PALGRAVE ADVANCES IN LUXURY

SUSTAINABLE LUXURY BRANDS

Evidence from Research and Implications for Managers

CESARE AMATULLI
MATTEO DE ANGELIS
MICHELE COSTABILE
GIANLUIGI GUIDO

Series editors:
Paurav Shukla & Jaywant Singh

Palgrave Advances in Luxury

Series Editors

Paurav Shukla
Department of Economics
Glasgow Caledonian University
London, United Kingdom

Jaywant Singh
Kingston Business School
Kingston University
Kingston Upon Thames, United Kingdom

The field of luxury studies increasingly encompasses a variety of perspectives not just limited to marketing and brand management. In recent times, a host of novel and topical issues on luxury such as sustainability, counterfeiting, emulation and consumption trends have gained prominence which draw on the fields of entrepreneurship, sociology, psychology and operations. Examining international trends from China, Asia, Europe, North America and the MENA region, *Palgrave Advances in Luxury* is the first series dedicated to this complex issue. Including multiple perspectives whilst being very much grounded in business, its aim is to offer an integrated picture of the management environment in which luxury operates. It explores the newer debates relating to luxury consumption such as the signals used in expressing luxury, the socially divisive nature of luxury and the socio-economic segmentation that it brings. Filling a significant gap in our knowledge of this field, the series will help readers comprehend the significant management challenges unique to this construct.

More information about this series at
http://www.springer.com/series/15396

Cesare Amatulli • Matteo De Angelis • Michele Costabile
• Gianluigi Guido

Sustainable Luxury Brands

Evidence from Research and Implications for Managers

palgrave
macmillan

Cesare Amatulli
University of Bari
Bari, Italy

Michele Costabile
LUISS University
Rome, Italy

Matteo De Angelis
LUISS University
Rome, Italy

Gianluigi Guido
University of Salento
Lecce, Italy

Palgrave Advances in Luxury
ISBN 978-1-137-60158-2 ISBN 978-1-137-60159-9 (eBook)
DOI 10.1057/978-1-137-60159-9

Library of Congress Control Number: 2016963147

Cover illustration: Alistair Laming / Alamy Stock Photo

Printed on acid-free paper

This Palgrave Macmillan imprint is published by Springer Nature
The registered company is Macmillan Publishers Ltd.
The registered company address is: The Campus, 4 Crinan Street, London, N1 9XW, United Kingdom

Foreword

Luxury branding is a growing subject matter and practice with unique characteristics and implications for marketing. Professors Amatulli, De Angelis, Costabile, and Guido are leading authorities in the world in this new subfield of marketing, so this book provides valuable and rare insights into an emerging phenomenon for purposes of study and commercialization.

The central theme—that luxury and sustainability are synergistic—is a new, yet timely one. It is also a claim that seemingly goes against common sense, or at least against how luxury consumption and marketing have been practices until quite recently. The authors make a compelling case for compatibility between luxury and sustainability. But this is done only after defining and specifying what sustainability is. An original contribution in this regard is a discussion of dimensions of sustainability. The authors make a convincing case for accomplishing sustainability in economic, ecological, and social ways. The so-called Made In effect is discussed as well, and as I read this I realized more clearly the roles of offshoring and reshoring in corporate strategy in this regard.

The book accomplishes more than making a case for sustainability of luxury brands. Indeed readers new to the luxury area will find one of the finest expositions of who the luxury consumer is and what their needs and motives are. The roles of personal taste and style, as well as status and economic power are revealed in very effective ways. At the same time, we are provided with more of a bird's eye perspective by the authors in their description of six industries where luxury and sustainability meet. My sense is that this book is broad enough to appeal to a wide variety of courses such as consumer behavior, marketing strategy, brand management, and advertising. Moreover, the book is written in such a fluent and lucid way that it should appeal to graduate students building their intellectual capital and managers striving to keep up with new developments and to identify future trends.

A special and effective feature of the book is its thorough discussion of contemporary research findings and opportunities. Research by the authors is highlighted in the final chapter, which yields credibility to the principles and claims made throughout the book. This effectively bridges the interests of researchers and practitioners.

