

Springer Series in Fashion Business

Tsan-Ming Choi  
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# Luxury Fashion Retail Management

 Springer

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# Luxury Fashion Retail Management

 Springer

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# Preface

In fashion business, the luxury sector is very critical. In recent years, many luxury fashion brands have made significant gains in both established and emerging markets. With the global financial instability, in luxury fashion retailing, proper operations and strategic management are very crucial items on senior management's agenda. In fact, owing to the recent global financial tsunami and the European debt crisis, many luxury fashion companies are getting more conservative about their product offerings and development. Undoubtedly, the importance of luxury fashion and the recent global economics volatility all mean that there is a need to examine innovative management models and frameworks for supporting luxury fashion retail management. However, there is currently an absence of such a reference source in the literature. As a result, this book carefully selects and features related studies and the respective insights into an edited volume.

This book includes three important parts, namely: (i) reviews and discussions, (ii) quantitative research, and (iii) qualitative research. All the featured papers are peer-refereed, and the topics covered include the following:

- Introduction to luxury fashion retail management
- Evolution of luxury fashion brands
- A review on the evolution of luxury fashion retailing in China
- A review on how self-concept and brand personality affect luxury consumers' purchasing decisions
- Consumer's willingness to pay more for luxury fashion apparel made in sweatshops
- Exploring the luxury fashion brands' personality
- Optimal timing of brand extension in a stochastic market
- Using social media for luxury fashion management
- Luxury fashion and creativity
- Luxury fashion and social media in China
- Fashion luxury brands: bridging the gaps between cutting-edge fashion and corporate social responsibility concerns

Before closing, we would like to take this opportunity to express our hearty thanks to William Achauer (Bill) and Vishal Daryanomal of Springer for their support and constructive advice. We are indebted to all the anonymous reviewers who have provided timely review reports on the submissions. We are grateful for all the authors who have contributed their important research to this book. This book project is partially supported by The Hong Kong Polytechnic University (with the grant number: G-UA1Q), the National Natural Science Foundation of China (grant number 71401029), the Shanghai Pujiang Program (grant number 14PJ1400200), and Chenguang Program (grant number 2016020012).

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**Part I**  
**Reviews and Discussions**

# Chapter 1

## Luxury Fashion Retail Management: An Introduction

Tsan-Ming Choi and Bin Shen

**Abstract** The luxury fashion industry is an important industry. In this introductory chapter, we briefly highlight the latest figures regarding the significance of the luxury fashion industry. Then, we concisely review the recent literature and examine some important topics on luxury fashion retail management. We also introduce the papers featured in this book.

**Keywords** Luxury fashion retail management · Luxury fashion industry · Introduction · Review

### 1.1 Introduction

The global luxury market, including fashion and non-fashion products, is very important. According to a marketing study on luxury goods market, the personal luxury goods market (which covers fashion apparel, watches, etc.) is valued EU250 billion in 2015 (D'Arpizio et al. 2015). This figure also represents a 13 % of growth compared to 2014 and more than tripled compared to 20 years ago (D'Arpizio et al. 2015). Among all the luxury brands, Statista.com (2016) reveals that the most valuable one in 2015 is Louis Vuitton Moët Hennessy (LVMH), which is a luxury fashion brand, with a brand value of over US\$22 billion.

Undoubtedly, the luxury fashion market is critical and there are many emerging trends as well as challenges. For example, changes of consumer behaviors which treasure more on digital experience (Schmidt et al. 2015), and ethical fashion would

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force luxury fashion retailers to improve their marketing operations and strategies. The volatility of global economic and political climate, such as the reduction of luxury consumption by Chinese consumers in recent years and the global travel scares (Solca 2015), would also bring challenges to luxury fashion brand's expansion. The presence of these challenges implies the importance of this topic and calls for more research to be done.

In this introductory chapter, we identify from the most recent literature<sup>1</sup> a few crucial areas related to luxury fashion retail management, namely (i) consumer behaviors and branding strategies for luxury fashion, (ii) operations management, and (iii) use of social media and e-platform. For each area, we present some related recent studies and then introduce the related papers featured in this book.

## 1.2 Consumer Behaviors and Branding Strategies

Studies in luxury fashion retail management should be closely related to consumer behaviors. Traditional studies have covered topics such as conspicuous consumer behaviors (Amaldoss and Jain 2005; Tereyagolu and Veeraraghavan 2012; Zheng et al. 2012) and consumer-based luxury branding strategies (see Choi 2013a). Nowadays, luxury fashion retail management is more sophisticated and proper luxury fashion retailing should pay attention to the specific needs of consumers in specific markets.

In the literature, focusing on specific culture or market, Wu et al. (2015) examine the factors influencing the purchasing behaviors towards luxury fashion of young female consumers in Taiwan. The authors reveal that luxury fashion retailers targeting the young female consumers in a market like Taiwan should promote by focusing on showing appeals to an aspirational lifestyle, via both the traditional media and social media. Thakur and Kaur (2015) investigate the relationship between self-concept and brand loyalty in luxury fashion purchasing in India. The authors find that the consumer perceived influence of self-concept and brand loyalty is high in luxury fashion purchasing. Gentina et al. (2016) conduct a cross-cultural study on the social mechanisms underlying teenage attitudes toward luxury fashion. The authors uncover that: (i) the mediated relations between the need for uniqueness and luxury brand attitudes, and (ii) the mediated relations between susceptibility to influence and luxury brand attitudes, are different between the French and American teenagers. Choi et al. (2016a) explore the luxury brand value co-creation processes via consumer studies in Korea. The authors use an empirical multi-methodological approach to study the relationships among encounter attributes, consumer value, brand value, and purchase intentions. They propose that

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<sup>1</sup>For a comprehensive review on luxury fashion brands dated before 2014, we refer readers to Choi (2013b).

luxury fashion retailers should emphasize more on the emotional and experiential dimensions when they interact with customers.

Nowadays, with the global trend on “sustainability”, consumers for fashion products care about sustainability, and ethical consumption is well-recognized as a good consumer behavior (Choi and Cheng 2015). In this domain, Ki and Kim (2016) study the “sustainable luxury purchase” in which consumers treasure purchasing luxury for its long-lasting style. The authors uncover that sustainable purchase is important in creating positive emotional responses toward luxury fashion.

In this book, various chapters are also devoted to exploring consumer behaviors in luxury fashion. First, Nguyen et al. review how self-concept and brand personality would affect consumer purchasing decisions towards luxury fashion. They create the self-concept and brand personality framework and argue that luxury fashion retailers must pay attention to both the brand personality and the consumer psychological concepts (which include self-concept). Then, Tong et al. examine the personality of luxury fashion brands with a questionnaire study. With the young US consumers as the respondents, they identify the important personality dimensions which help luxury fashion retailers to properly build the brand equity.

Moreover, two other chapters of this book are devoted to exploring consumer behaviors related to sustainability and ethical consumption. Phau et al. investigate the willingness of consumers in Australia to buy luxury fashion products made in sweatshops. They find that the status oriented consumers are willing to pay more for luxury fashion products produced ethically “not made in sweatshops”. Loureiro studies how the Generation Y consumers in Europe perceive the importance of corporate social responsibility (CSR) in luxury fashion. The author finds that the environmental related issues are most open-mentioned by the consumers and she also develops a framework of the core CSR factors and brand features.

### 1.3 Operations Management

Luxury fashion retailing is a bit different from other fashion retailing sectors in various subtle dimensions. For example, the use of “markdown” (Shen et al. 2013) as a way to clear end of season inventory in luxury fashion is controversial and more complicated,<sup>2</sup> the location of retailing (e.g., airport) is crucial and the way to distribute the luxury fashion products need to consider more than just cost efficiency (e.g., air shipment is more common in luxury fashion brands than the mass market labels).

In the literature, D’Avolio et al. (2015) study inventory replenishment in luxury fashion companies in Italy. The authors employ a case study approach and find that in the Italian luxury fashion industry, there is a high percentage of seasonal

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<sup>2</sup>As the markdown clearance sales may devalue the brand while not marking down may result in a huge amount of product leftover.

products in the product collection, and downstream and upstream supply chain alignments are critical. Macchion et al. (2015) examine how luxury fashion companies integrate their marketing mix and operations strategies. The authors focus on exploring 11 Italian firms. They uncover that there is a growing alignment between marketing and operations (including supply network) activities. They also propose two new production strategies to improve luxury fashion companies' operations competitiveness. Castelli and Sianesi (2015) identify the critical success factors for luxury fashion and explore how supply chain strategies can be aligned to achieve them. Carmignani and Zammori (2015) study how the lean principles in operations management may be applicable to luxury fashion. The authors conduct a case study and identify several key features of the luxury fashion market which may be the barriers for implementing the lean operations mindset. Most recently, Shen et al. (2016) analytically investigate the luxury fashion supply chain system. The authors consider online selling of the luxury fashion products in the presence of social influence and demand disruption. They identify the channel coordination contracts which can successfully coordinate the luxury fashion supply chain.

In this book, luxury fashion operations management has been examined in four chapters. In particular, two chapters review and study the evolution of luxury fashion brands and their operations. First, Quan and Shen review and examine several international cases on the evolution of luxury fashion brands. The development and operations changes of the brands are highlighted. Bonetti et al. study the evolution of luxury fashion retailing in China. The authors focus on the recent development of the China market and argue that in order to succeed, luxury fashion retailers should pay attention to the proper adaptation of marketing and operations strategies, and the setting up of flagship stores in premium locations. Fujita conducts an analytical modeling study on the optimal timing of luxury fashion brand extension in a stochastic market. Among many findings, a critical insight is: when the customer gets wealthier stochastically over time, the luxury fashion brand should delay the timing of brand extension to a new market. Roberts and Armitage qualitatively examine the role played by creativity in the production and delivery processes of luxury fashion. The authors employ the real cases of Burberry and J. H. Cutler as examples to demonstrate that the relationship between luxury and creativity is complicated.

## 1.4 Social Media and E-Platform

As we mentioned earlier, consumers in luxury fashion are expecting more digital experience. Basically, all major luxury fashion brands have developed their social media platforms, apps and e-platforms to enhance the consumer experience with



them. It is hence well-agreed that the future of luxury fashion retailing relies heavily on these “digital” media and channels (Schmidt et al. 2015).

In the literature, Parrott et al. (2015) study via a netnographic approach the brand advocacy behaviour within luxury brand accessory forums based in the UK. The authors aim to examine how these communities affect the consumer purchasing intention. They find that all forum members are very much attached to their target luxury fashion brands. In addition, many consumers demonstrate their involvement as passive observers in the online communities. Kim et al. (2015) investigate the relationship between web atmospheric qualities of luxury fashion brands and their impact on consumer attitudes toward the website and the brand. The authors conduct a quantitative empirical study and confirm that there are significant impacts of web-atmospherics on the shopper-views towards the luxury fashion brands and their web sites. They also uncover the role played by product information and convenience to the relationship between “website design” and “consumers’ revisit intention”.

In this book, two chapters are related to social media in luxury fashion retailing. First, Bug and Hausmann employ a multi-methodological approach (Choi et al. 2016b) to study how social media relate to luxury fashion retailing. The authors first analyze the online performance of the three luxury brands (namely Burberry, Louis Vuitton, and Gucci), and then conduct a survey and an eye tracking test. They find that the social media do provide the luxury fashion retailers a chance to better interact with consumers. They also provide tips to luxury fashion companies on how social media can be properly employed to enhance their competitiveness in the market. Second, Ng explores via a qualitative consumer interview approach the new trends and development of social media for luxury brands in China. The author proposes that luxury retailers should pay attention to the implementation of omni-channel retailing because better integration of offline and online activities would be needed in order to meet the requirements of Chinese consumers.

## 1.5 Concluding Remarks

In this introductory chapter, we have concisely examined some important topics in the literature of luxury fashion retail management. We have also introduced the papers featured in this book. Table 1.1 summarizes the topics examined by each subsequent chapter in this book.

We strongly believe that the findings of this book would provide important insights which contribute to the literature and advance the industrial practices in fashion. As a remark, in each subsequent chapter, future research directions are discussed which will inspire new promising research in luxury fashion retail management.

**Table 1.1** Details of the papers featured in this book

Chapter	Title	Research approach	Category
2	Evolution of Luxury Fashion Brands	Review and discussions	Operations management
3	How Does Self-Concept and Brand Personality Affect Luxury Consumers' Purchasing Decisions?	Review and discussions	Consumer behaviors and branding strategies
4	The Evolution of Luxury Fashion Retailing in China	Review and discussions	Operations management
5	Consumer's Willingness to Pay More for Luxury Fashion Apparel Made in Sweatshops	Quantitative research	Consumer behaviors and branding strategies
6	Exploring the Personality of Luxury Fashion Brands: Evidence from Young US Consumers	Quantitative research	Consumer behaviors and branding strategies
7	Analytical Modeling Research for Luxury Fashion Products: Optimal timing of brand extension in a stochastic market	Quantitative research	Operations management
8	Using Social Media for Luxury Fashion Management	Quantitative research	Social media and e-platform
9	Luxury Fashion and Creativity: Change or Continuity?	Qualitative research	Operations management
10	Luxury brands and social media in China: New trends and development	Qualitative research	Social media and e-platform
11	Fashion Luxury Brands: Bridging the Gaps between Cutting-Edge Fashion and Corporate Social Responsibility Concerns	Qualitative research	Consumer behaviors and branding strategies

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# Chapter 2

## Evolution of Luxury Fashion Brands

Vincent Quan and Bin Shen

**Abstract** Luxury connotes a feeling of exclusivity to individuals of a higher social class. However, luxury fashion has evolved gradually. At present, the sector of luxury fashion is about exclusivity, quality, and prestige, but these qualities also appeal to the burgeoning middle class with price points below luxury competitors and a perceived quality quotient, namely, affordable or accessible luxury. In this paper, simple case studies on Hermes, Burberry, Cartier, and Ralph Lauren are conducted. Evidence of successful brand strategies and objectives of luxury fashion brands are reviewed. Many important managerial insights are provided which could help luxury fashion brand managers understand how luxury fashion brands have evolved and what strategies should be adopted.

**Keyword** Luxury fashion brands • Evolution • Brand strategies • Brand objectives

### 2.1 Introduction and Related Literature

Luxury in the fashion industry conjures images of models walking the runway while wearing the latest creations from the world's most famous designers. While these images may be accurate, they are not a complete representation of what luxury is all about, or really is. The true meaning of luxury can be found in consumers' perceptions of what they deem to be accessible (Kapferer and Michaut-Denizeau 2014). Luxury connotes a feeling of exclusivity to individuals of a higher social class (Zheng et al. 2012). Thus, luxury goods are items that carry higher price points, are perceived to be

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of superior quality, and are exclusive in some way to consumers of a higher means. Since the earliest of times, only the wealthy were afforded the opportunity to own or wear apparel and accessories made from the finest materials. Being scarce, such materials carried higher prices and were accessible only to those who could afford such niceties.

According to the Merriam-Webster Dictionary, fashion can be defined as “social standing or prominence especially as signalized by dress or conduct” or the “prevailing style (as in dress) during a particular time”. While clothing and accessories served a particular function in times past, especially during the Ice Age, luxury fashion has evolved to the point where its users wear such items not necessarily out of function, but for fashion and prestige purposes. As the incomes of consumers rose during the 1800’s, so did the population of mid to upper class individuals who were able to afford luxury fashion goods. In turn, the rising demand created a need for luxury fashion goods catering to a discerning clientele. Luxury fashion attributes included: exclusivity, quality, and prestige. The birth of luxury fashion heralded the arrival of exclusive brands such as: Burberry [1856], Cartier [1857], Chanel [1910], Dior [1947], Gucci [1921], Hermes [1837], and Prada [1913]—to name a few.

The luxury pyramid as depicted in Rambourg’s *Bling Dynasty: Why the Reign of Chinese Luxury Shoppers Has Only Just Begun* depicts the various segments of luxury brands by price point. Discounting everyday luxury as a psychological segment, the luxury pyramid’s lowest segment is “Affordable” luxury. Simply put, the luxury sector can be subdivided within the term luxury.

As consumers aspired to acquire some of the aforementioned brands, the development of another category of product was created, namely affordable or accessible luxury. This sector appealed to the burgeoning middle class with price points below luxury competitors and a perceived quality quotient. Brands such as Brooks Brothers [1818], Coach [1941], Kate Spade [1993], Michael Kors [1978] and Tory Burch [2004] thrived in this sector. These affordable luxury brands implemented a strategy to attract a broader customer base at the middle to upper income levels than the narrower market for luxury (Rambourg 2014).

The evolution of luxury fashion brands has been widely examined by extensive academic literature. Lately, Kim and Ko (2012) investigate how social media marketing activities enhance customer equity of luxury fashion brands. They identify the strategy to forecast future purchasing behavior of luxury fashion customers. Li et al. (2012) explore the relationships of perceived value, fashion lifestyle, and willingness to pay for luxury fashion brands in China. They find that for the consumers who have no genuine or counterfeit luxury fashion brand experience, the perceived economic value of luxury fashion brands has a significant influence on their willingness to pay. Miller and Mills (2012) find that uniqueness is an antecedent to brand luxury and unique identity is a product or branding strategy. As a result, they argue that uniqueness can be a strategy to enhance the exclusivity level of luxury brands. Zheng et al. (2012) identifies luxury fashion consumers by classifying them into two consumer groups: fashion leaders and fashion followers, who may influence each other. They derive the optimal advertising strategies for luxury fashion brands and explore the ways to efficiently allocate advertising

budgets on luxury fashion brands in terms of two consumer groups. So et al. (2013) develops a theoretical framework to examine customer emotional attachment and brand loyalty in luxury fashion. He demonstrates that customer emotions and brand loyalty should be developed in the most cost-effective way, which is a critical branding strategy for luxury fashion firms. In contrast to previous literature, this text discusses luxury fashion brands' evolution and responsive strategies. The evolution of luxury fashion brands may be related to supply chain strategies. Brun et al. (2008) examines the luxury fashion supply chain by citing multiple case studies in Italy. This study finds that the supply chain configuration and management decisions significantly influence critical success factors such as product quality for luxury fashion companies.

The text is organized as follows. First, case studies of luxury fashion brand evolution are shown in this chapter, where we discuss the luxury fashion brands Hermes, Burberry, Cartier, and Ralph Lauren. Based on the results of case studies, we elaborate on the strategies and objectives of luxury fashion brands in Chap. 3. Chapter 4 concludes the book.

## 2.2 Case Studies of Luxury Fashion Brand Evolution

Whatever the sector within luxury, the majority of these brands delve on their heritage and storied past while maintaining the brand's DNA and following a consistent business model (Priyawat 2016). In this section, we discuss how Hermes, Burberry, Cartier, and Ralph Lauren evolved as luxury fashion brands. The heritage of a luxury brand forms a unique selling proposition not easily replicated by competitors, leveraging the history of the brand's founders and relationships with royalty and high society creating an air of exclusivity for each brand. The majority of luxury brands were founded in the 19th and 20th centuries. We will focus on these handful of brands to demonstrate their unique characteristics. Our analysis is based on information collected from each firms' website, annual reports, and public consultant reports.

### *Case 1: Hermes*

The history of Hermes began in 1837 when a German French-born bridle and harness-maker by the name of Thierry Hermes launched his eponymous brand in Paris, France. The bridle and harnesses were sold to those wealthy enough to own horse-drawn carriages, which were a primary mode of transportation during the era. As the company's business began to grow, a complementary product category was introduced by the founder's son, Charles-Emile Hermes—the horse saddle. Horse saddles manufactured by the firm then sold throughout the globe to the rich and famous. It was thus natural that the logo adopted by Hermes was a royal horse-drawn carriage to signify its early roots.

Having cornered the luxury market for elite equestrian accessories, the brand was about to embark on a brand extension strategy which introduced handbags and small leather goods to the brand's repertoire. During a visit to America, at the onset

of World War I, Emile-Maurice Hermes, one of Charles' two sons, came across an invention that caught his eye. Having the foresight to see that this innovative product could be useful to the brand, Emile "bought the European rights to an American invention—the zipper (Braver 2014)". The zipper was quickly incorporated into handbags and small leather goods, paving the way for future growth. By the end of the 1940s, Hermes had diversified its product offering to include head scarves, perfume, and silk ties, in addition to its stable of equestrian leather goods.

### *Case 2: Burberry*

The Burberry story began in 1856, when it was founded by Thomas Burberry, a former drapers-apprentice in Basingstoke, England. Dissatisfied with the existing stiff and uncomfortable outerwear at the time, Thomas started experimenting with fabrics. His solution was the creation of "Gabardine" cloth, which exhibited water-repellant qualities but was also breathable, allowing air to circulate (Ehrlich 2001). Having trademarked his Gabardine fabric, Burberry continued protecting his brand by patenting and trademarking as many of his creations as possible. The Burberry logo is an "Equestrian Knight" that was trademarked in 1909. The armor signifies the protection afforded by the outerwear, the chivalry of knighthood reflects the company's own standards of integrity, and the Latin adverb *prorsum* ("forward") which referred to Burberry's innovative fabrics and styles (Ehrlich 2001).

By the turn of the 20th century, Burberry extended its brand to include gaiters, hats, and pants. The durability of these products eventually led the British military to adopt the Burberry coat as the military standard for all British officers during World War I. The term "trench coat" was borne out of the method of digging and fighting in trenches during the Great War.

Later, Burberry's quintessential plaid lining became famous in the 1960s which set the stage for introduction of Burberry signature plaid cashmere scarf. It was not until the 1990s that Burberry began to heavily license its brand logo to other manufacturers. By the late twentieth century, the Burberry logo could be found on products such as handbags, women's wear, sunglasses, perfume, and other items (Burberry Annual Report 2015–2016).

### *Case 3: Cartier*

Louis-Francois Cartier founded the House of Cartier in 1847 by taking over the business of his master, Adolphe Picard in Paris. The distinctive feature of Cartier's jewelry was the use of platinum which soon caught the attention of the French aristocracy. The first major purchase was made by the niece of Napoleon I. Louis-Francois' son Alfred and his three grandsons Louis, Pierre, and Jacques all contributed to the success of the brand. The three grandsons embarked on a global travel and expansion plan which took them to Russia, India, the United Kingdom, and America. The notoriety gained by exposure to the tsars of Russia, the maharajahs of India, British royalty, and American industrialists quickly elevated the brand to luxury status (Cartier Website 2016a). By creating the finest works of jewelry and royal tiaras encrusted with precious gemstones for the likes of Princess

Marie Bonaparte, Queen Elizabeth of Belgium, Queen Victoria-Eugenia of Spain, and Queen Elizabeth II, the brand's luxury status was cemented (Cartier Website 2016b).

However, it was the introduction of the wristwatch which quickly catapulted Cartier to a much wider and affluent audience. In 1904 the pilot Alberto Santos-Dumont made aviation history while wearing a wristwatch created by his friend Louis Cartier. Santos-Dumont had once remarked to Cartier that it was difficult to maintain control of his aircraft while fumbling for his pocket watch. The Santos wristwatch was born eventually to be followed by the famous Cartier Tank watch inspired by the fighting machines built during World War I (Reddick 2012). The birth of the Trinity ring followed shortly thereafter. Small leather goods were eventually introduced during the latter half of the twentieth century.

#### *Case 4: Ralph Lauren*

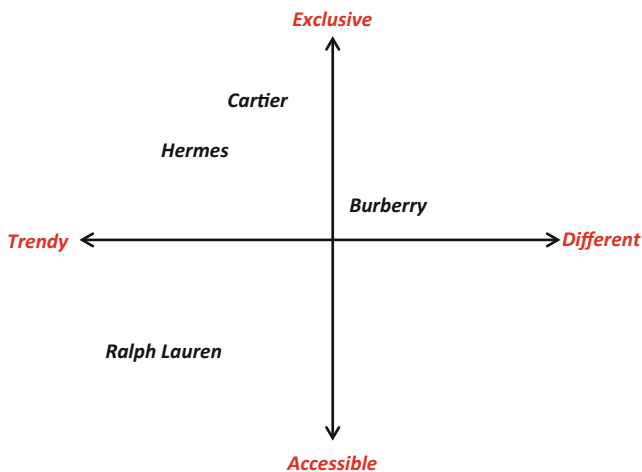
Ralph Lauren began his fashion career by selling men's ties to fellow students while still in high school during the early 1950s. Lauren's young and entrepreneurial spirit eventually led to a stint as a neckwear salesperson for Brooks Brothers. In 1967 the Ralph Lauren brand was founded with inspiration from his previous employer, Brooks Brothers, guiding the brand's aesthetic (Ralph Lauren Biography 2016). A full collection of menswear was launched in the early 1970s followed by a womenswear collection, all inspired by Ivy League college preppy looks. Eventually, the brand introduced denim, rugby, and fragrance products amongst others to expand the brand's reach.

### **2.3 Luxury Fashion Brand Evolution Strategies and Objectives**

Research into numerous luxury and affordable-luxury brands indicates that the strategies and objectives implemented by management appear to be similar in many respects. While the product categories may vary and the target market somewhat, there are several consistent patterns amongst the brands. Notably, international growth, distinct channels for building revenue and a focus on a brand's heritage are key strategies highlighted by many of the luxury brands. In this section, we discuss the strategies and objectives that the investigated brands adopted. We construct the luxury fashion brand map in terms of exclusive, different, trendy, and accessible in Fig. 2.1. As shown in Fig. 2.1, Cartier has a higher level of exclusivity than Hermes, but Hermes is trendier than Cartier. Ralph Lauren is quite trendy and accessible because of its fashionable design and reasonable price. Burberry is luxury fashion brand positioned at a slightly lower level of exclusivity with a differentiated rather than trendy product assortment.

Burberry's strategic agenda encompasses four major themes, including Brand First, Customer-Centric, Famous for Products, and Productive and Responsible. These four pillars form the foundation for the brand's global expansion initiatives





**Fig. 2.1** Luxury fashion brand positioning

(Burberry Annual Report 2015–2016). The three-pronged channel mix strategy includes direct to consumer retail through brick and mortar and e-commerce platforms, wholesale distribution, and select licensing agreements. For 2015–2016 the sales by channel mix constituted 73 % in Retail, 25 % in Wholesale, and the remaining 2 % in Licensing (Burberry Annual Report 2015–2016).

The Brand First agenda capitalizes on Burberry’s storied past including its rich British heritage and superior craftsmanship. Utilizing its past, the company strives to increase global awareness and engagement through traditional, digital, and social media channels. With a Brand First approach, Burberry re-focuses all efforts on the brand’s DNA.

The Customer-Centric approach focuses efforts directed at identifying and localizing customer needs. The omni-channel strategy creates seamless customer interaction with the brand and ongoing improvements in customer engagement.

The Famous for Product agenda concentrates on design innovation and manufacturing of Burberry’s products. Re-emphasis on the Burberry Trench coat and iconic scarf sets the stage for growth across all complementary product categories in men’s, women’s, and children’s. Productive and Responsible initiatives to drive efficiencies while being socially responsible lie at the core of this agenda. Teamwork driven with technology ensures maximum productivity.

Ralph Lauren’s strategic focus is to manage its “portfolio of lifestyle brands with a direct control model over most of its brands, products, and international territories” (Ralph Lauren Annual Report 2015–2016). By creating a portfolio of lifestyle brands with global distribution, the company aims to capitalize on design and sourcing through global synergies. In addition, the brand utilizes an omni-channel customer outreach strategy which integrates both brick and mortar and digital touch points, thus enhancing the overall customer shopping experience. The company’s

long term objectives include a concerted push towards international growth through direct to consumer venues. The multiple brands under Ralph Lauren's umbrella include Ralph Lauren Collections, Ralph Lauren Purple Label, Club Monaco, and others. The Ralph Lauren business model encompasses three distinct channels—Retail, Wholesale, and Licensing. For fiscal year 2015 the company's channels respectively contributed 53, 45 and 2 % to the firm's revenue (Ralph Lauren Annual Report 2015–2016). The “direct control” model instituted by the company's executive management clearly indicates that the Retail percentage contribution is expected to grow.

## 2.4 Conclusions

Playing off of a luxury brand's heritage and craftsmanship creates a competitive advantage for the brand. The roots of a brand create a unique opportunity for it to capitalize on the special nature of the brand's designs and features not easily replicated by competitors. As the brand continues to mature, the evolution of new products through organic development or licensing agreements naturally occurs. Licensing agreements are a strategic solution to add product categories which the brand lacks expertise. Eventually, the brand acquires sufficient, new found knowledge on the licensed products to take the products in-house as the licenses expire. The majority of luxury brands have also indicated in their annual reports that Asia drives a large percentage of the brand's revenue. Revenue growth through international expansion is a consistent strategy for all of the brands mentioned.

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# Chapter 3

## How Does Self-concept and Brand Personality Affect Luxury Consumers' Purchasing Decisions?

**Bang Nguyen, Meng-Shan Sharon Wu  
and Cheng-Hao Steve Chen**

**Abstract** This chapter reviews the major theories on self-concept and brand personality in the luxury consumption context. The self-concept is the cognitive or thinking aspect of self, referring to learned beliefs, attitudes, and opinions that each person holds about his or her personal existence. Brand personality is defined as a set of human characteristics associated with a brand, in which a brand may be considered as an active relationship partner rather than a passive exchange object. Linking these two concepts in the luxury context, the chapter considers how person-specific, internal or external attributes, interact to form an individual's self-concept and how the self links with the brand's personality. Understanding consumers' self-concept is particularly important for luxury products and brands due to its wider implications for consumer psychology and behavior and marketing practice. Hence, theoretical and managerial implications are discussed arising from the self-concept and brand personality (SCBP) framework.

**Keywords** Self-concept · Brand personality · Self-congruity · Luxury brands · Luxury consumption · Luxury consumers · Luxury purchase decision making

### 3.1 Introduction

Many consumers are today choosing to purchase products and services that are of a greater value. This is the case for especially the new middle-market consumers that are well educated and well traveled. The feature of *luxury brands* as a way to

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demonstrate a luxurious lifestyle that include symbolic effects, expensive taste, individual's social status and identity (Kapferer 2012), shows the consumers' underlining uniqueness, enjoyments, conspicuous values, and emotional attachments (Kansara 2011; Wu et al. 2015a). These consumers' purchasing choices indicate the influential role of luxury brands and products in their decisions and luxury consumption. As more and more middle-market consumers will happily—and capably—pay premiums for better quality of products, well known brands, and luxury branded products (Duma et al. 2016), it therefore becomes interesting to understand further about these luxury consumers' purchasing decisions when comes to luxury brands.

