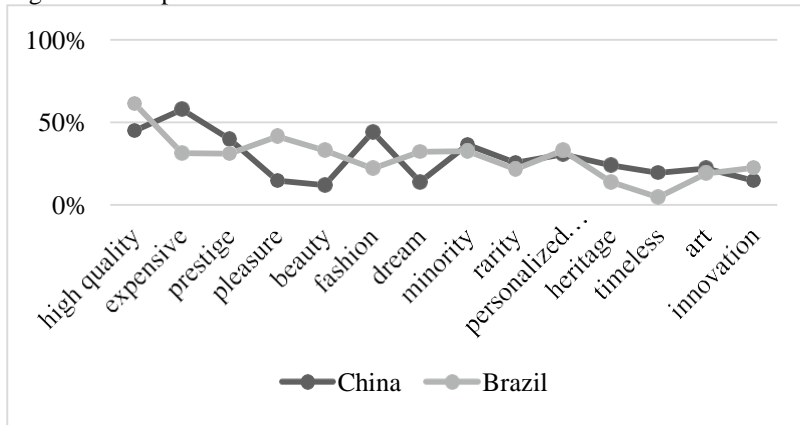
Although both are Asian nations, a comparison of China and Japan reveals the notable discrepancy between them (see Figure 2), echoing previous research results that indicate no singular or strong Asian pattern (Shukla et al., 2015). Instead, Chinese consumers appear more oriented toward a perception of fashion and exclusiveness, whereas Japanese consumers mostly highlight heritage and beauty in their perceptions of luxury.

Figure 2: Comparison of Japan and China



Another comparison, across China and Brazil as two emerging countries, shows that there is no BRIC pattern either (Figure 3). These countries differ in their luxury perceptions at the aggregate level, even though some elements linked to exclusiveness (i.e., for a minority, rarity, personalized services) are present and similar in both countries.

Figure 3: Comparison of China and Brazil





If we compare luxury buyers' perceptions of luxury across mature luxury consumption markets, we find a strong common pattern for all items measured (Figure 4), with just slight differences. For example, Japan provides a slightly lower ranking of "pleasure," whereas France assigns a higher ranking to "dream" and Japan to "heritage" (Figure 5)

Figure 4: Strong mature country pattern

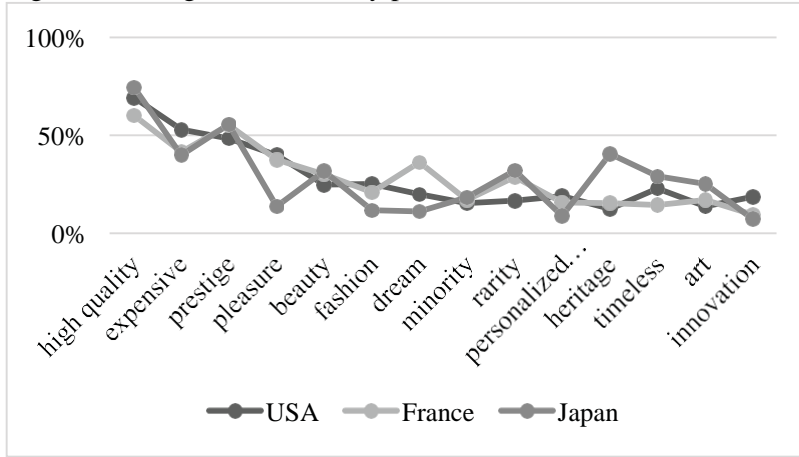
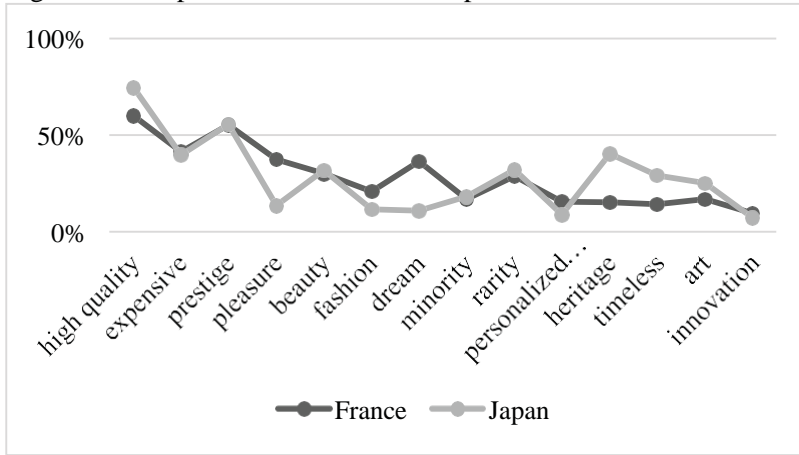