As I read the book, I was struck by the tension between what a luxury brand is and who a luxury consumer represents. The meaning of a luxury brand is encapsulated in the self-concept of consumers who purchase and own such brands. Indeed one might argue that this self-concept is realized through the material self. The material self, in turn, epitomizes efforts to project the self by impressing others through one's purchases, by evaluating others on the basis of their own materialistic actions and thereby performing social comparisons, by the emotional self-assurance one accrues through one's purchases (e.g., joy, fun, pride), and by accumulation of a sense of self-deservingness as a consequence of one's materialistic gains. It is not so much the luxury good, per se, that is important but rather its implications for the self-concept and self-control one exercises in relation to it.

Sustainability and luxury brands make consumption more complex and nuanced. Before the realization of the importance of sustainability, luxury brand purchasers could manage their selves and their effects on others largely by influencing others to envy them and by self-regulating their own feelings about being envied. In simpler times, one might have avoided making close friends or family members feel envy toward one's self so as to maintain harmonious relationships, yet accentuate the envy of strangers and disliked others so as to magnify one's prestige, status, and power. But sustainability complicates such processes because it potentially highlights the envy of close others when one might want to downplay this, yet weakens the basis for envy with outsiders because it is a desirable attribute softening differences with these others whom one wishes to feel superior to. These kinds of tensions deserve elucidation and study.

Beyond materialism, luxury and sustainability have implication for brand capital. Nowadays consumer reactions can be fickle and make competitive success more difficult. Achievement of sustainability or failure to do so can add to or detract from a brand's value in the marketplace. Brand love and brand hate already have multiple vulnerabilities that sustainability or lack thereof can complicate. These dynamics also deserve scrutiny.

Sustainable luxury brands introduce important aspects of consumer behavior and brand management for consideration by students, professors, researchers, and managers. This book is likely to set the tone for future discussion for years to come.

Richard Bagozzi
Dwight F. Benton Professor of Behavioral Science in Management
Ross School of Business, University of Michigan
Ann Arbor, MI, USA

Endorsement

Luxury companies are facing a sensitive issue related to the sustainability of their brands in times of crisis and rapid change. Consumers are increasingly concerned how money should be spent today to contribute to the well-being of today's people and future generations.

This book fills this gap by providing very useful insights for both business scholars and company managers interested in the compatibility of luxury and sustainability. The authors have addressed the complex issue of sustainable luxury, considering luxury brands, consumers, different sectors, as well as the strong link between sustainable luxury and "Made In" values. The authors have combined case evidences with recent findings in the scientific literature to come up with an actionable model. Their model describes the drivers behind successful sustainability development in luxury. They describe new luxury branding approaches.

I recommend this book as a useful reading for all who are interested in the development of luxury goods in an era of sustainability.

Philip Kotler
S. C. Johnson Distinguished Professor of International Marketing
Kellogg School of Management, Northwestern University,
Evanston, IL, USA

Contents

List of Figures

List of Tables

1

Introduction: Sustainability in Luxury Branding

Luxury brands used to sell themselves. High-quality materials, skilled craftsmanship, and unsurpassed aesthetic beauty made luxury products the only option for people with the means to buy them. Professionals of a certain generation were expected to have a Burberry trench coat in their work wardrobe. Young men made their intentions known by investing in a Cartier engagement ring. Executives bought the Mercedes after earning the promotion.

While these products continue to retain iconic status, the times have changed. Luxury products continue to be in high demand, and the luxury sector serves as one of the most relevant engines of growth in many countries (Bain and Company 2014). According to The Boston Consulting Group, aggregate annual spending on luxury goods tops $1.4 trillion (The Boston Consulting Group 2015). The global luxury market has seen rapid growth over the past two decades despite the effects of the 2008–2009 worldwide economic crisis, particularly in emerging countries where sudden economic growth empowered middle-class consumers.

Yet, this growing luxury sector serves a larger and more diverse set of customers than it had in the past. Such increases in scale have come with commensurate increases in market complexity. Today's luxury customers live all over the world, bringing different cultural and aesthetic demands

C. Amatulli et al., *Sustainable Luxury Brands*,
DOI 10.1057/978-1-137-60159-9_1

to the market. They are both men and women, as increased buying power in the hands of women creates new demand for luxury *experiences* that appeal to them (in contrast to more traditional luxury products that have historically appealed to men). Interestingly, scholarly research has documented that, unlike men, women have more positive attitudes toward luxury brands versus non-luxury ones (Stokburger-Sauer and Teichmann 2013) and use luxury products to deter their female rivals (Wang and Griskevicius 2014). Today's customers come from a broad range of socioeconomic backgrounds, as middle-class customers buy aspirational products. They are digitally savvy and use the Internet to validate price points and the quality of luxury products just as they would for other purchases. Last, they demand more in exchange for their luxury dollars.