This chapter reviews the effects of *self-concept* and the role of *brand personality* when luxury consumers make purchasing decisions. Both the self-concept and brand personality have received great attention among practitioners and academics alike (e.g., Wu et al. 2015b). Scholars suggest that the self-concept is the cognitive or thinking aspect of self, referring to learned beliefs, attitudes, and opinions that each person holds about his or her personal existence. Brand personality is defined as a set of human characteristics associated with a brand, in which a brand may be considered as an active relationship partner rather than a passive exchange object. Linking these two concepts considers how person-specific, internal or external attributes, interact to form an individual's self-concept and how the self links with the brand's personality. Hence, the chapter reviews theories on self-concept, self-esteem, congruity, and brand personality/image, here in the luxury context. A self-concept and brand personality (SCBP) framework is developed and theoretical and managerial implications are discussed.

This chapter will cover the following issues:

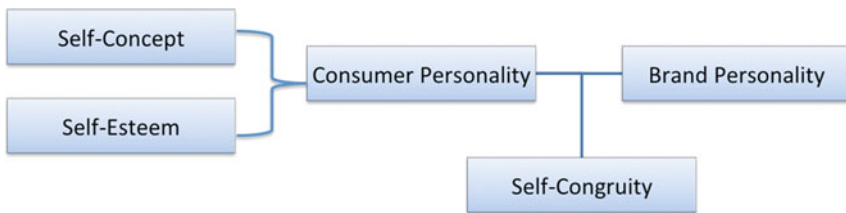
- (a) Identifying and summarizing the major theories of self-concept and brand personality in the luxury context.
- (b) Discussing, interpreting, and ascribing the self-concept and brand personality to the current research agenda.
- (c) Choosing and applying an appropriate approach for managing brand personality.

### **3.2 Routemap: The Self-concept and Brand Personality Within the Marketing Psychology Framework**

The enthusiasm to acquire luxury brands customarily derives from the impression of conspicuous consumption. This concept tends still to be more or less the strategic establishment for the management of luxury brands (Corneo and Jeanne 1997;

Dittmar 1994; Duma et al. 2016; O’Cass and Frost 2002; Vigneron 1999; Vigneron and Johnson 2004). Based on this notion, which has its roots via a consumer’s decision-making process and the social psychological effect via their purchasing intention, ideal social images, and conspicuous purchases (Eagly and Chaiken 1993), brands are employed to differentiate several consumption strategies: (a) brands can be used to underline social salience with visible symbols to highlight a consumer’s taste, and (b) brands can be viewed as an symbol or sign that associate a particular social group with that in which they would like to communicate or engage with as their social identities. A number of researchers have enhanced the fundamental concept of luxury consumption for years (Wong and Ahuvia 1998; Vigneron 1999; Vigneron and Johnson 2004; Tsai 2005; Wiedmann et al. 2009). Building on these previous studies, the chapter topic investigates consumption orientation on the self-concept, particularly as this subject is essential to the wider marketing psychology and consumer behavior literatures due to its focus to the *self*, that is, who the consumer is and how their thoughts about themselves affect their subsequent brand choice. This chapter further discusses how a personal orientation towards luxury brands is more important for some consumers than others (Wong and Ahuvia 1998), especially when consumers choose a luxury brand based on its utilitarian, emotional, symbolic effects which may reflect on their personal orientations. The discussion explores how a consumer’s self matches with a brand’s personality. The diagram (Fig. 3.1) summarizes the relations among relevant factors (e.g., self-concept, self-esteem, consumer personality, brand personality, and self-congruity).

This chapter, considering attributes that form one’s self-concept, is structured as follows: First, the key theories on self-concept, self-esteem, congruity, and brand personality are reviewed and the literatures’ seminal and most current directions and discusses discrepancies and disagreements are presented. A summary table highlighting the key findings is placed at the end of this section. Then, applying a case study, the chapter illustrates the above concepts in practice. Finally, key questions are put forward for further study with implications for research, theory, and practice.



**Fig. 3.1** The self-concept and brand personality (SCBP) framework

### 3.3 The State of the Art in the Self-concept and Brand Personality

Keller (1998) defines a brand as set of mental associations held by the consumer. These mental associations may add to the perceived value of a product or service. Expanding the notion of perceived value to include all evaluations about the brand and its related information (Peter and Olson 2001), such evaluation of brand related information is referred to as brand equity and, as researchers posit, the outcome of any efficient branding activity investments (e.g., Seetharaman et al. 2001; Han et al. 2015).

Brand equity is considered as the value of a firm's name and symbol, its strength, currency and value, its description and assessment of the appeal among all target audiences, who interact with the brand (Cooper and Simons 1997). The measurement of brand equity should accurately evaluate consumers' perceptions of the brands in order to develop marketing strategies that align with both consumers' values and the self (Gupta et al. 2011). This alignment is relevant not only to consumers who purchase a brand but also to managers and marketers who evaluate the performance of brands and formulate branding strategies. Hence, the evaluation of brand equity presents an efficient way to assess consumers' behavior and management performance (Richards et al. 1998). In developing and increasing brand equity, firms have turned their attention towards creating brand personalities. Brand personalities enable firms to develop consumer-brand relationships that are more intimate due to the focus on the alignment between self and brand. This alignment, or matching process, is referred to as self-congruity. By addressing how a firm can create a brand personality that is congruent with the consumers' self, managers can not only understand their consumers' perceptions and issues related to their self, but also, clearly follow a path that emphasizes the creation of a matching brand personality, in order to communicate with their consumers more successfully. In the next section, the chapter investigates the key theories on how person-specific internal or external attributes interact to form one's self-concept.

#### 3.3.1 *Self-concept*

Self-concept is defined as “the thoughts, beliefs, and concerns that individuals hold about their own attributes and characteristics” (Wright 2006, p. 325). The self-concept is the cognitive or thinking aspect of self (related to one's self-image) and generally refers to “the totality of a complex, organized, and dynamic system of learned beliefs, attitudes, and opinions that each person holds to be true about his or her personal existence” (Purkey 1988, p. 1). The self-concept is considered as a system structure that forms from interaction of social environment and individual mental behavior information, such as temperament, personality, values, and social roles. It is said to be acquired self-recognition based on psychological genes. Super

(1984), drawing from career decision theories, suggest that self-concepts reflects attempts at translating self-understanding into career terms. He proposed that self-concepts contain both objective and subjective elements, and that self-concepts continue to develop over time, making career choices and adjusting them to lifelong tasks. Super (1984) suggested that the self-concept include an individual's self-esteem and an understanding of the clarity, harmony, development, effectiveness, and personal interest in the development status' capacity and potential.

In branding, researchers argue that consumers are drawn towards brands that reflect both their actual self and ideal social self-concepts (Rhee and Johnson 2012). Consumers, therefore, are likely to choose brands, which represent their ideal self-concept. Consumers choose brands which are either socially acceptable or reflect their own personality and the brands' personality, which in turn, reflect who the consumer aspires to be. Scholars note that the consumers' self-concept identifies whether consumers connect to a brand and why. The three underlying self-concepts are (Graeff 1996; Sirgy 1985; Rhee and Johnson 2012):

- (1) Who am I?
- (2) Who do I want to be?
- (3) Who do I want others to think I am?

Self-image congruity theory, reflecting the three questions above, is where consumers' brand preferences are determined. These preferences can be determined by matching consumers' cognitive image with the brands' image (Sirgy 1986). The self-image congruity theory further suggests that consumers associate their personal image and how they want to be perceived with the brand (Aaker 1997). Scholars have continued to identify, within the consumer and brand relationship domain, two categories of self-concepts, namely, internal and external. *Internal* variables are those, which are correlated to an individual's characteristics such as personality. These variables are linked to the question 'who am I?' in the self-image congruity theory. *External* variables concern the external environment and refer to everything else, such as peer pressure. Within the self-image congruity theory, these external variables are associated with 'who do I want to be' and 'who I want others to think I am'. The three underlying self-concepts present a framework for understanding the internal and external factors, which influence the relationship between self and brand.

When exploring the internal self-concept, the theory of self-discrepancy provides a framework for understanding different types of self (Higgins 1987). The self-discrepancy theory states that people compare themselves to internalized standards called self-guides. These are different representations of the self and is divided into three categories: actual self, ideal self, and ought self. The theory states that these self-guides can be contradictory, resulting in emotional discomfort (Orellana-Damacela et al. 2000). Self-discrepancy is the gap between two of these self-representations, and once a gap exists, people are motivated to reduce the gap in order to remove disparity in self-guides (Tindale and Suarez-Balcazar 2000).



In branding, the self-discrepancy theory provides a platform for understanding how different types of discrepancies between varying representations of the self are related to different kinds of emotional vulnerabilities. It, thus, maintains close ties to the belief-incongruity research, including self-inconsistency theory (Lecky 1961), cognitive dissonance theory (Festinger 1957), imbalance theory (Heider 1958), and equity theory (Adams 1965). By exploring the internal aspect of self, researchers show that internal disagreement causes emotional and psychological turmoil. The theory proposes how a variety of self-discrepancies represent a variety of types of negative psychological situations that are associated with different kinds of discomfort. Thus, it aids in predicting which types of incongruent ideas are causing individuals to feel different kinds of negative emotions related to their brand relationships. Those emotions, in turn, predict consumers' brand affect leading to positive or negative outcomes, including loyalty, affective commitment, and trust.

Levy (1959) contended that the behaviour of consumers is not functional oriented and is substantially influenced by symbols encountered in the identification of goods in the marketplace. A study by Grubb and Grathwohl (1967) found that each brand often comes with its character and identity that reflects consumers' ideal selves, which can support them in their self-enhancement activities by giving them the feeling or getting closer to their ideal self. For example, the act of shopping combines an individual's preference, intentions, meanings and humanistic interactions, which carry deeper meaning and information than observing consumers' behavioural patterns of purchases (Miller et al. 1998). Shopping covers a wide range of behaviors, either through a social or an individual context. That is, consumers engage in certain behaviour as a way of constructing their self-concept and creating their personal identity (Belk 1988; Richins 1994), especially when some symbolic possessions are associated with certain brands (e.g., some people might use certain brands to associate with others or to counterpart with their personality/identities). These associations can then be transferred from resourcing groups (e.g. friends, family or communities with whom individuals intend to associate) to themselves, as they select brands with meanings that are congruent with an aspect of their self-concept.

As mentioned above, the theory of self-discrepancy postulates three different types of self, namely, actual, ideal, and ought. The '*actual self*' is a person's basic self-concept, that is, their perception of own attributes, such as intelligence, attractiveness, and so on (Higgins 1987). Thus, actual self is the representation of the attributes that a person believes he or she possesses, or that he or she believes others believe he or she possesses. The '*ideal self*' is what motivates a person to change, improve and achieve, focusing on the presence or absence of positive outcomes, such as love. In other words, the ideal self is a person's representation of attributes that the person would like to, ideally, possess (representation of someone's hopes, aspirations, or wishes). Finally, the '*ought self*' is the representation of the attributes that a person believes he or she should or ought to possess, focusing on the presence or absence of negative outcomes, such as criticism. The ought is a representation of a person's sense of your duty, obligations, or responsibilities (Higgins et al. 1994). Some feature a strong emphasis on "role identities, personal

attributes, relationships, fantasies, possession, and other symbols that individuals use for the purpose of self creation and self-understanding” (Schouten 1991, p. 143). The connection between self-concept and individual preferable behaviors might be influenced by product consciousness and conspicuous purchases (Dolich 1969; Ross 1971).

Understanding the self provides a means to systematically lessen negative affect associated with self-discrepancies by reducing the discrepancies between the self-domains in conflict of one another (Higgins 1987). The study of self has been applied to psychological health, but also extensively to branding as a way to understand human emotions. For example, studying consumer emotions, such as shame and guilt, provide an understanding of the level of congruity between the self and the brand identity. If there is a conflict between the self and the brand, a negative response will occur, damaging the brand. In this self-guided society, pressure on individuals often induces turmoil if there are discrepancies between the self and their brands. Hence, the theory finds many of its uses, not only geared towards mental health, anxiety, and depression, but also to understanding what emotions are being aroused, and the reasoning on why it is important to reinstate psychological health. This is particularly true for brands causing negative emotions. In such event, the brand managers must reinstate balance by both investigating the emotions and the level of congruity. These are aspects considered to make up the internal and external variables affecting the self.

In consumer-brand relationships, scholars suggest that individuals internalize their relationship experiences, so that previous relationships develop a pattern for future relationships. This projection reveals how an individual perceive other people and their own image of self (Bowlby 1973; Bartholomew and Horowitz 1991). Individuals’ working models of self and working models of *others* are principal causes of progression between early attachment (experiences, feelings, cognitions, and behaviors) and future relationships. By understanding these elements, marketers may predict future relationships by designing new proximity-seeking attempts with relational partners, without reconsidering from the very beginning (Gillath et al. 2005). Consequently, an individual’s internal working model may act as a useful guide for consumer-brand relationships.

### 3.3.2 *Self-esteem*

Many products and brands represent a certain image, social role or status to their owners (Sproles and Burns 1994). In order to achieve the perception of a higher social status and social approval, some consumers are encouraged to purchase and display luxury items in a conspicuous demonstration of wealth, advertising their ability to afford luxury goods. Particular clothing and accessories that an individual may own and then wear in public are recognised as status symbols (Solomon and Rabolt 2004). While the self-concept is what individuals think about the self, the

self-esteem is the positive or negative evaluations of the self (Smith and Mackie 2007). Self-esteem is known as the evaluative dimension of the self that includes feelings of worthiness, prides, and discouragement, and is also closely associated with self-consciousness (Newman and Newman 1975). Thus, it is a judgment of oneself, the attitude toward the self, and a person's overall emotional evaluation of his or her own worth. In accordance with social-learning theorists, Olson et al. (2007) define self-esteem as a person's judgments of their own worthiness, that is, their personal worth or worthiness (Baumeister et al. 1996). According to other researchers, self-esteem is "the experience of being competent to cope with the basic challenges of life and being worthy of happiness." Branden (1994) notes that self-esteem is the sum of both self-confidence (a feeling of personal capacity) and self-respect (a feeling of personal worth). Self-esteem thus exists as a consequence of a person's implicit judgment about their ability to face life's challenges, to understand and solve problems, and their right to achieve happiness, and be given respect.

As a social psychological construct, researchers conceptualize self-esteem as an influential predictor of outcomes, such as academic achievement (Marsh 1990) or exercise behavior (Hagger et al. 1998). In branding, self-esteem has been treated as an important outcome due to its close relation with psychological well-being. Self-esteem applies to a global extent (for example, "I believe I am a bad person, and feel bad about myself in general") or a particular dimension (for example, "I believe I am a good writer and I feel happy about that"). Several theories, including Maslow's (1987) hierarchy of needs, suggested that self-esteem is a basic human need or motivation. Maslow stated that psychological health is not possible unless the essential core of the person is fundamentally accepted, loved, and respected by others and by her or his self. Self-esteem allows people to face life with more confidence, benevolence, and optimism, and thus easily reach their goals and self-actualize. Low self-esteem, on the other hand, is said to result from various factors, including genetic factors, physical appearance or weight, mental health issues, socioeconomic status, peer pressure, or bullying (Jones 2003).

In the branding literatures, low self-esteem is gaining increased interest. Recent research in branding suggests that people with low self-esteem tend to show a deep attachment to 'horizontal' (similar to others) brands when they feel socially excluded (Dommer et al. 2013). These horizontal brand users, according to these researchers, represent a subgroup within the reference group, allowing an individual to distinguish him/herself from the average group member while creating or maintaining allegiance with the overall group (Mateo 2013). Thus, 'horizontal' brands allow people to protect themselves against the sense of exclusion by perceiving the group as made up of many heterogeneous subgroups. By contrast, when these same people with low self-esteem feel included in the group, they often go for 'vertical' (differentiated) brands, which enable them to raise their profile, while continuing to belong. 'Vertical' brand differentiation occurs when people use brands to demonstrate a degree of superiority over others in the reference group,

such as the use of luxury brands. They explain that when people look to adopt brands, which differentiate them, what they might actually be doing is trying to fit in rather than stand out. However these seemingly rather black-and-white differentiations serves as a useful basis for understanding the role of self-esteem in brand choice, and subsequent, for developing more sophisticated assessments of consumer behavior.

### 3.3.3 *Self-congruity*

Scholars hold that consumers tend to prefer brands with images that match their own self-concept (Sirgy 1980), and self-congruence is referred to as this process of matching (Sirgy and Su 2000). In a competitive environment, the extent of the congruence between consumers' self-concept and a brand's image significantly influence on consumers' evaluation, and subsequent choice of the brand (Graeff 1996). Thus, consumers have a positive attitude and buying intentions towards brands that are consistent with their self-image (Argyriou and Melewar 2011; Graeff 1996). Researchers use self-concept to explain consumer behavior (Quester et al. 2000) because a person's specific behavior patterns are frequently determined by the image that he/she has about himself/herself (Onkvisit and Shaw 1987). This, in turn, suggests that self-congruence play an important element in creating positive brand attitudes (Ekinci and Riley 2003), and influences brand preference (Jamal and Goode 2001) due to its matching process.

Self-concept congruence creates strong emotional attachments between consumers and brands, similar to those between friends and family (Hwang and Kandampully 2012). Intense cases of this can be classified as 'brand love' (Ismail and Spinelli 2012), which has been shown to increase consumers' loyalty to a brand, create positive word of mouth (Carroll and Ahuvia 2006), and allow the charging of a price-premium (Thomson et al. 2005). Such congruence is inextricably linked to connections between the self and the brand. Brand-self connections or sometimes, self-brand connections (SBC), are similar to the concept of consumer-brand identification (CBI) (Bhattacharya and Sen 2003; Escalas 2004). SBC refers to the degree to which a brand encapsulates the consumer's self-concept (Escalas and Bettman 2003). CBI refers to the perceived state of oneness between consumer and brand (Stokburger-Sauer et al. 2012). Both are integral parts of the concept of brand attachment. As attachment theory expands in both depth and scope (Ferraro et al. 2011), recent research add the notion of brand prominence, suggesting the connection between consumers' self and the brand through perceived ease and frequency, brought into consumers' minds (Park et al. 2010). Brand awareness is related to the strength of the brand in the minds of consumers. It enables consumers to recognize and recall the brand, thus, enhancing brand equity (Keller 1993). Brand awareness is an important goal of marketing efforts because

brand image and brand attitude cannot be formed in its absence (Macdonald and Sharp 2003). Some researchers highlight, in particular, the importance of brand awareness in the service context (e.g., Krishnan and Hartline 2001; Prasad and Dev 2000; Kayaman and Arasli 2007), suggesting its importance in the awareness of self-congruence and consumer-brand fit. Brand awareness is linked to brand name; it denotes the probability that a particular brand name comes to the consumer's mind when choosing a brand (Keller 1993). A well-known brand name serves to reduce the risks of buying and consuming a service brand (Bhradwaj et al. 1993). Furthermore, brand awareness is related to positive outcomes such as brand reputation (Maltz 1991; Sarstedt et al. 2013). Brand awareness and brand association are considered to be the main components of reputation (Gains-Ross 1997; Davies and Miles 1998), and investments in brand awareness can lead to sustainable competitive advantage and long-term brand value (Macdonald and Sharp 2003). Thus, the first step to successfully develop congruence or consumer-brand fit is to understand branding and its related components since they are all linked intricately. This is particularly true when developing brand personalities.

### ***3.3.4 Brand Personality***

Brand personality is a set of human characteristics associated with a brand and carries the symbolic meanings, which the brand represents (Aaker 1997). In turn, these meanings can positively influence the consumers' brand preferences, and subsequent purchase intentions (Punjatoya 2011). Brand personality is thus defined as the symbolic meaning to a brand (Das et al. 2012). Brand personality allows consumers to identify their self, their ideal self, or other dimensions of self, through the connection to a brand (Belk 1988; Kleine et al. 1995; Malhotra 1988). Brand personality is developed through the personality traits linked to the brand (Aaker 1997) and can ensure differentiation in product categories where intrinsic cues are very similar (Freling and Forbes 2005). When consumers strongly identify with a brand, more time and money will be spent upon it. With regular interaction, long lasting consumer-brand relationships and increased purchases are evident (Carlson et al. 2009). Punjatoya (2011) suggests that people prefer brands with which they share personality characteristics. Aaker (1997) identified five of these characteristics, or dimensions, of brand personality, which are sincerity, excitement, competence, sophistication, and ruggedness. Each of these dimensions include sub-dimensions, as follows: down-to-earth, honest, wholesome, cheerful (sincerity), daring, spirited, imaginative, up-to-date (excitement), reliable, intelligent, successful (competence), upper class, sophistication, outdoorsy and tough (ruggedness) (Aaker 1997, Punjatoya 2011). Each describes a specific brand personality trait.

If a brand were to adopt any of the five personality traits, it can encourage an emotional connection with a consumer towards a brand. This is particularly helpful

when the consumer is attracted to that particular attribute when electing preferred brands and products. These attributes can be portrayed in the brand values of the company, the product it sells, and the advertising campaigns that it creates. Aaker (1997) suggests that situational factors, such as the advertising campaigns, the individual's personality, and the personality of a brand, affect the consumer preference toward a brand, which in turn, increases the likeability of a brand (Nguyen et al. 2013a), and the usage of a product (Sirgy 1982). Rayman (2012) investigated the effects of a brand's advertising campaign on consumers, and conclude that these campaigns encourage positive feelings towards a brand, which helps to persuade consumers to buy products that are related to that brand. Obermiller and Sawyer (2011) demonstrate that by including detailed contextual cues in advertising, and arranging and designing these to induce positive feelings towards a brand, consumers' emotions are influenced, leading to purchase. These cues include backgrounds to advertisements, brand name, symbols, ad photo, products, etc., and enable consumers to look more favorably towards one brand over another, creating brand preferences, likeable products, and purchase. In combination, these cues make up aspects of the brand's personality.

An underlying motivation between consumers' self and brand personality is the concept of emotional attachment. While the benefits of emotional attachment are clear, some times emotional attachment to a brand can also create a consumer confirmation bias. Studies show that consumers are more likely to seek information that confirms their beliefs rather than considering evidence that contradicts them. This notion contains bias, which may influence decision-making among both consumers and marketers. For example, investors often hold on to stocks in a falling market, believing that the markets will rise, without any empirical evidence that this is likely to happen (Mascarenhas 2009). This is similar with consumers' confidence and their purchase behavior. If consumers believe the recession will last longer then, it will, because they are likely to scale back their spending because of a "confirmation bias." In a similar line of reasoning, consumers may often not know what they want and desire next, so they rely on a "confirmation bias" about their preferences. Research, investigating consumers' initial belief and their natural tendency, show that consumers subconsciously remember the preferred information (Cunniffe and Sng 2012). Marketers therefore need to evaluate the reasons why consumers might prefer their brand in light of a cognitive bias, as it creates a powerful predictor of future behavior (Merakovsky 2012).

In other words, confirmation bias contaminates the thinking of consumers' brand preferences. This is why the brand personality concept is so effective, as consumers often respond to a preferred personality trait, including that of the brands' personality. While some scholars reveal that consumers feel overwhelmed with communication from brands (Merakovsky 2012), others argue that the ability to verify the confirmation basis is becoming less complex, due to the increased use of social media for consumers to express opinions regarding brands. The majority of the information released through these platforms is a positive nature (Cunniffe and

Sng 2012), thus influencing their beliefs. To overcome the confirmation bias, scholars posit that specific characteristics attached to a brand will have an effect on the consumer, based on the notion that ‘people respond to people’. For example, studies show that likeability, an intrinsic human trait, is directly related to emotional connections shared between a brand with its audience, creating what can only be described as the human factor to a brand (Brunner and Emery 2009). Thus, brands that have a likeable personality become meaningful to the consumer, and will impact on consumers’ purchasing behavior, as consumers ‘feel’ something for the brand they are buying into. If consumers see traits within brands that they see in people, such as feelings of happiness, sadness, anger, and excitement, then this will influence their buying habits (Biel 1993). Consequently, when marketers utilize strategies and tactics to induce feelings in order to aid consumers’ decision-making process, they will have an advantage. This process demonstrates the importance of brand personality in branding (Cheverton 2006, p. 28). These human characteristics, constituting the brand personality, allow the consumer to link their own personality traits to the brand, which creates a desire and affect for the brand, which are then to be used by the consumers to express themselves. However, this self-expression is dependent on both the brands’ and the consumers’ traits and personalities being similar. If consumers’ personality is more congruent with a brands personality, it is likely to cause a more positive evaluation of the products’ quality and a higher level of preference for that specific brand (Erdogmus and Budeyri-Turan 2012).

Psychological research suggests that human personality attributes can be categorized into the ‘Big 5’ dimensions. These include extraversion, agreeableness, conscientiousness, neuroticism, and openness (McCrae and Costa 1987). Using these personality attributes brands increasingly build up an image and personality (Evanschitzky et al. 2012) in order to differentiate from competitors (Phau and Lau 2001), and to create a ‘face’ and ‘voice’. Similar to people relations, consumers desire brands with which they share common traits (Aaker 1996). This is achieved through their self-concept, which consists, as discussed earlier, of the actual self (who I am), ideal self (who I want to be), and ought or ideal social self (how I want to be seen) (Sirgy 1982). Brands are well-liked if they fit one of these concepts or disliked if they do not (Rhee and Johnson 2012). Researchers show that successful implementation of the brand personality concept can create positive marketing outcomes, such as positive consumer attitudes, purchase intentions, post purchase satisfaction, and brand loyalty (Jamal and Goode 2001). Having a brand personality that consumers are congruent with may be a key determinant of brand success (Lin 2010; Rhee and Johnson 2012). This highlights the potential impacts that emotional attachments have on consumers’ behavior. Favorable brand personalities increase consumer emotions towards a brand, which increases loyalty, and more importantly, the level of trust (Freling and Forbes 2005). Such trust is essential in today’s branding efforts, across all phases of the consumer decision-making process, including the pre- and post-transaction customer experience (Goessens et al. 1999). Table 3.1 shows a summary of the important concepts in this chapter.

**Table 3.1** Differences between brand conceptualizations

Concept	Definition	Theories	Example
Self-concept	“The thoughts, beliefs, and concerns that individuals hold about their own attributes and characteristics” (Wright 2006, p. 325)	The self-image congruity theory suggests that consumers associate their personal image and how they want to be perceived with the brand (Aaker 1997) The self-discrepancy theory states that people compare themselves to internalized standards called self-guides. The theory states that these self-guides can be contradictory, resulting in emotional discomfort (Orellana-Damacela et al. 2000)	Consumers are likely to choose brands, which represent their ideal self-concept If there is a conflict between the self and the brand, a negative response will occur, damaging the brand. In this self-guided society, pressure on individuals often induces turmoil if there are discrepancies between the self and their brands
Self-esteem	“The evaluative dimension of the self that includes feelings of worthiness, prides, and discouragement, and is also closely associated with self-consciousness” (Newman and Newman 1975)	Maslow’s (1987) hierarchy of needs suggested that self-esteem is a basic human need or motivation. Maslow stated that psychological health is not possible unless the essential core of the person is fundamentally accepted, loved and respected by others and by her or his self. Self-esteem allows people to face life with more confidence, benevolence and optimism, and thus easily reach their goals and self-actualize	Self-esteem encompasses beliefs (e.g., “I am competent” and “I am worthy”) and emotions such as triumph, despair, pride and shame. Self-esteem explains that when people look to adopt brands, which differentiate them, what they might actually be doing is trying to fit in rather than stand out
Self-congruity	Scholars hold that consumers tend to prefer brands with images that match their own self-concept (Sirgy 1980), and self-congruence is referred as this process	Due to its matching process, researchers use self-concept to explain consumer behavior because a person’s specific behavior patterns are frequently determined by the image that he/she has	Self-concept congruence creates strong emotional attachments between consumers and brands, similar to those between friends and family (Hwang and Kandampully 2012).

(continued)



**Table 3.1** (continued)

Concept	Definition	Theories	Example
	of matching (Sirgy and Su 2000)	about himself/herself (Onkvisit and Shaw 1987). This, in turn, suggests that self-congruence play an important element in creating positive brand attitudes (Ekinci and Riley Ekinci and Riley 2003), and influences brand preference (Jamal and Goode 2001)	Intense cases of this can be classified as 'brand love' (Ismail and Spinelli 2012)
Brand personality	"A set of human characteristics associated with a brand and carries the symbolic meanings, which the brand represents" (Aaker 1997; Punyatoya 2011). Brand personality is thus defined as the symbolic meaning to a brand (Das et al. 2012)	Psychological research suggests human personality attributes can be categorized into the 'Big 5' dimensions. These are Extraversion, Agreeableness, Conscientiousness, Neuroticism, and Openness (McCrae and Costa 1987). To differentiate from competitors (Phau and Lau 2001), brands increasingly build up an image and personality (Evans et al. 2012) using these personality attributes Consumer confirmation bias suggests that consumers are more likely to seek information that confirms their beliefs rather than considering evidence that contradicts them. This confirmation bias influence decision-making among both consumers and marketers, creating emotional attachment towards a likeable brand personality	Punyatova (2011) suggests that people prefer brands with which they share personality characteristics. Aaker (1997) identified five dimensions of brand personality (sincerity, excitement, competence, sophistication, and ruggedness). Each of these dimensions include sub-dimensions: down-to-earth, honest, wholesome, cheerful (sincerity), daring, spirited, imaginative, up-to-date (excitement), reliable, intelligent, successful (competence), upper class, channing (sophistication), outdoorsy and tough (ruggedness) (Aaker 1997; Punjatoya 2011)

### 3.4 Luxury Brands

Luxurious goods have become an interesting subject that has been intensively debated and investigated. Because of the improvement of living standards and the changes in social environments and economic developments, more and more consumers can afford luxurious goods and are willingly paying higher amount of money for luxury products these days (Husic and Cicic 2009). Many scholars have underlined luxury brands as products that bring respect to the possessor, apart from the practical value (Grossman and Sharpiro 1988; Deeter-Schmelz et al. 1995). Seringhaus (2005) reports that Dubois and Laurent (1996) posited the existence of a new segment of luxury consumers between the 'excluded' and the 'affluent'. This segment is defined as 'Excursionists', joining the traditional 'Old Money' (Aldrich 1988) and 'Nouveau Riches' (LaBarbera 1988), each having different motivations to pursue the acquisition of luxury products.

