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Luxury Marketing

A Challenge
for Theory and Practice

 Springer Gabler

Luxury Marketing

Klaus-Peter Wiedmann • Nadine Hennigs (Eds.)

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Foreword

In view of the dynamic growth in the luxury market and the availability of luxury goods to a wider range of consumers, the luxury market has transformed from its traditional conspicuous consumption model to a new experiential luxury sensibility that is marked by a change in how consumers define luxury. In a global context, it is crucial for luxury researchers and marketers to understand why consumers buy luxury, what they believe luxury is, and how their perception of luxury value impacts their buying behavior.

To encourage future research, we are convinced that it is not sufficient to prepare papers for conferences or subsequently for scientific journals. Contributions to the field of luxury marketing also require a platform in the form of a comprehensive book that addresses relevant topics and contributions for a broader range of people from academia and industry. A wider perspective on the field of luxury marketing is useful for both academics and practitioners who wish to better understand consumer behavior; such a perspective might also serve as a basis for successfully creating, marketing and monitoring luxury brands or products in a constantly shifting global economy. This handbook aims to provide a holistic approach to luxury marketing with respect to the characteristics and the key challenges and opportunities of luxury brand management. Therefore, the multifaceted contributions by authors from different parts of the world will offer both a research and management perspective of luxury marketing and deliver a concentrated body of knowledge with contributions from diverse elements. In this way, the book represents a valuable tool for academics in their research and for marketing managers seeking to understand and leverage the potential of luxury brands. Researchers in various disciplines will find the latest research on luxury marketing, which will aid them in their own research endeavors. Additionally, the individual chapters will provide valuable insights to marketing managers working to successfully address the opportunities and challenges in luxury brand management.

To implement the idea of a handbook on luxury marketing, at least two important preconditions are necessary: first, colleagues who are willing and able to contribute, and second, a publisher who is willing to print and distribute such a project. Regarding both prerequisites, we have been extremely fortunate. First, we would like to thank all of the authors of this book for their excellent contributions. We are truly honored to collaborate with such outstanding experts in luxury marketing. Moreover, we wish to thank Barbara Roscher and Jutta Hinrichsen from Springer Gabler Publishing for their support and their great efforts in the publication process. We sincerely thank Christiane Klarmann for her invaluable assistance in all stages of the development of this book. Lastly, we are grateful for the support of Katharina Hotze and Levke Albertsen, who provided their valuable skills and the utmost attention to detail in the final editing of the various chapters.

In closing, given that for us the realization of this handbook was a truly luxurious experience, we hope that all of our readers will enjoy a sense of luxury as well!

Hannover, May 2012

Klaus-Peter Wiedmann, Nadine Hennigs

Inhaltsverzeichnis

Foreword	V
The Authors	IX
Part 1 Luxury Marketing as a Challenge for Marketing Theory and Practice.....	1
1 Placing Luxury Marketing on the Research Agenda Not Only for the Sake of Luxury – An Introduction	3
<i>Klaus-Peter Wiedmann, Nadine Hennigs</i>	
2 More on Luxury Anti-Laws of Marketing.....	19
<i>Vincent Bastien, Jean-Noël Kapferer</i>	
Part 2 Luxury and Luxury Consumption: A Global Phenomenon or Dependent on Cultural Differences?	35
3 Culture and Luxury: An Analysis of Luxury Perceptions across Frontiers.....	37
<i>Virginie De Barnier, Pierre Valette-Florence</i>	
4 An Intercultural Comparison of the Perception of Luxury by Young Consumers ...	57
<i>Bruno Godey, Daniele Pederzoli, Gaetano Aiello, Raffaele Donvito, Klaus-Peter Wiedmann, Nadine Hennigs</i>	
5 Consumer Value Perception of Luxury Goods: A Cross-Cultural and Cross-Industry Comparison	77
<i>Nadine Hennigs, Klaus-Peter Wiedmann, Christiane Klarmann</i>	
Part 3 Luxury and Luxury Consumption from a Theoretical Perspective	101
6 Luxury Brands from a Psychoanalytic Perspective.....	103
<i>Taro Koyama</i>	
7 Indulging the Self Positive Consequences of Luxury Consumption	119
<i>Liselot Hudders, Mario Pandelaere</i>	
8 How Do Exclusivity Perceptions of Independent and Interdependent Consumers Influence Their Desires for Luxury Products.....	139
<i>Hyunjoo Oh</i>	
Part 4 Different Approaches to Understanding Luxury and Luxury Brands from the Customer’s Perspective within Specific Cultural Contexts.....	155
9 Luxury Buying Behaviour and the Role of Culture: An Indian Context.....	157
<i>Kartik Dave, Garima Dhamija</i>	
10 Perceptions, Attitudes and Luxury Brands	169
<i>Nicole Stegemann, Sara Denize, Kenneth E. Miller</i>	