The old brand associations are no longer enough. They need to be proven, renewed, and refreshed for today's customer. As brand consultant Pamela Danzinger (2014) points out, even high-income customers have changed the way they buy to focus on brands that have a good value rather than those that are just high status. People spend more when they feel wealthier, but the recent recession has increased the uncertainty surrounding people's daily lives, and influenced consumer choices. Conspicuous consumption could be now called conscientious consumption. Rising income continues to be a driving agent in modern society, but the hedonism and the indulgence of the past have given way to a demanding, sophisticated, and well-informed contemporary consumer. Today's luxury customers have higher-quality and service expectations, they look for more personalized and authentic relationships with luxury brands. They also increasingly like to see luxury brands to be deeply committed to environmental and ethical issues. As a consequence of the global financial crisis begun in 2008, many customers, especially in several developed countries, experienced a reduction in their purchasing power and wealth. However, those issues have increased consumers' expectations of better products and value for money, especially in Western markets. Thus, in certain markets, paying more attention to details, being more waste-conscious and more concerned with budgeting has become the norm. Luxury is not immune to these trends.

The idealization of luxury brands applies as well in the cultural movement toward environmentalism and sustainability. The importance that luxury consumers attach to sustainability today is certainly greater than it was a few years ago. Today's luxury buyers are increasingly interested in the provenance and social and environmental impact of their luxury brands; they have become more aware about environmental issues and have expectations about impact of their consumption for the environment and the society (Lochard and Murat 2011). In other words, luxury consumers look for feel-good or guilt-free consumption opportunities. Therefore, the opportunity for luxury companies to combine sustainability and luxury brand development is, nowadays, central in luxury business. Sustainability may become a crucial value for attracting luxury consumers and make them happy to buy products that are aspirational not only because they allow to project a positive image of consumers in social contexts and/or to fulfill their personal tastes, but also because they make consumers feel they are at the same time making a positive contribution to the society they live in. As such, sustainability should be increasingly seen by luxury companies as a big opportunity to deeply innovate their offering, improve their brand identity, and strengthen their relationship with consumers.

The growing luxury consumers' sensitivity toward social and environmental impact of luxury consumption, paired with the fact that many luxury companies are still not used to think about themselves as able to deliver dreams while being sustainable, indicates that the whole luxury industry would need a new strategic approach to develop luxury brands, as well as marketing professionals with the right skills to appeal to changing consumers. Grounding on the most relevant and updated scientific literature on luxury and sustainability, this book offers a tool for both luxury scholars and practitioners to understand why sustainability may become central in luxury brand development and how to leverage sustainability as a luxury branding tool. In particular, the book provides robust evidence about the increasing attention that luxury consumers are devoting to sustainability, about the quite inherent sustainable nature of most of the luxury companies' practices, and about the potential success that luxury brands may reach by combining traditional luxury dimensions with sustainability. The (almost paradoxical) idea put forth in this book is that luxury brands are in many respects inherently sustainable as they are characterized by some key element, such as, for example, limited quantity produced, durability and craftsmanship, that speak to the idea of a positive contribution of luxury products and companies to the environment, the community, and the territory in which they operate, as well as the employees and the preservation of their traditional manufacturing skills.

This book is structured into five chapters. In Chap. 2, we define luxury and its main characteristics as well as illustrate the evolution of consumers' approach to the luxury world. In that chapter, we also shed light on some interesting marketing and branding paradoxes, whereby luxury can be defined as a sector that tends not to follow the traditional marketing rules that characterize most other sectors. In Chap. 3, we introduce the concept of sustainability in luxury and describe how sustainable development plays out in the luxury world. We basically argue that luxury and sustainability are much more compatible, and thus less conflicting, than many could think and elaborate on the rationale behind this thesis, to discover that such a rationale grounds its roots in the same luxury's defining features. In Chap. 4, we focus on luxury consumption and sustainability, focusing on the different consumers' approaches to luxury and explaining how luxury managers may differently convey sustainability values depending on consumers' approach to luxury consumption. In Chap. 5, we analyze the state of the art of sustainable development in different industries that are more or less typical of luxury, and in each of them we compare luxury and mass-market industries in terms of approach to well-defined sustainability issues and how they are addressed by specific companies. Finally, we dedicate Chap. 6 to an in-depth analysis of the hottest topics in sustainable luxury research, through a combination of a review of the most relevant scientific literature and a discussion of this book authors' recently published or still-to-be published research projects in the field of sustainable luxury.