Numerous studies have investigated the relationship between luxury brands and the self and purchasing behavior of prestige-seeking people (Vigneron 1999; Yeoman and McMahon-Beattie 2006). These studies suggest that the global luxury market contains nine segments (e.g., luxury cruises, designer furniture, fine food, fine wine and spirits, Yachts and Private jets) with luxury cars, personal luxury goods and luxury hospitality as the top three segments in comparison to the other segments (D'Arpizio et al. 2014). In Bain and Co.'s report of Luxury Good Worldwide Market Study (D'Arpizio et al. 2014) underlines that the global luxury market is continuously growing and exceeded £630 billion in 2014. The figures also reflect the rising growth of 7 % of the overall luxury market from the previous year. The luxury markets of Americas, Europe, Japan, and the Rise of Asia (including Greater China) will continue to grow across most luxury categories with especially luxury goods and accessories as dominating most of the growth (Nguyen et al. 2016). Furthermore, consumers' shopping experience and environment has gradually concealed more than 50 % of the market. Luxury brands are significantly connected with the consumers' self (Kapferer 2006) and the relationships of luxury brands and the three characteristics of self remain critical to understand consumers' behaviour and decision making (Meffert and Lasslop 2003; Büttner et al. 2006). For example, by understanding how the brand can be viewed as an personality and identity of a company or product (Kotler et al. 2009) and how it is formed in the consumers' minds (Esch 2010), marketers can develop strategies that influence the target consumers' ideal self.

The most common characteristics of luxury brands are: exclusiveness, uniqueness, rarity, premium price, excellent quality and design (Nueno and Quelch 1998; Vigneron and Johnson 2004; Mortelmans 2005; Chevalier and Mazzalovo 2008). Linking these 'personality' traits to the self-concept can make the consumers choose their brands based on the psychology discussed in this chapter. Though some scholars classify luxury brands based on the functionalities (e.g., expressive and impressive) and other features (Kapferer and Bastien 2009; Truong et al. 2009; Truong 2010), the influential characteristics of luxury brands remain unchanged

(e.g., exclusivity, quality, and design). Therefore, these same characteristics can be applied to different self-concepts, ultimately, creating a stronger self-congruence and brand loyalty.

### 3.5 Towards the Future of Luxury Consumption— Outcomes of Brand Personality

This section identifies where the brand personality literature is moving and the key areas of research needed in this area. Once the brand successfully creates a personality among its customers, researching the outcomes of brand personality is critical to understanding the benefits of the concept (Melewar and Nguyen 2015). By linking the brand personality concept to other related branding concepts, brand managers are presented with an indication of both positive and negative outcomes that may arise. For example, personal traits of a brand create more intimate relationships through several cues such as brand identity, image, and interaction with the brand (Aaker 1996; Melewar and Karaosmanoglu 2006). Brands personality traits can increase likeability (Nguyen et al. 2013b). If an individual desire a brand personality, it forms an expression and creates brand loyalty (Phau and Lau 2001). Therefore, is it essential for a brand to understand elements that increase the positive outcomes (Yvert-blanchet and Fournier 2007). However, a brand personality may also affect the consumer negatively and their intentions to purchase. Anti-branding and the dark sides of branding are increasing in both depth and scope. Next, the chapter briefly summarizes two key outcomes of brand personality, which are gaining increased interest, namely brand likeability and anti-branding.

#### 3.5.1 Brand Likeability

Aaker (1997) suggests that brand personality consists of various components, which help to shape the consumers' impression of a brand. A brand personality is defined as the facade of a brand that sometimes shares human qualities such as friendliness. Recent research suggests that brand *likeability* is one of these components and such human quality (Nguyen et al. 2015). Brand likeability is defined as “*the degree of perceived appeal a customer has for a brand*” (Nguyen et al. 2013a, p. 16). The appeal and fondness for a particular brand is often centered in the foundation of the customer and brand relationship (Batra et al. 2012). Emerging brand likeability research further suggest that brand likeability contributes to the overall brand personality concept (Aaker 1997; Lee 2013) and enhances more long-term consumer-brand relationships (Schmitt 2013), considered as vital in this interactive market (Santos-Vijande et al. 2013). It is particularly a priority for firms, focusing on a positive brand image (Romaniuk 2013) and brand reputation (Akdeniz et al. 2013). Continued research reveals that likeability is a cognitive process that

preludes important outcomes such as brand attachment (Park et al. 2010), brand love (Batra et al. 2012), and brand satisfaction (Fornell et al. 2010), and used to evaluate the quality of consumer-brand relationships (Lam et al. 2013; Park et al. 2010).

Various conceptualizations are developed and adapted from psychology to explain the occurrence of likeability. Each approach tends to address a specific reason for likeability. For example, the source attractiveness model emphasizes the similarity, familiarity, and likeability of a source such as a firm or a brand (McGuire 1985). The source credibility model emphasizes the importance of a credible and trustworthy source in an exchange relationship (Hovland and Weiss 1951). Similarly, customer satisfaction theories are often used to determine likeability because of the close association with customer preferences, which is explained by the underlying factor of attractiveness (Kano 1984). This is in accordance with the source attractiveness theory and the Kano model of customer preferences (Kano 1984). Satisfaction is different from likeability, though, in that satisfaction is a post-experience measure (Ekinici et al. 2008), which is a condition that is not necessary for likeability to occur. In the past, marketers have emphasized the importance of likeability in the advertising (Yilmaz et al. 2011), customer experiences (Helkkula et al. 2012), and consumer decision-making models, such as the model of buyer readiness states and hierarchy of effects model (Lavidge and Steiner 1961).

Surprisingly, little attention has been given to the concept of brand likeability in a luxury context with links to the brand personality concept. Therefore, the authors consider that the brand likeability concept is an excellent area to further the research on luxury consumption, brand likeability and personality. The brand has an individual personal quality and associations that are reflected in customers' own personality and values. Building a strong brand personality is essential to building a long-term customer relationship. Thus, brand likeability may be the critical intervening mechanism that connects luxury consumers and brands in more intimate relations that are beyond those of today. The more consumers identify themselves with a brand, the more time, effort, and money they will spend on the products that the brands offer. We thus call for more research into this phenomenon.

### ***3.5.2 Anti-brand Action***

When a relationship with a brand that is highly self-relevant comes to an end, consumers develop anti-brand actions (Johnson et al. 2011). Japutra et al. (2014) argue that self-as consumers incur conscious emotions, anti-brand actions occur when the relationships deteriorate, either because of incongruity of values and/or misuse of trust. In the study of brand attachment, the occurrence of anti-branding is gaining increased attention. Brand attachment is considered a key requisite in consumer-brand relationships that create favorable consumer behaviors such as positive brand attitudes and brand loyalty. The brand attachment concept has many facets similar to brand loyalty, however, researchers note that the two are different, as brand loyalty neglect facets of affective components, such as passion and

self-connection (Fournier 1998). Recently, researchers examine the detrimental outcomes of brand attachment by developing a conceptual framework that explores how brand attachment may explain detrimental consumer behaviors, such as oppositional brand loyalty and anti-brand actions (Japutra et al. 2014). By including consumers' trash-talking and *Schadenfreude* in brand communities and their subsequent outcomes, these researchers reveal that the link between brand attachment and oppositional brand loyalty is driven by consumers' social identity and sense of rivalries. Furthermore, they put forward that brand attachment leads to anti-brand actions when relationships deteriorate. Scholars identify two factors behind the deterioration: (1) companies' opportunism activities, and (2) incongruity between consumers' values with the brand.

Oppositional brand loyalty is driven by consumers' social identity, which is characterized by: (1) self-categorization, (2) affective commitment, and (3) group-based self-esteem (Bergami and Bagozzi 2000). Because consumers display strong attachment with the brand, it reflects their self-categorization and affective commitment, causing oppositional brand loyalty to occur (Muniz and O'Guinn 2001). Emotional feelings such as love, hate, pity, and anger provide the energy that stimulates and sustains a particular attitude towards a brand (Wright 2006). That is, consumption is governed by consumers' feelings and emotions, in addition to the functional aspect of the product (Zohra 2011). Hence, researchers direct much attention towards the affective factors in marketing (Keller 1998). Chaudhuri and Holbrook (2001, p. 82) define brand affect, as "a brand's potential to elicit a positive emotional response in the average consumer as a result of its use." Evoking consumer emotions is a major factor for developing a long-term relationship between a luxury consumer and a brand (Zohra 2011), yet little research has been conducted in this area. Behavior decision theorists investigate affective reactions that influence the decision-making process (Garbariono and Edell 1997). Consumer satisfaction and purchase intention are directly influenced by positive affects (Oliver et al. 1997). Yu and Dean (2001) propose that the affective element of consumer satisfaction is a better component for predicting positive word-of-mouth than cognitive elements (e.g. price and quality). Consequently, a brand that forms a positive emotional relationship with the consumer gains a competitive advantage while those that induce anti-branding develop a competitive dis-advantage (Nowak et al. 2006). As a topic that is gaining increased interests, surprisingly, little research is dedicated towards linking luxury consumption and anti-branding. Therefore, we call for expansive research into this very interesting area.

### **3.6 Practicing Marketing: Cases Using the Self-concept and Brand Personality**

This following section explains how the theory and literature findings on the chapter topic can be applied in practice. A number of examples/illustrations/mini-cases are provided. The iconography of luxury fashion labels representing

status claims that the perception of status from displaying luxury is due to its exclusivity and premium price (Baugh and Davis 1989). The findings of Nia and Zachjowsky's study (2000) suggest that consumers consider that the ownership of original luxury branded products provides them with both personal satisfaction and, most importantly, the wider social satisfaction derived from being admired, recognized and accepted by others. De Chertatony (2010) outlines the importance of how the personality of a brand says something about the consumer, suggesting that people are more likely to think favorably towards a brand if it represents values that they as individuals hold true to themselves. Till (1998) creates associations between Pepsi and young people and notes the importance of the use of celebrity endorsements to create a brand personality that interacts with this group of consumers. Pepsi is known to use endorsements from footballers, such as Frank Lampard and Lionel Messi. According to Till (1998), the endorsements like footballers are hugely beneficial, as consumers make associations with the celebrity and the product. This association creates a desire for the brand, leading to purchase. De Chernatony (2010) suggests that such effect on the consumers' self creates a long lasting success to a brand due to the consumers' needs to connect with the brand itself.

Lazarevic (2012) highlights that congruency with the brand is an important aspect of building a brand based on celebrity endorsement. The celebrity must be an excellent fit with the brand personality characteristics with that of the consumers' self. By using a celebrity endorser, brands allow the consumer to identify with the brand and, once successfully implemented, wanting to adopt the brands' image and lifestyle, which the brand and the celebrity represents (Jain et al. 2011). Such representations are vital for marketers to consider, as these traits create either a positive or negative attitude towards that brand (Spry et al. 2011). If the brand is seen as favorable, the brand becomes more likeable to the consumer, as they base their perceptions on the celebrity endorser as a likeable figure themselves (Lazarevic 2012).

Another example of the importance of congruence is found in the luxury fashion and foodservice industries that include restaurants, luxury consumers, and fashion leaders (e.g., Han et al. 2015). For example, scholars suggest that self-congruence is one of the main factors that influence a restaurant visit. Restaurants are places for dining, social meetings, and business. Hence, the image of a restaurant (e.g., interior design, music, menu, and staff dress, and behavior) must match the self-concept of its target consumers. The same notion can be applied to luxury brand and fashion brands. Symbolic trademarks, artistic designed pieces, well-presented designers, and collectable product collections are the key features to associate with luxury brands and consumers. Luxury consumers are more likely to purchase a product or choose a brand that fit with his/her personality, identity, and image to fulfill their personal possessions.

In practice, shoppers' decision-making styles and their eventual consumer behavior may vary according to differences in the kinds of goods and services they

need or want (Bellenger and Korgaonkar 1980; Hiu et al. 2001). Sproles and Kendall (1986) asserted that “a person does not follow one decision-making style in all shopping decision” (p. 286), signifying that many consumers implement two or more approaches to making choices, but Wesley et al. (2006) found that they seldom make use of all the styles proposed as being theoretically available in the literature of purchasing behavior studies. Observed differences in consumers’ buying behavior will be attributable to cultural differences (Durvasula et al. 1993).

The following section will apply three examples to underline the relationship between self-concept and brand personality and how luxury consumers’ decision making process get influenced by the effects of self. Three examples: Net-A-Porter, Burberry and Innocent will be discussed in the following section to underline the relationship between brands and self-concept in terms of consumer’s decision making process.

### ***3.6.1 ELuxury Store—Net-A-Porter***

Net-A-Porter, an eLuxury online store established in June 2000, has become one of the leading e-Stores for luxury brands due to the higher rate of consumers’ repeat purchases, consumer loyalty, and satisfaction (Smith 2014). Net-A-Porter represents numerous luxury brands as their online outlet store and advertises itself on many leading fashion and luxury magazines. It fulfills many luxury fashion consumers’ needs in terms of luxury services, products, and compatible prices on an aggregated platform and thus carries popular product lines and collections to fulfill consumers’ demands. With the development of online technology, and its dramatic influence on our lifestyles, their success has been to open up a channel for the young luxury consumers. By targeting a rising luxury segment successfully, Net-A-Porter has affected the traditional luxury market by increasing luxury purchases online (Choo et al. 2012).

### ***3.6.2 Luxury Brand—Burberry***

Many luxury retailers are now utilizing online technology to enhance their performance in virtual environments. Burberry has taken the luxury fashion industry into a new retail era by adapting the eStore user experience and design concept and applied these to a brick-and-mortar environment. Burberry generated a lot of attention and became an eLuxury pioneer by demonstrating its latest fashion and brand image via multiple marketing channels to boost their sales and generate consumers’ interests. In 2015, Burberry had over 17 million Facebook ‘Likes’ and 5 million Twitter followers. These figures have been increasing by 33 % since

2013. Burberry's brand personality and image are perceived as being friendly, and their luxury products are purchased based on associations of likability, trustworthiness, and credibility. As discussed above, to create an excellent consumer purchasing journey, a brand must highlight the luxury brands' value and underline how self-esteem can be created by developing congruity such that the consumers can associate themselves with the chosen brand. Such self-congruity will appeal to luxury consumers due to the 'self-brand personality' link. An important aspect of Burberry's success-story is the brand's ability to stay consistent in all their marketing activities across the latest technologies (e.g., smart device, mobile application, and social media). This consistency is reflected in their brand performance and overall positive associations among consumers. For example, many leading fashion brands have now adopted the concept of 'magic mirror' (e.g., the idea to help consumers receive full service by utilizing digital and smart devices from the moment consumers arrive in the store to the selection of clothing, fitting facility, and assistance). Such smart activities have enhanced consumers' purchasing experience during their decision making process.

### ***3.6.3 Luxury and Healthy Diet—Innocent Drink***

Innocent—a green business and beverage brand—encourages a healthy lifestyle that is enriched by delicious smoothies, juices, and vegetable pots (Innocent 2012). As a higher-end beverage, the Innocent drinks are offered at a price premium; however, consumers find the benefits of the healthy ingredients, namely, nutrients, vitamin C, fibers, and antioxidants, to largely make up for the premium price. Innocent positions itself as the leading smoothie brand with a 65 % market share in the UK (Datamonitor 2010). Their success is due to the public's rising concern to maintain a healthy lifestyle. Moreover, their quirky and creative design that typically include colorful schemes, pictures, and fun messages, both on the packaging and their website, appeal to the health conscious consumers. Innocent's brand personality and image are perceived as being friendly, and the drinks are purchased based on associations of trustworthiness and credibility. An important aspect of Innocent's success-story is the brand's ability to stay consistent in all their marketing activities and in their brand identity. Innocent's recyclable bottles, the ingredients they use, and the name 'Innocent' itself help to confirm their brand image as an eco friendly, likeable brand (Miller 2010). By integrating these core values into everything Innocent does, the brand personality, image, and concept successfully appeals to their target consumers (Lange and Dahlén 2003). Younger consumers prefer brands that make them feel good about themselves. Innocent meets this claim by being authentic. For example, they convey their limitations in an honest and transparent manner. In their packaging, some bottles have a relatively low recycle level, so to overcome any criticism, Innocent recently printed the



statement ‘but we’re trying’ on the bottles. Implementing such a gesture enabled consumers to make continued associations of a brand that is aware of their environmental responsibilities.

Features like this create positive goodwill to the brand, which ultimately determine whether the consumer will consider purchasing the product or not. Scholars believe that a likeable brand has global positive associations that incorporate emotional elements (Nguyen et al. 2013a). If an advertisement proves to be appealing to the audience, it is more likely to achieve a high amount of awareness and future positive associations. One aspect that proves to have a significant effect on likeable brands and advertisements is the authenticity of human traits through the brand’s personality (Yuan et al. 2014). Another important effect that appeals to the audience is relatable experiences that create familiarity such as the use of symbolism and characters within an advertisement.

Alreck and Settle (1999) presents a framework to create and establish strong bonds between consumers and brands. This framework consists of six strategic stages, namely, that a brand has to: (1) be linked to a particular consumer need, (2) create a positive atmosphere, (3) attempt to have an appeal connected to consumers’ attitude, (4) guide consumers and introduce rewards in exchange for brand preference, (5) penetrate perceptual barriers in order to influence the consumer’s decision-making process, and (6) create a brand, product or service, which consumers are eager to purchase. It seems that Innocent has been very successful across all of these stages. Kim (1990) suggests that a brand in itself is not a tangible object, but an object within the mind of the consumer. A brand is merely the identity of a product, service or process, which is distinguished by certain characteristics, such as feature, benefit, name, logo, design, and perhaps most importantly a personality. A brand can represent certain meanings, values, and include a social role of the organization. Innocent’s combination of all these characteristics has generated competitive advantages relative to competitors, and aligned their values with stakeholders, advocates, and customers.

### 3.7 Conclusion

This chapter considered how the self-concept and brand personality influence luxury consumers’ purchasing decisions. It explored the person-specific, internal or external attributes that interact to form one’s self-concept, including theories on self-concept, self-esteem, congruity, and brand personality. The key to understanding luxury consumers’ decision making including their purchases comes down to the value that is associated with the brand and how an individual links his or her self with those values. According to Keller (1998) branding is about adding intangible value to a brand through various marketing efforts. Branding is about differentiating one organization from another in order to create a sustainable competitive advantage (Hollis 2011). A brand personality is such a differentiated brand. As technology increasingly determine the way in which humanity

communicates and build relationships, it will be more important for companies to have a personality, face, and a voice—to engage with customers at the same level and to stand out. Furthermore, shopping activities carry significant value, and consuming experience are covering a wider range of the areas such as purchasing experience, shopping environment—merchandise layout and store atmosphere, and other relevant factors (Miller et al. 1998; Sherry 1998, 1990; Woodruffe-Burton et al. 2002). Research suggests that a friendly, happy, and pleasant person will be more popular, successful, and trustworthy. A firm must therefore adopt the concept of brand personality to build closer relationships. The difference between various companies will be the way in which they differ in their personalities. However, to achieve a consumer-brand match, or congruence, firms must consider both the brand personality and the consumer psychological concepts and motivation, including self-guides and self-esteem in order to understand luxury consumers better. For marketers, more research must be done in terms of examining how the self is influenced by increased efforts by luxury brands to create a personality with a face and voice in order to be more attractive and likeable. Failure to understand the underlying psychological underpinnings may cause distress, negative emotions, and anti-brand behavior, damaging the brand.

### ***3.7.1 Further Investigation***

Key questions/projects relevant to the topic of self and brand personality:

1. What are the benefits of a brand personality—both to the enterprise and to the customer?
2. Describe why a brand personality needs to be an enterprise-wide strategy. How would it affect each of these principal business functions? (1) Financial, (2) Production and logistics (3) Marketing communications and interaction, and customer service, (4) Distribution and channel management, and (5) Organizational management strategy.
3. If brand personality is such a good idea, why didn't companies operate from the perspective of building personalities 50 years ago?
4. In the age of information and interactivity, what will happen to branding and brand personality?
5. Is brand personality relevant for the owner of a hotdog stand? In which way?
6. Develop brand personalities for these product categories: Luxury automobiles (consumer), First class air transportation, Five star hotel rooms, Luxury cosmetics, Computer software (B2B), Pet food, Refrigerators, Strawberries.
7. What can firms do to better understand luxury customers' self? How might firms use this information to their benefit?
8. Imagine you have been assigned to change a luxury product-oriented company to a luxury brand-oriented firm. What is the first thing you do? What is your road map for the next 2–5 years?

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# Chapter 4

## The Evolution of Luxury Fashion Retailing in China

Francesca Bonetti, Patsy Perry and John Fernie

**Abstract** This chapter reviews the evolution of the Chinese luxury fashion retail market over the last 25 years and the development of foreign luxury fashion retailers' strategies in response to recent market changes. Attracted by China's booming economy with continued double-digit growth and a growing consumer base keen on purchasing Western luxury brands as status symbols, many luxury fashion retailers entered the market and expanded rapidly. However, the recent anti-corruption crackdown, a slowing economy and devaluation of the yuan have created a volatile and challenging market. Furthermore, as consumers become more sophisticated and discerning, their preferences have changed from highly conspicuous consumption to a taste for quieter and more exclusive pieces. Adaptation of retailing and marketing strategies is necessary to take account of cultural differences and low brand awareness in the vast Chinese market. The use of flagship stores in premium locations in key cities provides luxury retailers with the means to showcase the brand as well as host PR events to educate consumers and create brand awareness. More recently, luxury retailers are building an online presence and using Chinese social media platforms to reach and engage with consumers. However, as the economic slowdown shows no signs of respite, some luxury retailers may scale back Chinese retail operations, which could provide opportunities for domestic luxury brands to carve out a market niche.

**Keywords** Luxury · Fashion · Retailing · China · Social media · Marketing communications

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## 4.1 Introduction

China has been central in the global expansion plans of Western luxury fashion brands in recent years. Since the cultural and economic reform policies of the 1980s, the effect of the most populated country on the major world economies has been revolutionary. The country's shift from a production to a consumption economy has fostered a generation of nouveau riche keen on purchasing luxury fashion goods (Fernie and Perry 2011; Curran 2015) and China has rapidly become one of the top consumers of luxury fashion goods in the world (McKinsey & Co. 2015a). Foreign luxury fashion retailers—mainly European, but also some American—have focused on Chinese market entry as a way to grow and increase profits (Thompson 2015). However, the recent yuan depreciation and the government clampdown on lavish gift giving have negatively impacted Asian consumers' spending power, with serious implications for foreign investors (Deloitte 2015; Jing Daily 2015). Furthermore, evidence of a maturing consumer less keen on loud logos means that today's Chinese consumer of foreign luxury fashion brands is no longer the same as in previous decades (Thompson 2015; Sanderson 2014).

This chapter reports on the evolution of luxury fashion retailers' strategies in China, in response to a changing environment influenced by the anti-corruption crackdown, a more discerning consumer, reduced economic growth and currency depreciation (Sanderson 2014; Deloitte 2015). A comprehensive literature review, supported by the latest industry reports and news articles on luxury players in China, provides an accurate picture of the current situation for luxury brands in the Chinese market. Suggestions are provided regarding managerial implications for foreign luxury fashion retailers operating in China. Carefully planned strategies based on ongoing research are fundamental for success in the continuously evolving Chinese market.

## 4.2 The Importance of China in the Internationalisation Strategies of Luxury Fashion Retailers

The luxury fashion market represents an important and increasing sector of the worldwide retail industry (Husic and Cicic 2009). Although relatively small in terms of the number of companies, the luxury sector punches far above its weight both in terms of sales and more importantly, influence. The best design, the best materials, the best merchandising, and the best packaging occur in the luxury industry, and hence luxury brands frequently lead the way for the rest of the marketing world (Ko and Megehee 2012). Although luxury fashion retailers have always been prone to foreign market expansion and global participation (Hollander 1970; Moore et al. 2000), in the past, the industry was geographically centralised and new trends were diffused from a single location: the key capital cities of fashion in the West (London, Paris, Milan, New York). Collections presented by a small network of haute

couturiers spread and trends were imitated worldwide (Brun et al. 2008). Hence, Hollander (1970) termed this expansion strategy the ‘London, Paris, New York, Milan syndrome’. The luxury sector has grown over time due to the globalisation of markets and the continuous evolution of marketing strategies (Moore and Burt 2007), with considerable structural change, as European couture houses such as Chanel and Dior expanded their scale and scope to ready to wear, accessories and global distribution channels. Others, such as Armani and Burberry, have internationalised their businesses through extensive market segmentation and the development of diffusion brands. Personal luxury goods command the second largest market share (after cars) in the luxury industry overall, with accessories and apparel ranked top in terms of global sales (Bain & Co. 2014). Much of the recent catalyst for growth has been the spending power of wealthy consumers in the emerging BRIC (Brazil, Russia, India and China) economies (Euromonitor 2014). The rapid development of these luxury emerging markets provides luxury retailers with immense opportunities albeit greater challenges than ever before (Kapferer 2014b).

The Asian region has played a leading role in the globalisation of luxury retailing ever since the Japanese market was targeted in the 1980s (JMRN 2007). More recently, whilst the saturation of domestic markets and the global economic downturn of 2009 led to a significant reduction in consumption in mature markets, the BRIC economies maintained double digit growth and outperformed mature economies (Halepete 2011; Bremmer 2015). The high purchasing power of these new emerging markets made the Asian region appealing for luxury retailers.

The focus on China can be explained by its position as the world’s largest emerging luxury market. By 2011, it bypassed Japan to become the luxury sector’s second largest global market after the United States (Bloomberg 2015; Za 2015) and Chinese consumers now make half of all luxury purchases in Asia, with almost one-third of those in Europe (Bain & Co. 2015). Furthermore, a quarter of purchases of personal luxury goods worldwide are made by Chinese consumers (Bain & Co. 2015). This growth in consumerism and tourism is a consequence of the Open Door economic liberalisation policy which began in the late 1970s and enabled China to break its previous Communist isolation and to attract foreign capital and knowledge to support economic, industrial and social development. The reform policies contributed to China’s shift from a production to a consumption economy, creating a rising middle class willing to purchase luxury fashion goods as they perceived Western luxury brands to be desirable symbols of affluence (Moore et al. 2000; Brun et al. 2008; Bonetti 2014; McCormick et al. 2014). China continues to urbanise at a very high speed, an economic transformation with growth power concentrated in a limited number of megacities, providing opportunities across all luxury categories (McKinsey & Co. 2014).

China’s growth was initially unaffected by the global economic downturn of 2009 (Deloitte 2015). However, the stock market crash of 2014 led to the drop of share prices and a depreciation of the yuan (The Economist 2015) whose exchange rate, determined by the Chinese market, was devalued to preserve internal balances between import and export rates by making export rates more attractive (Bloomberg 2015). The currency devaluation, compounded by an already slowing economy and

the government crackdown on corruption, including lavish gift-giving (Bain & Co. 2014; Jing Daily 2015), helped trigger the Asian financial crisis. This hurt the economies of other emerging markets, in addition to local Chinese investors, and had significant consequences for foreign investors (Deloitte 2015), including foreign luxury fashion retailers (Gibb 2015). In 2015, Burberry suffered a significant drop in share price as a result of the falling Chinese stock market and the brand's high reliance on the Chinese market.

After years of rapid economic growth, the devaluation of the yuan resulted in the China's deepest economic slowdown since 1990 (Spence 2016; Thompson 2015), with significant consequences for European markets and the luxury fashion industry, which sought to reduce exports to China (Thompson 2015; Milken Institute 2015). As the currency depreciation makes export rates more attractive and Chinese producers more competitive, the purchasing power of Chinese consumers for imported goods, who until recently made up a third of global spending on luxury goods (Tabuchi and Tsang 2015; Bain & Co. 2014), will diminish. This devaluation of the yuan caused a massive exodus from the luxury sector, and in July 2015, China witnessed a higher than expected decline in imports, amounting to 8.3 percent. The Milan stock exchange experienced the worst consequences for Made in Italy labels, including Ferragamo (-5.5 %), Gucci (-3.5 %), Tod's (-3.2 %), Moncler (-3.2 %) and Luxottica (-2.74 %). In Paris, LVMH sank 4.4 per cent and Louis Vuitton sales in China, Macau and Hong Kong fell about 10 per cent in the second quarter of 2015 (Serafino 2015). Other large luxury houses also reported slowing sales growth, including Tiffany & Co. which reported losses of 8 % in the first quarter of 2015, while the Richemont Group saw no sales increase in the Asia-Pacific in 2015 (Thompson 2015).

However, large foreign luxury fashion retailers such as Versace and Luxottica who sell in Asia at much higher prices and earn the majority of their turnover from the Chinese market, producing their goods in China and owning production sites, are confident the Asian crisis will not impact on their turnover (Fubini 2015). In fact, they may even benefit from this currency depreciation (Tabuchi and Tsang 2015). Overall, purchases by Chinese consumers still represent about a third of the global market (Bain & Co. 2014, 2015), as shown in Fig. 4.1, and this figure is expected to grow (McCarthy 2015; McKinsey & Co. 2015a). Although growth has slowed, at 7 % it far outpaces growth in the US, the Eurozone and most emerging economies (Thompson 2015). Since worldwide luxury growth is highly concentrated in Chinese megacities, China alone will drive half of worldwide growth (McKinsey & Co. 2014).

Furthermore, despite sales in Mainland China and Hong Kong suffering, Chinese travellers still continue to spend when abroad to benefit from lower prices for luxury goods than those in the Asian region, which are typically up to three times higher (Chow 2015; Jing Daily 2015; Tabuchi and Tsang 2015; Bain & Co. 2014). As well as saving money, there is a preference to purchase European luxury goods while travelling, as this resonates with the brand's country of origin and provides a more authentic experience than purchasing in China. Although their purchasing power and long-haul travel to Europe will inevitably be hampered by the devaluation of the

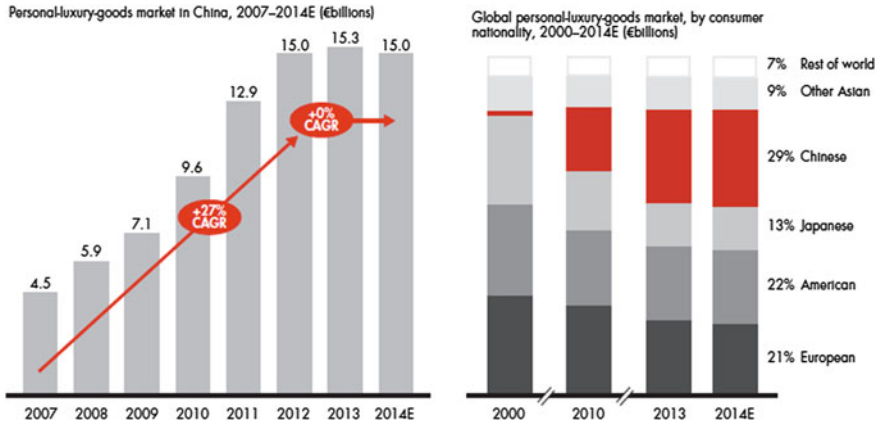


Fig. 4.1 Impact of Chinese consumers on the global luxury market (Bain & Co. 2014)

yuan, Chinese tourist spending on luxury goods is nevertheless expected to double by 2020 (Jones 2015). Since more than half of all luxury goods purchased by Chinese consumers are bought outside mainland China (Bain & Co. 2015; Anderlini 2015a; Chow 2015), purchases from Chinese stores are diminishing (Bain & Co. 2015a, b). Figure 4.2 provides an overview of tourists’ luxury goods spending in global markets, and the Chinese consumer stands out as the highest spender in foreign countries.

