

Current Issues in Luxury Brand Research

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ABSTRACT

A substantial body of knowledge addresses luxury branding. The fundamental notions of luxury marketing still lack conceptual unity because of the literature's broad, generic nature. This paper discusses four central issues in luxury brand research. The four issues are the need for luxury brand research to 1) more precisely define luxury levels; 2) more specifically define luxury dimensions; 3) study luxury services independently from goods, and 4) more precisely address luxury consumer behavior. This paper strives to raise awareness of these four central issues and stimulate discussion among luxury researchers, both academics, and practitioners.

Keywords: Luxury, Marketing, Brand, Management, Research.

INTRODUCTION

Luxury is a global cultural phenomenon (Silverstein, Fiske et al. 2008). It provides consumers with both pleasure and prestige, and firms with handsome profits. Luxury is now salient across product categories and price ranges (Müller-Stewens and Berghaus 2014). Its prevalence has grown significantly over the past three decades. From a 1985 value of about \$20 billion (Okonkwo 2009), the total luxury market is now worth around \$1.6 trillion (BCG 2016). The luxury sector is thriving, despite global economic crises (Chandon, Laurent et al. 2016). This growth generated increasing academic interest in luxury marketing.

Over the last three decades, a substantial body of knowledge emerged. Luxury branding is now a research area in its own right, an important field within marketing (Okonkwo 2009). However, theory and empirical results remain difficult to reconcile given the literature's broad, generic nature. The fundamental concepts still lack conceptual unity and therefore require further refinement (Ciornea, Pop et al. 2012, Müller-Stewens and Berghaus 2014).

The authors suggest that four fundamental issues in luxury brand research require clarification. These are the need to 1) more precisely define luxury levels; 2) more specifically define luxury dimensions; 3) study luxury services independently from goods, and 4) more precisely address luxury consumer behavior. These four issues warrant discussion as they constitute important foundations for subsequent luxury research. Furthermore, the four issues are interrelated, and often influencing one another. This paper's goal is to raise awareness of these four central issues and stimulate discussion about the issues among luxury researchers, both academics, and practitioners.

LEVELS OF LUXURY

The need to specifically define luxury levels is often largely ignored in academic literature. Consumers, practitioners, and academics generally understand what luxury is, however, the notion is poorly defined. (Kapferer and Bastien 2012). The problem with this cultural imprecision is that luxury is one of the most overused terms in marketing. The overuse of the term stems from the massification of luxury or elite brands extending down-market to more accessible price points and categories. The overuse also results from mass brands going up-market, imbuing their offerings with luxury's cachet (Silverstein, Fiske et al. 2008).

Berry (1994) thoroughly discusses the notion, historical development and ramifications of luxury. Briefly, luxury products generally refer to non-essential albeit highly-desirable goods and services. These are of great quality in terms of design, materials, and manufacture. This quality may derive from a region's excellence within a product category, e.g. Bordeaux wines. Quality may also stem from a heritage of craftsmanship, going back to an iconic founder, e.g. trunk maker Louis Vuitton. Luxury products are not mass-produced but ideally hand-crafted. Thus they possess a certain uniqueness. Because of the above, and limited production runs, luxury products are necessarily expensive. They are also difficult to obtain, subject to limited and selective distribution (Nueno and Quelch 1998). The value of luxury products derives not only from the intrinsic but in many cases their symbolic nature. Part of luxury products' great appeal is that they endow users with strong personal (hedonic/ego) and social (uniqueness/status) value (Kastanakis and Balabanis 2012).

Luxury is often considered a clear-cut concept (Mortelmans 2014). However, luxuriousness is not a discrete quality. It is often a matter of degree. Products and brands actually span a continuum from very luxurious to hardly at all (Dubois and Laurent 1995, Müller-Stewens and Berghaus 2014). Alleres (2000) suggests a three-tier, price-based luxury hierarchy: *Accessible luxury*, available to middle classes; *intermediate luxury*, within reach of upper-middle classes; and *inaccessible luxury*, reserved for wealthy elites. These tiers roughly correspond to the *absolute luxury*, *premium*, and *masstige* (mass-prestige) classifications. Rambourg (2014) is more specific suggesting a seven-tier hierarchy. It starts with luxury products consumed *everyday* (< \$100, e.g. designer fragrances), progressing through successively expensive tiers: *affordable* (< \$300, e.g. designer eyewear); *accessible* (< \$1,500, e.g. designer accessories and apparel); *premium* (< \$5,000, top well-known brands); *super-premium* (< \$50,000, top less-known brands); *ultra-high-end* (> \$50,000, top obscure specialty brands); and *bespoke* (no price limit, where even the wildest dreams come true).