Bibliography

Bain & Company. (2014). Luxury goods worldwide market study Fall-Winter 2014: The rise of the borderless consumer, available at http://www.bain.com/publications/articles/luxury-goods-worldwide-market-study-december-2014.aspx

Danzinger, P. N. (2014). Luxury market faces a drought in the USA as affluents choose conscious consumption, rather than conspicuous Brands. *Unity Marketing*, Retrieved on June 09, 2015 from http://www.unitymarketingonline.com/cms/Home/Luxury_Press_Releases/Luxury_Market_Drought_3-25-2015.php

Lochard, C., & Murat, A. (2011). *Luxe et développement durable: La nouvelle alliance*. Paris: Editions Eyrolles.

Stokburger-Sauer, N. E., & Teichmann, K. (2013). Is luxury just a female thing? The role of gender in luxury brand consumption. *Journal of Business Research, 66*(7), 889–896.

The Boston Consulting Group. (2015). True luxury global consumer insight, available at http://www.luxesf.com/wp-content/uploads/2014/06/BCG-Altagamma-True-Luxury.pdf

Wang, Y., & Griskevicius, V. (2014). Conspicuous consumption, relationships, and rivals: Women's luxury products as signals to other women. *Journal of Consumer Research, 40*(5), 834–854.

2

Inside Luxury: Main Features, Evolving Trends, and Marketing Paradoxes

The luxury business represents an interesting opportunity for companies that are able to market excellent products also because of its extraordinary evolution. Indeed, the luxury sector has been characterized in the last decades by changes in terms of product features offered by companies and also in terms of the way in which customers approach high-end products.

Branding consultant Pamela Danziger sees a drought in the traditional luxury market. In her 2014 article, she makes the case that luxury is moving away from its traditional associations with specific products, toward *experiences* that the individual views as luxurious, pointing to recent psychological research which shows that experiences offer a greater source of happiness and satisfaction than material things. To convey their idea of experiential marketing, Pine and Gilmore (1999, p. 2) claimed that "when a person buys a service, he purchases a set of intangible activities carried out on his behalf. But when he buys an experience, he pays to spend time enjoying a series of memorable events that a company stages to engage him in a personal way." Experiential marketing, therefore, "is about taking the essence of a product and amplifying it into a set

C. Amatulli et al., *Sustainable Luxury Brands*,
DOI 10.1057/978-1-137-60159-9_2

of tangible, physical and interactive experiences that reinforce the offer" (Atwal and Williams 2009, p. 314), which is much what characterizes luxury consumers' approach to luxury items.

Danziger refers to the increased appeal of luxury experiences as the "new luxury," marked by its distance from traditional ideas about the conspicuous consumption of beautiful, expensive, and unnecessary objects. We highlight her article here because Danziger is both right about the ways in which the luxury market is expanding, and wrong about the demise of traditional luxury experiences. The consumer's embrace of what Danziger calls "new luxury" is real, but it is only one element of change affecting the luxury market. What is considered "luxury" and why, the changing geography of where luxury products are sold, and the evolving demands of the luxury customer are all having dramatic effects on the market for luxury goods and by extension on the approach that savvy marketers must take to capture and keep the luxury customer. As a consequence, understanding luxury needs a deep analysis of all those changes that have characterized and still shape consumers' ideas and behaviors concerning the meaning of luxury.

This chapter provides an overview of past and present definitions of luxury, geographic and economic trends affecting luxury demand, the changing luxury customer, and some early challenges these issues present to the luxury marketer.

What Is Luxury?

Oddly, there is no single definition of what defines a luxury product, though numerous scholars agree on some general characteristics. The variance characterizing luxury is also manifested in the fact that people in different countries or regions tend to have different perceptions of luxury and its dimensions. To illustrate, uniqueness seems to be the most important dimension characterizing luxury products for Russian consumers, while atmospherics is the most relevant for British and conspicuousness for French (De Barnier et al. 2006). Looking at emerging countries, Emirati women have been shown to be more inclined to buy luxury items when compared to Brazilian women (Gil et al. 2016).