Part 5	Luxury and Luxury Consumption in the Context of Societal Change	185
11	Luxury Marketing in the Age of Cheap: Cheap: An Exploratory Survey on Consumer Behavior in Online Shopping Clubs	187
	<i>Wolfgang Fritz, Wencke Gülow</i>	
12	Luxury Brands in the Digital Age – the Trust Factor	207
	<i>Meng-Shan Wu, Cheng-Hao Chen, Isabella Chaney</i>	
Part 6	Counterfeits Challenging the Luxury Industry, Consumers and Society	221
13	Luxury Goods vs. Counterfeits: An Intercultural Study	223
	<i>Udo Wagner, Seung-Hee Lee, Sabine Kleinsasser, Jutatip Jamsawang</i>	
14	Brazil: Luxury and Counterfeits	245
	<i>Suzane Strehlau</i>	
15	Luxury Longing and Counterfeit Complicity: A Consumer Typology based on the Perception of Luxury Value and Counterfeit Risk	261
	<i>Christiane Klarmann, Klaus-Peter Wiedmann, Nadine Hennigs</i>	
16	What is the Harm in Fake Luxury Brands? Moving Beyond the Conventional Wisdom	279
	<i>Aaron Ahuvia, Giacomo Gistri, Simona Romani, Stefano Pace</i>	
17	Counterfeiting of Luxury Brands: Opportunity beyond the Threat	295
	<i>Silvia Grappi, Ilaria Baghi, Bernardo Balboni, Veronica Gabrielli</i>	
Part 7	The Management of Luxury and Luxury Brands	317
18	Luxury SMEs Networks	319
	<i>Gaetano Aiello, Raffaele Donvito, Silvia Ranfagni, Laura Grazzini</i>	
19	Managing the Value of Luxury: The Effect of Brand Luxury Perception on Brand Strength	341
	<i>Nadine Hennigs, Klaus-Peter Wiedmann, Steffen Schmidt, Sascha Langner, Thomas Wüstefeld</i>	
20	Personal Selling for Luxury Brands: The Effect of Cognitive and Affective Influence Strategies on Customer Value Perceptions	359
	<i>Jan Wieseke, Michael Mauer, Sascha Alavi</i>	
Part 8	Luxury and Luxury Marketing in the Wine Industry	377
21	The Hedonistic Consumption of Luxury and Iconic Wines	379
	<i>Alistair Williams, Glyn Atwal</i>	
22	Wine as Luxury Experience: A Taxonomy of Consumers Based on Best-Worst Scaling	395
	<i>Stefan Behrens, Klaus-Peter Wiedmann, Nadine Hennigs</i>	

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Part 1

**Luxury Marketing as a Challenge
for Marketing Theory and Practice**

1 Placing Luxury Marketing on the Research Agenda Not Only for the Sake of Luxury – An Introduction

Klaus-Peter Wiedmann, Nadine Hennigs

1.1	The Reason Why: What is the Relevance of Luxury and Luxury Marketing?.....	5
1.1.1	The Relevance of Luxury and Luxury Marketing from an Economic Perspective.....	5
1.1.2	Luxury Marketing as an Important Chance for Western Industrialized Countries in the Context of Growing International Competition	6
1.1.3	The Luxury Marketing Strategy as a Success Factor in Different Industries	7
1.1.4	Luxury Marketing and its Positive Impacts on Societal Developments.....	7
1.1.5	Combining It All: The Essence of Luxury Marketing	9
1.2	The “Know How”: Possible Directions for Discussion and Future Research.....	10
1.2.1	Developing a Meaningful Typology of Luxury Product/Market Combinations	10
1.2.2	Guiding Future Research along a Comprehensive Contingency Approach.....	11
1.2.3	The “What We Need”: A Preliminary Conclusion.....	13
1.3	The “What We Have”: An Overview of the Different Contributions to this Handbook	14
1.4	Acknowledgments and Outlook.....	17

1.1 The Reason Why: What is the Relevance of Luxury and Luxury Marketing?

Certainly, luxury might offer a thrilling experience from the perspective of individual researchers, and yes, to a certain extent, we also share this type of motivation for the research topic. However, more serious motives underlie the effort to place luxury and luxury marketing on the research agenda.

1.1.1 The Relevance of Luxury and Luxury Marketing from an Economic Perspective

First, luxury is an enormous and ever-increasing industry. The growth of luxury relates to the societal trend that the *“rich get richer, and the poor get poorer”*. The gaps between the rich and the poor tend to be sharpened, and we increasingly have some type of impasse for the middle class a type of a *“stuck in the middle”*. People in the middle class who are still managing well increasingly attempt to signal that they are among those who are successful. Certainly, we also observe countervailing trends regarding people’s general consumption orientation, especially regarding those in the middle class. Several of these aspects will be addressed below. However, we especially must consider that such countervailing trends are much stronger in western industrialized countries than in economically developing societies, especially in Asia. Additionally, regarding consumption in general and luxury consumption in particular, there is in those developing countries a) a high backlog demand and b) growing wealth, due to global societal changes in economic power and prosperity from the old industrial leaders to the new ones. Moreover, luxury consumption is far more supported by culture in those countries. In sum, the societal impacts on empowering the trend to luxury consumption are strong, and the market is globally increasing at a rapid pace.

From an economic perspective, placing luxury marketing on the research agenda seems to be more than feasible. However, one might argue that from an economic point of view, focusing on the challenge of poverty seems to be more important than discussing luxury. Undoubtedly, poverty is much greater and, unfortunately, growing faster than luxury markets not only in third world countries but in formerly leading western industrialized countries, such as the US, Germany (see the German poverty report). Particularly in Europe, the aftermath of the economic crisis will endure for a long period. In such a situation, would it not be even more reasonable for socially responsible researchers and practitioners to address the challenge of poverty appropriately?

