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## **02** The Business of Luxury

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# INHALT

Introduction   <b>Luxury as a Research Topic</b>	03
History and Definition   <b>Luxury: An Elusive Phenomenon</b>	09
Segments and Players   <b>The Global Luxury Market</b>	17
Outlook   <b>Major Trends</b>	43
Focus Topics	49
Closing Remarks	56
About the Authors	57
Appendix	58



Case Studies – For sample solutions check [www.sml.zhaw.ch/sml-essentials](http://www.sml.zhaw.ch/sml-essentials)



Focus Topics



Glossary



Interview



Knowledge Check



Learning Objectives



Summary





The Volkart Building is the center of the ZHAW School of Management and Law campus: The striking architectural landmark near Winterthur main railway station was built in 1928 and renovated in 1996.

# EDITORIAL

# THE BUSINESS OF LUXURY

**Dear Reader** | Luxury has been fascinating humanity for millennia and it seems that it will continue to do so in the future. As we can see in developed countries with populations living in relative affluence, luxury takes different forms, becoming less materialistic when people already own a house, two cars and a boat, but now crave wellness treatments and more recreational time. However, luxury will always have a material aspect as embodied by beautiful products made from exclusive materials by skilled artisans with an eye for detail.

The reasons we like to possess luxury goods or enjoy luxury services are manifold. One driving force behind the accumulation of material wealth is, of course, status. People want to stand out from the mass and demonstrate they belong to a particular social group. Another reason is that luxury goods and services can help us express who we want to be. However, the craving for luxury can also be rooted in a straightforward admiration for art, design, and handicraft.

One way or another, luxury is big business and an important economic factor all over the world, especially in Switzerland, a country with few natural resources to speak of but a wealth of knowledge when it comes to services (e.g. hotel management) and the manufacture of exclusive products such as watches, textiles, and of course chocolate – to name just a few. Indeed, a significant proportion of Swiss GDP comes from the production of luxury goods which are exported all over the world.

In this publication we examine the phenomenon of luxury, its roots, and its economic impact both globally and in Switzerland. You will learn more about global luxury markets, well-known and niche market players, as well as major trends shaping the definition of luxury and the management and marketing of luxury brands in the future.



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# INTRODUCTION

# LUXURY AS A RESEARCH TOPIC

**According to a frequently quoted French saying, “luxury is when desire is stronger than reason”. But what is it? Can we define luxury? What constitutes a luxury brand? Does it have a meaningful purpose or is it just a symbol of excessive ambition in wealthy societies on the verge of downfall?**

Luxury as we understand it can be traced back around 2000 years, so the phenomenon is hardly new. Yet it still fascinates us, whether as a symbol of status, the incarnation of beauty, or a longing for social identification and distinction. While a couple of centuries ago luxury was the preserve of the aristocracy, it now functions as a means of social stratification in seemingly classless societies. Ownership of certain luxury products – nowadays often associated with well-known and prestigious brands – signals membership of a certain social class, economic power, or the inherent good taste of those who have no need to display their status ostentatiously.

## A Successful but Difficult-to-Research Industry

Luxury as a research topic and a business is as difficult to define as it is exciting to study. This comes about for various reasons. First, luxury is a concept almost as bright and iridescent as the expensive gems and textiles that embody it, yet it is a psychological, sociological, cultural, and economic phenomenon with many facets. Luxury has always had a function in society, but those functions differ depending on the culture and developmental stage of that society, and the



## Learning Objectives

Luxury is a fascinating phenomenon, but also a specialized business and an important economic factor. This is especially true in Switzerland, where personal luxury goods contribute about as much to the nation's GDP as the financial sector. The global business of luxury has grown substantially in recent decades, and it plays by its own rules, many of them contrary to the ones that govern the mass market. In this publication, you will learn

- about the historical roots and the conceptual basis of luxury,
- how the global luxury market is structured in terms of industries and countries,
- what major trends will shape the business of luxury in future years,
- about luxury in the online world and the specifics of computer-mediated communication,
- whether the anti-laws of marketing that once governed luxury marketing are still applicable today, and
- what the transition from product to service and experience focus mean for luxury companies and what they can learn from small niche players.