Notwithstanding the absence of a unanimously accepted definition of luxury, looking at past relevant literature on luxury (e.g., Dubois et al. 2001), it is possible to identify some key characteristics that make a product a "luxury" one:

- *Excellent quality:* Top quality in luxury refers to both materials and craftsmanship. Luxury brands begin with high-quality and scarce natural resources, and assemble them with a high level of skill and craftsmanship. Craftsmanship in luxury is about hand-made products, rooted in the *savoir fair* of an artisan "elite" who have preserved unique manufacturing traditions, allowing luxury companies to consistently deliver excellence. Inherent in quality is the need for time. For example, manufacturing a Bottega Veneta leather bag requires many hours of highly specialized labor from dedicated and passionate artisans. The consumer's association of luxury with quality is the strongest and most relevant characteristic, becoming almost synonymous with the luxury industry for some consumers. In this respect, however, it is worth that luxury's association with quality is also what mostly makes luxury products be associated by many consumers with expensiveness, low accessibility, and, sometimes, snobbish appeal. Indeed, quality also represents a product characteristic which most of the times in luxury is related to unique raw materials or manufacturing processes associated with specific geographical areas (e.g., the Champaign region in France for luxury wines or the Tuscany leather district in Italy for high-end leather jackets and accessories). Therefore, the quality concept in luxury is significantly related to the "Made In" concept, thus to the association with specific places of origin.
- *Scarcity, uniqueness, and exclusivity:* Luxury products are typically rare and exclusive, and the idea of possessing a unique product is what most attracts luxury consumers in different countries and regions (Radon 2012). Rarity often results from the procurement and use of scarce natural resources and the finest raw materials, which are used by highly skilled and expert artisans—people with uncommon skills—whose workmanship is essential to deliver excellence. Some products achieve rarity thanks to the materials used and the skills employed. One peculiar characteristic of luxury companies is that they often

"manufacture" rarity by limiting production runs in order to create scarcity in the product and to control the distribution of their products through selective channel strategies. Both these elements contribute to making luxury products exclusive, and thus worthy of a premium price. Successful luxury brands strengthen their brand image in this way, and find the right equilibrium between accessibility and exclusivity. Indeed, the preservation of uniqueness on the one hand, and the opportunity to appeal aspirational consumers on the other hand, are some of the main objectives of luxury marketing. Interestingly, this balance between uniqueness and consumers' targeting is one of the main characteristics of luxury brand management, which differentiate the way marketing is developed in luxury companies from the way marketing is developed in every other company belonging to non-luxury sectors.

- *Aesthetic beauty:* Neither quality nor craftsmanship is unique to the luxury sector—especially not when considered on their own. However, the combination of quality, craftsmanship, and true aesthetic beauty is difficult to find outside luxury markets. Indeed, as highlighted in a research study on luxury fashion by Venkatesh et al. (2010, p. 459), "consumers' attitudes and preferences relating to bodily appearance are linked to their perceptions of the aesthetics of fashion." For instance, the concept of "wearable art" is strongly linked to the concept of luxury fashion and two forms of aesthetics, that is, form and appearance, are very attractive for customers. In addition, Venkatesh et al. (2010) emphasize the close relationship between aesthetics and consumers' self-identity enhancement. In luxury, aesthetic considerations are at the center of the collaboration between designers who conceptually develop the product and artisans who make them. The designer is a central figure in the luxury model, a person whose stylistic identity is both shaped by and reflected in the artisans' products. Artisans and designers together develop, sustain, and enhance the luxury brand DNA, differentiating the brand in the market and solidifying its added value for customers. If the designer-artisan collaboration is critical to the aesthetics of a luxury brand, the designer-manager partnership is critical to that brand's commercial survival. Luxury companies constantly pursue the right balance between the artistic (creative) soul and the rational (managerial) soul. A partnership model, whereby the designer and the manager share ideas and exert the same influence over the company's decision-making, is today considered the most successful approach. Probably, this balance between creativity and rationality makes luxury companies strongly different from the others and makes luxury management particularly interesting and challenging. The success of Louis Vuitton in recent decades, for instance, has been crucially fostered by the decision taken by the chairman and chief executive Yves Carcelle to hire in 1997 the designer Marc Jacobs, who was given the responsibility to design all main types of products included in Louis Vuitton's portfolio, such as shoes, ready-to-wear clothing, and accessories like, just to mention some, jewelry and watches. The talent of Marc Jacobs joint with the undeniable managerial ability of Yves Carcelle, however, were not enough to explain why LVMH Fashion Group's revenues and visibility kept growing year by year on a worldwide basis. Indeed, crucial was also the very close collaboration between those two key figures. Such a collaboration was quite successful because it was built on the typical "partnership model" approach of luxury brands, whereby the designer is able to combine his/her core focus on creative activities with a marketing and commercial orientation, while the manager is able to combine his/her core focus on market performance with a sense of creativity and beauty. Moreover, in this model, top designers and managers not only are complementary in terms of creativity and management but also have pretty much the same voice in the decision-making of the company they belong to.