Additionally, Daigou sales (purchases by a Chinese person overseas on behalf of a customer in mainland China) are becoming more common for the purchase of luxury goods, so that consumers may avoid China’s high import duties and benefit from a wider product choice (Bain & Co. 2015; Owens 2015; Deloitte 2015). Chinese consumers often obtain product information online and purchase authentic luxury goods at lower prices via Daigou, either via friends and relatives or through

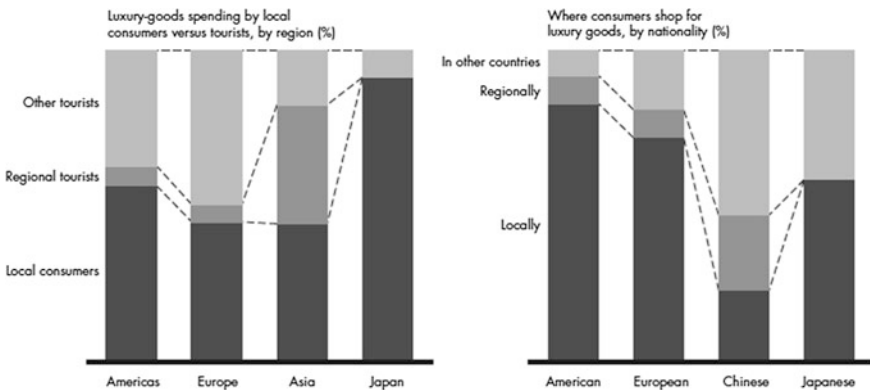


Fig. 4.2 Global luxury goods markets by region and consumer nationality, 2014 (Bain & Co. 2014)

online Daigou agencies (Chitrakorn 2014). The growth and development of Daigou agencies enabled this market to grow quickly in a variety of product categories ranging from cosmetics to leather goods, watches, jewellery and ready-to-wear. However, some brands such as Chanel, Prada and Gucci have responded to this burgeoning grey channel by cutting their prices in China to align with European prices (Chow 2015).

### 4.3 Rapid Maturation of Chinese Consumers' Tastes for Luxury Goods

Chinese consumers of luxury fashion goods have rapidly evolved in the past few decades. They started by emulating their Western counterparts, aiming to generate social awareness through Veblen's (1899) theory of conspicuous consumption by using internationally recognised Western luxury fashion brands in their daily lives (Garner 2005; Wang and Wang 2007; Yang 2010). Such goods were perceived as symbols of democratisation, status and social progress, self and personality (Goulding 2003).

In the last few years however, Chinese luxury consumers have evolved: they are now younger than their Western counterparts (The Economist 2014; KPMG 2013), with females more independent and increasingly spending on themselves (Lee and Mueller 2014; Bloomberg 2014). Chinese luxury consumers have become more sophisticated, digitally savvy and socially aware, opting for logo-free, unique and hard-to-find pieces, instead of highly recognisable branded bags with loud logos (Liu et al. 2016; Halzack 2015; Owens 2015; Deloitte 2015). The era of conspicuous consumption and showing off one's status through luxury logos has gravitated towards more understated and discreet hints, recognisable only by true connoisseurs of luxury. Hence, in 2013, Louis Vuitton created a bag with no logo on it; only experts would know it to be a Louis Vuitton product (Hayward 2013). This shift has also led to an increased diversity in preferred brands, towards emerging and less ubiquitous brands, and a preference for brand diversification (Young 2016).

Given the recent market crisis, a high level of marketing investment, expansion of the retail network and more new product launches in all segments will be necessary to increase sales (Horton 2015). Chinese consumer demand has shifted away from the luxury market's higher end to more affordable purchases, giving way to mix-and-match behaviour incorporating different product categories and ranges (Bain & Co. 2015). The top segment, consisting of the highest-end products or very rare pieces with extremely elevated costs (Moore and Birtwistle 2004), is now giving way to more accessible pieces such as ready-to-wear and diffusion lines, less established and more accessible brands, and this segment is expected to double by

2017 (Bain & Co. 2014). It is thus important to promote lower profile, affordable and aspirational brands as well as new and emerging ones to encourage sales. Michael Kors, a key player in the affordable luxury segment, has invested strongly online, attracting the interest of Chinese consumers through successful campaigns via social media networks in China, including its WeChat campaign for Mercedes-Benz Fashion Week (Olivier 2015). The brand successfully combines online and offline strategies, including the launch of an official Chinese-language website in 2013, inviting influential Chinese fashion bloggers and using local models for fashion shows (Booker 2013), and more recently launching a multi-channel sales platform on Chinese social media network WeChat (Rosen 2015).

The major luxury groups boost their revenues by promoting their smaller portfolio brands in China, such as LVMH's Céline, Loewe and Moynat, Kering's Saint Laurent and Pomellato, and Richemont's Lancel (Booker 2015), as these lower profile brands help the large conglomerates to weather the China storm. The increasing number of middle class consumers in emerging markets creates demand for affordable luxury, a category which tends to be more volatile but can deliver fast growth at an early stage (Chitrakorn 2015).

#### **4.4 Changing Distribution Methods for Luxury Fashion Retailers in China**

Foreign luxury fashion retailers' distribution methods in China differ from other global markets. Luxury brands' initial market entry strategy during the early 1990s was to open boutiques in the arcades of five star hotels, partly due to foreign investment restrictions but also because the shopping mall concept did not exist at that time (Chevalier and Lu 2009). The luxury image of high end hotels, such as the Peninsula Palace in Beijing, provided positive associations for appropriate positioning of the foreign brand in the Chinese market.

Later, China opened department stores in first tier cities such as Beijing and Shanghai. Wholesale arrangements with local distributors were organised to sell foreign retailers' luxury fashion products, but it took time for the Chinese consumer to get used to them (Qiu 2011). Such arrangements allow foreign retailers to overcome differences in business culture and government regulations concerning production and distribution policies, access the Chinese market more easily and also benefit from business partners' local knowledge and infrastructures (Wigley and Provelengiou 2010).

More recently, flagship stores are used for foreign luxury brand entry into Chinese capital cities (Moore et al. 2010). Characterised by architectural uniqueness and located in prime retail areas, they allow luxury brands to fully express their brand image and fashion style to Chinese consumers, and provide an appropriate shopping experience (Crewe 2015; Moore et al. 2010). More recent stages include the opening of dedicated diffusion brand stores in key capital cities, followed by



key provincial cities (Moore et al. 2010). In all cases, complying with the local regulations and cooperating with appropriate local business partners and distributors is fundamental for success in the complex Chinese market (Bonetti 2014).

Relaxation of governmental policies on foreign investment permitted another distribution channel to emerge for foreign luxury fashion retailers in China: that of mono-brand points of sale, either run by franchisees or local partners with strict controls from the brand's headquarters, or directly-operated stores which are fully controlled by the firm (Bonetti 2014). The high level of control in these formats allows luxury retailers to confer their desired brand image and values, especially when managed directly by the brand (Brun et al. 2008).

Today, purpose-built shopping malls and shopping centres are the main locations for luxury fashion brands' flagship stores and mono-brand stores in China, attracting a mixture of local and international high-end consumers (McKinsey & Co. 2012). Unlike Europe, where high street stores are the main format used in inner cities, China's weather and urban morphology prevent the existence of independent stores in city centres. Instead, large purpose-built shopping malls and centres prevail, and are increasingly targeted by foreign retail investors in Asia (Holliday 2014).

The fragmentation of Chinese luxury consumers into Tier 2, Tier 3 and even Tier 4 cities contributes to the continuous growth of the Chinese luxury market (Nielsen 2014). As Chinese consumers increase their consumption of luxury goods throughout China, success for luxury brands strongly depends on how well they offer their products to consumers and position their brands in the Chinese market. An incorrect positioning strategy in the Chinese market could have a devastating effect for new players, even high-end ones.

Lastly, foreign luxury fashion brands increasingly use digital marketing as a way to express their brand image, with the support of social media and digital campaigns to increase their presence and brand awareness online (Bain & Co. 2014; Kontu and Vecchi 2014; Liu 2015; Roberts 2015a). It remains to be seen whether the growth of online retailers who provide good personalised services may slowly compromise the future expansion of traditional brick-and-mortar retailers. Table 4.1 summarises the key distribution strategies deployed by luxury fashion retailers in China in terms of date of entry, entry mode and store strategy (Bonetti 2014).

Location of managerial hubs is of great importance in the distribution strategies of foreign luxury fashion retailers in China. In many cases, operational management control is decentralised to Hong Kong, which acts as a cultural and managerial bridgehead to China (Liu et al. 2016). Many foreign luxury retailers start with store openings in Hong Kong, due to its greater cultural and legal proximity to the West as a result of its colonial history and geographic location (Moore et al. 2000), as well as its proximity to mainland China. Hong Kong is essential in creating and increasing brand awareness in mainland China. Being highly Westernised, Hong Kong is perceived by mainland Chinese as an aspirational place to be (Yu 2012) and their most popular tourist destination (KPMG 2013). Becoming known in Hong Kong provides luxury brands with the necessary resources and knowledge to enter mainland China successfully (Liu et al. 2016).

**Table 4.1** Different entry and distribution strategies deployed by luxury fashion retailers in China (adapted from Bonetti 2014)

Market entry strategy	Retail and operation strategies
Store openings in the arcades of five star hotels	The first brands to enter China opened their stores in luxurious hotels in Beijing, in particular the Peninsula Palace Hotel e.g. Ermenegildo Zegna (1991), Louis Vuitton (1992), Armani (1998)
Opening of stores in key locations and through the use of impactful marketing tools	Early entry through stores in luxurious department stores, shopping malls and shopping centres, e.g. Prada (1995), Salvatore Ferragamo (1994), Hermès (1996). Conferences to establish the brand's presence (Gianfranco Ferré, 1998), debut at the country's first government-sponsored fashion event in Beijing (Valentino, 1993). Overall consolidated store presence
Flagship stores	Entry during the 2000s through flagship stores, e.g. Bulgari (2003), Dolce & Gabbana (2003), Furla (2008), MaxMara (2005), Jil Sander (2006), Jimmy Choo (2007). Strong commitment to the Chinese market
Mono-brand POS	Either directly-operated stores e.g. Bottega Veneta (2007), Tod's (2011) and Christian Louboutin (2011) or through franchisees or local partners with strict controls from the brand's headquarters e.g. Burberry (1993), Moschino (2007) and Sergio Rossi (2006)
Later entry through hotels	Unusual entry method e.g. Roberto Cavalli, Peninsula Palace Hotel in Beijing (2012), cautious entrance
Digital presence: e-commerce and online marketing communications	Use of online retailing or digital communications to establish the brand's presence prior to entering the market, or parallel to retail presence e.g. Michael Kors, Burberry, Coach, Chanel, Louis Vuitton, Gucci, Armani, Dior, Versace

## 4.5 The Importance of Flagship Stores in First and Second Tier Cities

Luxury fashion retailers' success in China strongly depends on the level of consumer brand awareness and recognition (Liu et al. 2016; Bonetti 2014). In a market with low consumer loyalty, as in China (Liu et al. 2016), brand awareness is achieved through heavy marketing strategies that include the opening of flagship stores in key locations (Moore et al. 2010). Luxurious environments with displays, visual aesthetics and consumption spaces position the brand correctly and confer the right status (Crewe 2015) to properly transmit the brand identity and to increase brand loyalty, either through directly-owned stores or boutiques managed by partners. Shop windows allow reflection and contemplation, and build desire through the creation of special displays and layouts (Crewe 2015). Brand awareness is also achieved through marketing communication activities such as luxurious in-store and PR events, exhibitions, special dedicated collections and the overall

unique in-store experience to educate and encourage the Chinese consumer to remember the brand (Liu et al. 2016; Owens 2015; Kapferer 2014a).

The luxury flagship store is the most important and powerful tool for luxury brands to showcase the brand's heritage, status and identity and to confer the right shopping experience through innovative store design and service (Joy et al. 2014; Crewe 2015; Moore et al. 2010). It is fundamental for luxury brands to make their in-store experience relevant to Chinese consumers, engaging with them through activities, newest products and dedicated exhibitions in order to create brand loyalty (King 2014). In 2012, Louis Vuitton celebrated its 20th anniversary in China with the opening of its first Maison in Shanghai—a four-level store much larger than the brand's regular stores housing a full range of products and services, as well as rare products. Specially commissioned artworks by Chinese and international contemporary artists and a five-metre high pagoda sculpture make this store a unique celebration of the brand identity (CPP-luxury.com 2012). In 2014, Hermès opened its first Maison in Shanghai's French Concession, characterised by a heritage brick façade evoking a classic fifteenth century palace. The architectural uniqueness allows consumers to experience the brand's approach in the Chinese market—a merge of tradition and modernity, innovation and craftsmanship (Le Fort 2014; China Daily 2014). It also represents Hermès' biggest possible advertisement in the market (Thompson 2014). The Maison spreads over four floors, with a space for exhibitions on the top floor and a European café on the third floor (Roux 2014). It houses almost the entire range of products (Thompson 2014) as well as limited-edition pieces, such as the Apple Watch Hermès, with three ateliers dedicated to leather, tailoring and watchmaking.

Although luxury growth is highly concentrated in Chinese megacities (McKinsey & Co. 2014), setting up regional flagship stores is necessary to maximise success in such a vast country, since wealth is spread throughout all city tiers (Nielsen 2014). Flagship stores are also useful to help smaller luxury brands upwardly position their brands and increase their brand status (Liu et al. 2016). However, luxury retailers must take care not to over-expose the brand with too many stores, which could lead to brand dilution (McKinsey & Co. 2014). In 2015, Louis Vuitton was reported to be closing a number of stores in Tier 2 cities to avoid over-exposure as a result of shifting market dynamics (Roberts 2015b). Milken Institute (2015) identified the best-performing cities in China in 2015 in Tiers 1, 2 and 3, whilst Liu et al. (2016) suggested opening luxury flagship stores in first and second tier cities only in order to maintain brand status and exclusivity. This is particularly important for brands at the highest position, such as Hermès and Chanel, whose presence should be most exclusive. Establishing the appropriate brand image and values through a strong and exclusive retail presence, in terms of stores in premier locations within top tier cities and exclusive agreements with trusted local distributors, is important for success in China (Bonetti 2014). For example, Burberry's flagship store in Beijing commands the greatest street impact as it is located immediately outside Shin Kong Place Department Store, in a corner location with the biggest façade presence in the area (Jing Daily 2010).

High-end Chinese shopping malls also host both domestic and international luxury fashion brands. The largest, most exclusive and well-served locations within

the malls have until now been reserved for the top foreign luxury fashion brands, with domestic brands and diffusion lines of upmarket brands situated on higher floors which do not generate the same impact (Bonetti 2014). This distinction highlights the level of attractiveness and strength of international luxury brands within the Chinese market.

As a consequence of the recent yuan depreciation and Asian crisis, some luxury fashion brands bargained for lower rents or planned store closures (Bland 2015; Roberts 2015b; Anderlini 2015b; Young 2016). This opens up possibilities for newcomers, including domestic-based luxury retailers, to fill the gaps and take advantage of lower rents in exclusive malls and shopping districts. Table 4.2 shows that most of the top newcomers in the luxury industry are Chinese domestic firms, followed by European and Indian companies. By taking advantage of the slowing economy to open stores in prestigious locations that were previously occupied by

**Table 4.2** Top worldwide newcomers in the luxury industry (Deloitte 2015)

Company name	Country of origin	Product sector	FY13 luxury goods sales (US\$ million)	FY13 luxury goods sales growth (%)
Chow Tai Fook Jewellery Group Ltd.	China/Hong Kong	Jewellery and watches	9979	34.8
Lao Feng Xiang Co. Ltd.	China/Hong Kong	Jewellery and watches	4175	17.6
Chow Sang Sang Holdings International Ltd.	China/Hong Kong	Jewellery and watches	2571	34.2
Luk Fook Holdings (International) Ltd.	China/Hong Kong	Jewellery and Watches	2420	46.6
Titan Company Ltd.	India	Jewellery and watches	1733	7.4
Pandora A/S	Denmark	Jewellery and watches	1605	35.4
Zhejiang Ming Jewelry Co. Ltd.	China/Hong Kong	Jewellery and watches	1382	28.6
Gitanjali Gems Ltd.	India	Jewellery and watches	1097	-35.4
PC Jeweller Ltd.	India	Jewellery and watches	886	32.5
Christian Louboutin SA	France	Apparel and footwear	611e	15.0
Jimmy Choo PLC	United Kingdom	Apparel and footwear	441	15.9
Bally International AG	Switzerland	Apparel and footwear	398e	n/a
LiuJo SpA	Italy	Bags and accessories	369e	1.9
Willy Bogner GmbH & Co. KGaA	Germany	Apparel and footwear	1317	3.2

e—estimated

their Western counterparts, newcomers are able to bypass the usual stage of entering Hong Kong first as a gateway to mainland China. Opening stores in good locations in mainland China helps to re-develop the industry and boosts local brands' reputation (Chen 2015).

## 4.6 Adaptation of Luxury Marketing Communications in China

Luxury brand communications strategies aim not only to sell products, but to establish and reinforce the brand image and values (Kapferer and Bastien 2009). Although communicating a standardised brand image worldwide is essential to maintain consistency amongst operating markets, the debate over globalisation and localisation, in terms of finding the right balance (known as 'glocalisation'—or, 'think global, act local') (Dicken 1998; Segal-Horn 1996), is particularly significant in such a vast and varied territory as China. Several local constraints such as geographical differences, regional consumer preferences, media availability and cultural values force foreign players to significantly localise their marketing communication strategies (Liu et al. 2016). This can be seen in linguistic adaptations due to local dialects, ethnicity and advertising appeal and differences in the media landscape (Zhou and Belk 2004). Typical communication tactics employed by luxury fashion retailers in China include lavish PR events, flagship store openings, exhibitions that showcase the brand's heritage and craftsmanship, the launch of special collections and limited editions for China, charity events, advertising campaigns and fashion shows involving local celebrities (Liu et al. 2016; Bonetti 2014). In recent years, Gucci collaborated with actress Li Bingbing for an Asian advertising campaign, Chanel used actress and singer Zhou Xun as its China brand ambassador and Hong Kong actor Chow Yun-Fat was the face of Hugo Boss' luxury Selection line. Well-established luxury brands may also collaborate with new designers to revitalise their brand image, such as Marc Jacobs with Phillip Lim and Alexander Wang, Saint Laurent with Hedi Slimane and Louis Vuitton with Yayoi Kusama for a limited edition collection in 2012 (Sherman 2015; Alexander 2012; Owens 2015).

Large investments are required in the Chinese market to educate consumers about brand heritage and the true value of the brand, increase brand awareness and generate loyalty through an emotional connection. The brand's flagship stores usually hosts the lavish PR events, acting as a platform to conduct marketing communications and build a reputation quickly (Liu et al. 2016). CRM (Customer Relationship Management) systems may also be used to capture client data for creating more personalised and engaging customer experiences (Owens 2015; Cailleux et al. 2009). Established retailers maintain their market leader position through continuous innovation and attention to the Chinese market to maintain brand loyalty. For example, Armani celebrated his tenth year in China in 2012 by

staging a fashion extravaganza in Beijing, attended by famous international celebrities and involving a fashion show featuring exclusive pieces from the designer's collections (Style Intel 2012). Similarly, Italian menswear brand BOGGI Milano celebrated its second anniversary in Hong Kong in 2014 with a luxurious party at an exclusive location on Hong Kong island, featuring a catwalk to showcase the brand's newest collection and with attendance by local celebrities, VIPs and the media (My Lifestyle News 2015; Fashion Premier Online 2014). Luxury brands can be compared to private clubs to which consumers want to belong (Kapferer 2014a); hence, brands must confer a unique brand experience that consumers cannot find elsewhere.

Another way to make Chinese consumers feel special and appreciated and to generate brand loyalty is to offer them a discount (Owens 2015). Although luxury brand discounting is rarely seen in mature Western markets, foreign retailers may have to comply with this tactic in order to be successful in the Chinese market (Owens 2015).

It is important to consider nuances in consumer sophistication between different city tiers to avoid over-localisation of marketing communications, which could compromise the standardised international luxury brand image by causing consumer confusion regarding brand identity and country of origin (Liu et al. 2016; KPMG 2013), especially for well-travelled Chinese consumers. Liu et al. (2016) noted how Emporio Armani's use of Hong Kong celebrities in their Greater China advertising campaign inadvertently caused consumer confusion over the brand's country of origin. Differences between tier cities exist, implying the need for a certain degree of adaptation (Liu et al. 2016). Whilst consumers in second and third tier cities are still largely conspicuous, those in Tier 1 cities, such as Beijing and Shanghai, are sophisticated global consumers and comparable to those in Western mature markets, who are more interested in brand heritage and quality than logos. Tier 1 consumers therefore need to be included in a global marketing strategy, with innovative marketing communications.

Online presence and the use of Chinese social media platforms, such as WeChat and Sina Weibo, are increasingly used by foreign luxury retailers in China. In 2014, Burberry began a partnership with social media platform WeChat to strengthen its online presence and engage its Chinese consumer base. An interactive brand experience was created, featuring exclusive photo, video and audio content which related to the catwalk show and the design inspiration for the collections. Consistent messages and carefully planned collaborations with local and international bloggers and the sharing of experiences from other consumers play a fundamental role for brands to make a connection and engage with Chinese consumers to gain their trust (Owens 2015; Kontu and Vecchi 2014; Jones 2015; McKinsey & Co. 2015b) and generate both offline and online purchases (Lui 2015). This makes them feel part of an exclusive community which extends outside of China, through which they can experience the latest trends.

To summarise, foreign luxury fashion retailers adapt marketing communications to generate awareness and loyalty in the Chinese market by staging lavish and innovative PR events with local celebrities, engaging communications on local

social media platforms and highly personalised CRM tactics to retain important clientele. However, adaptation in the marketing mix must be carefully considered to maintain global consistency and avoid confusion over identity and country of origin, since consumers around the world purchase a particular brand because they identify themselves with its brand values and identity (Zhang and Khare 2009).

## 4.7 Conclusion

China has been a fast-paced booming market in recent decades and its double-digit growth provided attractive opportunities for foreign luxury fashion retailers, representing the primary source for much of their global growth over the past 20 years. However, a slowing economy, the government crackdown on lavish gift-giving and the recent currency devaluation has had serious implications for foreign luxury fashion retailers. Today's Chinese luxury consumer is more sophisticated and no longer the same profligate spender seen in previous decades. As consumers become more selective and discerning in their choices, they seek more exclusive products and experiences, so traditional branding approaches become less appropriate. Some luxury retailers, such as Louis Vuitton and Hermès, are responding to this shift with the adoption of quieter branded products and highly experiential retailing strategies.

Important managerial implications have emerged from this chapter regarding retail, distribution and marketing strategies for foreign luxury fashion retailers operating in China. In terms of retail strategies, continued investment in store expansion and new openings within a carefully considered expansion plan, to avoid over-exposure and brand dilution, is essential to increase brand awareness. Key critical success factors include luxury flagship stores in exclusive shopping malls in first and second tier cities only, careful compliance with government regulations and selection of the right local business partners.

In terms of distribution, e-commerce represents the latest evolution of retail, and foreign luxury retailers are increasingly establishing their presence in the Chinese market. Online presence and the active use of local social media platforms enable brands to digitally engage with Chinese consumers and provide them with a highly interactive window into the world of the brand. The impact of digitalisation and the merging of offline and online channels on the future of retail are evolving phenomena that foreign luxury retailers should not ignore.

In terms of marketing communication strategies, PR events are effective in educating consumers and building brand awareness and loyalty. Whilst a standardised brand image is essential to maintain consistency in all operating markets, local constraints must be taken into account in such a vast and varied territory as China. Some adaptation, even at a minimal level, is always required. Following the latest market crisis, new product launches at more affordable prices aim to capitalise on the increasing number of middle class consumers, who fuel demand for the affordable luxury category as well as the lower profile brands of the big luxury conglomerates. Furthermore, with increasing sales of luxury goods online and

abroad, the role of the physical store in China may shift from a sales channel towards a marketing communications channel.

As of early 2016, the economic slowdown appears to show no signs of imminent recovery. The saturation effect of a crowded market may result in some foreign retailers scaling back their presence, especially those that expanded rapidly into China. This could provide opportunities for domestic players to carve out a market niche for desirable, exclusive and original products. If production took place in China, pricing could be made more appealing for consumers with reduced purchasing power. For luxury retailers in the dynamic and continuously evolving Chinese market, constant attention is required to anticipate the newest developments and adapt business strategies accordingly.

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**Part II**  
**Quantitative Research**

# Chapter 5

## Consumer's Willingness to Pay More for Luxury Fashion Apparel Made in Sweatshops

Ian Phau, Min Teah, Joe Chuah and Johan Liang

**Abstract** The study investigates the antecedents of purchase intention towards luxury branded fashion apparel not made in sweatshops in Australia. The relationship between purchase intention and willingness to pay more for luxury branded fashion apparel is also examined. Data was collected using a mall intercept method in a luxury-shopping strip in Perth, Western Australia. The questionnaire was administered using trained interviewers resulting in 320 useable responses being retained for analysis. Structural Equation Modelling in AMOS 22 was employed to test for model fit. It was found that integrity and self-efficacy are positive predictors of purchase intention towards luxury branded apparel not made in sweatshops. Integrity and status consumption are the two variables that showed significant positive relationship towards willingness to pay more for luxury branded apparel not made in sweatshops. In addition, purchase intention has a significant positive relationship towards willingness to pay more for luxury branded apparel not made in sweatshops. The findings provide valuable insights for brand managers, researchers and policy makers. In particular, it is important for brands to inform and provide information about their ethical conduct through their labelling. It is therefore important to focus on the moral inclination and self-efficacy to encourage ethical consumption. The status oriented consumers are also more willing to pay more for ethical luxury apparel.

**Keywords** Sweatshops · Luxury branded apparel · Integrity · Status consumption · Self-efficacy · Sustainability · Ethics

### 5.1 Introduction

The apparel industry is a dynamic and substantial industry (Carrington et al. 2010; Bellaïche et al. 2010). Presently, there are 80 billion pieces of clothing being produced with the global fibre production (e.g. cotton and polyester) setting a new

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global record of 86 billion tons in 2011 (Moore 2015; Pedersen and Andersen 2015). The interest and debate have been rife in the media after the tragic collapse of the Rana Plaza garment factory in Bangladesh in 2013 (Phau et al. 2015). The death of 1100 factory workers served as a reminder of the dark side of fashion (Burke 2013). Over the years, growing discussions have surrounded the sustainability impacts of the fashion supply chain and manufacturing process (Pedersen and Andersen 2015). Deaths and health and injuries resulting from unsafe working conditions in sweatshops predate 2013. For example, 1993 a factory in Thailand suffered a fire and hundreds were killed and close to 500 workers were injured. In Bangladesh alone, more than 17 fires erupted in factories resulting in many deaths and injuries in 1995 alone. All these documents the severity and impact of manufacturing and production on the lives of workers in sweatshops which are mostly located in developing countries (Arnold and Bowie 2003). Carrigan et al. (2013) added that while the luxury fashion business is leading in creativity and merchandising, other critics such as Rivasio (2012) and Nair (2008) have suggested they lag behind in terms of conducting their business activities in a socially and environmentally responsible way.

The fashion industry is arguably one of the major contributors to social and environmental problems (Pedersen and Andersen 2015), hence is often the focal point of discussion in the media when it comes to sustainable consumption (Smestad 2009). There are two aspects of sustainability that is relevant to the fashion industry. The environmental impacts on sustainability include energy use, greenhouse emissions in production, water use, toxic waste disposal, toxicity of materials and production, and treatment chemicals, dyes and finishes (Pedersen and Andersen 2015). From a social point of view, fashion industry's social impact includes worker's working conditions, such as sweatshops, child labour, low wages and long working hours, worker's rights and health and safety risks, and animal welfare amongst other concerns (Pedersen and Gwozdz 2014). However, this study only focuses on the social point of view, more specifically the use of sweatshops (e.g. child labour and worker exploitation).

It was suggested by Joergens (2006) that consumers showed less commitment to sustainable consumption because ethical fashion consumption does not have an immediate and direct impact to their health and wellbeing. However, since then consumers are increasingly more conscientious about their purchase decisions and care about where and how the products they consume are made (Lai et al. 2010). In recent years, there are growing consumer concerns and interest towards socially responsible behaviour (e.g. Pedersen and Andersen 2015; Pedersen and Gwozdz 2014; Tang and Tang 2012). There are also celebrities who have joined the race against unethical fashion. For example, Livia Firth initiated the Green Carpet challenge which is about conscious and conscientious clothing choices to minimize the impact on the environmental and social aspects of society.

Because of the nature of fashion and luxury, the concept of ethical fashion or ethical luxury fashion is deemed as a paradox in itself (Godart and Seong 2014). However, in recent times many companies are integrating sustainability into the apparel design process (Gam and Banning 2011). In the past, sustainability and

ethical consumption has been seen as an unconventional form of consumption, however in the US it has moved to become a mainstream consumption (Shaw et al. 2006; Cervellon and Wernerfelt 2012).

However, fashion is in many ways different to other product categories when it comes to ethical consumption. Firstly, fashion is not primarily aimed at functionality and fashion ethics, according to Haug and Busch (2015). As a result, it is suggested that the concept of ethics in fashion needs to be dealt with separately than together with other product categories. While there have been so many tragedies surrounding the fashion manufacturing, there is yet a lot to be understood in order to improve the landscape of ethics in the luxury fashion context.