Figure 5: Comparison of France and Japan



In a deeper analysis (Figure 6), France and Germany differ on the importance granted to prestige and rarity as defining attributes: French consumers rank them significantly higher than their German counterparts. Germany's perception of luxury thus appears closer to a premium positioning. Accordingly, German automotive brands (BMW, Mercedes, Audi) generally refer to themselves not as luxury brands but rather as premium car manufacturers.

Figure 6: Comparison of France and Germany

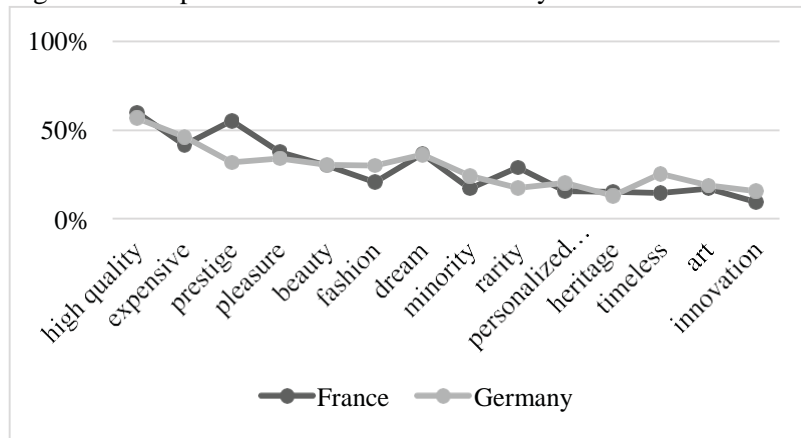


Table 2: Luxury definitions: Frequency of inclusion in the set of top four defining items, by country

	France		USA		China		Brazil		Germany		Japan		Total	
	N	% in country	N	% in country	N	% in country	N	% in country	N	% in country	N	% in country	N	%
High quality	320	60,04	347	69,26	302	44,94	329	61,15	291	56,84	344	74,62	1933	60,09
Expensive	221	41,46	265	52,89	388	57,74	169	31,41	236	46,09	184	39,91	1463	45,48
Prestige	295	55,35	243	48,5	269	40,03	167	31,04	163	31,84	257	55,75	1394	43,33
Pleasure	200	37,52	200	39,92	99	14,73	224	41,64	174	33,98	63	13,67	960	29,84
Beauty	161	30,21	124	24,75	81	12,05	178	33,09	155	30,27	146	31,67	845	26,27
Fashion	111	20,83	127	25,35	296	44,05	119	22,12	153	29,88	54	11,71	860	26,73
Dream	194	36,4	100	19,96	94	13,99	173	32,16	185	36,13	51	11,06	797	24,77
Minority	91	17,07	78	15,57	244	36,31	175	32,53	124	24,22	84	18,22	796	24,74
Rarity	154	28,89	84	16,77	172	25,6	116	21,56	90	17,58	148	32,1	764	23,75
Personalized services	84	15,76	96	19,16	206	30,65	178	33,09	104	20,31	41	8,89	709	22,04
Heritage	82	15,38	62	12,38	161	23,96	76	14,13	68	13,28	187	40,56	636	19,77
Timeless	77	14,45	115	22,95	130	19,35	25	4,65	129	25,2	134	29,07	610	18,96
Art	91	17,07	69	13,77	148	22,02	103	19,14	96	18,75	117	25,38	624	19,4
Innovation	51	9,57	94	18,76	98	14,58	120	22,3	80	15,63	34	7,38	477	14,83
N Total	533		501		672		538		512		461		3217	