Each of the above luxury tiers has its own products, brands, and clientele. They thus each have their own strategies and marketing mix policies. To illustrate, *absolute luxury* tends to be product-based. It relies less on brands. Though *accessible* and *intermediate luxury* are very much brand-based Alleres (2000). Furthermore, *absolute luxury* pursues rarity. It thus requires limited distribution. Though *accessible* and *intermediate luxury* very much depends on widespread availability (Kapferer 2015). However, and despite these important differences, the marketing literature tends to use *luxury* generically, in reference to its various tiers (Chandon, Laurent et al. 2016). This generalization is problematic. It produces confusion as to what exactly is being meant: Diverging notions steer down incorrect paths (Gabbott and Jevons 2009). They hinder marketing education, research, and practice; the accumulation of coherent bodies of knowledge; essentially fields' development as sciences (Churchill 1979). It is thus paramount that authors specify the levels of luxury discussed within their research. This also implies better matching subjects/stimuli with the luxury levels studied. Results, conclusions, and theory otherwise become distorted, as they often are. Marketing should therefore no longer strive for a general theory of luxury, see (Cristini, Kauppinen-Räsänen et al. 2017). Given luxury's nuances, marketing should instead develop a theory for luxury's different tiers. Luxury marketing is sufficiently developed to transcend generalities and become more specific in its knowledge.

NATURE OF LUXURY

A second issue, already garnering interest though still requiring resolution, is the need to more specifically define luxury brand dimensions. The academic community largely agrees that luxury is a multidimensional construct. It also agrees as to luxury's general components, e.g. high *Quality*, *Price*, and *Exclusivity*. Dimensions like these indeed provide insights. However, their broad and ambiguous nature limits conceptual and empirical precision. This further restricts field's scientific development (Conejo, Parthasarathy et al. 2015). One alternative is for luxury research to pursue more specific dimensions. These are already being obtained. Among others, Tidwell and Dubois (1996) suggest *Genuineness*; Dubois, Laurent et al. (2001) *Heritage*; and Heine and Phan (2011) *Extraordinariness* as possible luxury

dimensions. Another option, building on efforts underway in personality research, is to start breaking down luxury's general dimensions into more specific facets/sub-dimensions. For instance, the above *Quality* dimension might be broken down into more specific facets such as *Design, Components, Manufacture, Presentation* and *Performance*, among others.

More comprehensive and specific taxonomies would not only enhance marketing's understanding of luxury brands. They would also serve as important foundations for empirical research. Identifying more specific luxury brand dimensions is also key for practitioners. Technology, globalization, and competition are making luxury brand management ever more complex (BCG 2014). Success in the sector depends on refining aging frameworks which only partially explain current realities (ECCIA 2012). An updated taxonomy would contribute towards more effective marketing programs. Specifically, towards better understanding competitive landscapes within and across categories; segmenting markets and identifying richer, more specific consumer clusters; and developing superior products and brands, with clearer positionings (Müller-Stewens and Berghaus 2014).

Since the 1990s numerous efforts addressed luxury brands' taxonomy, e.g. Dubois and Laurent (1994); Tidwell and Dubois (1996); Deeter-Schmelz, Moore et al. (2000); Vickers and Renand (2003); Nyeck and Roux (2003); Husic and Cicic (2009); Wiedmann, Hennigs et al. (2009); Teimourpour, Heidarzadeh Hanzaee et al. (2013); or Walley, Custance et al. (2013), among others. Each has its merits and limitations. Though it is Vigneron and Johnson's (2004) Brand Luxury Index (BLI) which has become the preeminent taxonomy to date. It is by far the most widely-cited, currently referenced an impressive 891 times, its citations increasing monthly (GoogleScholar 2017). Briefly, the BLI empirically extends said authors' (1999) theoretical prestige framework. Via multiple Australian student samples, they attain a five-dimensional luxury brand taxonomy: *Quality* refers to superior intrinsic nature; *Hedonism* to emotional and sensual benefits; *Extended-Self* to individual and social identity; *Conspicuousness* to social status displays; and *Uniqueness* to exclusivity and rarity. Vigneron and Johnson (2004) report a rigorous methodology and valid, reliable results. Two latter studies approximate the BLI's five-factor structure supporting its robustness: Vigneron (2006) with an Australian non-student sample, and more recently De Barnier, Falcy et al. (2012) in a French context.