### *5.1.1 Justification of Study*

Based on extant literature review, there is a dearth of research within the area of understanding ethical luxury fashion consumption and also consumers' willingness to pay more for luxury fashion apparel that are not made in sweatshops. In fact, past research have taken a case study approach (e.g. Hvass 2014; Arrigo 2013; Dickson et al. 2012) or focused on a part of the fashion life cycle as the basis of their study and analysis (Pedersen and Andersen 2015). Past research within sustainability of fashion apparel have focused on the supply side, by addressing issues such as codes of conduct, or agents (e.g. designers) (Pedersen and Andersen 2015) whereby the consumer and demand side have often been lesser understood. In addition, Achabou and Dekhili (2013) identified sustainability in luxury fashion to be a lesser researched domain, whereby prior research have often focused on food, cosmetics and high street fashion (Davies et al. 2012; Ngobo 2011). In addition, a majority of the studies on ethics in fashion are around fast fashion (e.g. Manchiraju and Sadachar 2014; Kim et al. 2013; Joy et al. 2012) and rarely within the luxury fashion context (e.g. Achabou and Dekhili 2013; Phau et al. 2015). Hence there is a need to empirically understand the antecedents of consumer purchase intentions towards ethical luxury apparel and willingness to pay more for luxury branded apparel.

The objective of this research is to understand the influence of attitudes towards luxury branded apparel not made in sweatshops, integrity, self-efficacy, status consumption onto purchase intention of luxury branded apparel not made in sweatshops. In addition, the study examines the relationship between purchase intention of luxury branded fashion apparel not made in sweatshops and the willingness to pay more for luxury branded apparel not made in sweatshops.

The paper is structured as follows. The paper begins with a review of the relevant literature on luxury fashion apparel and sustainability, followed by a discussion of the constructs used in this study. The theoretical framework and hypotheses of this study is also outlined in this section. Subsequently, a description of the methodology, presentation of the results and findings, discussion of the research and practical implications of this study is detailed. Finally, the limitations and future directions are delineated.



## 5.2 Relevant Literature and Hypotheses Development

In most cases, the people who work in sweatshops believe that they can earn more money working there than if there were to have an alternative employment. For many children, it is better to work than being unemployed as it can help relieve family woes (Arnold and Bowie 2003). Due to the high profile of the fashion business especially luxury brands, they are particularly at risk of negative media publicity and consumer boycotts (Perry 2012). Post Rana factory collapse, fashion brands became a focal point of debate when it comes to unethical manufacturing such as worker exploitation and child labour. In sweatshops, the supervisors have been documented to resort to psychological coercion to improve workers' productivity and the workers work long overtime hours or lose their jobs. Like the Rana Plaza factory, workers were forced to work virtually every day or lose their jobs (The Guardian 2015). While overtime pay is a legal requirement, it is rarely observed (Arnold and Bowie 2003).

### 5.2.1 *Ethical Luxury Fashion Apparel*

When it comes to the fashion industry, there have been research that showed findings of consumers perceiving the industry as detrimental to the social and environmental health of society (Kim et al. 2012). It was noted by Pedersen and Andersen (2015) that the fashion industry is perceived as “superficial, irresponsible, unsustainable, and/or unethical...”. The industry is deemed to lack visibility and transparency especially when it comes to the fashion supply chain and manufacturing processes. Therefore leaving consumers in the dark about the “journey” of individual pieces of garment from production to the retail shelves.

Clothing purchases are mainly stimulated by price, quality and style, with price being the prime consideration over ethical issues by 30 %, despite consumers having awareness of child labour and sweatshop issues (Iwanow et al. 2005). In addition, studies by authors such as Cowan and Kinley (2014), found that social pressure and concern for the environment influences consumers purchase intention of environmentally friendly fashion. This relationship is also moderated by guilt and knowledge about environmentally friendly apparel. Clothing purchases among environmentally aware consumers are often driven by economic and personal reasons (Goworek et al. 2012). According to Bly et al.'s (2015) study, it was found that consumers of sustainable fashion are motivated by two notions, one which is “ethical hedonism” (Carrigan et al. 2005) and another is “anti-big business” sentiments because of the mistrust and scepticism towards mainstream and corporate brands (Kozinets and Handelman 2004). Studies have also found that consumers especially in the younger demographic are less concerned about the environmental and ethical impact of the purchase behaviour of clothing (Kim et al. 2013;

Niinimaki 2010; Joergens 2006). However, it was found in another study that consumers who are more focused on the stylishness of their clothing (enduring but individualistic in style) rather the fashion aspect are more likely to purchase environmentally friendly clothing and also to dispose of their clothing through sustainable means (Cho et al. 2015).

### ***5.2.2 Attitudes Towards Luxury Branded Apparel not Made in Sweatshops***

In the study by Joergens (2006), it was found consumers may sometimes not know about how ethically produced a fashion item would be. There is sometimes a lack of information on the products, which makes it difficult to consume ethically. In addition, price outweighs ethics when buying fashionable clothes (Eckhardt et al. 2010; Joergens 2006). There are also conflicting views in terms of unethical behaviour. For example, it was found in the same study that some people might think that child labour is unethical, however others perceive that it is better for a child to have a job rather than living on the street or in slums (Eckhardt et al. 2010). It was stated there is common understanding that most garments are produced under unfair working conditions. The lack of media coverage and attention to the fashion industry in the past resulted in insensitivity or ignorance towards sweatshop issues in the luxury fashion industry (Joergens 2006).

One of the key perceptions towards ethical fashion is that they are not stylish nor fashionable (Joergens 2006). Consumers in general still purchase clothing to look good and impress others, and not for the reason of ethical and fair trading conditions. In addition, ethical fashion apparel are not often easily available and accessible. As a result, this serves as a hindrance to consumers. Due to the fact that fashion items are seasonal products (Godart and Seong 2014), consumers make their purchase decisions on price because they would expect to wear something new the next season. The cheaper option rather than the sweatshop-free would be more appealing. In addition, unethically produced food products have a direct impact on one's health, whereas unethically made clothing does not personally harm an individual. Therefore, there will be more ethical commitment if it directly harms oneself.

### ***5.2.3 Integrity***

As defined by Nguyen et al. (2013), integrity is the inclination towards being honest and having strong moral values and standards. In that sense "person who recognizes that he or she is a moral being should ascribe dignity to anyone who, like him or herself, is a moral being" (Arnold and Bowie 2003, p. 222) would feel strongly

about worker exploitation and child labour. Therefore, arguably people who have strong moral values are more likely to respond positively to ethical purchases as compared to consumers who do not value integrity as integral part of their decision making (Phau et al. 2015; Floyd et al. 2013).

#### **5.2.4 Self-efficacy**

Defined as the perceived ability of oneself to perform a task (Phau et al. 2015), self-efficacy has a direct relationship towards purchase behaviour. In the case of consuming ethical fashion, the higher the level of self-efficacy would suggest a higher likelihood of a person to make change or to minimize the use of sweatshops in the fashion industry. One of the means to be able to voice one's dissent is through boycotting, which is a common strategy by activists. Boycotting a brand is seen as a positive action to demonstrate the lack of support for the business practices of companies who are unethical (Joergens 2006). However, there are consumers who suggests that by boycotting would not make a difference and boycotting is not an ethical act either. However, by boycotting it is a sign of support to ethical fashion manufacturing in the luxury fashion industry.

#### **5.2.5 Status Consumption**

It was found by Steinhart et al. (2013) that consumers form better evaluations when a luxury item highlights the social status benefits in environmental claims. In addition, it was found that environmental claims on products help consumers to justify their purchase and indulge in the product without moral retribution (Steinhart et al. 2013). It was also observed that there are personal status gains from consuming "green" and being "green". In addition, the luxury fashion business is anchored on delivering products and brands whose ownership is designed to communicate social relevance that satisfies both symbolic and material needs (Brun et al. 2008). Luxury fashion brands are said to bring experiential, psychological as well as symbolic benefits to the consumer whereby owning the product would bring pleasure and indulgence (Atwal and Williams 2009). In addition, luxury branded fashion apparel is designed to express individuality and to elicit aspiration and desire in consumers (Carrigan et al. 2013).

#### **5.2.6 Purchase Intention**

There is an inherent gap between consumers' personal behaviour and their ethical considerations. While consumers recognize the importance and ethical misconduct

of fashion companies, this concern may not necessarily propel consumers into action by purchasing luxury fashion that are “ethical” (Joergens 2006; Eckhardt et al. 2010). While Carrigan and Attala (2001) and Joergens (2006) have found in their studies that consumers are interested in eco-fashion, but are unwilling to pay a higher premium for ethical fashion products. Whereas, Sela et al. (2009) and Khan and Dhar's (2006) study found that the justification of an environmental claim or benefit on the product increases the willingness to purchase and indulge in a luxury branded product. In addition, Achabou and Dekhili (2013) suggests that being an ethical brand can increase the psychological satisfaction of consuming luxury goods. Therefore, based on the above discussion, the following hypotheses are postulated:

1a: Attitudes towards luxury branded apparel not made in sweatshop has a positive relationship towards purchase intention of luxury branded apparel not made in sweatshops.

1b: Integrity has a positive relationship towards purchase intention of luxury branded apparel not made in sweatshops.

1c: Self efficacy has a positive relationship towards willingness to pay more for luxury branded apparel not made in sweatshops.

1d: Status consumption has a positive relationship towards purchase intention of luxury branded apparel not made in sweatshops.

### ***5.2.7 Willingness to Pay More for Luxury Branded Apparel not Made in Sweatshops***

One of the concerns for the fashion industry lies in the fact that there are inadequate labelling of garments (Aspers 2008; Thomas 2008). When it comes to clothing which are ethical, the information or labelling does not allow consumers the opportunity to make an informed purchase to decide and purchase ethically made clothing. If there is a minimum baseline standard for ethical and environmental conditions, Aspers (2008) argued that it would provide an opportunity for consumers to choose to pay more for a product when there is an understanding the company's or brand's efforts have also gone to workers or an environmental organization. Pookulangara and Shephard (2013) also found in their research that there are also consumers who are willing to pay more for garments, handbags and fashion accessories that are manufactured in a socially-responsible conditions and eco-friendly way. In another study by Carrigan and Attala (2001), it was found that authors tend to make ethical purchases when they do not need to pay more, when there is no difference in quality, and when they do not need to make special efforts to purchase an ethical product. Similarly, Bhattacharya and Sen (2004) also found

that consumers are supportive of a company’s CSR efforts when the product quality is high, and when consumers are not paying more for the social responsibility efforts. Along the same vein, Joergen’s (2006) study also showed that consumers would not be willing to pay more for ethical activities of a company or brand even though they are able to afford it. On the contrary, Sela et al. (2009) when consumers are provided with a justification for using luxury products, they are more likely to use it to ease the sense of “guilt” associated with luxury consumption (Kivetz and Simonson 2002). Therefore, based on the above discussion the following hypotheses are postulated:

- H2a: Attitudes towards luxury branded fashion apparel not made in sweatshop has a positive relationship towards willingness to pay more for luxury branded apparel not made in sweatshops
- H2b: Integrity has a positive relationship towards willingness to pay more for luxury branded apparel not made in sweatshops.
- H2c: Self efficacy has a positive relationship towards willingness to pay more for luxury branded apparel not made in sweatshops.
- H2d: Status consumption has a positive relationship towards willingness to pay more for luxury branded apparel not made in sweatshops.

In addition, when consumers are inclined towards purchasing the luxury branded apparel not made in sweatshops, they will be more inclined to pay more for the ethically produced garment. As a result, the following hypothesis is postulated:

H3: Purchase intention towards luxury branded apparel not made in sweatshops has a positive relationship towards willingness to pay more for luxury branded apparel not made in sweatshops (Fig. 5.1).

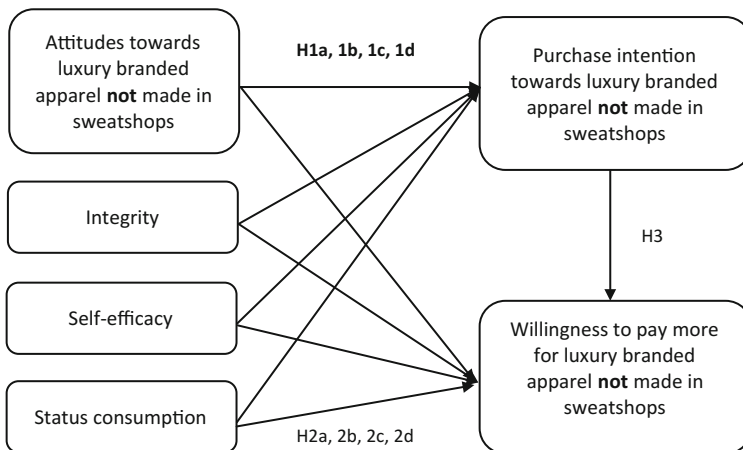


Fig. 5.1 Research model

### 5.3 Methodology

Data was collected using a mall intercept approach at the downtown-shopping precinct of Perth, Western Australia. Trained interviewers were briefed to approach every fifth shopper that crosses a designated spot. The shopper is asked a screening question on whether they have purchased luxury fashion apparel before to improve ecological validity (Hornik and Ellis 1988). The interviewers were also given instructions on how to administer the questionnaire and to complete the demographic profiles. The survey approach was employed to gather empirical data for study and has been a useful method to study sustainable fashion (e.g. Phau et al. 2015; Pedersen and Gwozdz 2014; Kozar and Connell 2013).

#### 5.3.1 Measures

Existing scales were used to measure integrity, self-efficacy, status consumption, purchase intention and willingness to pay more for luxury branded apparel not made in sweatshops. The attitudes towards luxury branded fashion apparel not made in sweatshops is adapted from established scales (e.g. Wang et al. 2005; Phau and Teah 2009). The scale items are measured on a 7-point Likert scale with 1 = strongly disagree and 7 = strongly agree. The scale items used in the survey instrument is recorded in Table 5.1. There are three sections in the questionnaire.

**Table 5.1** Scale sources

Scale	Source	Cumulative % sums of squared loadings	No. of items
Attitude toward social consequences	Adapted from Wang et al. (2005)	54.873	3
Attitude toward apparel made in sweatshops	Adapted from Wang et al. (2005)	79.652	2
Integrity	Ang et al. (2001)	69.461	4
Status consumption	Eastman et al. (1999)	55.097	4
Self-efficacy	Armitage and Conner (2001)	67.644	4
Intention not to purchase luxury branded apparel made in sweatshops	Adapted from Wang et al. (2005)	73.523	4
Willingness to pay more for luxury branded apparel not made in sweatshops	Shen et al. (2012)	63.151	3

\*All scale items rated on a 7-point Likert scale

Section A consists of questions measuring status consumption and integrity. Section B comprise of items measuring the respondent's attitudes towards luxury branded apparel not made in sweatshops, purchase intention towards luxury branded fashion apparel not made in sweatshop, and willingness to pay more for luxury branded apparel not made in sweatshops. Lastly, Section C consist of demographic questions that capture the gender and age of the respondent.

## 5.4 Results and Analysis

### 5.4.1 Samples

574 questionnaires were collected, out of which 320 were useable. The remainder were discarded due to incompleteness and failing in manipulation checks. The useable responses were then gathered and analysed using the AMOS 22 software. The sample distribution is shown in Table 5.2. 51.9 % of the respondents were female and the majority of the respondents fall between ages of 21–35 years old (49.1 %). The majority of the respondents hold a Bachelor degree (52.5 %).

### 5.4.2 Structural Equation Modelling—Model Fit

In the structural equation model, there are three exogenous latent constructs, which are integrity, self-efficacy and status consumption. The attitudes towards luxury branded apparel not made in sweatshops was not found to predict purchase intention or willingness to pay more for luxury branded apparel not made in sweatshops. As a result, the attitudes construct was removed from further analysis. The two endogenous latent constructs are purchase intention and willingness to pay more for luxury branded apparel not made in sweatshops.

*Measurement model result.* The measurement model presented in Table 5.3 depicts the factor loadings for each construct. The factor loadings range between 0.51 and 0.9 and  $p < 0.001$ , which is deemed statistically significant (Knight and Kim 2007). The reliabilities ranges between 0.707 and 0.879 which demonstrates adequate construct reliability (Kim and Ko 2012).

*Structural equation model result.* The overall model fit reports a  $\chi^2$  of 162.172 with 98 degrees of freedom ( $p = 0.000$ ), which is within the acceptable level (Hair et al. 1998). The other fit indices also indicate a good model fit (GFI = 0.939; CFI = 0.971; AGFI = 0.915; RMSEA = 0.045). This is also a significantly improved model from the initial model. Therefore, the improved model fit is deemed to be a good for hypotheses testing.

**Table 5.2** Sample distribution

Demographic	N = 320	%
<i>Gender</i>		
Male	154	48.1
Female	166	51.9
<i>Age</i>		
Under 21	87	27.2
21–35	157	49.1
36–45	32	10.0
45–55	17	5.3
55–65	13	4.1
66–75	11	3.4
76 and above	3	0.9
<i>Education</i>		
Secondary School	35	10.9
Diploma or certificate	87	27.2
Bachelor Degree	168	52.5
Postgraduate level	22	6.9
Others	8	2.5
<i>Income</i>		
Under 15,000	131	40.9
15,001–30,000	63	19.7
30,001–45,000	20	6.3
45,001–60,000	20	6.3
60,001–75,000	10	3.1
75,001–90,000	20	6.3
90,000+	17	5.3
Others	39	12.2
<i>Occupation</i>		
Student	179	55.9
Engineering	35	10.9
Business	53	16.6
Education	19	5.9
Medical	7	2.2
Science	2	2.2
Retired	2	0.6
Others	18	5.6

### 5.4.3 Hypotheses Testing

*Hypothesis H1a–H1d* H1 tested whether attitudes towards luxury branded apparel not made in sweatshops, integrity, self-efficacy and status consumption have a significant positive relationship towards purchase intention towards luxury branded



**Table 5.3** Measurement model results

Latent variables and observed indicators	Factor loadings	Cronbach's $\alpha$
<i>Integrity</i>		
X1: I value honesty	0.84	0.852
X2: I value politeness	0.78	
X3: I value responsibility	0.83	
X4: I value self-control	0.63	
<i>Self-efficacy</i>		
X5: I am capable of boycotting luxury branded apparel made in sweatshops in the future	0.65	0.801
X6: I am confident that I will be able to boycott luxury branded apparel made in sweatshops in the future	0.86	
X7: If it were entirely up to me, I am confident I would be able to boycott luxury branded apparel made in sweatshops in the future	0.80	
<i>Status consumption</i>		
X8: I would buy a product just because it has status	0.77	0.840
X9: I am interested in new products with status	0.77	
X10: I would pay more for a product if it had status	0.80	
X11: A product is more valuable to me if it has some snob appeal	0.51	
<i>Intention not to purchase luxury branded apparel made in sweatshops</i>		
Y1: I will not buy from retailers who use sweatshops to manufacture luxury branded apparel	0.89	0.879
Y2: I will not buy luxury branded apparel made in sweatshops	0.90	
Y3: I will not consider purchasing luxury branded apparel made in sweatshops for a friend	0.72	
<i>Willingness to pay more for luxury branded apparel not made in sweatshops</i>		
Y4: I am willing to pay a premium for luxury apparel that is produced in accordance with sustainable garment production standard	0.65	0.707
Y5: I planned to buy apparel from socially responsible luxury branded apparel merchandisers in the future	0.67	

apparel not made in sweatshops. As indicated in Table 5.4, with the exception of attitudes and status consumption, integrity ( $\beta = 0.151$ ,  $p = 0.008$ ) and self-efficacy ( $\beta = 0.542$ ,  $p < 0.001$ ) has a positive effect on purchase intention. Therefore, H1b and H1c are supported.

*Hypothesis H2a–H2d* H2 tested whether attitudes towards luxury branded apparel not made in sweatshops, integrity, self-efficacy and status consumption have a significant positive relationship towards willingness to pay more for luxury branded apparel not made in sweatshops. As indicated in Table 5.4, integrity ( $\beta = 0.128$ ,  $p < 0.001$ ) and status consumption ( $\beta = 0.328$ ,  $p < 0.001$ ) are the only significant positive predictors of willingness to pay more for luxury branded apparel not made in sweatshops. Therefore, H2b and H2d are supported.

**Table 5.4** Hypothesis test

	Estimate	SE	CR	<i>p</i>	Hypothesis
H1a: Attitudes → purchase intention	*	*	*	*	Rejected
H1b: Integrity → purchase intention	0.263	0.099	2.653	0.008	Supported
H1c: Self-efficacy → purchase intention	0.570	0.066	8.681	***	Supported
H1d: Status consumption → purchase intention	*	*	*	*	Rejected
H2a: Attitudes → willingness to pay more	*	*	*	*	Rejected
H2b: Integrity → willingness to pay more	0.152	0.084	1.813	***	Supported
H2c: Self-efficacy → willingness to pay more	*	*	*	*	Rejected
H2d: Status consumption → willingness to pay more	0.279	0.064	4.345	***	Supported
H3: Purchase intention → willingness to pay more	0.306	0.056	5.470	***	Supported

\*Insignificant

\*\*\*Significant  $p \leq 0.001$ 

*Hypothesis 3* H3 tested whether purchase intention towards luxury branded apparel not made in sweatshops has a significant positive relationship towards willingness to pay more for luxury branded apparel not made in sweatshops. As shown in Table 5.4, there is a significant positive relationship between purchase intention and willingness to pay more ( $\beta = 0.451$ ,  $p < 0.001$ ). Therefore, H3 is supported.

## 5.5 Discussion and Implications

This study mirrors findings from previous studies (e.g. Phau et al. 2015), whereby integrity, self-efficacy and status consumption are important factors influencing purchase intention and willingness to pay more for luxury branded apparel not made in sweatshops. Since the Rana Plaza factory collapse in Bangladesh, there is greater concern for worker's welfare and their working conditions as it can result in the loss of lives. Therefore, this study which is conducted post the collapse of Rana Plaza provides interesting insights to brand managers, researchers and policy makers as to the future of ethical luxury fashion consumption.

Integrity was a key factor impacting on both purchase intention and willingness to pay more for luxury branded apparel not made in sweatshops. This highlights the

fact that consumers who uphold higher moral standards would be more inclined to purchase ethical luxury branded apparel. Therefore, consumers should be kept aware and informed about the developments of the fashion industry and of any wrong doings. For luxury brands, to carve a good and honest brand image is important. There can be campaigns that focus on the quality of the workmanship and that the products are made in fair working conditions. This would also justify the value and the hefty price-tag that luxury fashion brands charge. If consumers were to perceive luxury fashion brands to manufacture in sweatshops, this is potentially detrimental to the brand image for “low quality” manufacturing. There needs to be obvious efforts and activities (e.g. labelling) to certify the garment as “sweatshop free” or “guilt free” (Joergens 2006; Steinhart et al. 2013). In addition to moral appeals, Eckhardt et al. (2010) suggests that using emotional appeals will be more compelling to motivate ethical consumption. As a result, using “guilt” appeal can be a start to encourage ethical consumption. In Sri Lanka, they have introduced the “Garments without Guilt” campaign to promote ethical manufacturing standards and practices in their fashion manufacturing process. Along the same line, emotional appeals such as guilt can provide strong rationalization for consumers to purchase luxury that are ethically produced so that it eases the guilty pleasure they may feel while purchasing expensive luxury fashion apparel (Kivetz and Simonson 2002).

Interestingly, self-efficacy was found to influence purchase intention towards luxury branded apparel not made in sweatshops. This suggests that when consumers feel like there is accessibility and an avenue to boycott unethical luxury apparel brands, consumers will more likely not purchase luxury branded apparel made in sweatshops. This is an important insight for policy makers. One of the key discussions surrounding sweatshops is the integration of tougher laws and standards to protect the welfare and well-being of workers. In addition, there can be forums and also avenues whereby consumers will be able to see the change they make by putting out their voices. For example, Livia Firth who initiated the Green Carpet Challenge, provided avenues and used the red carpet and celebrity events as a form of a publicity and awareness for ethical luxury fashion (Rothe 2015). Similarly, consumers can boycott brands that perform unethically through the support of public forums or even designated websites. This can also increase the awareness of worker exploitation and sweatshop conditions around the world.

Status consumption was found to be a significant predictor of willingness to pay more for luxury branded apparel not made in sweatshops. This is important to understand that status consumers are less susceptible to price increases. In the case of sweatshops, it can devalue the worth of a luxury brand if they are found to be manufactured in sweatshops. Luxury brands pride themselves in the heritage and the workmanship to convey luxury, therefore it is important to stress the value and the quality of the luxury branded apparel. There can also be limited editions focused on highlighting the authentic materials and ethical range. Luxury brands such as Stella McCartney, Vivienne Westwood and many other luxury brands have also started to be more conscious and conscientious in embracing ethical luxury fashion.

In addition, there is also the question of whether price is a good indicator of whether the product is ethically made. For example, it might be common understanding that if a clothing was very cheap that it would have been made in a sweatshop. It also does not indicate that a \$30 t-shirt could be made in better working conditions (Joergens 2006). As a result, the key differentiator is to inform and provide the information through labelling to consumers. This would further provide the justification for the price-tag in comparison to cheaper fast fashion manufacturers.

## 5.6 Concluding Comments

There are a number of limitations to this study. Firstly, the study is conducted in Perth, Western Australia. Therefore, the findings are not generalizable to the rest of Australia. Future studies can address the limitation by comparing between interstate consumers. Secondly, because of the geographic location of Perth, there is limited access to luxury brands. This can be seen as a limitation as the general knowledge towards luxury brands can be lower than the consumers located in Sydney or Melbourne. Thirdly, the nature of this study poses social desirability issues as it relates to a sensitive topic on ethical consumption. Previous research has also shown that this can lead to politically correct answers (Joergens 2006) and respondents may provide socially desirable answers than honest answers (Lea-Greenwood 1999). Unfortunately, attitudes towards luxury branded apparel not made in sweatshops was insignificant in this study. This presents a gap within the literature to develop a scale tailored to measuring attitudes towards luxury branded apparel not made in sweatshops. In addition, this study is conducted in Australia, future studies can look into comparing consumption of luxury branded apparel that are not made in sweatshops across other countries e.g. China to test for the difference in attitudes and behaviour. Furthermore, the influence of consumer knowledge or brand loyalty can be examined to test for its influence on purchase behaviour of ethical luxury branded apparel.

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# Chapter 6

## Exploring the Personality of Luxury Fashion Brands: Evidence from Young US Consumers

Xiao Tong, Jin Su and Yingjiao Xu

**Abstract** This study aims to identify personality characteristics that are associated with luxury fashion brands and test the applicability of Aaker's brand personality framework in the context of luxury fashion brands. It employed Aaker's brand personality framework to empirically investigate the personality of luxury fashion brands based on data collected from 413 American young consumers. This research developed a valid and reliable scale that measures personality for luxury fashion products and confirms that consumers do associate particular brand personality dimensions with luxury fashion brands. Results revealed that young consumers perceive six distinct personality dimensions and 37 personality traits in luxury fashion brands: Prestigious, Competent, Sociable, Creative, Snobby, and Romantic. The findings not only provide insights into the underlying values that consumers are seeking from luxury fashion consumption, but also offer a theoretical guidance to the practitioners in the luxury goods industry in their effort of brand equity building.

**Keywords** Brand personality · Brand personality dimensions · Luxury fashion brands

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## 6.1 Introduction

In contemporary consumer societies, people purchase products not only for what they can do (physical attributes and functional benefits), but also for what they symbolize; and the symbolic qualities of products are often the primary reasons for consumer's purchase (Maehle et al. 2011). Because of changing market conditions and consumer preferences, the focus of marketers and brand managers shifts increasingly to symbolic benefits of brands. This leads to an increased interest in the brand personality concept, which offers a systematic approach to create symbolic benefits (Heine 2009).

Brand personality is a central driving force of consumer's positive attitude and preference for a brand (Biel 1993). A well-established brand personality is thought to impact consumer purchase decision (Freling et al. 2011; Sirgy 1982) and increase emotions in consumers (Biel 1993; Swaminathan et al. 2009). For marketers facing today's globalization of markets, brand personality is an efficient way of creating and building a connection with consumers worldwide.

Young consumers have been shown in the literature to have an affinity for luxury brands (Doss and Robinson 2013). The growing population of young upwardly mobile consumers ensures a steadily growing customer base for luxury fashion retailers, and guarantees a potentially large market in the future. They will continue to support the future growth of global luxury fashion brands as their purchasing power will grow, as they get older (Park et al. 2008). Young consumers are an important consumer market for luxury fashion brands (Kim et al. 2012) and companies which can make a connection with this potentially lucrative market segment may develop lifelong customers. Young consumers are willing to try, to experience luxury brands and they think that owning luxury fashion products is the best way to show their own style (Kim et al. 2012).

This study focuses on luxury fashion brands for the following reasons. Firstly, luxury fashion goods industry accounts for the largest proportion of luxury goods sales and the strongest product category growth in recent years (Fionda and Moore 2009). Under the influence of globalized luxury brand consumption and the ideal of prestigious lifestyles created by transnational companies' global marketing efforts, consumers around the world are increasingly sharing and valuing the symbolic and emotional meanings of well-known luxury fashion brands (Kim et al. 2012). Despite the significance and the growth of the luxury fashion goods sector, the investigation into contemporary brand management strategies and practices associated with the luxury fashion brands has received limited empirical exploration within the research literature (Fionda and Moore 2009; Kim et al. 2012). Secondly, although luxury fashion brands are characterized with strong symbolic benefits that often even exceed their functional benefits and that refer to a large extent human personality traits (Vigneron and Johnson 2004), the symbolic meaning of luxury remains largely unexplored and there exists no integrated personality concept for luxury fashion brands within the academic literature. Thirdly, although many studies have been conducted on brand personality, and existing brand personality

dimensions and scales are well-established, most research is mainly based on a set of brands across various product categories (Aaker 1997; Aaker et al. 2001). Previous studies have suggested that personality perceptions may vary by product category and that specific brand personality dimensions are associated with particular product categories (Arora and Stoner 2009; Cui et al. 2008; Kaplan et al. 2010; Valette-Florence and De Barnier 2013).

This research takes a young consumer's perspective to examine the personalities that are specifically associated with luxury fashion brands and tests the applicability of Aaker's brand personality framework in the context of luxury fashion brands. More specifically, it aims to answer two research questions: first, do luxury fashion brands possess a personality, as posited by Aaker (1997), and if so, what are the underlying dimensions of the personality of luxury fashion brands? Second, although it appears that the brand personality framework of Aaker (1997) has proven to be widely applicable, little is known about its applicability in the luxury fashion brands context. Hence, this study also aims to test that.