### *A worldwide typology of luxury visions*

This first level of analysis, reflecting national differences, is interesting at an aggregate level to define general country profiles. But these aggregates may hide another, segmented reality, marked by critical differences in luxury perceptions, and thus, in luxury consumption patterns. For example, an assumption that 50 million Chinese luxury consumers share the same vision of luxury is clearly absurd. Various types or segments of luxury consumers must exist within each country, with unique visions of what constitutes luxury. If some of these segments appear in various countries around the world, it would be of great interest to managers who seek to target the best consumer segment and seek a better understanding of these global consumers. Therefore, in this section, we seek to develop a global typology of luxury buyers, according to their definitions of luxury, which also reveals the weight associated with each identified segment or type in each country.

In a two-step cluster analysis, we identified five clusters according to luxury buyers' perceptions of what constitutes luxury. In reviewing these five types (see Table 3), it also is interesting to consider the top four items of each type (i.e., core definition of luxury), as well as items that are never cited by members of any global segment.

We refer to TYPE 1 as *prestige first*. All the respondents in this cluster mention prestige in the top four items they use to define luxury. They emphasize high quality and expensiveness; they rarely mention art or heritage in their vision of what luxury is. This consumer type is dominant in mature countries, typical of consumers who consume luxury to obtain the brand and its logo, not as much for its history or know-how. For these luxury buyers, the brand must be powerful and conspicuous, so they can flaunt it.

TYPE 2 takes the title '*rarity for a minority*' because these buyers mention exclusive, for a minority, and rarity among the top four items defining luxury. Prestige, heritage, and innovation are not part of the most salient top 4 luxury defining attributes for these respondents. This type is particularly prevalent in China, Brazil, and Germany. For these buyers, luxury equals a closed club, available to just a few members, offering a sense of privilege and extreme personal attention.

We define TYPE 3, or *pleasure first*, in accordance with a hedonic vision of luxury. For these respondents, price (expensiveness), prestige, minority, and rarity are not issues. Especially in Brazil and Germany, these consumers embrace an inner-oriented view of luxury. They want to reward themselves, not to flaunt. In prior literature, this type has been described as "luxury driven by new values" or "new luxury" or "Generation Y luxury" (e.g., Silverstein et al., 2003).

For TYPE 4, we use the designation *fashion first*. It similarly regards luxury as being for a minority, with a very exclusive, fashion-related vision of luxury. Strangely, high quality is not mentioned as most salient part of the luxury concept (among the top 4 attributes). This type is dominant in China, where the difference between luxury and fashion is not particularly clear. Yet fashion is inherently about change, whereas luxury is intemporal, such that even if luxury brands introduce fashion items to modernize their image, their iconic products remain timeless classics.

Finally, TYPE 5, or *timeless heritage sine qua non*, adopts a vision in which luxury is, above all, the story of heritage and tradition. In this view, pleasure, dreams, and beauty are not evident in luxury buyers' definitions; this segment is common in Japan.

**Table 3: Five-cluster typology of what makes a luxury worldwide**

Clusters	Type 1: Prestige first		Type 2: For a minority		Type3: Pleasure first		Type 4: Fashion first		Type 5: Timeless first	
	N	% in cluster	N	% in cluster	N	% in cluster	N	% in cluster	N	% in cluster
High quality	707	91.46	508	82.74	390	46.32	0	0.00	328	87.47
Expensive	368	47.61	496	80.78	0	0.00	526	85.81	73	19.47
Prestige	773	100.00	0	0.00	94	11.16	355	57.91	172	45.87
Pleasure	178	23.03	183	29.80	431	51.19	139	22.68	29	7.73
Beauty	153	19.79	119	19.38	461	54.75	112	18.27	0	0.00
Fashion	132	17.08	161	26.22	284	33.73	231	37.68	52	13.87
Dream	120	15.52	143	23.29	376	44.66	150	24.47	8	2.13
Minority	139	17.98	283	46.09	75	8.91	233	38.01	66	17.60
Rarity	173	22.38	235	38.27	135	16.03	145	23.65	76	20.27
Personalized services	113	14.62	144	23.45	217	25.77	163	26.59	72	19.20
Heritage	12	1.55	5	0.81	187	22.21	121	19.74	311	82.93
Timeless	68	8.80	49	7.98	210	24.94	124	20.23	159	42.40
Art	69	8.93	91	14.82	271	32.19	103	16.80	90	24.00
Innovation	87	11.25	39	6.35	237	28.15	50	8.16	64	17.07
N	773		614		842		613		375	