However, a growing body of studies suggests instability with this framework. Vigneron (2006) was unable to replicate his own BLI structure with a New Zealand non-student sample. He attributes discrepant results to cross-cultural differences. Other researchers have also been unsuccessful in replicating the BLI's five-factors. E.g., Christodoulides, Michaelidou et al. (2009) using a Taiwanese consumer sample; Stegemann, Denize et al. (2011) using an Australian student sample, just like the original study; Kaufmann, Vrontis et al. (2012) using a Russian consumer sample; Strehlau and Freire (2013) using a Brazilian consumer sample; Doss and Robinson (2013) using a US student sample; and Kim and Johnson (2015) using a US consumer sample. The common themes are discrepant item loadings and/or strong cross-loadings. These suggest an inconclusive dimensional structure. As Christodoulides, Michaelidou et al. (2009) conclude, the BLI is a very good start, though much remains to be done in the field of luxury brand taxonomy. More specific dimensions are still needed to better understand the unique nature of luxury brands.

Cross-cultural differences certainly impact how well the BLI, or any other luxury taxonomy might be replicated. Yet more fundamental is the nature of research subjects used. Luxury brand research, not only taxonomical but in general, frequently uses undergraduate student samples from which broad generalizations are then drawn. Student samples might be adequate for research on accessible luxury products. However, students otherwise lack maturity, life experience, and independence. They are grossly inadequate to gauge adult behaviors (Cunningham, Anderson et al. 1974, James and Sonner 2001). Student samples become particularly problematic for luxury research. Their limited discretionary income, hence the lack of actual luxury consumption experience, thwarts the representativeness and stability of results. The

development of more conclusive results, both taxonomical and more generally, are a function of luxury brand research using more representative subjects, i.e. actual luxury consumers.

LUXURY SERVICES

A third issue, largely ignored by the literature, is the need to pursue luxury services as an independent area of inquiry. Services are increasingly important within the world economy (Eberle, Sperandio Milan et al. 2016). Luxury ones, in particular, are undergoing rapid expansion (Chang and Ko 2017). Sales of personal goods, the luxury sector's core, experienced modest growth over the past several years. Though out-of-home luxury experiences, which include hospitality, cruises and fine dining, are growing much faster, at about 10% annually. Luxury services are thus on the verge of matching, even surpassing, personal luxury goods in terms of importance (Bain 2016).

Behind the growth in luxury services are the pursuit of luxury lifestyles. As luxury consumers mature, they enter a post-materialist phase emphasizing experiences over objects (Bendell and Kleanthous 2007). This represents a fundamental market shift; experiences projected to account for two-thirds of the total luxury sector by 2022 (BCG 2016). This trend is already becoming mainstream. E.g. Groupon's (2016) ad mocks old luxury, distinguishing the *Haves* from the *Have-Dones*. The trend is particularly pronounced among Millennials (BCG 2016). This reinforces the need for more specific luxury consumer research. A consequence of this experiential trend is luxury marketers needing to better address co-creation, see Vargo and Lusch (2004). Consumers and other stakeholders are active participants in brands' value creation process (Conejo and Wooliscroft 2015). Especially of luxury brands, whose value is to a large degree personally/socially constructed (Tynan, McKechnie et al. 2010, Kim and Kwon 2017).