- *Ancestral heritage and personal history:* Most prestigious luxury brands boast centuries of history. In other words, luxury brands have a heritage. For instance, consider Cartier (French), founded in 1847, Louis Vuitton (French), founded in 1854, Burberry (English), founded in 1848, Chanel (French), founded in 1909, Gucci (Italian), founded in 1921, Ralph Lauren (US), founded in 1967, or Jil Sander (German), founded in 1968. All these luxury brands, born in different countries, hold a legendary history and a unique heritage, thus customers perceive them as authentic and prestigious. The power of heritage is closely linked to the brand's country of origin. In luxury, the "country of origin" (hereafter, CO) effect is manifested in products and brands that are associated with specific characteristics for which their country is positively known. For example, France and Italy are associated with high-end fashion. France, in particular, is recognized for its *haute couture*, fragrance, and champagne industries, whereas Italy is recognized for its *ready-to-wear,* accessories, and leather goods. Italian products are also renowned for their creativity and design.

- *Fulfillment of dreams:* Luxury brands are strongly symbolic for consumers. In particular, luxury goods typically convey hedonic and emotional benefits to consumers, allowing them to dream and communicate their status and individual identity. Superfluousness is another word used in the literature to define the luxury product. It does not fulfill a need, but a want. Though this characteristic of superfluousness or dream fulfillment seems to be less applicable to experiential luxuries discussed by Danziger, it is still tied closely to consumer perceptions of the luxury market, especially for those whose experience with luxury items is rooted in conspicuous ways of indicating wealth or prestige.
- *Very high price:* All the above-mentioned characteristics create a very fertile ground for luxury companies to charge quite high prices, which are instrumental to convey the idea of rarity, beauty, and exclusivity. According to a recent research by Parguel et al. (2016), price displays positively affect luxury consumers' perceptions about luxury brand's uniqueness and conspicuousness. While the idea of high price is unequivocally associated with luxury items, recent scholarly research (Kapferer and Laurent 2016) suggests that price perception in the luxury segment might greatly vary from country to country, as consumers have very diverse ideas about the minimum price that products may have to be considered a luxury one. The signaling function of price has become more important than ever in recent years (Parguel et al. 2016). Before the last financial crisis, mass-market competitors began employing the same tactics used by luxury brands. Celebrity endorsement, trendy logos, and license relationships with well-known designers are just some of the techniques that mass-market brands have lifted from luxury brands. For example, the US company Gap, Inc. worked with Derek Lam to design a line of athletic wear for its Athleta stores; or the Big Box store Target and its collaborations with designers like Missoni and Lilly Pulitzer. In particular, some fast-fashion brands have pro-

moted clothing collections in co-branding with luxury brands, for instance, H&M launched some products in collaboration with Cavalli or Jimmy Choo. These collaborations appear to reduce the gap that separates mass-market products from luxury. In addition, after the crisis, many department stores cut the prices of high-end goods. As mass-market brands have sought to look more like luxury brands, and department stores have chipped away at the distinctive pricing of luxury goods, the already unclear luxury boundaries became even more blurred, the middle ground became crowded, and consumers have become more and more confused about the delineation between luxury and ordinary (The Boston Consulting Group 2010). Luxury goods companies have contributed to this confusion by broadening their product range in order to reach more consumers; at the same time non-luxury companies are continuing to push their products upward. The final result of this process is the development of "trading up" products or product versions—that is, new products or new versions that have some characteristics which are typical of luxury (e.g., emotional engagement or aspirations), thus with a premium price, but more affordable than common luxury products or luxury versions. Therefore, mass-market consumers may enter the "luxury world" through more accessible items characterized by a premium price. To be able to buy such items, they are willing to save money in other products categories (usually consumer goods) that cannot convey the same emotional value. This mechanism may be referred to as "trading down" in consumption (Silverstein et al. 2003). Amidst this confusion, luxury brands can strengthen their market positioning by continuing to underscore the distinctive qualities of their products—that is, high quality, exclusivity, aesthetics, heritage, and other characteristics—through distinctive pricing but far from pure excess and opulence (Pinkhasov and Nair 2014).