## 6.2 Literature Review

### 6.2.1 *Brand Personality in Brand Management*

The concept of personality is usually attributable to humans; however, this notion can also be used to define the characteristics of a non-human being, such as fashion brands. Anthropomorphic theory offers an explanation for why people tend to grant human qualities to brands (Aggarwal and McGill 2007; Maehle et al. 2011). Anthropomorphizing non-human objects, and a brand in particular, is a natural tendency, because people try to explain objects in terms of their own experiences and conceptions (Aggarwal and McGill 2007). By ascribing human characteristics to products, consumers decrease their uncertainty in a complex, ambiguous purchasing and consumption environment. Previous studies asserted that consumers find it natural to build relationships with brands (Fournier 1998) and to imbue them with different personality characteristics, such as "elegant" or "confident"; thus brand personality serves the symbolic and emotional function (Aaker 1997; Plummer 2000). The concept of brand personality offered in the literature recognizes the use of human descriptors to portray brands (Freling and Forbes 2005; Geuens et al. 2009; Maehle et al. 2011; Plummer 2000). The most widely cited definition of brand personality, "the set of human characteristics associated with a brand" (Aaker 1997, p. 347), outlines who a brand is as a "personage" and/or "character."

The theory of the "extended self" developed by Belk (1988) helps explain why brands are provided with personality. Belk (1988) maintained that "possessions are a major contributor to and reflection of our identities" (p. 139). Brand personality enables consumers to identify themselves with a brand and to express their own

personality through the brand, as individuals tend to consider possessions to be part of their “self” (Azoulay and Kapferer 2003; Belk 1988). Consumers purchase and use brands to meet their needs, to create, reinforce, and communicate their personalities, and to form their self–brand connections which facilitate consumer’s expression of their actual or ideal dimensions of the self (Belk 1988; Escalas and Bettman 2005; Sung 2011; Sung and Kim 2010; Sung and Tinkham 2005).

Sirgy’s self-congruity theory (1982) also provides conceptual linkages relevant to brand personality. The self-congruity theory holds that consumers compare their self-concept with the image that a brand projects and, in turn, prefer brands that are consistent with their self-concept. Studies have found support for the notion that consumers choose products and services that they feel possess personalities that are similar to (congruent with) their own (Arora and Stoner 2009; Escalas and Bettman 2005; Phau and Lau 2001; Sirgy 1982). Brands reflect the complete experience that customers have with products.

## ***6.2.2 Measurement and Dimensions of Brand Personality***

In contemporary business environment, the factors such as continuous branding innovation in marketing and the known effects of personality on behavior in general, serve to stimulate interest in the symbolic meaning of human traits that consumers attribute to brands as a result of the creation of consumer-brand relationship and emotional attachments.

Aaker (1997) conducted extensive research by carefully selecting 37 brands from various product categories and adopting a lexical approach. Aaker (1997) developed a 42-item measurement scale called the Brand Personality Scale which is a framework to describe and measure the “personality” of a brand in five core dimensions, each divided into set of facets. The five core dimensions and their facets are Sincerity (down-to earth, honest, wholesome, and cheerful), Excitement (daring, spirited, imaginative, and up-to-date), Competence (reliable, intelligent, and successful), Sophistication (upper-class and charming), and Ruggedness (outdoorsy and tough). Furthermore, Aaker found that the framework of these five brand personality dimensions, as represented by the 42-item scale, is reliable, valid, and generalizable, and appears to best explain the way American consumers perceive brands across symbolic and utilitarian product and service categories. Aaker’s (1997) work has been considered as widely applicable, widely-cited and arguably most influential research on brand personality scale (Cui et al. 2008; Kaplan et al. 2010).

Following Aaker’s (1997) seminal work, other researchers have attempted to apply Aaker’s (1997) brand personality framework and scale in different contexts. For example, Aaker et al. (2001) specifically studied the extent to which Aaker’s (1997) structure of personality attributes associated with commercial brands differs across cultural contexts. Sung and Tinkham (2005) examined brand personality structures in the United States and Korea based on Aaker’s (1997) framework and

they concluded that several brand personality dimensions have similar meaning in both Korea and the United States, whereas other dimensions are culture-specific. Some studies have begun with Aaker's brand personality framework and provided unique variations that were drawn from a particular market context. For example, adopting Aaker's framework, Ekinçi and Hosany (2006) revealed that the brand personality scale can be applied to tourism destinations. Kaplan et al. (2010) examined the applicability of Aaker's brand personality concept for city brands and concluded that brand personality dimensions are applicable to place brands. Kim et al. (2010) studied dimensions of news media brand personality, guided by Aaker's brand personality study.

While accepting the importance of Aaker's work, a few researchers have also sought to develop factor models of brand personality. For example, Bosnjak et al. (2007) developed a 20-item instrument and a four-factor structure (including drive, conscientiousness, emotion, and superficiality) in the German cultural domain. Geuens et al. (2009) developed a measure for brand personality which consists of 12 items and 5 factors (activity, responsibility, aggressiveness, simplicity, and emotionality).

All of the analyses by Aaker (1997) were aggregated across a wide variety of product categories (Austin et al. 2003). Similarly, most of the brand personality studies after Aaker (1997) (Aaker et al. 2001; Bosnjak et al. 2007; Geuens et al. 2009; Milas and Mlačić 2007; Sung and Tinkham 2005) measure brand personality on an aggregate level across multiple brands of different product categories. However, recent studies have suggested that personality perceptions may vary by product category and different settings, and that specific brand personality dimensions are associated with particular product categories (Arora and Stoner 2009; Kaplan et al. 2010; Kim et al. 2010; Valette-Florence and De Barnier 2013). Valette-Florence and De Barnier (2013) pointed out that measurement of brand personality depends on the area of application, and their study results show the advantages of focusing on a specific area of application in brand personality research: the more exact semantics of items, facets and dimensions, directly related to the area investigated. Motivated by the prior studies which justify creating an appropriate scale and specific personality traits in particular sectors (Arora and Stoner 2009; Kaplan et al. 2010; Kim et al. 2010; Valette-Florence and De Barnier 2013), in this paper we seek to define brand personality measurement scales adapted to a particular product category and sector—luxury fashion brands.

### ***6.2.3 Global Luxury Fashion Brands***

The global luxury brand market has been growing steadily during the last two decades, along with the gradual expansion of the scope of its market, the ever-expanding offer of luxury categories and a rapid growth in emerging markets, which created “the new rich” (Amatulli and Guido 2011). Luxury fashion goods are comprised of apparel, accessories, handbags, shoes, watches, jewelry, and perfume,

for which just the mere use or display of a particular brand brings prestige to the owner, and functional utility becomes a side issue (Amatulli and Guido 2011). Luxury fashion sector counts for the major proportion of global luxury goods sales and is one of the strongest product category growth during recent years (Fionda and Moore 2009). Luxury fashion brand is distinctive; it invariably operates as an experiential brand; and it functions as a means of creating and communicating an identity for the brand user (Fionda and Moore 2009).

In line with Belk's (1988) work on the extended self, which addresses the importance of possessions in contemporary consumption and consumers' feelings about possessions as a key contributor and reflection of their identities, previous research on luxury brands recognizes that consumers can derive subjective intangible benefits from luxury goods beyond their functional utility, while additional motivations to purchase them include their higher levels of quality and authenticity (Vigneron and Johnson 1999). This perspective is reinforced by Jackson (2004) who defines the luxury fashion brand as characterized by exclusivity, premium prices, image and status, which combine to make them desirable for reasons other than function. Specifically, Fionda and Moore (2009) identified nine key components that are inherent to the creation of a luxury fashion brand, including clear brand identity, marketing communications, product integrity, design signature, premium price, exclusivity, heritage, environment and service, and culture.

Young consumers are an important consumer market for luxury fashion brands (Kim et al. 2012). Established luxury brands have reached out to young luxury consumers. Young luxury consumers, the fastest growing segment of the luxury market, demand fashion-driven luxury product offerings (Doss and Robinson 2013). Park et al. (2008) reported that Korean young consumers are rapidly replacing middle-aged consumers as the main consumers of global luxury brands. Younger generations in Korea want to buy luxury fashion in which they could express themselves to make them unique in a rather uniform society (Park et al. 2008).

To address the needs of this new luxury customer population, luxury brands have aggressively adopted various strategies, including using up-market to down-market pricing strategies and introducing fashion-driven product offerings to expand access to their products (Doss and Robinson 2013). The traditional conspicuous consumption model for luxury brands has been transformed into an experiential luxury awareness shaped by a shift in how consumers define luxury (Doss and Robinson 2013).

Similar to the situation with other consumer goods and brands, perceptions of the personality traits of luxury fashion brands can be formed and influenced by the direct and/or indirect contact that the consumer may have had with luxury fashion brands (Plummer 1985). Personality traits can be associated with brands in a direct way, through corporate reputation, product quality, shopping, and usage experience (Aaker 1997). In an indirect manner, personality traits can be attributed to brands through marketing programs such as advertising, fashion shows, public relations, direct marketing and celebrity endorsement. Keller (2009) highlighted the need and significance of managing luxury brand equity by developing and strengthening

luxury brands' distinctive personality. Keller indicated that "many luxury brands have association of sophistication as part of their positioning, but also often competence or even excitement" (2009, p. 296). Accordingly, the aim of this current study is to identify brand personality dimensions within the luxury fashion brands category by using the brand personality framework developed by Aaker (1997).

## 6.3 Research Design and Methodology

### 6.3.1 Selection of Brand Personality Attributes

The present study examines young American consumers' perceptions of luxury fashion brands. Literature shows that young consumers have an affinity for luxury brands and they are potentially lucrative market segment for luxury fashion brands (Doss and Robinson 2013; Kim et al. 2012). The selection of brand personality attributes followed a three-step process, guided by Aaker's (1997) brand personality study. In the first step, to ensure familiarity and relevance, a free-association task was conducted to generate a list of personality attributes for luxury fashion brands. Eighty two undergraduate students at a large U.S. university were invited to participate in this free association activity. Though college students were not traditionally the target market for luxury products, young consumers including college students are gaining more attention from the luxury brands due to their strong spending power and their recent spending on luxury items (Silverstein and Fiske 2003). These students were asked to use words to describe the human characteristics associated with one of the luxury fashion brands that they are familiar with. To assist the students in identifying a luxury fashion brand and also to avoid their using a non-luxury brand for this exercise, a list of 12 luxury fashion brands was provided for the students to choose from. This top luxury fashion brand list was compiled by referring to several sources including BloombergBusinessweek (Roberts 2012), Pinterest (Megginson 2013), and students' inputs. The following brands were on the list: Louis Vuitton, Hermes, Rolex, Chanel, Gucci, Prada, Cartier, Burberry, Christian Dior, Versace, Armani, and Fendi. A total of 197 personality attributes were generated as a result of this free-association exercise.

The second step involved incorporating the 42 original personality traits proposed by Aaker (1997) into this 197-trait list, because those 42 attributes were compiled and developed from diverse sources such as the Big Five personality factors and other refined scales used by academics and practitioners (Sung and Tinkham 2005). Finally, from this list of 239 personality attributes, the researchers checked for and deleted items that were redundant, ambiguous, or irrelevant to fashion brands. This resulted in a final set of 67 traits used to examine luxury fashion brands' personality.

### 6.3.2 *Sample and Procedure*

As this study is to investigate personality characteristics associated with luxury fashion brands hence is exploratory in nature, a generalizable sample is not required (Yin 1989). A convenience sample of students enrolled at three large universities in the U.S. (one from the North, one from the Southeast, and one from the South) was used for this study. While these young aspirational consumers may not be able to afford all the luxury they want, they are familiar with the brands and have developed a taste for the luxury. A total of 421 students participated in the survey.

Majority of the participants were in the age from 19–21 (96 %), were female (67 %), and purchased luxury fashion products before (69 %). The most prevalent ethnic group was Caucasian (72 %), followed by African-American (14 %), Asian (9 %), and Hispanic or Latino (2 %).

At the beginning of the survey, a list of 12 brands was provided for the participants to choose the one that they are most familiar with. If the participant is not familiar with any of the provided brands, he/she can list one that he/she is familiar with. The ones that were not on the list but were referred to in the survey by the participants included Michael Kors, Vera Wang, Kate Spade, Tory Burch, Coach, and few others that were not considered as either luxury or fashion brands, such as Nike, American Apparel, and Express. Eight surveys were removed from the dataset due to referring to a non-luxury fashion brands. This resulted in a total of 413 surveys included for further data analysis. After identifying a familiar luxury fashion brand, the participants were asked to rate the extent to which each personality trait described their most familiar luxury fashion brand on a 5-point scale (1 = not at all descriptive and 5 = extremely descriptive). The following instructions were given to the participants before they answer questions regarding the personality of the chosen familiar brand:

*In this section, we are interested in finding out your perception of human personalities associated to your most familiar luxury fashion brand as identified in Question 1. While evaluating the following set of attributes, please ask yourself, “If this luxury fashion brand was a person, how would I describe him/her?”*

## 6.4 **Data Analysis and Results**

### 6.4.1 *Exploratory Factor Analysis (EFA)*

Following the procedures adopted in Aaker’s (1997) brand personality study, the data set was randomly split into two equal samples: an estimation sample and a validation sample. An Exploratory Factor Analysis (EFA) with maximum likelihood extraction and varimax rotation method was conducted on the estimation sample to identify the dimensions that capture the personality traits for luxury fashion brands. A Confirmatory Factor Analysis (CFA) was carried out on the

validation sample to validate the results from the EFA. This approach was employed to avoid capitalizing on chance in the sample data when both EFA and CFA are performed with the same samples (Byrne et al. 1989).

The results of the EFA on the estimation sample ( $n = 204$ ) indicated that there were 16 factors with eigenvalues larger than 1. However, the variance explained by each additional factor was dramatically dropped after the first eight factors. The scree plot also flattened out after the first eight factors. For each of the eight factors, items were selected if their communalities were greater than 0.30 and factor loadings were greater than 0.40 (Churchill 1979; Hair et al. 2006). Items loaded on more than one factor at 0.40 or greater were assigned to the factor with the highest loading. All the items loaded on the factors were checked for meaningfulness and fit with the remaining items on the same factor (Aaker 1997; Kim et al. 2010). Two items were removed from the factor that they had greater than 0.40 loading on due to “not fitting with the remaining items on the factor in meaning”. Two factors were removed from the final model as the items loaded on the factor did not seem to go together well meaningfully. As a result, forty one items were included in the six-factor model. The resulted six factors accounted for approximately 35 % of the total variance. The following is a list of the six factors measuring the personality of luxury fashion brands:

- (1) Prestigious
- (2) Competent
- (3) Sociable
- (4) Creative
- (5) Snobby
- (6) Romantic

Determination of the factor labels followed a comparison of existing brand personality dimensions, which were identified in previous studies that use a similar methodology (Aaker 1997; Aaker et al. 2001; Hosany et al. 2006). Newly emerging factors, which were not present in the literature, were named after the representative attributes within the factor. Table 6.1 shows the EFA results of the six factors extracted and the items loaded on each factor.

### **6.4.2 Confirmatory Factor Analysis (CFA)**

To validate the results from EFA, a Confirmatory Factor Analysis (CFA) was conducted on the validation data ( $n = 209$ ) using Amos 19 (the structural equation modeling package). Anderson and Gerbing (1988) recommended the procedures for re-specification of a measurement model which involve: (1) making a problematic item relate to a different factor; (2) removing the item from the model; (3) connecting the item to multiple variables; or (4) correlating the error terms of two items. Accordingly, the initial measurement model was modified, by deleting four



**Table 6.1** EFA results on personality dimensions for luxury fashion brands

Traits	Prestigious	Competent	Sociable	Creative	Snobby	Romantic
Wealthy	<b>0.83</b>	0.08	0.04	0.06	0.15	-0.04
Upscale	<b>0.77</b>	0.13	0.14	0.15	0.14	0.02
Expensive	<b>0.65</b>	0.15	-0.08	0.10	0.15	0.03
Elite	<b>0.61</b>	0.24	-0.02	-0.07	-0.03	0.07
Fashionable	<b>0.54</b>	0.38	0.15	0.14	-0.11	0.16
Superior	<b>0.53</b>	0.25	0.16	0.04	0.13	0.28
Elegant	<b>0.53</b>	0.19	0.03	0.09	0.09	0.07
Lavish	<b>0.52</b>	0.20	0.13	0.16	0.37	0.14
Sophisticated	<b>0.50</b>	0.32	0.26	0.09	0.02	0.08
Successful	<b>0.47</b>	0.38	0.34	0.11	0.03	0.11
Exclusive	<b>0.46</b>	0.15	0.08	0.13	0.17	0.17
Glamorous	<b>0.45</b>	0.30	0.07	0.11	0.11	0.17
Prestigious	<b>0.45</b>	0.35	-0.13	0.09	0.15	0.18
Powerful	<b>0.44</b>	0.30	0.11	0.12	0.14	0.30
Sleek	<b>0.43</b>	0.11	0.13	0.09	0.01	0.11
Quality	0.34	<b>0.75</b>	0.04	0.07	-0.04	0.08
Professional	0.26	<b>0.55</b>	0.21	-0.01	0.02	0.10
Refined	0.20	<b>0.53</b>	0.09	0.18	0.08	0.10
Confident	0.36	<b>0.52</b>	0.04	0.19	0.04	0.17
Reliable	0.14	<b>0.47</b>	0.16	0.14	-0.09	0.12
Composed	0.19	<b>0.43</b>	0.04	0.04	-0.06	-0.01
Mature	0.36	<b>0.42</b>	0.00	0.04	-0.05	0.09
Authentic	0.33	<b>0.42</b>	-0.02	0.37	0.02	0.04
Sociable	0.19	0.14	<b>0.58</b>	-0.03	0.05	0.26
Young	0.02	0.00	<b>0.53</b>	0.05	-0.02	0.00
Spirited	0.00	0.09	<b>0.52</b>	0.26	-0.01	0.06
Unique	0.28	0.01	0.45	<b>0.45</b>	0.12	0.12
Friendly	0.10	0.09	<b>0.42</b>	0.00	-0.10	0.06
Sincere	0.03	0.13	<b>0.42</b>	0.10	0.00	0.09
Artistic	0.16	0.13	0.15	<b>0.64</b>	0.00	0.06
Adventurous	0.00	0.04	0.07	<b>0.59</b>	-0.01	0.20
Ambitious	0.20	0.20	0.05	<b>0.52</b>	0.01	0.11
Creative	0.13	0.14	0.38	<b>0.49</b>	-0.03	0.15
Greedy	0.11	-0.08	-0.02	0.02	<b>0.79</b>	0.07
Haughty	0.00	0.03	0.04	0.06	<b>0.73</b>	0.04
Snobby	0.21	-0.03	-0.04	-0.02	<b>0.66</b>	-0.01
Unapproachable	0.09	0.04	0.00	-0.04	<b>0.65</b>	0.02
Sensual	0.07	0.16	0.10	0.15	0.08	<b>0.78</b>
Sexy	0.22	0.04	0.13	0.26	0.13	<b>0.46</b>
Secure	0.11	0.25	0.25	0.17	-0.03	<b>0.46</b>

(continued)

**Table 6.1** (continued)

Traits	Prestigious	Competent	Sociable	Creative	Snobby	Romantic
Romantic	0.21	0.32	0.27	0.13	0.06	<b>0.44</b>
<b>Eigenvalues</b>	<b>18.68</b>	<b>4.57</b>	<b>3.31</b>	<b>2.91</b>	<b>2.11</b>	<b>1.50</b>
<b>% of variance</b>	<b>10.51</b>	<b>7.28</b>	<b>4.69</b>	<b>4.68</b>	<b>4.48</b>	<b>3.69</b>
<b>Cumulative %</b>	<b>10.51</b>	<b>17.79</b>	<b>22.48</b>	<b>27.17</b>	<b>31.65</b>	<b>35.34</b>

Note: Factor loadings that are 0.4 or larger are set in bold

problematic items based on theoretical considerations as well as empirical examinations of the path coefficients, standardized residuals, and the modification indices. Model fit criteria suggested by Hu and Bentler (1999) were used for the measurement model:  $\chi^2/df$ , Goodness of Fit Index (GFI), Comparative Fit Index (CFI), and Root Mean Square Error of Approximation (RMSEA). Fit indices of the six-factor model were satisfactory overall:  $\chi^2/df = 1.63$ , GFI = 0.81, CFI = 0.91, and RMSEA = 0.06, suggesting that the model is stable within the validation dataset.

The Cronbach's alpha coefficient for the six factors varied from 0.71 to 0.92. Unidimensionality and convergent validity of the constructs were assessed by item-factor loadings, the composite reliability measure, and the average variance extracted (AVE) respectively. All factor loadings were significant and varied from 0.50 to 0.90, satisfying the convergent validity criteria. The composite reliability coefficients varied from 0.68 to 0.93 and the AVE of each factor was greater than 0.5 (except for factor Creative which had 0.46 AVE). Therefore, the convergent validities for all the factors were confirmed (Fornell and Larcker 1981). Table 6.2 presents the factor loadings, Composite Reliability, AVE, and also the Cronbach's alpha for each factor.

Aaker (1997) argued that personality dimension may contain sub-dimensions, called facets. Following the process used by Costa and McCrae (1992), Aaker (1997) found a distinct set of facets that provided a structure to justify which attributes to select to represent each dimension as well as texture to understand the dimensions in greater detail. For example, the American Sincerity dimension consists of four facets: Down-to-Earth, Honesty, Wholesomeness, and Cheerfulness (Aaker et al. 2001). Therefore, to represent each brand personality dimension accurately, a facet identification step was also included in this study. Identification of facets within the six factors was carried out on the estimation sample by means of EFA with maximum likelihood extraction and varimax rotation, performed separately for each dimension (Aaker 1997; Aaker et al. 2001).

The analysis revealed that the Prestigious factor had two facets (*elegant and prestigious*), explained 53.46 % of the variance. No sub dimensions were found for the remaining factors, indicating a one-dimension structure. Figure 6.1 depicts the extracted brand personality traits and their corresponding facets and dimensions.

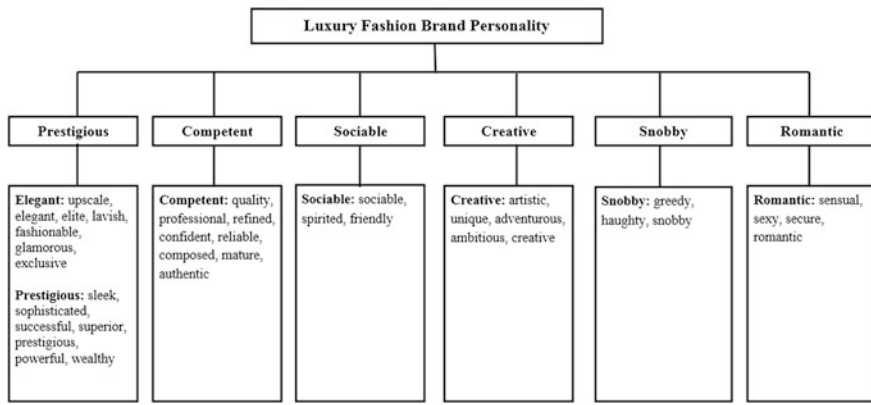
**Table 6.2** Confirmatory factor analysis and reliabilities

Constructs/indicators	Std. factor loading	Composite reliability (CR)	AVE	Cronbach's Alpha
<b><i>Prestigious</i></b>		<b><i>0.93</i></b>	<b><i>0.51</i></b>	<b><i>0.92</i></b>
Sophisticated	0.76			
Fashionable	0.77			
Upscale	0.74			
Prestigious	0.76			
Powerful	0.71			
Elite	0.69			
Wealthy	0.69			
Superior	0.68			
Lavish	0.68			
Elegant	0.64			
Sleek	0.63			
Successful	0.60			
Exclusive	0.57			
Glamorous	0.56			
<b><i>Competent</i></b>		<b><i>0.88</i></b>	<b><i>0.54</i></b>	<b><i>0.86</i></b>
Quality	0.81			
Professional	0.72			
Mature	0.70			
Confident	0.66			
Refined	0.66			
Authentic	0.63			
Reliable	0.60			
Composed	0.50			
<b><i>Sociable</i></b>		<b><i>0.68</i></b>	<b><i>0.51</i></b>	<b><i>0.71</i></b>
Sociable	0.77			
Spirited	0.64			
Friendly	0.52			
<b><i>Creative</i></b>		<b><i>0.76</i></b>	<b><i>0.46</i></b>	<b><i>0.79</i></b>
Creative	0.80			
Artistic	0.66			
Unique	0.65			
Ambitious	0.55			
Adventurous	0.52			
<b><i>Snobby</i></b>		<b><i>0.72</i></b>	<b><i>0.51</i></b>	<b><i>0.80</i></b>
Greedy	0.90			
Haughty	0.69			
Snobby	0.54			

(continued)

**Table 6.2** (continued)

Constructs/indicators	Std. factor loading	Composite reliability (CR)	AVE	Cronbach's Alpha
<i>Romantic</i>		<b>0.78</b>	<b>0.56</b>	<b>0.76</b>
Secure	0.73			
Sexy	0.72			
Romantic	0.71			
Sensual	0.70			



**Fig. 6.1** Luxury fashion personality dimensions and their facts

## 6.5 Discussion and Implications

This research aims to explore and identify the personalities associated with luxury fashion brands. To this purpose, a study focusing on luxury fashion brands and following the existing framework was conducted. To identify the brand personality dimensions for luxury fashion brands, a total of 413 subjects rated the top 12 luxury fashion brands on the 67 personality traits. The results of an exploratory principal components factor analysis suggested that young American consumers perceive that luxury fashion brands have six distinct personality dimensions and 41 personality traits (26 items were deleted during the exploratory factor analysis): *Prestigious, Competent, Sociable, Creative, Snobby, and Romantic*. The results of a confirmatory factor analysis provided support for the stability of the six dimensions and 37 personality traits (4 more items were deleted in the CFA process).

Since luxury fashion brands are uniquely positioned between the fashion and the luxury industries, our results show that the personality of luxury fashion brands is a good combination of characteristics associated with luxury (*Prestigious, Competent, Snobby, and Romantic*) and characteristics associated with fashion (*Sociable and Creative*), which reflects the clear image of luxury fashion brands in

consumers' minds. The six dimensions identified in this study indicate that the personality of luxury fashion brands can be characterized in terms of the functional dimension (*Competent*), the experiential dimension (*Sociable, Creative, and Romantic*), and the symbolic dimension (*Prestigious and Snobby*). This is similar to Keller's (2003) general perspective on the benefits that brands provide for their consumers—"the personal value and meaning that consumers attach to the brand's product attributes" (p. 596). In summary, luxury brands can deliver high levels of symbolic, experiential and functional value at the end of the utilitarian-luxury continuum (Berthon et al. 2009).

The consumption of luxury brands is oftentimes viewed as the symbol of social status and wealth (Vigneron and Johnson 1999). The most important personality dimension identified in this study is *Prestigious*, which consists of traits such as upscale, exclusive, wealthy, superior, and successful. This finding is consistent with the luxury brand positioning strategies: they are built on the premise of offering high symbolic value to a very selective segment of consumers who are more focused on high status associations than the underlying price. Managers of luxury brands create and sustain the image of prestige and exclusivity through advertising, celebrity endorsement, selective distribution, premium pricing, and producing limited editions lines (Fionda and Moore 2009). Remarkably but not surprisingly, a negative personality dimension emerged in this study, namely *Snobby*. It encompasses negative items such as greedy, haughty and snobby. This dimension is the reflection of characteristics defining snob (or conspicuous) consumers on luxury fashion brands' personality. Conspicuous or luxury consumers can be categorized as snobs, who have higher socioeconomic status while refraining from products consumed by many (Corneo and Olivier 1997). Although a new luxury paradigm (individualistic type of luxury consumption driven by new needs and desires for experiences) is radically different from the traditional "old" luxury consumption (motivated primarily by the desire for prestige and the public display of social status), the finding confirms that those top luxury brands are still portrayed by young consumers as snobbish, class oriented exclusivity-goods and services that only a small segment of the population can afford or is willing to purchase (Granot and Brashear 2008).

Luxury products are likely to provide subjective intangible benefits such as emotional and experiential values (Vigneron and Johnson 1999). The results of this study support the notion that the key element that differentiates luxury from other industries is the paramount importance of creativity (Nueno and Quelch 1998). The dimension of *Sociable* refers to characteristics such as friendly, spirited, and sociable. The dimension of *Creative* consists of traits such as artistic, adventurous, and creative. Both dimensions (*Sociable and Creative*) emphasize the importance of creative excellence in luxury fashion product development. The fashion design element within luxury fashion products is derived from investment in innovation, creativity and the appointment of an eminent fashion designer, which together allow a company to achieve legitimacy and fashion authority (Fionda and Moore 2009; Nueno and Quelch 1998). This study also identified a very special dimension for luxury fashion brands is, namely *Romantic*. It includes characteristics such as

sensual, sexy and romantic. Luxury brands have been working hard to enhance the “emotional connections” with discerning mindsets. For example, Tiffany launched [whatmakeslovetrue.com](http://whatmakeslovetrue.com) to those who want to take their romantic relationship forward. The emergence of the Romantic dimension in this study indicates that luxury fashion brands have been successfully created the association of love and romance in consumers’ minds.

The functional dimension is where the luxury brand has its material embodiment. The dimension of *Competent* in this study depicts traits such as having superior quality, reliable, refined, and authentic. It supports the notion that “product excellence” is the primary prerequisite of luxury (Kapferer and Bastien 2009). Previous studies have suggested that prestige/luxury is derived partly from the technical superiority and the extreme care that takes place during the production process (Vigneron and Johnson 1999). Luxury fashion brands are often portrayed as using best materials, best craftsmanship, hand finished, and attention to detail characteristics (Fionda and Moore 2009; Kapferer 2008; Radon 2002). The history and heritage of a luxury brand, which is considered crucial for the brand, brings an element of authenticity to the brand.

This research has both theoretical and practical implications. Theoretically, it makes three contributions. *First*, the findings show that Aaker’s (1997) brand personality framework is applicable to luxury fashion brands, while the study develops a new set of personality traits that marketers may utilize to assess personalities of luxury fashion brands. *Second*, the findings from this study confirm that young American consumers do associate particular brand personality dimensions with specific brand categories (such as luxury fashion brands). *Third*, this study identifies a negative personality characteristic associated with luxury fashion brands, namely Snobby. Revelation of this factor as a dimension of brand personality shows that the negative aspects of personality also deserve careful consideration, especially when subjects are evaluating the personality of another entity rather than themselves (Kaplan et al. 2010). The implications of this research also are of significance for marketers and scholars in the field of luxury brands. Development of a strong brand personality clearly fosters the success of branding activities. Thus, the scale and the distinctive brand personality dimensions identified in this study can be used as a practical marketing tool for brand managers in the luxury fashion market. Specifically, we believe that our findings could be specifically applied to create and build luxury brands, or to address issues such as how to maintain a luxury brand image once it is established. In summary, through identifying the dimensions of the personality for luxury fashion brands, this study provides insights into the underlying values that young consumers are seeking from luxury fashion consumption: the utilitarian value, the experiential value, and the symbolic value. This finding lends a theoretical guidance to the practitioners in the industry in their effort of brand equity building.