1.1.2 Luxury Marketing as an Important Chance for Western Industrialized Countries in the Context of Growing International Competition

Apart from the clear necessity of placing the topic of poverty on the agenda, we deeply believe that especially from a European perspective, it is worth beginning on the high end of possible economic developments. First, this priority relates to international competition and its past, present, and future development. European or, more generally, western countries tend to become caught in the role of victims in the context of an international competitive continuum along which economically less developed countries attempt to compete with those countries that are on a higher level. Countries located at the low end of this continuum have difficulty finding countries with which to compete. If “*Western Industrialized Countries*” (WICs) attempt to react by incorporating the same strategies as the “*hunting*” countries, e.g., with low prizes, there is certainly not much opportunity to win the race, particularly because, due to their societal conditions, the competing countries satisfy the prerequisites for such strategies better than WICs. To a greater or lesser extent, it is much more promising to move forward to higher levels of quality and innovation. Overall, we might discuss “*innovation-focused high-end strategies*” to characterize the basic direction of strategies that might be successful in the context of international competition. Within such a strategic orientation, different options certainly exist. For instance, based on natural science and technology, one option might be a “*high-tech strategy*” (e.g., the approach of some German companies to leverage the reputation of “*German engineering*”). In addition to engineering and technology, there are also other fields for obtaining high-end strategies, for instance, in “*art and culture*” (high-art-and-culture strategy). Hence, a high-end strategy could also follow ideas, such as high-end service, customer vicinity, producer propinquity (e.g., “*local brands*”), emotional bonding. We might discuss “*high-touch strategies*” as an umbrella term, and certainly, the different strategic directions might be combined in a “*high-tech/high-touch strategy*”, “*high-tech/high-art-and-culture strategy*” or even a “*high-tech/high-art-and-culture/high-touch strategy*”. Overall, the question is what type of background is used to establish experiences distinguished from “*everyday*” experiences via outstanding, highly innovative, rare qualities.

On the one hand, a “*luxury marketing strategy*” might be regarded as the peak of high-end strategies. On the other hand, such a strategy might be differentiated by special characteristics, such as long-lasting value, superfluity, and highly impressiveness to others. To a great extent, this handbook offers insights for a better understanding of this luxury phenomenon either via its definition from a marketing perspective (e.g., highlighting the “*highest brand prizing power*” or similarly, Bastien & Kapferer) or via the attempt to understand and measure perceived luxury value from a customer perspective (e.g., De Barnier & Valette-Florence). In the latter research context, we might detect that luxury does not always refer to highly prized high-quality products. For instance, for busy managers, having time to sit on a bench for lunch during a busy workday might represent an extreme form of luxury, whereas for job-seeking and homeless people, such activity is part of a sad daily routine and is far from a luxury. In such a situation, being taken seriously and treated kindly by

those who fare better will attain luxury status. Thus, luxury is to a great extent a highly subjective phenomenon. However, for luxury marketing, marketers always must address the question of the highest end of quality as perceived by their target group, either by relying on strategies of “*high tech*”, “*high art and culture*” or “*high touch*”.

1.1.3 The Luxury Marketing Strategy as a Success Factor in Different Industries

Discussing different target groups and various luxury perceptions, we might also begin to understand that a luxury marketing strategy is not present only when companies attempt to sell high-end cars, villas or yachts to the upper class. Furthermore, instead of only delivering “*more value for less money*”, as conventional marketing literature demands, it is worthwhile to leverage the idea of luxury when approaching “normal” people attempting to obtain “*more money for value*”. Within our understanding of marketing, customer orientation must be balanced with a beneficial “corporate orientation” following a resource-based view. Indeed, this viewpoint is important not only from a corporate focus but also from a societal perspective. What types of options do we possess to provide jobs for people? We require good workplaces, especially for people who are accustomed to a high standard of living. With regard to the WICs, the only option and possible choice appears to be the “*money for value strategy*”.

In connection with the outlined strategic option, we must consider that the quality of products stemming from countries that are attacking the economic position of the WICs is constantly growing: These countries are increasingly delivering “*good value for small money*”. Companies in the WICs are forced to advance quickly to a true high-end strategy regardless of the type of foundation (engineering, art and culture and/or high-touch). There is no other chance to ensure or in some cases to restore a solid position in international competition, which is the basis of being able to provide good workplaces. From a European perspective, we retain many potential competitive advantages to proceed more strongly to high-end and especially luxury strategies. However, we should not underestimate that competing countries, especially those in Asia, have either dramatically improved their strengths (e.g., in engineering) or learned how to leverage already existing highly developed strengths (e.g., in art and culture). Consequently, the race has begun for the maintenance or restoration and therefore future improvement of knowledge, skills and abilities in all relevant areas (engineering, art and culture, etc.). Moreover, the key ability is to implement marketing concepts that lead to real experiences of “*high end*” in general and luxury in particular.

1.1.4 Luxury Marketing and its Positive Impacts on Societal Developments

On initial examination of the WICs’ situation, we might immediately perceive that enormous efforts are required in the areas of education and motivation. On closer examination, the motivation particularly of young people seems to be the most important obstacle. Alt-

though there are renowned institutions in education, further improvement is needed. Additionally, there is significant expertise in art and culture, engineering and craftsmanship established in the different industries and especially in small- and medium-sized enterprises (e.g., SMEs, Aiello et al. in this book), which build the foundation of economic prosperity in diverse European countries. The challenge is to a) motivate young people to strive for good education and challenging jobs (also in SMEs) and b) to motivate customers to pay more for good value to ensure the survival of existing companies and the establishment of new companies. In both cases, high-end strategies and luxury marketing strategies provide promising outcomes. With regard to the motivation of young people who strive for a good education and challenging jobs, luxury marketing can foster the perception that, for example, craftsmanship is valued and can lead to a higher quality of life. Certainly, the model of certain types of luxury consumption (e.g., the longing for frivolous luxury products) might not be useful for motivation and guidance from an individual and a societal perspective. Hopefully, the desire for a good life consistent with sustainability and social responsibility is preferable. In this context, it is important to mention that sustainability and luxury are perfectly compatible. Because customers are willing to pay higher prices for higher value, the luxury market is strongly associated with products and brands with a history of heritage and tradition. Therefore, luxury goods are often inherited from generation to generation and yield high prices on the vintage market as well. Additionally, for future challenges, such as the issue of opening markets to e-mobility, the best strategy might be to begin to convince customers at the upper level of affluent society to perceive cars as a luxury. In a subsequent step, customers at lower income levels might also be fascinated by the idea of eco-friendly cars.