*Defining the countries by their dominant luxury types*

The identification of these five luxury definitions, obtained from affluent consumers who are knowledgeable about luxury, helps us understand the country differences that we identified initially with this research. The differences reflect the dominant presence of a particular cluster of consumers in the country, as Table 4 indicates. France is typical of a traditional, very elitist view of luxury (Type 1), including respondents who define luxury in terms of prestige and high quality. But France also contains many members of Type 3, the hedonistic segment, for whom being expensive and for a minority are not important determinants of luxury. The United States indicates a similar segmentation pattern, with the same dominant segments represented, as does Japan (though with some variation). In summary, a strong presence of consumers of Types 1 and 3 appears typical of traditional countries when it comes to luxury consumption.

At the opposite end of the spectrum, Type 4 is overrepresented in China. These consumers demand high prices and fashionable brands, limited to a small group of buyers. Type 2, who view luxury as a closed and exclusive club with a limited number of members, is also well represented in China.

In what may seem like an odd similarity, Brazil and Germany share segmentation patterns, with a majority of clients who embrace a hedonistic view of luxury (Type 3). For these consumers, luxury is about putting pleasure before function. High quality can be implicit for luxury goods, unlike premium goods (e.g., cars), for which high quality and performance must be constantly affirmed. Germany is particularly attuned to premium cars, whereas moving to luxury for many German consumers means putting pleasure first.

Finally, Japan is the country with the most Type 5 consumers, focused mostly on extremely high levels of quality and heritage.

**Table 4: Country-level consumer segmentation by the five types of luxury**

Type	France		USA		China		Brazil		Germany		Japan	
	N	% in cluster	N	% in cluster	N	% in cluster	N	% in cluster	N	% in cluster	N	% in cluster
1 Prestige first	177	33.2	164	32.7	82	12.2	101	18.8	103	20.1	146	31.7
2 For a minority	78	14.6	96	19.2	140	20.8	129	24.0	122	23.8	49	10.6
3 Pleasure first	137	25.7	128	25.5	124	18.5	195	36.2	157	30.7	101	21.9
4 Fashion first	97	18.2	68	13.6	235	35.0	74	13.8	93	18.2	46	10
5 Heritage Sine qua non	44	8.3	45	9	91	13.5	39	7.2	37	7.2	119	25.8
Total	533	100	501	100	672	100	538	100	512	100	461	100

## DISCUSSION AND CONCLUSION

This study analyzes how luxury buyers themselves define luxury, across the world, in six different countries that represent traditional consumers of luxury, as well as emerging ones, both in the West and in Asia: USA, Germany, France, Japan, China, and Brazil.

The initial descriptive analysis sought to determine cross-country differences in luxury perception. We measured which four items were most cited to define luxury. The cross-country analysis revealed that the same three attributes were frequently mentioned by luxury buyers worldwide: the high quality of the products, their expensiveness, and their prestige. Not only did these items receive priority mentions, but we also found a gap between them and the next most often mentioned items. In line with social psychology literature (e.g., Abric, 1993; Parales and Quenza, 2005), these three salient elements form the central *kernel* of what luxury is for luxury buyers across the world; salience is the main determinant of the centrality of an element in a social representation. These core elements are schemas in a general sense (Anderson and Bower, 1973). The next most frequently mentioned items, as part of the luxury perception, then form a long tail and reveal the differences across countries. These more peripheral elements are also hierarchically ordered, which helps put the representation into concrete terms. For example, luxury entails hedonist consumption in Brazil (i.e., pleasure ranked highly by Brazilian customers), whereas what counts in China is a fashionable outcome and joining a closed club through luxury consumption (for a minority). Finally, Japanese buyers are highly demanding in

terms of tradition and heritage content. These more peripheral elements in social representations of luxury in various countries previously have been referred to as schemas, scripts (Schank and Abelson, 1977), or categories (Rosch, 1973). As Markus and Zajonc (1985) point out, schemas influence all stages of information processing (from encoding and organization, through inferences and retrieval) and thus have a decisive influence on behavior.