The marketing literature often mentions luxury services. However, theory rarely addresses them independently (Chang and Ko 2017). Research largely neglects the fundamental differences between luxury goods and services (Yang and Mattila 2017). Luxury services are instead generically lumped together with luxury goods. This assumes that goods and services constitute similar product types (which they do not.) Alternatively, luxury services are perceived as ancillary components of the (supposedly) more important luxury goods. This is evidenced by frequent mentions of in-store purchase experiences, e.g. Fionda and Moore (2009). At best, the luxury literature defers to general service management principles (Gurzki and Woisetschläger 2017). E.g., Kim, Park et al. (2016) use a variant of Parasuraman's et al.'s 1988 SERVQUAL scale to evaluate a luxury retail context. This assumes that luxury and conventional services are similar. Though more than likely they are not. Luxury brand management is not only unique. It often goes against conventional brand management cannons (Kapferer and Bastien 2012). We would argue that given their unique nature, luxury services need to be acknowledged in their own right. They must be studied independently from physical goods. Researchers need to separately evaluate the nature and contribution of both ancillary services enhancing luxury products, as well as those of standalone services.

In this regard, two main areas deserve looking into: luxury service *levels* and luxury service *aspects*. The literature suggests that service quality generally refers to the degree to which services satisfy customer desires. Service quality is thus consumer-centric and subjective. It is contingent on how service performance is perceived in relation to expectations (Parasuraman, Zeithaml et al. 1988, Grönroos 2007, Zeithaml, Bitner et al. 2012). The luxury literature is unequivocal in that luxury service levels should be superior. Though what exactly does this mean? How do luxury services differ in terms of expectations from conventional services? At what level of performance does service delivery actually become luxurious? How tight are luxury service tolerance zones? These and other important service level questions remain to be answered.

Also key are the aspects which make services luxurious vis-à-vis their mundane counterparts. Superior service quality is attained by providing benefits that exceed customer expectations (Oliver 2014). But again, there is little clarity as to what this exactly means. Luxury service aspects, i.e. dimensions, needed to truly

impress customers are just starting to be explored. Chang and Ko (2017) hint towards four general luxury quality dimensions: *Functional*, referring to benefits; *Financial*, to price; *Hedonic*, to enjoyment; and *Social Image*, to service user perceptions by others. Again, broad dimensions like these are a good start. Though more specific dimensions are needed to truly understand the unique nature of luxury services. E.g., the above *Functional* dimension might be broken down into more specific service facets such as *Convenience*, *Uniqueness*, *Safety*, *Performance*, *Personalization*, *Responsiveness* and *Privacy*, among others.

Anderson and colleagues (1994, 2000) suggest that high service quality leads to customer satisfaction; to retention, repeat purchase and loyalty; and ultimately to increased revenues and profitability. The luxury landscape is ever-more complex and competitive (Bain 2016). It thus becomes paramount that organizations understand the levels and aspects luxury service quality. This would allow them to better meet, and ideally exceed, customer expectations. Understanding service quality is particularly important in the luxury sector it being a niche market. It consists of few, albeit highly-discerning and thus demanding consumers. Also given luxury's dependence on repeat patronage and word of mouth, both of which encouraged through superior service delivery. Developed properly, service quality may become a source of competitive advantage, even a strategic posture (Eberle, Sperandio Milan et al. 2016).

LUXURY CONSUMER BEHAVIOR

A fourth and final issue, also garnering interest though still requiring improvement, is the need to more precisely understand luxury consumer behavior. For millennia luxury consumption was restricted to small, homogenous elites. However, luxury is increasingly available to the masses (Dubois and Laurent 1995). The latter are also more mature, sophisticated and demanding. Luxury consumption is thus more diverse, fragmented and complex. This makes it more important than ever before to understand luxury consumption behaviors (Chandon, Laurent et al. 2016). It is, therefore, essential to more precisely define *who* the different luxury consumers are; and *what, how*, but above all *why* they consume luxury.

Han, Nunes et al. (2010) identify four broad luxury consumer clusters: *Patricians*, characterized by old money/ inconspicuousness; *Parvenus*, by new money/conspicuousness; *Poseurs*, by some money/conspicuousness; and *Proletarians*, by little money/inconspicuousness. Ciornea, Pop et al. (2012) identify four other clusters: *Excursionists*, rarely experiencing luxury; *Materialists*, focusing on visible goods; *Hedonists*, pampering themselves through services; and *Adventurers*, high consumers of both goods and services. The above efforts constitute a good start. Though more specific insights are needed to properly understand luxury consumption (Heine, Phan et al. 2014). In this regard a couple of efforts are noteworthy. Roux, Tafani et al. (2017) address differences in luxury consumption contrasting different genders' values; while (Schade, Hegner et al. 2016) contrasting different age group's attitudes. Luxury research thus needs to become more specific along a variety of geographic, demographic, psychographic, and behavioral characteristics.