The concept of an “*adapted luxury marketing strategy*”, i.e., the adaptation to new issues (e.g., sustainability) and/or new target groups apart from the upper class, illustrates the option of following the basic idea of a luxury marketing strategy in many different markets. In their highly valuable contribution to this handbook, Bastien and Kapferer describe several examples of such cases (e.g., Apple, Mini). Indeed, such examples – without any need for further explanation – illustrate the possibility of implementing basic ideas of luxury to obtain more money for true value. Consequently, better profits can be gained from an individual corporate perspective, whereas from a societal perspective, economic prosperity can lead to more valuable jobs for educated and skilled people. Certainly, the latter development is extremely important for European countries to survive in international competition.

In this context, globally successful luxury brands and products are a valuable basis for developing competitive advantages on a global level. Well-respected luxury products significantly influence the reputation of a nation or country. Such an effect can be further strengthened via a consequent national branding strategy to assure a positive transfer from the outstanding capabilities of globally successful luxury products (incorporated in their design, production, and commercialization) to the culture, typical abilities and skills of the people living in a country. Certainly, those valuable “*country of origin*” (COO) effects are present without specific national branding concepts. Nevertheless, there is enormous potential to selectively strengthen and sustain these positive effects. Undoubtedly, companies that utilize such COO effects in their luxury marketing strategies and effective integrated

branding and communication efforts can be globally successful. For instance, companies with strong roots in France or Italy will always be able to build competitive reputational advantages when their businesses engage fashion and design, whereas German companies might have such competitive advantages when engineering is the basic factor of the business.

1.1.5 Combining It All: The Essence of Luxury Marketing

To summarize the societal relevance of luxury and luxury marketing as described above, we highlight the following aspects:

1. As a first step, the luxury market traditionally defined is an enormous and growing market that provides many opportunities, even from a societal perspective, as it offers good jobs to well-educated people and sustaining economic prosperity in the context of increasing international competition.
2. The concept of a luxury marketing strategy is transferable to other markets apart from the traditional core markets of luxury. This idea is a useful basis for gaining and sustaining competitive advantages even in such markets for which we might discuss “*new patterns of luxury*”, including products characterized by outstanding qualities of sustainability.
3. Generally, luxury concepts offer and extend the opportunity to obtain “*money for value*” based on the admiration and appreciation of achievements in the context of designing, producing, and distributing outstanding products. This process may help to mobilize countermovements against the trend toward “*freeconomics*” or the emergence of the “*age of cheap*” (see Fritz & Gülow in this book) and is relevant not only from a corporate but also a societal perspective. Against the background of growing global competition, not many other options can provide future prospects for well-educated and skilled people. For instance, if outstanding craftsmanship is not appreciated and honored in businesses, who would invest significant time and effort to cultivate such skills and abilities?
4. It should be emphasized from a societal viewpoint that effective luxury markets provide the opportunity to motivate young people to invest in education and to use existing and possible new cultural strengths. Additionally, perhaps effective luxury marketing more fundamentally than other strategies has a positive impact on young people’s willingness to work hard in their education and subsequently in their professional lives to earn enough money to afford elements of the luxury dream.

Overall, luxury and luxury marketing reveal decisive opportunities not only for business in the context of growing global competition but also for societal development.

Certainly, we are aware that in real life, luxury marketing does not automatically lead to positive effects on business and society, or in the latter case, luxury marketing might not even aim for such positive societal influences or sometimes leads to negative societal effects (e.g., an orientation toward superficial consumption or the feeling of social deprivation). Nevertheless, attempting to unleash the positive effects of luxury and luxury marketing

and to identify and stigmatize negative effects is a strong driving force for placing this topic on the research agenda. In this context, a basic framework is required that addresses relevant questions that guide research in the field of luxury marketing, and this framework is presented in the following section.

1.2 The “Know How”: Possible Directions for Discussion and Future Research

1.2.1 Developing a Meaningful Typology of Luxury Product/Market Combinations

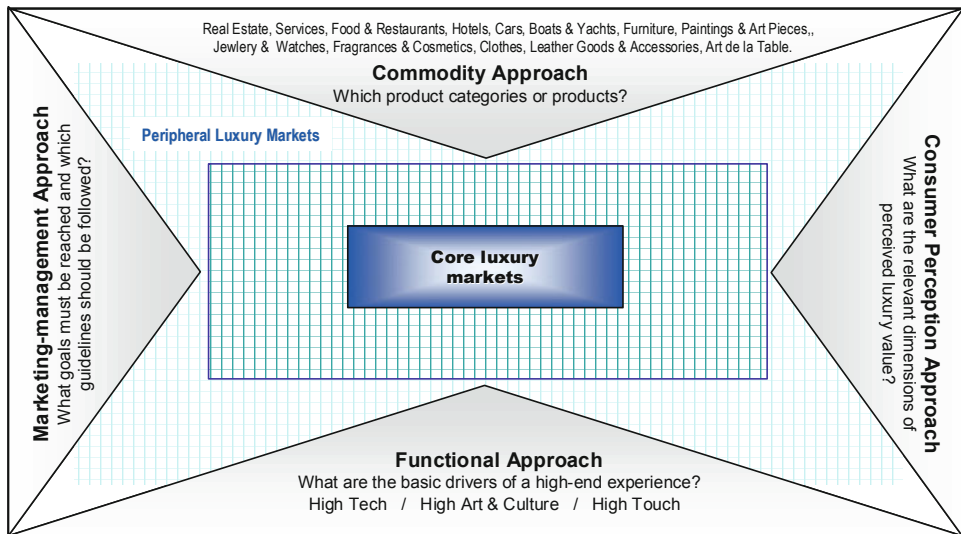
An important prerequisite for utilizing a luxury marketing strategy striving for corporate success and for appropriate societal development is a better understanding of the specific drivers of success and the challenges related to existing and possible strengths and weaknesses, opportunities and threats. An appropriate basis might be a categorization of the different fields of luxury and luxury markets. In terms of possible issues focusing on relevant aspects of luxury, there are at least four distinct but closely related approaches:

- The *“commodity approach”*: What types of products can be defined as luxury? Are there product characteristics that may help to define a whole product category as luxury (e.g., villas and yachts), or is there a need for specific criteria to distinguish among luxury, premium, and “standard” products within one category (e.g., cars and jewelry)? For instance, what types of household services are luxuries, having a “butler” as the British upper nobility or hiring a housekeeping service once a week? Although several characteristics are useful for differentiating products (e.g., very seldom or extremely expensive), there is still a need for orientation of the customer perspective.
- The *“customer perception approach”*: First and more generally, this approach emphasizes that luxury is a subjective concept. For a young student without financial support from his/her parents, a housekeeping service is indeed a luxury. In contrast, for established couples both working at least from 9 to 5, this service might not at all be related to the idea of luxury. Based on this reasoning, there are several attempts to conceptualize consumer perceptions of luxury value (e.g., based on the differentiation of financial, functional, individual, and social luxury value by Wiedmann, Hennigs, and Siebels, 2009). A profound orientation of luxury value as perceived by different consumers is a useful basis for understanding the meaning of luxury for different people and for identifying different types of luxuries that might lead to new product/market combinations.
- The *“marketing-management approach”*: To identify basic differences between luxury brands and other brands based on such criteria as exclusivity, uniqueness, and price premium power, there are diverse marketing-management guidelines that characterize a luxury strategy. In this context, we can directly refer to the contribution of Bastien and Kapferer in this book.

- The “functional approach” or “instrumental approach”: This approach is dedicated to identifying the basic drivers that create a luxurious high-end experience. From a marketing-management and a customer perspective, it is useful to highlight aspects that generate a luxury product and more precisely can be regarded as the relevant nucleus of such a high-end experience. As mentioned, we suggest, for example, that high tech, high art and culture and/or high touch are important areas for establishing a high-end perception.

Focusing on the different approaches, we propose a comprehensive framework as a useful basis to better understand different luxury products and markets and to identify challenges in luxury marketing (see **Figure 1.1**).

Figure 1.1 Towards a Comprehensive Framework of Luxury Marketing

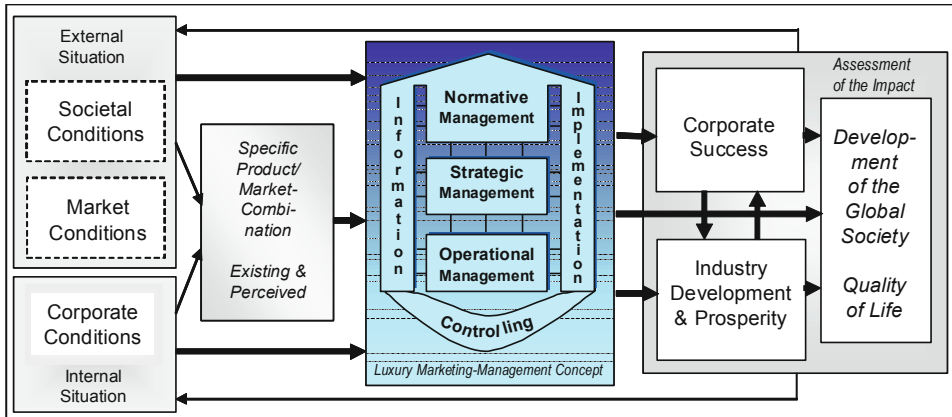


1.2.2 Guiding Future Research along a Comprehensive Contingency Approach

The focus on relevant dimensions that describe luxury products and markets is a prerequisite for incorporating a luxury marketing strategy with specific product/market conditions. Certainly, the focal point should be an elaborated contingency theory to explain and identify under which conditions what types of managerial guidelines, strategies, and operational marketing programs will generate and sustain what types of corporate success with what impacts on business and societal development. Based on this reasoning, the next step requires asking what types of effects on societal, market, and corporate conditions might be

attached to different luxury marketing concepts. An initial outline of a research framework that basically addresses relevant research questions in the field of luxury marketing and management in the context of economic success and positive societal development is illustrated in **Figure 1.2**.

Figure 1.2 Basic Research Framework of Luxury Marketing



The idea for conceptualizing a “luxury marketing management concept” follows the basic concept of an integrated marketing-oriented corporate leadership approach. The pivotal point is a “normative management” that addresses the development of basic managerial guidelines, a corporate philosophy, such as a convincing vision and mission statement, the basic politics and policies, and a definition of the basic corporate goals and values. In particular, regarding the development and implementation of a luxury marketing concept, such normative management is crucial, as it is the guiding principle for the right understanding of luxury and luxury marketing at all company levels.