Beyond this initial level of analysis, we undertook a segmentation study which revealed a typology of luxury buyers, according to their definitions of luxury. A cluster analysis, with 3217 respondents across six countries, revealed the following clusters:

1. Prestige first
2. For a minority
3. Pleasure first
4. Fashion first
5. Timeless heritage sine qua non

Each type, characterized by its own luxury perception, is present in all six countries, but at widely varying rates. Notably, with the exception of Type 1, none of these types or clusters feature the top three items that define luxury across all countries. For example, Type 2 never mentions prestige as one of their top four defining attributes, and both expensiveness and prestige are virtually absent from Type 3 customers' most salient attributes. Type 4 does not consider high quality relevant for defining luxury goods (at least in the top four items), and expensiveness is not really present in Type 5 customers' definitions.

The combination of the cluster analysis with the country analysis thus confirms some initial insights. We find a strong, common representativeness of Types 1 (prestige first) and 3 (pleasure first) in traditional luxury consumption settings (United States, France, Japan, and Germany). Type 2 luxury buyers (a rarity for a minority) are prevalent in China and Brazil, as well as Germany. Furthermore, Type 4 (fashion first) is strongly represented in China, Type 5 (timeless heritage sine qua non) in Japan and Type 3 (pleasure first) in Brazil.

These results offer several noteworthy and actionable implications for practice. As psychology research suggests, differences in the social representation of what luxury is across countries can strongly influence their luxury buying behavior. In other words, high quality, expensiveness, and prestige may form a kernel for defining luxury across the world, but brand managers must address the differentiated attributes that are more likely to influence the choices of particular segments of luxury buyers. Our worldwide segmentation of luxury buyers reveals that these kernel attributes are not always present for all types; other items, such as pleasure, for a minority, and heritage can offer more power for defining segments and thereby influence luxury customers' buying decisions and brand choices. Finally, this study shows how much country analysis (average luxury profile per country) can be misleading. These profiles per country are aggregates of underlying very distinct visions of luxury.

This study also contains several limitations that suggest directions for further research. First, six distinct countries are represented in this study, but some variations in perceptions of luxury

might arise in other countries that are not considered herein, which might add to the complexity of the proposed segmentation. Second, the idea of dynamic representations enjoys wide currency in psychology. Theoretical models increasingly emphasize the generational character of representations, for example (e.g., Churchland and Sejnowski, 1992). Thus, intriguing conclusions might be reached by looking more closely at the demographic characteristics of our respondents, especially Generation Y, which represents the next source of growth in the luxury sector, as the first wave of Baby Boomers continue to age and retire.

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## APPENDIX 1

### Filtering question: Prices

	Wines and spirits (Champagne)	Beauty (Lipstick)	RTW (Jacket)	Shoes	Eyewear
France	100 €	35 €	400 €	350 €	350 €
Germany	100 €	35 €	400 €	350 €	350 €
United States	134 USD	47 USD	534 USD	467 USD	467 USD
Japan	13200 yen	4600 yen	53000 yen	46200 yen	46200 yen
China	820 yuan	290 yuan	3270 yuan	2860 yuan	2860 yuan
Brazil	300 BRL	105 BRL	1200 BRL	1050 BRL	1050 BRL

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Jean-Noël Kapferer is a world renowned authority on luxury, Ph.D. Kellogg Business School (USA), HEC Paris Emeritus Professor. He conducts his research at INSEEC on the mutations of luxury and luxury brand management. His articles are widely published in international journals. He is the co-author of the reference book « The Luxury Strategy: Break the rules of marketing to build luxury brands », author of « How luxury brands can grow yet remain rare », co-editor of « Advances in Luxury Brand Management » and honorary editor of the Luxury Research Journal. He leads executive seminars on the challenges impacting luxury, all around the world (USA, China, Korea, Europe). J-N Kapferer enjoys traveling, skiing, and windsurfing.

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