In the luxury market, there is evidence that the “luxury newcomers” (consists largely Generation Y) represent a big opportunity for luxury retailers to grow their business due to their large population and growing purchasing power. These young consumers have a high percentage of disposable income, are less brand loyal, and

willing to experiment with luxury brands (Hutzler 2012; Jay 2012). The results of this study are based on a sample of Generation Y college students—a sample of young consumers from the USA who tend to have the same reference point and understanding of luxury. Therefore, the findings of our study would be especially useful to help luxury retailers understand how the luxury newcomers perceive their brands so they can adjust their marketing strategies to cater to these young consumers. One strategy for accomplishing this goal is for global luxury marketers to develop bridging lines with fashionable designs and relatively affordable prices to attract young customers with considerably potential purchasing power. Companies which can make a connection with this potentially lucrative market segment may develop lifelong customers.

## 6.6 Limitations and Future Research

Since this study was deliberately performed for a specific category (luxury fashion), our findings only reflect American young consumers' brand personality perception of luxury fashion brands. For this reason, the scale ought to be reassessed with other product categories and with consumers from different cultural backgrounds and in different age groups (Aaker et al. 2001). In addition, from both an academic and practical standpoint, it would also be interesting to examine the antecedents and consequences of brand personality in the luxury fashion industry. Therefore, future studies could examine how to create brand personality through a variety of marketing variables (such as advertising and sponsorship) and what impact of brand personality has on other variables such as consumer loyalty and purchase intention towards fashion luxury brands.

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# Chapter 7

## Analytical Modeling Research for Luxury Fashion Products: Optimal Timing of Brand Extension in a Stochastic Market

Yasunori Fujita

**Abstract** The present paper attempts to push forward the studies of brand extension by formulating the problem and making use of the optimal stopping theory, to determine the optimal timing of the brand extension in a stochastic market. The main findings are as follows. If each customer gets wealthier stochastically over time, luxury fashion brand producer should postpone the timing of extending its brand to a new market, while if the number of customer increases stochastically, she/he should postpone that timing if the market uncertainty is less than a threshold level; she/he should accelerate the timing if the market uncertainty is more than a threshold level.

**Keywords** Brand extension · Optimal stopping theory · Demand function · Micro economic theory

### 7.1 Introduction

More and more firms recently have been extending their brands through introducing new products by making use of their brand names that are established and well known. In fact, as Dawar and Anderson (1994), Milewicz and Herbig (1994) etc. revealed, extending brands is less costly than developing new products since most consumers are familiar with already existing core brand names. Ambler and Styles (1997) also showed that it is often the case that firms prefer brand extension as a marketing strategy to introducing new products under new product names.

Under these circumstances, many studies have devoted to examining the process of the brand extension, which include Aaker (1991), Kapferer (1992), Kim and Lavack (1996), Nijssen (1999), Wood (2000), Martinez and Pina (2003), Grime and Smith (2005), Kotler and Armstrong (2006) etc., to reveal that brand extension strategy falls into two categories, i.e., horizontal brand extension and vertical one.

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Horizontal brand extension means to apply existing brand names to introducing new products in either a related product class (basic extension) or in a product category completely new to the firm (total extension). A vertical brand extension, on the other hand, involves extending brands in the same product category as the core brand (direct extension) or in a product category with less connection to the basic product line (indirect extension).

The present paper attempts to push forward these studies by looking at the problem from a different angle. That is, we attempt to determine the optimal timing of the brand extension in a stochastic market by making use of the optimal stopping theory, which emphasizes the importance of flexibility and has been used to develop strategies in various stochastically fluctuating markets since McDonald and Siegel (1986) demonstrated that firms should ‘wait and see’ until uncertainty is resolved. Dixit (1989) examined the strategies of a firm that intends to enter a foreign market. Farzin et al. (1988) investigated the timing of IT investment. Bentolila and Bertola (1990) considered the management of employment and lay-off. Leahy (1993), Caballero and Pindyck (1996) and Baldursson and Karatzas (1997) analyzed the effect of stochastic fluctuations on the economy.

The present paper also attempts to contribute to the progress of the models that use the optimal stopping theory, by combining the optimal stopping theory with the micro economic theory to formulate the demand function explicitly as in Fujita (2007a, b, c, 2008a, b, 2016) and so on. That is, we construct a stochastic model where a luxury fashion brand producer faces an uncertain demand expressed by the geometric Brownian motion, to examine the effect of an increase in the market uncertainty on the optimal timing of the introduction of its new brand. In the present paper, we consider two cases, a case where each customer gets wealthier over time and a case where number of customers increases over time.

Structure of this paper is as follows. Section 7.2 examines the case where each customer gets wealthier over time, while Sect. 7.3 examines the case where the number of customers increases over time. Concluding remarks are made in Sect. 7.4.

## 7.2 The Case Where Each Customer Gets Wealthier Over Time

### 7.2.1 *Formulation of the Basic Model*

Let us consider a luxury fashion brand producer that is planning when to extend its brand to a new market, in an infinite time horizon where time passes continuously with importance of the future diminishing with discount rate  $\rho$ . We assume that the luxury fashion brand producer firstly determines the timing of extension of its brand, followed by the output in each period after that. We also assume that the luxury fashion brand producer incurs cost of  $K$  when extending its brand to the new market.

Letting  $x(t)$  and  $p(t)$  denote the luxury fashion brand producer's output and the unit price of the product in period  $t$ , respectively, we assume  $p(t)$  relates to  $x(t)$  through the following linear inverse demand function,  $p(t) = a(t)^\varepsilon - bx(t)$ , where  $a(t)^\varepsilon$  is the choke price in period  $t$  with  $\varepsilon$  being a positive parameter that expresses the growth of the choke price, while  $b$  is a positive parameter that represents the size of the market. We assume that each customer's willingness-to-pay gets larger if she/he is wealthier, so that larger choke price means that each customer is wealthier.

As a way of formulating the uncertainty, in this section, we assume  $a(t)$  fluctuates stochastically according as the following geometric Brownian motion,

$$\frac{da}{a(t)} = sdz, \quad (7.1)$$

with an initial value  $a_0$ , where  $s$  is a positive constant that expresses the volatility in a sense that larger  $s$  means more uncertainty of the market, while  $dz$  is the Wiener process that expresses the random movement. If we let  $p_c$  denote the choke price  $a(t)^\varepsilon$ , we have its first order derivative and second order derivative as  $\frac{dp_c}{da} = \varepsilon a(t)^{\varepsilon-1}$  and  $\frac{d^2p_c}{da^2} = \varepsilon(\varepsilon - 1)a(t)^{\varepsilon-2}$ , respectively. Thus, by making use of the Ito's lemma, we have the stochastic process of  $p_c$  as

$$\frac{dp_c}{p_c} = \mu_p dt + \sigma_p dz, \quad (7.2)$$

with its initial value  $p_{c0} = a_0^\varepsilon$ , where  $\mu_p = \frac{1}{2}\varepsilon(\varepsilon - 1)s^2$  and  $\sigma_p = \varepsilon s$ , which shows that the choke price decreases over time if  $0 < \varepsilon < 1$ , while it increases overtime if  $1 < \varepsilon$ .

Following the standard procedure of the backward induction, let us first derive the optimal output in each period after the extension of its brand. Since the luxury fashion brand producer's profit in period  $t$ ,  $\pi_a(t)$ , is described as  $\pi_a(t) = (a(t)^\varepsilon - bx(t))x(t)$ , we have the luxury fashion brand producer's first order condition for the profit maximization as  $\frac{\partial \pi_a}{\partial x} = a(t)^\varepsilon - 2bx(t) = 0$ , to yield the luxury fashion brand producer's output in period  $t$  as

$$x(t) = \frac{a(t)^\varepsilon}{2b}. \quad (7.3)$$

## 7.2.2 Formulation of the Objective Function

Since the luxury fashion brand producer's profit in period  $t$  is derived from Eq. (7.2) as  $\pi_a(t) = \frac{a(t)^{2\varepsilon}}{4b}$ , we have its first order derivative and second order derivative as  $\frac{d\pi_a}{da} = \frac{\varepsilon a(t)^{2\varepsilon-1}}{2b}$  and  $\frac{d^2\pi_a}{da^2} = \frac{\varepsilon(2\varepsilon-1)a(t)^{2\varepsilon-2}}{2b}$ , respectively. Thus, by making

use of Ito's lemma, we can express the stochastic process of the luxury fashion brand producer's profit as

$$\frac{d\pi_a}{\pi_a} = \mu_a dt + \sigma_a dz, \quad (7.4)$$

with its initial value  $\pi_0 = \frac{a_0^2}{4b}$ , where  $\mu_a = \varepsilon(2\varepsilon - 1)s^2$  and  $\sigma_a = 2\varepsilon s$ .

Using this stochastic process of the luxury fashion brand producer's profit, we can express the luxury fashion brand producer's objective function to maximize in period 0,  $V_a \equiv E[\int_{t_a^*}^{\infty} e^{-\rho t} \pi_a(t) dt - e^{-\rho t_a^*} K]$ , as a function of  $a^*$ , value of  $a$  in period  $t_a^*$ , the period when the luxury fashion brand producer's extends its brand to a new market. For this purpose, if we let  $G(\pi_{a0})$  denote the expected value of one unit of the luxury fashion brand producer's profit in period  $t_a^*$  (i.e., the expected value of  $e^{-\rho t_a^*}$ ) as a function of the initial profit  $\pi_{a0}$ , the general solution to  $G(\pi_0)$  is expressed as

$$G(\pi_{a0}) = \alpha(\pi_{a0})^{\gamma_{a1}} + \beta(\pi_{a0})^{\gamma_{a2}}, \quad (7.5)$$

where  $\gamma_{a1} < 0$  and  $\gamma_{a2} > 0$  are solutions to the characteristic equation  $\frac{\sigma_a^2}{2} y(y-1) - \mu_a y - \rho = 0$ , which can be rewritten as  $2\varepsilon^2 y^2 - \varepsilon(2\varepsilon + 1)y - \frac{\rho}{s^2} = 0$  by substituting  $\mu_a = \varepsilon(2\varepsilon - 1)s^2$  and  $\sigma_a = 2\varepsilon s$  into it. If we let  $\pi_a^*$  denote the luxury fashion brand producer's profit in period  $t_a^*$ , it follows that  $\alpha = 0$  and  $\beta = \left(\frac{1}{\pi_a^*}\right)^{\gamma_2}$  since  $G(\pi_{a0})$  satisfies  $G(\infty) = 0$  and  $G(\pi_a^*) = 1$ .

By substituting  $\alpha = 0$  and  $\beta = \left(\frac{1}{\pi_a^*}\right)^{\gamma_2}$  into Eq. (7.4) and letting  $\gamma_a$  denote  $\gamma_{a2}$ , we obtain

$$G(\pi_{a0}) = \left(\frac{\pi_{a0}}{\pi_a^*}\right)^{\gamma_a}, \quad (7.6)$$

where

$$\gamma_a = \frac{4\varepsilon - 1 + \sqrt{(4\varepsilon - 1)^2 + \frac{8\rho}{s^2}}}{4\varepsilon}. \quad (7.7)$$

Thus, we can derive the luxury fashion brand producer's objective function to maximize in period 0,  $V_a$ , as  $V_a = \left(\frac{\pi_{a0}}{\pi_a^*}\right)^{\gamma} \left(\frac{\pi_a^*}{\rho} - K\right)$ , which is rewritten as

$$V_a = \left(\frac{a_0}{a^*}\right)^{\frac{4\varepsilon - 1 + \sqrt{(4\varepsilon - 1)^2 + \frac{8\rho}{s^2}}}{2}} \left(\frac{a^{*2\varepsilon}}{4b\rho} - K\right), \quad (7.8)$$

by substituting  $\pi_{a0} = \frac{a_0^{2\varepsilon}}{4b}$ ,  $\pi_{a^*} = \frac{a^{*2\varepsilon}}{4b}$  and Eq. (7.7) into  $V_a = \left(\frac{\pi_{a0}}{\pi_{a^*}}\right)^\gamma \left(\frac{\pi_{a^*}}{\rho} - K\right)$ .

### 7.2.3 Optimal Timing of the Extending Its Brand to a New Market

Now, we are ready to determine the luxury fashion brand producer’s optimal timing of extending its brand to a new market.

Since the model of the present paper is stochastic, the optimal timing is expressed by the cut off level of  $a^*$ . Therefore, by differentiating Eq. (7.8) with respect to  $a^*$  and setting it to zero, we have the optimal cut off level of  $a$  for the luxury fashion brand producer as

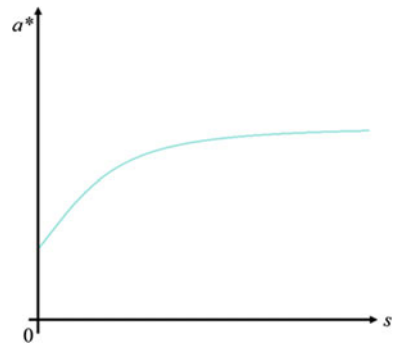
$$a^* = \left[ \frac{4b\rho K \left\{ 4\varepsilon - 1 + \sqrt{(4\varepsilon - 1)^2 + \frac{8\rho}{s^2}} \right\}}{-1 + \sqrt{(4\varepsilon - 1)^2 + \frac{8\rho}{s^2}}} \right]^{\frac{1}{2\varepsilon}}, \quad \text{if } 1 < \varepsilon. \tag{7.9}$$

If  $0 < \varepsilon < 1$ ,  $a^*$  is infinity since the second order condition for the maximization is not satisfied, making  $V_a$  a monotonically increasing function. So, let us assume  $1 < \varepsilon$  throughout rest of this section. Then, the graph of the optimal  $a^*$  [Eq. (7.9)] is depicted as an increasing curve on the  $s - a^*$  space as in Fig. 7.1. Since larger  $s$  means more uncertainty of the market and larger  $a^*$  means postponement of the extension of its product, we have the following proposition.

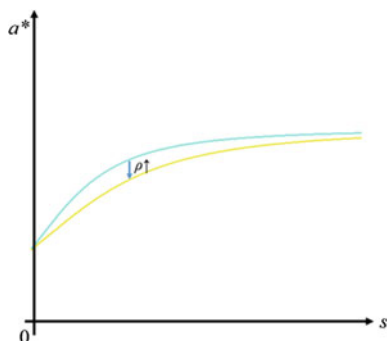
**Proposition 1** *If each customer gets wealthier stochastically over time, the luxury fashion brand producer should postpone the timing of extending its brand to a new market.*

Proposition 1 is consistent with the standard result that shows increase in the uncertainty increases in the value of waiting to postpone the optimal timing of investment. Proposition 1 also shows luxury fashion brand producers should delay

**Fig. 7.1** Increase in willingness to pay of customers and the timing of brand extension



**Fig. 7.2** Effect of an increase in the discount rate on the timing of brand extension



their brand extension decision if their target market is expected to have wealthier customers.

We can examine the effects of change of exogenous variables on the optimal timing of extending its brand. Firstly, if the discount rate of the future  $\rho$  increases, we see from (7.9) that the graph of  $a^*$  shifts downward as in Fig. 7.2.

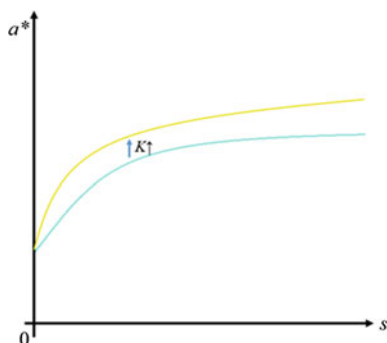
In the present paper, the discount rate of the future is the same as the rate that is used to determine the present value of the future cash flows in discounted cash flow analysis, so that larger  $\rho$  means the future is discounted more. Since the discount rate in discounted cash flow analysis takes into account the risk or uncertainty as well as the time value of money, it follows that the greater the uncertainty of the future cash flows, the higher the discount rate  $\rho$ . Thus, in the following, we assume that increase in  $\rho$  means decrease in the importance of the future caused by increase in the uncertainty of the future market. Then, we have the following proposition.

**Proposition 2** *If the importance of the future decreases, the luxury fashion brand producer should accelerate the timing of extending its brand to a new market.*

If the importance of the future decrease, discounted values of both profit and cost decrease. Proposition 2 shows that discounted value of the profit decreases more than that of cost.

Similarly, if the cost of extending its brand  $K$  increases, we see from (7.9) that the graph of  $a^*$  shifts upward as in Fig. 7.3. Thus, we have the following proposition.

**Fig. 7.3** Effect of an increase in the brand extension cost on the timing of brand extension



**Proposition 3** *If the cost of extending its brand increases, the luxury fashion brand producer should accelerate the timing of extending its brand to a new market.*

This proposition shows that if the cost increases, the luxury fashion brand producer should accelerate the timing of the brand extension in order to recover that cost.

## 7.3 The Case Where Number of Customers Increases Over Time

### 7.3.1 Formulation of the Basic Model

Let us consider next the case where the number of customers increases stochastically. Here also, letting  $x(t)$  and  $p(t)$  denote the luxury fashion brand producer's output and the unit price of the product in period  $t$ , respectively, we assume  $p(t)$  relates to  $x(t)$  through the following linear inverse demand function,  $p(t) = a^\varepsilon - b(t)x(t)$ , which is slightly different from that in the previous section in that  $a^\varepsilon$  is a positive constant that indicates the choke price with  $\varepsilon$  being a positive parameter, while  $b(t)$  is a positive variable that represents the size of the market in period  $t$ . In the model of the present paper, decrease in  $b$  means the increase in the number of customers, since the number of customers is  $\frac{a^\varepsilon}{b}$  (which is derived by solving  $0 = a^\varepsilon - b(t)x(t)$ ).

As a way of formulating the market uncertainty, we assume  $b(t)$  to fluctuate stochastically according as the following geometric Brownian motion as in Fujita (2016),

$$\frac{db}{b(t)} = sz, \quad (7.10)$$

with its initial value  $b_0$ , where  $s$  is a positive constant that expresses the market volatility in a sense that larger  $s$  means more uncertainty of the market, while  $dz$  is Wiener process that expresses the random movement.

As in the previous section, let us first derive the optimal output in each period after the extension of its brand. Since the luxury fashion brand producer's profit in period  $t$  in this case,  $\pi_b(t)$ , is described as  $\pi_b(t) = (a^\varepsilon - b(t)x(t))x(t) - cx(t)$ , we have the luxury fashion brand producer's first order condition for the profit maximization as  $\frac{\partial \pi_b}{\partial x} = a^\varepsilon - 2b(t)x - b(t)x(t) = 0$ , to yield the luxury fashion brand producer's output in the equilibrium in period  $t$  as

$$x_b(t) = \frac{a^\varepsilon}{2b(t)}. \quad (7.11)$$



### 7.3.2 Formulation of the Objective Function

Since the luxury fashion brand producer's profit in the equilibrium in period  $t$  is derived from Eq. (7.11) as  $\pi_b(t) = \frac{a^{2t}}{4b(t)}$ , we have its first derivative and second derivative as  $\frac{d\pi_b}{db} = -\frac{a^{2t}}{4b(t)^2}$  and  $\frac{d^2\pi_b}{db^2} = \frac{a^{2t}}{8b(t)^3}$ , respectively. Thus, as in the previous section, by making use of Ito's lemma, we can express the stochastic process of the luxury fashion brand producer's profit as

$$\frac{d\pi_b}{\pi_b} = \mu_b dt + \sigma_b dz, \quad (7.12)$$

with its initial value  $\pi_{b0} = \frac{a^{2t}}{4b_0}$ , where  $\mu_b = \frac{s^2}{4}$  and  $\sigma_b = -s$ .

As in the previous section, by making use of this stochastic process of the luxury fashion brand producer's profit, let us express the luxury fashion brand producer's objective function to maximize in period 0,  $V_b \equiv E \left[ \int_{t_b^*}^{\infty} e^{-\rho t} \pi_b(t) dt - e^{-\rho t_b^*} K \right]$ , as a function of  $b^*$ , the market size  $b$  in period  $t_b^*$ , the period when the luxury fashion brand producer's extends its brand to a new market in this case. For this purpose, if we let  $G(\pi_{b0})$  denote the expected value of one unit of the luxury fashion brand producer's profit in period  $t_b^*$  (i.e., the expected value of  $e^{-\rho t_b^*}$ ) as a function of the initial profit  $\pi_{b0}$ , the general solution to  $G(\pi_{b0})$  is expressed as

$$G(\pi_0) = \alpha(\pi_0)^{\gamma_{b1}} + \beta(\pi_0)^{\gamma_{b2}}, \quad (7.13)$$

where  $\gamma_{b1} < 0$  and  $\gamma_{b2} > 0$  are solutions to the characteristic equation  $\frac{\sigma_b^2}{2} y(y-1) - \mu_b y - \rho = 0$ , which is rewritten as  $y(2y-3) - \frac{4\rho}{s^2} = 0$  by substituting  $\mu_b = \frac{s^2}{4}$  and  $\sigma_b = -s$  into it. If we let  $\pi_b^*$  denote the luxury fashion brand producer's profit in period  $t_b^*$ , it follows that  $\alpha = 0$  and  $\beta = \left(\frac{1}{\pi_b^*}\right)^{\gamma_{b2}}$  since  $G(\pi_{b0})$  satisfies  $G(\infty) = 0$  and  $G(\pi_b^*) = 1$ .

By substituting  $\alpha = 0$  and  $\beta = \left(\frac{1}{\pi_b^*}\right)^{\gamma_{b2}}$  into Eq. (7.13) and letting  $\gamma_b$  denote  $\gamma_{b2}$ , we obtain

$$G(\pi_{b0}) = \left(\frac{\pi_{b0}}{\pi_b^*}\right)^{\gamma_b}, \quad (7.14)$$

where

$$\gamma_b = \frac{3 + \sqrt{9 + \frac{32\rho}{s^2}}}{4}. \quad (7.15)$$

Thus, we can derive the luxury fashion brand producer’s objective function to maximize in period 0,  $V_b$ , as  $V_b \equiv \left(\frac{\pi_{b0}}{\pi_{b^*}}\right)^{\gamma_b} \left(\frac{\pi_{b^*}}{\rho - s^2} - K\right)$ , which is rewritten as

$$V_b = \left(\frac{b^*}{b_0}\right)^{\frac{3 + \sqrt{9 + \frac{32\rho}{s^2}}}{4}} \left(\frac{1}{\rho - s^2} \frac{a^{2\epsilon}}{4b^*} - K\right), \tag{7.16}$$

by substituting  $\pi_{b0} = \frac{a^{2\epsilon}}{4b_0}$ ,  $\pi_{b^*} = \frac{a^{2\epsilon}}{4b^*}$  and Eq. (7.15) into  $V_b = \left(\frac{\pi_0}{\pi_{b^*}}\right)^{\gamma_b} \left(\frac{\pi_{b^*}}{\rho - s^2} - K\right)$ .

### 7.3.3 Optimal Timing of the Extending Its Brand to a New Market

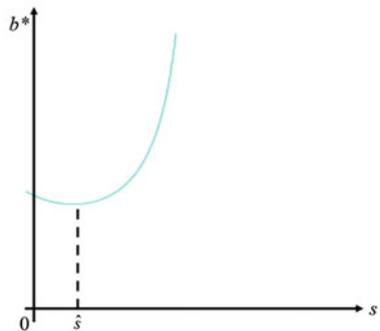
Now, we are ready to determine the luxury fashion brand producer’s optimal timing of extending its brand to a new market.

As in the previous section, since the model of the present paper is stochastic, the optimal timing is expressed by the cut off level of the market size  $b$ . Therefore, by differentiating Eq. (7.16) with respect to  $b^*$  and setting it to zero, we have the optimal cut off level of the market size  $b$  for the luxury fashion brand producer as

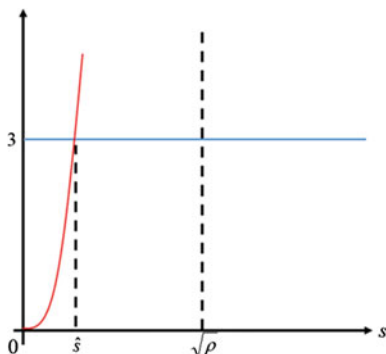
$$b^* = \frac{(-3s + \sqrt{9s^2 + 32\rho})^2 a^{2\epsilon}}{32^2 \rho^2 (\rho - s^2) K}. \tag{7.17}$$

Graph of  $b^*$  is depicted as a U-shaped curve with its minimum point at  $\hat{s}$  on the  $s - b^*$  space as in Fig. 7.4, which is in sharp contrast with the standard result of the value of waiting where  $b^*$  decreases monotonically as  $s$  increases. To be exact, by differentiating Eq. (7.17) with respect to  $s$  and setting it to zero, we have the threshold level of the market uncertainty  $\hat{s}$ , so as to satisfy

**Fig. 7.4** Increase in the number of customers and the timing of brand extension



**Fig. 7.5** Determination of the threshold level of  $s$



$$3 = \frac{s\sqrt{9s^2 + 32\rho}}{\rho - s^2} \tag{7.18}$$

The graph of the left hand side of (7.18) is drawn as a horizontal line, while the graph of the right hand side of (7.18) is drawn as a monotonically upward curve with 0 when  $s = 0$  and infinity when  $s = \sqrt{\rho}$ . Therefore,  $\hat{s}$  is determined uniquely as in Fig. 7.5.

Since larger  $s$  means more uncertainty of the market and smaller (larger)  $b^*$  means postponement (acceleration) of the timing of extending its brand, we have the following proposition.

**Proposition 4** (1) *If the market uncertainty is less than a threshold level, an increase in the market uncertainty postpones the timing of luxury fashion brand producers' extension of its brand;* (2) *if the market uncertainty is more than a threshold level, however, an increase in the market uncertainty accelerates the timing of luxury fashion brand producers' extension of its brand.*

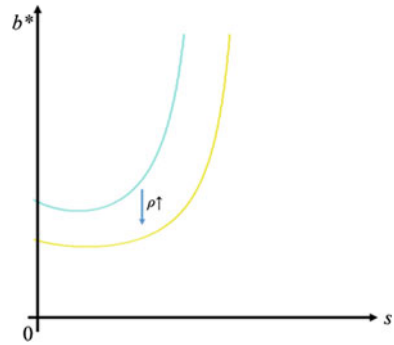
We can conclude from Proposition 4(2) that when the market uncertainty is more than the threshold level  $\hat{s}$ , what happens is in sharp contrast to the standard result.

In the present model, as Eq. (7.12) shows, an increase in the market uncertainty pulls up the growth rate of the luxury fashion brand producer's profit, which results in accelerating the timing of extending its brand to a new market. If this accelerating effect surpasses the standard postponing effect, overall effect accelerates the timing of extending its brand to a new market. Proposition 4(2) demonstrates that such a case prevails if the market uncertainty is more than the threshold level  $\hat{s}$ .

We can examine the effects of change of exogenous variables on the optimal timing of extending its brand to a new market. Firstly, if the discount rate  $\rho$  increases, we see from (7.17) that the graph of  $b^*$  shifts downward as in Fig. 7.6.

Increase in  $\rho$  means decrease in the importance of the future as in the previous section, while decrease in  $b$  means the postponement of the optimal timing of extending its brand to a new market. Thus, we have the following proposition.

**Fig. 7.6** Effect of an increase in the discount rate on the timing of brand extension



**Proposition 5** *If the importance of the future decreases, the luxury fashion brand producer should postpone the timing of extending its brand to a new product.*

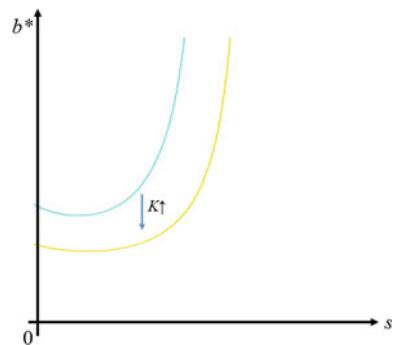
If the importance of the future decrease, discounted values of both profit and cost decrease as in the previous section. Proposition 5 shows that, contrary to the case in the previous section, discounted value of the cost decreases more than that of the profit.

Similarly, if the cost of extending its brand  $K$  increases, we see from (17) that the graph of  $b^*$  shifts downward as in Fig. 7.7. Thus, we have the following proposition.

**Proposition 6** *If the cost of extending its brand increases, the luxury fashion brand producer should postpone the timing of extending its brand to a new market.*

This proposition shows that if the cost of extending its brand increases, the luxury fashion brand producer should postpone the timing of extending its brand in order to recover the cost, since, contrary to the case in the previous section, discounted value of the cost decreases more than that of the profit.

**Fig. 7.7** Effect of an increase in the brand extension cost on the timing of brand extension



## 7.4 Conclusions

We began this research wishing to contribute to the progress of studies on the luxury fashion retail management by combining the optimal stopping theory with the micro economic theory to formulate the demand function explicitly, and we considering two cases, i.e., a case where each customer gets wealthier over time and a case where number of customers increases over time. Our result was more surprising than we had expected.

- (1) If each customer gets wealthier stochastically over time, luxury fashion brand producer should postpone the timing of extending its brand to a new market (Proposition 1), while if the number of customer increases stochastically, she/he should postpone that timing if the market uncertainty is less than a threshold level; she/he should accelerate the timing if the market uncertainty is more than a threshold level (Proposition 4).
- (2) If the importance of the future decreases, the luxury fashion brand producer should accelerate the timing of extending its brand to a new market in a case where each customer gets wealthier over time (Proposition 2), while she/he should postpone that timing in a case where number of customers increases over time (Proposition 5).
- (3) If the cost of extending its brand increases, the luxury fashion brand producer should accelerate the timing of extending its brand to a new market (Proposition 3), while she/he should postpone that timing in a case where number of customers increases over time (Proposition 6).

In the present paper, for the sake of simplicity, we made simplifying assumptions such as linear demand function, geometric Brownian motion and so on. Thus, it is necessary to examine the robustness of our results in a more general setting. We will undertake such analysis in future research.