Although normative management provides the basis for strategically maneuvering a company facing multifaceted internal and external challenges, at the next level, professional strategic management is required. Based on strategic analyses of practical challenges and options (e.g., SWOT analyses), precise strategies and goals must be defined and developed to guide all corporate activities at the operational level. For example, basic strategic concepts include the topics of market positioning, customer targeting, branding, collaboration and the building of networks. Several contributions in this handbook address issues focusing on the planning and realization of these basic marketing strategies and on the appropriate design of marketing mix elements in the luxury industry.

Accompanying the different levels of luxury marketing management, information management and implementation processes are required to efficiently and effectively guide all

management processes and structures in a designated direction that is ensured by a professional controlling system.

Relying on the idea of a contingency approach, the design of a comprehensive luxury marketing concept as illustrated here (see **Figure 1.2**) must be adjusted to the specific situation of a company or network of companies that attempt to reach their corporate goals and to positively contribute to society. What type of market positioning, segmentation or branding approach and collaboration strategies best fit a specific luxury product/market-combination under specific internal and external situational conditions? What type of market research is required to identify the desires of target groups, or is consumer research, at least the traditional type, unnecessary in the luxury market? Which corporate culture and especially which type of organizational structure supports the design and realization of a successful luxury strategy? Additionally, what type of corporate culture leads to successful luxury strategies that unleash positive effects on the development of societies?

1.2.3 The “What We Need”: A Preliminary Conclusion

Considering the questions exemplified above, the heuristic potency of the research framework outlined in **Figure 1.2** becomes apparent. Based on the elements of this model, various important and interesting research questions emerge related to the design and implementation of luxury marketing. Concurrently, this framework also allows the classification of several directions in luxury marketing research.

- A comprehensive typology of luxury product/market combinations is needed to identify relevant contingency factors and dimensions facing the differing challenges in luxury markets.
- A better understanding of luxury markets requires holistic models of consumer perceptions and behavior with reference to different industries and global settings.
- A specific approach to analyzing relevant challenges, such as globalization, virtualization and counterfeiting, in light of distinct case studies, may provide a basis for the development of effective marketing-management concepts.
- Comprehensive concepts and guiding principles of marketing management in the luxury sector that separate the marketing of luxury brands from conventional marketing principles are required.
- Research insights on the societal impact of luxury might provide valuable results that refer to luxury marketing in a macromarketing perspective.

In sum, although there is significant research that addresses the topic of luxury marketing to date, nonetheless, enormous efforts are necessary to fill existing gaps that can be identified in the context of our research framework. Based on these considerations, the idea for this handbook emerged and was the initial impetus for inviting renowned researchers in luxury marketing to contribute their valuable findings. As a result, based on the submissions we received, primarily two topics can be assumed to be of particular importance currently in the luxury industry: first, the conceptualization, measurement, and analysis of

consumer perceptions of luxury and luxury brands, and second, the challenge of counterfeits. In the following section, we will briefly outline the chapters of this handbook with different headings that accentuate important aspects in the field of luxury research.

1.3 The “What We Have”: An Overview of the Different Contributions to this Handbook

The primary objective underlying this handbook is to provide a holistic approach to luxury marketing with respect to the characteristics, key challenges and opportunities of luxury brand management. We hope that through a combination of valuable contributions by highly honored colleagues from different parts of the world, this book might be a valuable tool for academics in their research and for marketing managers to understand and leverage the potential of luxury brands. The chapters of this book are divided into eight parts including different chapters:

■ Part 1: Luxury Marketing as a Challenge for Marketing Theory and Practice

In the first chapter, in our role as editors, we already attempted to convey in the introductory passage an initial understanding of the challenges of luxury and luxury marketing from a theoretical point of view. However, the main contribution is provided by *Vincent Bastien and Jean-Noël Kapferer*. Against the background of their outstanding knowledge, experiences and contributions to literature in the domain of luxury brands, the authors elaborate on the specifics of luxury marketing from a theoretical and a practical perspective. The authors' chapter “*More on Luxury Anti-Laws of Marketing*” nicely demonstrates that luxury marketing should be differentiated from other marketing approaches and demands the consideration and implementation of different managerial guidelines, rules and values. Although these authors have previously discussed practical strategies and measures of luxury marketing, as stated, we treat their input as an important contribution to what we would call the “normative management” of luxury marketing.

■ Part 2: Luxury and Luxury Consumption: A Global Phenomenon or Dependent on Cultural Differences?

Regarding the development of a contingency approach to luxury marketing, the question of to what extent luxury consumption could be treated as a global phenomenon or must be understood as strongly influenced by differing cultures is of great importance. This question arises not only from a theoretical but also from a practical viewpoint, especially because in most cases, luxury marketing must be designed in the context of the internationalization of businesses. Three contributions accentuate this topic from different perspectives.

First, *Virginie De Barnier and Pierre Valette-Florence*, two researchers who have already contributed significantly to the domain of luxury, focus in their chapter, “*Culture and Luxury: An Analysis of Luxury Perceptions across Frontiers*,” on luxury perceptions of consumers from Romantic, Germanic and East Slavonic cultures. Second, in the chapter “*An Intercultural Comparison of the Perception of Luxury by Young Consumers*”, we had the opportunity to col-

laborate with our appreciated colleagues *Bruno Godey and Daniele Pederzoli* from France and *Gaetano Aiello and Raffaele Donvito* from Italy. The study presented in this book focuses on perceptions of the concept of luxury and ranks numerous adjectives defining luxury among an international sample of young people. Third, based on the results of a collaborative study with colleagues from ten countries, in the chapter, “*Consumer Value Perception of Luxury Goods: A Cross-Cultural and Cross-Industry Comparison*,” we investigate the question of possible differences and/or similarities in the luxury value perceptions of consumers in distinct parts of the world.