Each of the previously analyzed luxury products' characteristics plays a key role in shaping consumers' perceptions about luxury items. But the strong need for more effective and nuanced marketing approaches in luxury exists exactly because consumers' perceptions and ideas about each of these characteristics vary widely. In practice, the concept of luxury is quite subjective in nature, as different individuals in different social and cultural contexts tend to associate luxury with different desires, thus different products and services. Therefore, despite the apparently stable nature of basic human needs, perceptions of what is luxurious and what is more ordinary vary from society to society. To illustrate, the same product might be perceived as a luxury product in one country and as a conventional, non-luxury product in another. For instance, a car considered to be ordinary in a developed country may be considered luxurious in a developing country. Mercedes or BMW cars are instances of this phenomenon, as they are typically perceived as more luxurious in many developing countries than in Germany, their home market, where they are perceived to be less luxurious than a brand like Maybach that is relatively less known globally (Christodoulides et al. 2009).

The definition of luxury is not only affected by the socio-cultural context. When an individual's standard of living improves, his/her perception about goods and services may change in kind. An individual may regard a product as luxurious today and as conventional in a subsequent period. Similarly, luxury evolves over time: goods and services broadly considered to be luxurious in the past may not be perceived as such today. For instance, 20 years ago premium fragrances (e.g., Chanel No. 5, Jean-Paul Gaultier) could be afforded only by a limited circle of consumers and, as a consequence, they were perceived to be luxury goods. Today, an increasingly higher number of people usually buy premium fragrances, which can, therefore, be considered less exclusive and more accessible than they used to be. In particular, those changes have been strongly influenced by the development of the Internet, which made luxury brands a bit more accessible, at least in terms of information access. Indeed, today's consumers, through the Internet, social media, and companies' websites, have the opportunity to know what the luxury brands do, what they produce, and how they produce, having also the possibility to compare different brands in terms of image or different products on the basis of their prices. As a consequence, the Internet has probably reduced the distance between consumers and luxury brands.

Given the dynamic nature of luxury, products in this category have a high bar to reach as it pertains to top quality, exclusivity, rarity, heritage, and aesthetics in order to signal to consumers that the product is worth the premium price.

Luxury Customers—Where Are They? Who Are They?

Above, we refer to the fact that different customers have different perceptions when it comes to the relevance of heritage, exclusivity, aesthetics, or price in evaluating luxury products. In fact, the factors that influence consumer demand have become exponentially more varied and complex in the past decade due the globalization of luxury demand.

Luxury Customers—Where Are They?

Luxury demand has traditionally been associated with London, Tokyo, New York, Paris, or Milan, and it remains the case that mature markets still account for a relevant share of global sales. In particular, according to The Boston Consulting Group (2015), the growth in the global top luxury market will be mainly driven by four key areas, such as the United States, China, Europe, and the Middle East. But the buying practices of people in developed countries are changing; not least as a result of increased attention to the way they spend money, brought on by the challenges of the global financial crisis. In Western markets, where the effects of the crisis were more direct, consumers have mainly refused to be victimized by the negative economic conditions, but still many consumers, even some of those belonging to high or low social classes, are paying more attention to their household financial management and are more interested in purchasing products, in each sector, that really represent good opportunities; they also look for online tools or payment methods and services which allow to save money.

At the same time, BRIC countries (i.e., Brazil, Russia, India, and China), with Russia and China taking the lead, are emerging as major markets for luxury goods (Atwal 2014). This change began before financial crisis and gained strength after. Thus, the 2008 Great Recession paved the way for the development of two parallel worlds: on the one hand, developed markets where growth was slowed by the crisis, and on the other, developing markets, indirectly affected by the crisis, which were growing at a faster rate than their developed counterparts. These new markets have tremendous potential for luxury good companies.