Premium and *masstige* consumers are relatively accessible for research. Consumption behaviors with respect to these levels of luxury are thus already being addressed. However, little is known about the characteristics and motivations of luxury's wealthiest consumers. This has to do with the nature of these consumers. These tend to be difficult to identify and access given their busy schedules and penchant for privacy, among others. Nonetheless, understanding elite luxury consumption remains critically important. The world has more millionaires, thus high-end luxury consumers than ever before (Forbes 2015a). In the US alone, the number of millionaires is projected to increase by about 1,700 *per day* over the next several years (Fortune 2016). This growth over-indexes among upper wealth tiers (Frank 2016). Understanding elite consumption is also important as its behaviors eventually trickle down the luxury spectrum. This allows marketers to anticipate future trends in within premium, masstige, and even mass markets. To illustrate, and despite its high price, Louis Vuitton is already considered a brand for secretaries. Elite consumers are already shifting to more obscure and less accessible brands (Willett 2015). There are

noteworthy pioneering efforts to understand high-luxury consumption, e.g. Heine and Phan (2011). However, much remains to be learned.

A number of luxury consumption trends, originating within the elites, are also worth looking into. A first one, product of growing social informality (Miształ 2002), is luxury's shift towards the casual. Hard luxury categories such as watches and jewelry are declining. Though casual luxury, e.g. denim, sneakers and down jackets, has become a thriving multi-billion dollar sector (Bain 2016). This shift follows mature luxury markets, elite consumers, in particular, having an advanced sensibility towards high-end consumption (Kapferer 2015). It also follows a shift in values among higher economic strata from the ostentatious to the understated yet highly-refined (Brooks 2004). However, the new-rich lack this connoisseurship. Eager to impress and/or fit in they still use luxury conspicuously. They base purchases largely on high price, brand popularity and brand visibility (Han, Nunes et al. 2010). One thus sees an interesting psychographic fragmentation within top luxury segments. This again underscores the need for more precise consumer behavior research.

Another trend worth noting is cross-border luxury consumption. Luxury purchases not only result in the acquisition of exceptional products. Also in attaining the heritage of products' country/region of origin (Hedley 2007). This has led to the emergence of a luxury tourism sector. A large and growing portion of global luxury sales may now be traced to international visitors (Bain 2016). Asians, particularly Chinese, now seek to enhance their luxury experience by purchasing products at their source. This provides a sense of pilgrimage. Also, much higher social distinction as opposed to buying an import locally (Rambourg 2014). Several considerations derive from this luxury tourism phenomenon. These likely impact more traditional luxury consumption. Two increasingly important ones are the issues of authenticity (Cheah, Zainol et al. 2016) and country-of-origin (Godey, Pederzoli et al. 2012). Also, firms' strategic focus on culturally-laden flagship products (Florek and Conejo 2007), and luxury tourism's macro effects on place branding. These and other consumer behavior trends remain to be investigated.

CONCLUSION

Gladwell (2004) reminds us that the scientific pursuit of single universals has become passé. Instead, scientific fields now seek to understand variability, addressing phenomena's different types. Furthermore, before progressing towards higher-level research, addressing phenomena's various antecedents, moderators and consequences, it is imperative that fields have clearly-defined fundamental notions (Kuhn 1962).

Over the last three decades, a substantial body of knowledge has emerged on luxury branding. However, empirical results and theory remain difficult to reconcile given the field's broad, generic nature. Particularly in regards to fundamental luxury branding notions which lack theoretical unity (Müller-Stewens and Berghaus 2014). Marketers are thus encouraged to no longer approach luxury brands generically. They should instead seek to understand luxury brands' different nuances, of which there are many (Kemp 1998). With this in mind, the authors invite marketers to revisit the fundamentals of luxury branding; to consider the different levels, dimensions, products, and consumers of luxury brands. Luxury brand research is sufficiently developed to transcend generalities and start becoming specific in its knowledge.

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