■ Part 3: Luxury and Luxury Consumption from a Theoretical Perspective

Among the papers to be included in a “consumer perception” or more generally a “consumer behavior” approach, three papers particularly focus on a more basic theoretical perspective.

For instance, *Taro Koyama* describes in the chapter, “*Luxury Brands from a Psychoanalytic Perspective*,” the value of an interdisciplinary perspective to better understand luxury consumers. Additionally, in their contribution, “*Indulging the Self: Positive Consequences of Luxury Consumption*,” *Liselot Hudders and Mario Pandelaere* investigate the impact of obtaining luxury brands on an individual’s self-esteem level. Furthermore, in the third chapter of this section, *Hyunjoo Oh* examines the question of “*How do Exclusivity Perceptions of Independent and Interdependent Consumers Influence Their Desires for Luxury Products?*”

■ Part 4: Different Approaches to Understanding Luxury and Luxury Brands from the Customer’s Perspective within Specific Cultural Contexts

Following the idea of a contingency approach to luxury marketing research, two highly valuable papers explicitly elaborate the specific context of different cultures.

The first chapter, “*Luxury Buying Behaviour and the Role of Culture: An Indian Context*,” by *Kartik Dave and Garima Dhamija*, focuses on the increasing demand for luxury brands in Asian countries with special focus on India, which can be considered the next significant opportunity in the luxury market place. In the second contribution to this part of our handbook, *Nicole Stegemann, Sara Denize and Kenneth E. Miller* examine how consumer perceptions drive attitudes toward luxury brands in Australia in “*Perceptions, Attitudes and Luxury Brands: An Australian Study of Consumers’ Perceptions of and Attitudes to Luxury Brands*”.

■ Part 5: Luxury and Luxury Consumption in the Context of Societal Change

Another avenue that encourages more attention to important contingencies is to accentuate and analyze specific challenges involved with societal change. Among the multifaceted trends that definitely impact the design and implementation of luxury marketing, the topics of globalization and virtualization must be especially highlighted. Whereas the issue of globalization is already included in Part 2 and Part 4, this part addresses the question of virtualization and the conflicting priorities of exclusivity versus ubiquity.

In their contribution, “*Luxury Marketing in the Age of Cheap: An Exploratory Survey on Consumer Behavior in Online Shopping Clubs*,” *Wolfgang Fritz and Wencke Gülow* examine the prospects of luxury marketing in light of the unfolding megatrend known as the

“Age of Cheap” in the current economy and society. Focusing on the question of how trust can be established in the online marketplace for luxury branded products, Meng-Shan Wu, Cheng-Hao Chen and Isabella Chaney concentrate on “Luxury Brands in the Digital Age – the Trust Factor”.

■ Part 6: Counterfeits Challenging the Luxury Industry, Consumers and Society

As stated, our call for chapters has led to valuable contributions dealing with the phenomenon of counterfeits. This problem is indeed a crucial challenge not only for the afflicted companies but also for the countries in which the companies are located. Among their contributions, the authors also perfectly illustrate the societal relevance of luxury brands and luxury consumption.

In the first chapter, titled *“Luxury goods vs. counterfeits: An intercultural study,”* Udo Wagner, Seung-Hee Lee, Sabine Kleinsasser and Jutatip Jamsawang present an intercultural project on consumer attitudes toward false luxury goods, ethical issues surrounding counterfeits, and the resulting purchase intentions. Following this, Suzane Strehlau focuses on the Brazilian market in *“Brazil: Luxury and counterfeits”*. To identify groups of consumers who differ in their values and risk perceptions related to the trade-off between genuine and counterfeit luxury goods, in our chapter, *“Luxury Longing and Counterfeit Complicity: A Consumer Typology based on the Perception of Luxury Value and Counterfeit Risk,”* we examine consumers’ motives for counterfeit consumption. Arguing that research on counterfeits has significantly challenged the conventional view, the fourth contribution by Aaron Ahuvia, Giacomo Gistri, Simona Roman, and Stefano Pace is dedicated to the question, *“What is the Harm in Fake Luxury Brands? Moving Beyond the Conventional Wisdom.”* Subsequently, in their structured investigation of the effects of the counterfeiting phenomenon on luxury brands, Silvia Grappi, Ilaria Baghi, Bernardo Balboni and Veronica Gabrielli analyze all aspects of brand equity that might be affected by counterfeiting in *“Counterfeiting of Luxury Brands: Opportunity beyond the Threat”*.

■ Part 7: The Management of Luxury and Luxury Brands

Additionally, our call for chapters has generated papers in the field of managing luxury brands. Certainly, this aspect has been addressed in the realm of analyzing consumer perceptions and behaviors.

With special focus on strategic luxury marketing, an important contribution is provided by Gaetano Aiello, Raffaele Donvito, Silvia Ranfagni and Laura Grazzini in their chapter, titled *“Luxury SMEs Networks,”* which demonstrates the importance of the country and territory of origin as a firm’s intangible resource and specific creative knowledge in networks of collaborative interaction. Furthermore, focusing on the value of brand luxury, our chapter, *“Managing the Value of Luxury: The Effect of Brand Luxury Perception on Brand Strength,”* presents antecedents and outcomes of consumers’ perceptions of a luxury brand and effects resulting in attitudinal brand strength. Finally, Jan Wieseke, Michael Mauer and Sascha Alavi examine in their manuscript, *“Personal Selling for Luxury Brands: The Effect of Cognitive and Affective Influence Strategies on Customer Value Perceptions,”* the effect of affective and cognitive sales strategies on customer value perceptions of luxury brands.

■ Part 8: Luxury and Luxury Marketing in the Wine Industry

One important access to a contingency approach in luxury marketing is to establish research in specific industries that, on the one hand, are traditional luxury industries in which luxury strategies are successfully implemented or, on the other hand, might be interesting fields of “new” luxury. The two chapters included in this handbook address luxury marketing in the wine industry. For many reasons, this field is notably interesting for attempting to implement a luxury strategy to receive money for value.

The first chapter, “*The Hedonistic Consumption of Luxury and Iconic Wines*” by Alistair Williams and Glyn Atwal, explores the ways in which luxury wine products and brands can develop effective strategies focusing on experiential symbolic dimensions of consumption. Second, we present “*Wine as Luxury Experience: A Taxonomy of Consumers Based on Best-Worst Scaling*” based on the methodology of best-worst (BW) scaling and a segmentation of wine consumers according to their choice criteria for wine.

1.4 Acknowledgments and Outlook

Luxury marketing is a research topic of great importance, not only from a corporate perspective but also from a societal point of view. This conviction has guided us deeper into this field of research, beginning with the question of how we can measure perceived value first from a consumer perspective. Fortunately, we quickly gained access to many colleagues who shared our opinion about the relevance of luxury and luxury marketing.

Against the backdrop of such a fascinating range of articles included in this handbook, we would like to thank all of our contributors. We are deeply honored and grateful for being able to collaborate with such wonderful colleagues; the experience was truly luxurious.

Moreover, to encourage further studies on luxury marketing, we welcome readers’ feedback on the numerous issues raised in the different chapters and are keen to discuss forthcoming ideas with researchers and managers in the domain of luxury. Please email any correspondence to us at luxury@m2.uni-hannover.de.

2 More on Luxury Anti-Laws of Marketing

Vincent Bastien, Jean-Noël Kapferer

2.1	Introduction.....	21
2.2	A source of managerial confusion: the six meanings of luxury.....	22
2.3	Distinguishing luxury, fashion and premium strategies.....	23
2.4	Do not confuse brand extension and brand stretching.....	25
2.5	The anti-laws of marketing.....	26
2.6	Why luxury brands should not pander to their customers' wishes?.....	26
2.7	Why always raise the average price of the brand?.....	30
2.8	How to always keep raising the price point.....	31
2.9	Why beware of celebrities?.....	32
2.10	Implementing the luxury strategy beyond the luxury market.....	33
2.11	The limits of the luxury strategy.....	33
	References	34

2.1 Introduction

In 1989 Ford bought the Jaguar brand, symbol of British luxury worldwide, endowed with heritage, status, glamour, prestige, almost a cult brand with iconic models, for 2.2 billion dollars. Nine years later, on March 26th 2008, after having spent 6 billion dollars [15], Ford sold it to the Indian conglomerate Tata, along with another mythical British brand – Land Rover – for 2.3 billion dollars. As Land Rover brand was estimated at 2.5 billion dollars, it means that Jaguar brand was just given for free: meanwhile it had lost its pricing power, its glamour and was still not profitable. Surely there are many causes of such a failure: a brand turn over is a difficult endeavor. Re-instilling rapidly a culture of high quality in a British company that had lost it would have been a feat. But the main reason that led Ford to this disaster was the implementation of classical management and marketing methods for a luxury brand. What worked very well for Ford automobiles destroyed the value of the brand Jaguar. At first, cost controllers were hired to drastically reduce the cost of manufacturing whenever possible: instead of building value by promoting uniqueness, their objective was to build margins by sharing as many parts as possible with Ford cars themselves... and not only invisible ones. For instance, instead of proposing to the clients a unique Jaguar stick shift – sensual sign of a really different species of car, making it stand apart from the mass cars however good they are – cost analysts slowly destroyed the perception of privilege attached to Jaguar. Then, using classical market research, they soon measured that there was a latent demand for a more accessible Jaguar able to provide big sales to the brand, hence help amortize part of the fixed costs. New models were introduced: the six cylinders S Type (a revival of the MK2 model), and then the four cylinders X type. This down-market model boosted the sales, but at the expense of distinctiveness [14]. Marketers had answered point by point to the demands of the average consumer, as expressed by clinics and surveys, but had failed to reinforce the dream of the brand – that intangible magic lever that drives passion and justifies a high price, far above what functional utility and performance would command.

This is no surprise. Analyzing the long term behavior of those luxury brands that have earned the highest brand value measured by either Interbrand or Millward Brown methods (Louis Vuitton, Hermès, BMW, Bulgari, Gucci, Ferrari, Porsche, etc.) we have unveiled (in “The Luxury Strategy” / Kogan Page [10]) that they had enacted the same very specific strategy, named “the luxury strategy” in this book, based on very strict principles, and turning most of common marketing principles upside down.

In fact, we coined the term *anti-law of marketing* to designate the counterintuitive managerial principles, empirically carved through time by the founders and most often owners of these brands, which made these brand command their incredible pricing power and margins [16]. This power drove them safely through the 2008-2010 economic crisis without the need to reduce prices – more: they even kept on growing by increasing their prices. This “Luxury Strategy” calls for a total integration upstream and downstream as a sure way both to control quality and uniqueness, and deliver the highest consumer experience at retail in one to one relationships. It is the objective of this article to briefly remind of these anti-laws but