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# Chapter 8

## Using Social Media for Luxury Fashion Management

Peter Bug and Nils Haussmann

**Abstract** The purpose of this paper is to determine the relevance of social media for luxury brand management. It employs both a multi-methodological approach: After analyzing the online performance of the three luxury brands Burberry, Louis Vuitton and Gucci, the empirical research includes a survey as well as an eye tracking test executed with Tobii Studio. The findings reveal that online and social media have given luxury fashion businesses the opportunity to establish a sustainable interaction with their customers and distinguish themselves from the competition. Still, the online business holds many challenges for luxury companies to overcome. This paper gives instructions as to how social media can be effectively incorporated into a luxury company.

**Keywords** Social media · Luxury · Fashion management · E-retailing · Eye tracking · Instagram · Gucci · Louis Vuitton · Burberry

### 8.1 Online Analysis of Louis Vuitton, Gucci and Burberry

With the internet playing a major role in consumers' lives today, social media for luxury fashion management is now more relevant than ever. The world of luxury retail has been slow in embracing the digital revolution and still struggles with its implications. In examining the relevancy of social media for luxury fashion management, the customer group of young, female and fashion-conscious consumers in the German market was chosen to be analyzed as an exemplary market. Thirty students of the study program 'International Fashion Retail' as potential and actual customers were surveyed and the social media responsiveness was tested by analyzing the Louis Vuitton, Gucci and Burberry Instagram sites. Instagram has been

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chosen because this network has seen a great increase of relevance over the last couple of years and still is relatively little explored. Being a content-based medium, with Instagram it is possible to extract information about what content is relevant to the consumer and the way a brand is perceived.

### 8.1.1 Digital Customer Experience and Strategic Reach

Louis Vuitton, Gucci and Burberry present us with various online strategies. Using the approach of Solca et al. (2015), the digital customer experience and the strategic reach of Burberry, Gucci and Louis Vuitton is analyzed before a detailed look at the general social media performance is taken (Fig. 8.1).

#### 8.1.1.1 Website Experience

Concerning the **display visualization** one can say that all of the three luxury brands Burberry, Gucci and Louis Vuitton have at least 768 px as the minimum desktop width, Gucci has the most high-resolution site with 1024 px. The brands additionally offer mobile-friendly sites like [www.-m.gucci.com](http://www.-m.gucci.com) or [m.louisvuitton.com](http://m.louisvuitton.com), to provide an easy navigation to mobile users. What is new is that in order to play videos the mandatory use of flash plug-ins is minimized or banned at all.

In the net where consumers cannot touch or test items, they rely heavily on **product presentation** by photo or video material. All of the focus brands' websites provide product pictures from different angles to give the consumer the clearest idea possible of the item. In all online shops customers are able to zoom into the pictures, in order to see the detailed work and the high quality of the products. This is especially important in order to understand the high prices of the goods. To further enhance the idea of product presentation some of the brands even provide

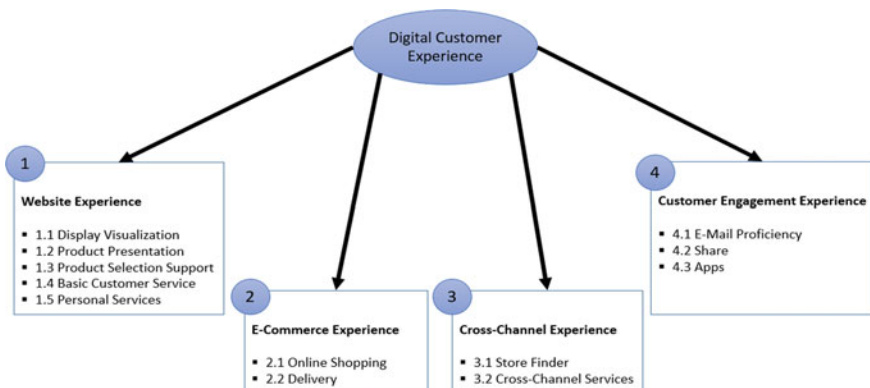


Fig. 8.1 Digital customer experience (Solca et al. 2015)



video material with worn products or provide model measures. Gucci is the only brand of the three to provide either of these additional services.

When consumers shop online they may find themselves in all kinds of situations. However, many of the online shoppers have a limited amount of time and wish for a quick & easy navigation through the product range offered in the online shop. This is why retailers add **product selection supports** in order to help make the online experience easy and efficient. There are options that all of the luxury brands offer (such as ‘Wishlist’, ‘You might also like’ from the same product category, ‘Match with’ or ‘Complete the look’ and ‘Size guide’) and others that only some of them provide. For example ‘Recently Viewed’, where shoppers can see products they have clicked on throughout their visit in the online shop is only provided by Louis Vuitton. The feature ‘Shop the Look’ where customers can see the products styled in an outfit is only provided by Gucci and Louis Vuitton. A feature that only very few luxury brands provide and from the three brands only Gucci offers is to ‘Shop by Occasion’.

**Basic customer services** are services like online chat, phone assistance or e-mail assistance. Phone and e-mail assistance seem to be services that are quite established, but online chat is a new development used to further enhance the website experience. Only Burberry and Louis Vuitton offer all three services. Gucci has not yet provided the possibility to chat with shopping assistants.

For **personal services** luxury brands offer customers to book appointments or offer individual make to order products. In this service area Gucci is the front runner, offering not only make to order products (such as initials on leather goods online, made to order handbags and shoes offline and made-to-measure suits and shirts offline) but also the booking of appointments for those products. The consultants supporting Gucci customers via phone or e-mail assistance are referred to as ‘Personal Shopper’. Louis Vuitton also offers make to order products (such as initials on leather goods by stamping or printing online as well as make-to-order shoes offline). However, the company does not provide the service of booking an appointment. Here the name of the consultants supporting the brands’ shoppers via online chat, telephone and e-mail are ‘Style Advisors’. The third brand Burberry again offers both. Their make-to-order products are the bespoke trench and the monogramming of scarves and perfumes (both online). The booking of an appointment is possible only for the categories tailoring and beauty.

### 8.1.1.2 E-commerce Experience

For the **online shopping** experience brands try to make the process as easy and convenient as possible. All of the brands have a ‘Minimum Clicks to Shopping Bag’ of three. The luxury brands all have price evidence on their site and two of the three (Gucci and Louis Vuitton) offer payment through Pay Pal. These two also offer e-commerce through mobile devices. Customers can purchase either through the mobile-friendly web shop or through the brand’s own retail app.

**Delivery** services like ‘Free Shipping’ are standard to all three luxury brands. ‘Express Delivery’ and ‘Same/Next Day Delivery’ are available, too. However, the understanding of ‘Express Delivery’ may vary from two days to the next day and ‘Same/Next Day Delivery’ are sometime restricted to certain geographical areas. Gucci is the only of the three to provide also ‘Saturday Delivery’.

### 8.1.1.3 Cross-Channel Experience

Cross-channeling is becoming more important in fashion businesses. Providing an easy-to-navigate **store locator** is part of that. Store locators often use the localization of clients to show only relevant search results. Once the search has been successful, clients can usually see the stores on a map and are provided with further details on the shopping locations. These information may include a photo of the shop, the shop’s phone number as well as its opening hours. Sometimes the consumer is offered to print the map or to directly contact the store via e-mail. Louis Vuitton is especially strong in this category. Their store finder is highly visible on the homepage, the store search is manually prompted and clients are asked for permission before localization (desktop and mobile). Once the search has been successful clients are presented with a map, a specific photo of the boutique, a phone number and opening hours. Gucci and Burberry offer a similar service level, however, their store locators are less visible on their homepages.

**Cross-channel services** include being given access to ‘In-store Availability’ as well as ‘Collect in Store’, ‘Return in Store’, ‘Online Order in Store’ and ‘Product Exchange’ services. All of those services are meant to address the consumer in their individual situation and again serve as a measure of convenience. Another term for the feature ‘Collect in Store’ is ‘Click and Collect’. ‘Click and Collect’ describes the process of researching and purchasing online but having the product send to a store and to the customer’s home address. That way the customer can come to the store anytime to try the product and if it does not suffice, he or she can directly return it or possibly try on another size. Burberry wins this category with offering all features except for ‘In-store Availability’ and ‘Online Order in Store’. The latter is a feature that only very few of the luxury retails use. This service would give clients the opportunity to directly order a product online while still being in the store. This would come in handy if for example the consumer has spotted a product he/she liked in the store, but the right size is not in stock. Another scenario might be that the client has tried a product in the store but wants the product to be delivered conveniently to his/her home. Gucci is the runner up, offering ‘In-Store Availability’, ‘Return In Store’ and ‘Product Exchange’ (online and offline). The exchange of products does not cover make to order products. If a product has been personalized it cannot be returned. Louis Vuitton gives consumers a very weak cross-channel experience, offering only the services ‘Return in Store’ and ‘Product Exchange’.

### 8.1.1.4 Customer Engagement Experience

**E-Mail Proficiency** covers all alterations and special measures performed by the company in their e-mail contact with consumers. Many luxury brands make a gender segmentation in their e-mails, ensuring the relevancy of the content. Moreover, most brands have a link between the products promoted on the e-mail and the web leading page. Two of the three focus brands, Burberry and Louis Vuitton, offer mobile responsive e-mail services. All three brands **share** and have broadly adopted social networks like Facebook and Pinterest.

**Apps** are a great way to reach customers preferring the mobile channel and to bring them closer to a retailer’s services and products. Louis Vuitton has an App named ‘Louis Vuitton Pass’ available on Apple and Android devices. This App is also signaled on the company’s website. Gucci also has an App called ‘GUCCI STYLE’. However, this App is only accessible through Apple devices. Burberry does not have a shopping app—yet (Fig. 8.2).

### 8.1.1.5 E-commerce Strategy

Luxury companies have grown strongly over the past decades and have gained international reach. But there is a threat to this exponential expansion. Part of the luxury concept is to be exclusive. In this great expansion brands need to be careful to not lose that exclusivity and be very cautious about which markets they enter. “Difficult logistics and tax regimes remain a hurdle for many brands in establishing e-commerce operations in strategic countries such as China, Russia, Brazil and the UAE” (Solca et al. 2015). Looking at the **ship-to-countries** situation, Burberry ships into most countries compared with the other two brands. The company ships to USA, Europe, Japan, Australia, China, Korea, Hong Kong, Russia and the United Arab Emirates (UAE). Gucci, on the other side, ships to only six of those

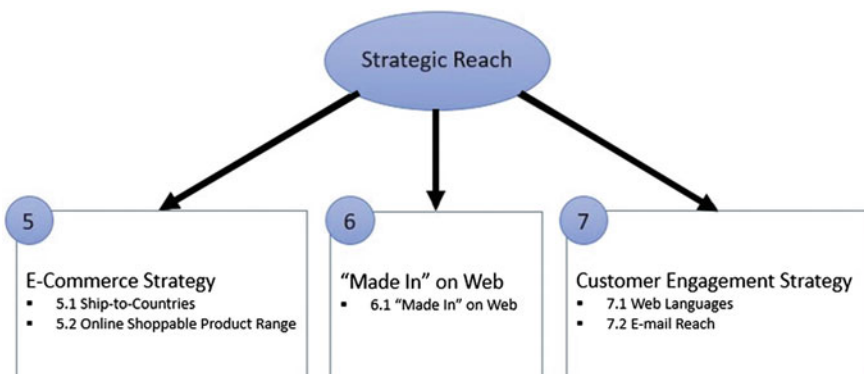


Fig. 8.2 Strategic reach (Solca et al. 2015)

locations (USA, Europe, Japan, Australia, Korea and UAE). Louis Vuitton ships only to USA, Europe, Japan and Australia, but the brand has additionally accessed the Brazilian market, a step no other of the three luxury brands has taken.

There are still brands that fear e-tailing or do not see its necessity and therefore the **online stoppable product range** differs in the luxury market. Céline and Fendi for example do not operate an online shop. Both have websites where customers can learn about their products. In contrast to that there are brands like Burberry and Gucci which sell 100 % of their collections online. Nevertheless, also in those strategies there are special products that are only available in the brick-and-mortar locations. Louis Vuitton predominantly sells their bags, luggage and small leather goods online. There is no apparel in the Louis Vuitton online shop.

#### 8.1.1.6 “Made in” on Web

With the consumers becoming more concerned with environmental, social and ethical issues, the **country of origin** is becoming a more crucial factor considered for the purchasing decision. Even luxury companies produce in low-wage countries under inhumane condition, trying to raise the margins to a maximum. Especially Italian brands (like Gucci, Bottega Veneta, Fendi and Salvatore Ferragamo) seem willing to publish the country of origin of their products, since the majority of products are produced not only in Europe but in the heritage country itself. Burberry, too, discloses the provenance of its products online. However, the brand's products are only partially produced in the UK. Louis Vuitton is very different. The company does only very rarely disclose the country of origin of its products. Still, when this is done, the percentage of products being produced in the heritage country is very high.

#### 8.1.1.7 Customer Engagement Strategy

Luxury brands have fans from all over the world. In order to communicate with those fans the companies have web presences which are translated into almost every important **language**. Burberry's fans for example can choose between English, Chinese (HK/Taiwan and Mainland), Japanese, French, Italian, German, Korean, Spanish, Russian as well as Portuguese. Louis Vuitton offers the same number of languages. Gucci is less international, missing Russian, Portuguese, and Chinese (HK/Taiwan) in its portfolio.

**E-mails** are sent in the same languages as mentioned above. Burberry, which also ships to UAE, addresses these customers in English. The weekly contact flow varies strongly amongst the brands. Those e-mails are mainly newsletters or special offers. Gucci and Burberry have the same amount of contact, which is about two

Burberry	Gucci	Louis Vuitton
<ul style="list-style-type: none"> <li>• strong in <b>basic customer service</b> (provides online chat, phone assistance and e-mail assistance services)</li> <li>• strong in <b>ship-to-countries</b> (provides shipment to USA, Europe, Japan, Australia, China, Korea, Hong Kong, Russia, UAE)</li> <li>• strong in <b>online-shoppable product range</b> (provides 100% e-commerce product categories, shoppable children, 100% shoppable items on web products, e-commerce embracer)</li> <li>• strong in <b>web languages and e-mail languages</b> (provides English, Chinese Mainland, Japanese, French, Italian, German, Korean, Spanish, Russian, Portuguese and Chinese HK/Taiwan)</li> </ul>	<ul style="list-style-type: none"> <li>• strong in <b>product presentation</b> (provides videos with worn products, pictures from different angles, zoom on details and model measures)</li> <li>• strong in <b>product selection support</b> (provides wishlist, recently viewed, you might also like, match with, shop by occasion and size guide services)</li> <li>• strong in <b>personal services</b> (provides make to order, book an appointment, phone assistance and e-mail assistance)</li> <li>• strong in <b>delivery</b> (provides free shipping, express delivery, same/next day delivery and Saturday delivery)</li> <li>• strong in <b>“made in” on web</b> (provides systematical disclosure on web product pages, very high amount of items produced in heritage country once declared)</li> </ul>	<ul style="list-style-type: none"> <li>• strong in <b>display visualization</b> (provides mobile adapted website, no flash plug-ins required for videos and 768px minimum desktop width)</li> <li>• strong in <b>product selection support</b> (provides wishlist, recently viewed, you might also like, match with and size guide services)</li> <li>• strong in <b>personal services</b> (provides make to order, book an appointment, phone assistance, e-mail assistance and online chat)</li> <li>• strong in <b>web languages and e-mail languages</b> (provides English, Chinese Mainland, Japanese, French, Italian, German, Korean, Spanish, Russian, Portuguese and Chinese HK/Taiwan)</li> </ul>

Fig. 8.3 Online excel services comparison of focal brands

times a week. Louis Vuitton has less than one contact via e-mail with its customers per week.

The following lineup names the categories and services in which the three brands excel in (Fig. 8.3).

### 8.1.2 Social Media Performance of Burberry, Louis Vuitton and Gucci

**Burberry** is considered the world’s most digitally advanced fashion brand, which has very early started to face the challenges of the online world. “Burberry was the first luxury fashion brand to invest wholeheartedly in social media, and to broadcast its fashion shows live. Burberry has managed to stay ahead of trends and even set them, from its early presence on Instagram to its Burberry Acoustic campaign, and Artofthetrench.com (Phan et al. 2011). The British company “[...] knows precisely

how to meld online and offline together and continues to invest in innovation and digital” (van Munster 2014). Creative Director Christopher Bailey further says: “Burberry is now as much a media-content company as we are a design company, because it’s all part of the overall experience. It’s very important to consider new technologies with a light approach. Facebook, for example, is not just a mailbox. You need to keep it going, add content, [and] create a genuine, non-deceptive relationship (Gutsatz and Auguste 2013). Burberry uses Facebook, YouTube, Google+, Twitter, Instagram, Pinterest, Foursquare and Snapchat as social media tools. The highest number of followers has the brand’s Facebook page with a total of roughly 17 m. Instagram and Twitter are the second most important networks to connect with the Burberry fans. On the creative outlet network the company has about 5.1 m users, same as on their Twitter account. On the relationship platform Google+ the company has about 5 m followers. On YouTube 220 k, Pinterest about 142 k with 26 boards, and 143 k with Foursquare.

Scoble says concerning **Louis Vuitton’s** strategy: “Online and offline, Louis Vuitton is extremely controlling and protective of their brand. I advise luxury brands to keep their brand positioning, and to select an approach that fits with their brand DNA. Don’t lower the bar and alienate your core customer, but invite in aspirational consumers. Social media allows prospective customers to peek in and experience any luxury brand. Perhaps by being more selective, more mysterious—that secretive positioning is appealing to customers” (Scoble n.d.). The brand uses Facebook, YouTube, Google+, Twitter, Instagram, Pinterest, Foursquare and Snapchat as social media tools. The brand’s Facebook page has the most users summing up to almost 18 m. Their YouTube account has about 110 k followers, on Pinterest the brand has 82 k fans and on the App Foursquare 733 k followers.

“Unlike other luxury retailers, **Gucci** believes in providing a broad selection of products both in its boutiques and on its website. The reason for this is to ensure that customers have the same Gucci ‘experience’ in both the real world and the virtual one as well. The company, for its part, was one of the first luxury providers to see the importance of having a well-defined, and well-branded, digital presence. [...] The company has also been investing in its ecommerce infrastructure in an attempt to be well positioned to take advantage of the future growth that is expected to take place in the luxury market (in spite of the company’s present difficulties with shoring up its finances). Gucci is also one of the few high-end retailers that allow an in-store inventory search for a particular item to be done online. Unfortunately, the benefits to this strategy are not currently being seen in terms of an improved bottom line. This digital commitment, while not improving global revenue streams, has definitely improved the company’s profile and acceptance by the tech savvy. Experts give Gucci high marks for having introduced sites specifically designed to be used by smartphones and tablets, providing a customized experience superior to the one they would have experienced by visiting the site designed just for desktop computers. This digital tailoring, which favors visuals over functionality, resulted in a 150 % increase in online traffic” (Marketingmag 2015). Gucci uses Facebook, YouTube, Google+, Twitter, Instagram, Pinterest and Foursquare as social media tools. Just recently the company has added Snapchat to that portfolio. On Google+ the brand

has 3.8 m fans, on YouTube 45 k, on Twitter 2.6 m, on Instagram a total of 6.2 m, on Pinterest 47 k, on Facebook roughly 15 m and on Foursquare the company has 450 k followers.

## **8.2 Insights on Online Behavior of “Generation Y”**

### ***8.2.1 Online Marketing Strategy Analysis***

The research objectives of the survey were to give an insight on the online behavior of young, female consumers in the German market and to provide instructions to luxury companies on how to improve their online marketing activities and thus make their marketing effort towards consumers more efficient. The information extracted from the data collected through the survey should help make the decision process easier and create market intelligence. Also the work should highlight the significance of social media for luxury fashion brands. The questions from the questionnaire are specifically crafted to disclose the reasons why consumers use different online social networks, which features they use heavily and which are only a nice-to-have. Also, the questions are crafted to show how engaged consumers really are on social networks as well as their attitude towards online trust and counterfeiting. The respondents are then arranged into clusters by their fashion consciousness/fashion sense in terms of knowledge and possession.

For this survey a very sophisticated sample was chosen. In total a choice of thirty female German students have been considered. The age of those students vary from nineteen to twenty-nine and the respondents are all International Fashion Retail BSc students currently enrolled at Reutlingen University. Their levels of education vary from first semester to eighth and last semester. Through the selection of this very specific target group it was secured that the respondent all held high interests towards fashion, seeing the industry from a more management-related point of view. Also, they all are potential luxury consumers having detailed insight in the craftsmanship and quality-securing processes. With the sampling frame, however, there come certain restrictions in the significance of the results. The results only show the behavior of a very specific target group and are limited to the European perspective. This has to be kept in mind when transferring the results.

The 27 questions of the questionnaire are predominantly fixed-alternative questions including multiple-choice, frequency-determination, checklist and sample-dichotomy questions. The questionnaire was completed in a personal setting, leaving the respondents with about fifteen minutes to complete the survey and time for potential questions concerning vocabulary or general understanding. This also influenced the question format as well as question phasing. Before the survey was eventually carried out, a pretest spanning two parties sought to determine whether respondents had any difficulties understanding the questionnaire and whether there were any ambiguous or biased questions.

Moreover, as second part of the study, a program by the name of ‘Tobii Studio’ was deployed. Through the technology of Tobii Studio, the tracking of eye movement of the respondents was made possible. This is done with the objectives of better understanding how the social network ‘Instagram’ is used in a natural setting, which content is relevant and where (in terms of the display) respondents put their focus. The results of the questionnaire can then be further examined and compared to the eye tracking test.

First off, the respondent is invited to sit in front of a computer equipped with the ‘Tobii Studio’ eye tracking device. Next to the computer there is a second screen enabling the interviewer to follow the movement throughout the full recording. The respondent is shortly introduced to the technology of ‘Tobii Studio’. Before each test, the eyes of the respondent are individually calibrated by the program, ensuring the most precise recording of eye movement (Image 8.1).

In the test the respondents are asked to look at the three Instagram accounts of the luxury brands Burberry, Gucci and Louis Vuitton. Each account is visible for 2 min before shutting down automatically. In between the showings of each account there is an ‘introduction element’, functioning as a short break and enabling respondents to rest before being confronted with the next account. Respondents are asked to inform themselves about the brand, open content (pictures and videos) as they please, read comments and/or descriptions and scroll through the site the way they naturally would.

Throughout the recording (one recording taking roughly 7 min) the interviewer is approachable at any time to assist the respondent and to answer any questions that might come up during the test. Nevertheless, the interviewer tries to stay neutral and talk to the respondent only when truly needed. This is done to prevent any kind of bias which would affect the results.



**Image 8.1** Tobii Studio eye tracking test



### 8.2.2 Analytical Results and Evaluation

The evaluation of answers showed that the average respondent is familiar with at least three of the luxury brands listed. “Familiar with” in this case not only means recalling the name of the brand but also being informed about recent collections and the brand’s image. The most established brands are Burberry (13 %), Chanel (13 %) and BOSS Hugo Boss (13 %). Those brands have a particularly high brand awareness. Brands, respondents are less familiar with are Gucci (7 %), Hermès (8 %) and Chloé (8 %) (Fig. 8.4).

The majority of respondents (73 %) have already made first contact with the luxury world and possess a product from the luxury fashion brands. Predominantly these products are licensing products such as perfume (14), cosmetics (10) or accessories (6). These entry-level products create touch points between the brand and the consumer, also allowing consumers with a lower disposable income to buy into the concept of luxury. Fewer of the respondents own small leather goods and shoes, which are also set rather at a low price point in the range of luxury products. Only very few of the respondents actually own e.g. a Burberry trench coat (1), a Louis Vuitton Bag (3) or luxury jewelry (2).

There is a weak correlation ( $C = 0.4$ ) between respondents being familiar with luxury fashion brands and them owning any products from the luxury brands in the

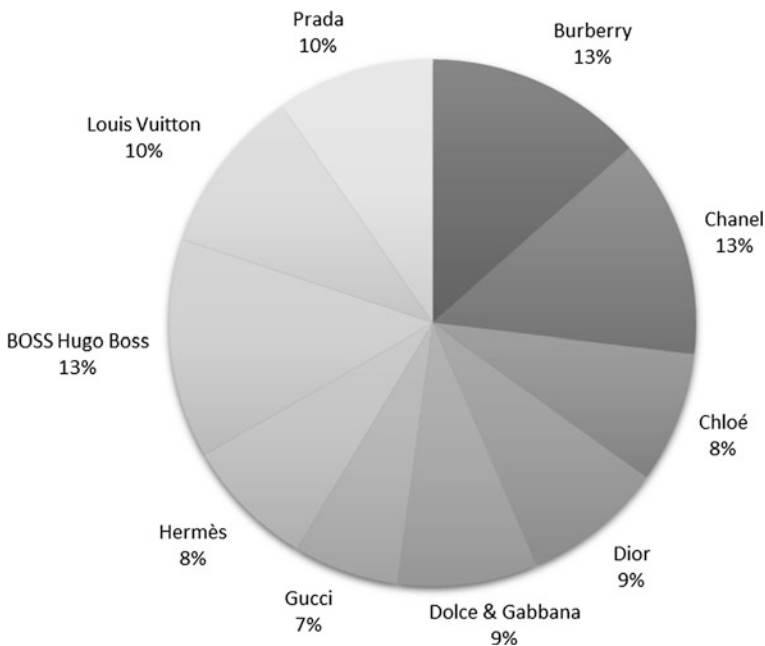


Fig. 8.4 Distribution of luxury fashion brands respondents are familiar with

Testperson	Familiarity with luxury fashion brands	Possession of luxury fashion brands
TP_01	4	0
TP_02	10	1
TP_03	10	1
TP_04	10	1
TP_05	7	1
TP_06	4	0
TP_07	10	0
TP_08	3	0
TP_09	10	1
TP_10	7	1
TP_11	2	0
TP_12	10	1
TP_13	5	0
TP_14	8	1
TP_15	10	1
TP_16	3	1
TP_17	6	1
TP_18	7	1
TP_19	2	1
TP_20	3	1
TP_21	3	0
TP_22	5	1
TP_23	2	1
TP_24	7	1
TP_25	4	1
TP_26	5	1
TP_27	10	1
TP_28	3	0
TP_29	10	1
TP_30	6	1

Standard deviation:	2,9
Arithmetic average:	6,2
	0,7

Correlation coefficient: **0,400**      =KORREL(C4:C33;D4:D33)  
**0,400**                                      =WURZEL(0,1603)

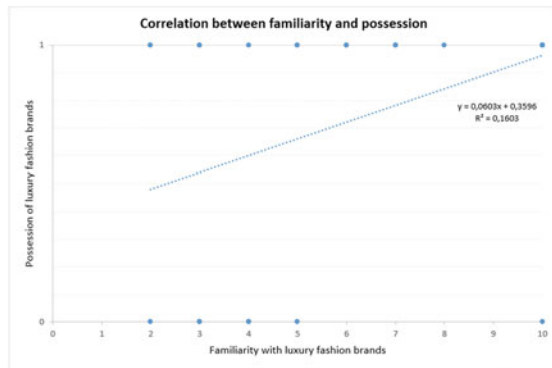


Fig. 8.5 Correlation between familiarity and possession

list. The correlation shows that the more brands the respondent is familiar with, the more likely he/she is to possess a luxury good him- or herself (Fig. 8.5).

The majority of respondents (53 %) have not recently (within the last seven days) shopped apparel online. It, however, is striking that 97 % of all the respondents have already shopped apparel online before. This demonstrates the high relevancy of technology for this customer group. 17 respondents (equating 57 %) cannot imagine shopping for luxury fashion goods online. This is mainly referable to their current situation. Being students and in many cases not having a secure source of income turns buying a luxury product into a special event. This becomes obvious when looking at the average amount of money spent on apparel per month, which is at about 100–200 €. In the online shopping process respondents fear the loss of the shopping experience and see a lack of service and assistance, which they feel is secured in a brick-and-mortar environment.

Respondents also state that they would like to see and test the product before the purchase in order to assure themselves of the high quality that would justify the equally high price. This wish, to see and test a product before buying it, is partly evoked by the fear of counterfeiting. Counterfeiting is a huge problem for the online luxury market. In order to protect themselves from buying a cheap knock-off instead of the original product respondents buy only at the brand’s own online shop (56 %) or other certified sellers (8) such as mytheresa.de. Moreover, many respondents read customer reviews (25 %) or look for certificates, either online or once the product has arrived, to assure themselves of the high standard quality and

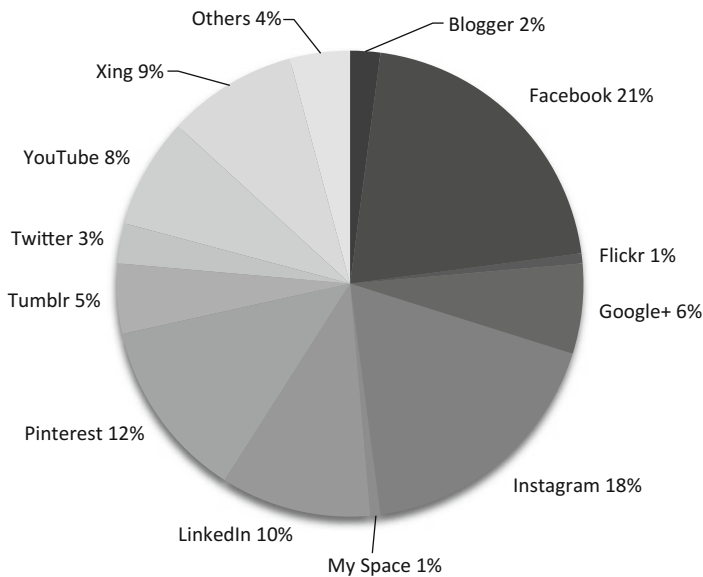
value of the good. Those numbers show the low online trust consumers share when it comes to buying expensive products online.

Concerning the use of social networks this study has proven that the relationship media ‘Facebook’ leads the way with 21 % (30 respondents) in terms of the number of personal online profiles, closely followed by the creative outlet media ‘Instagram’ with 18 %. Pinterest is ranked third with 12 %. In addition to the social networks in the list, respondents named the online social networks ‘Snapchat’ (3), ‘WhatsApp’ (1), ‘Weheartit’ (1), and ‘Slideshare’ (1). The networks with the most profiles are also the ones the majority of respondents picked as the most relevant networks (Fig. 8.6).

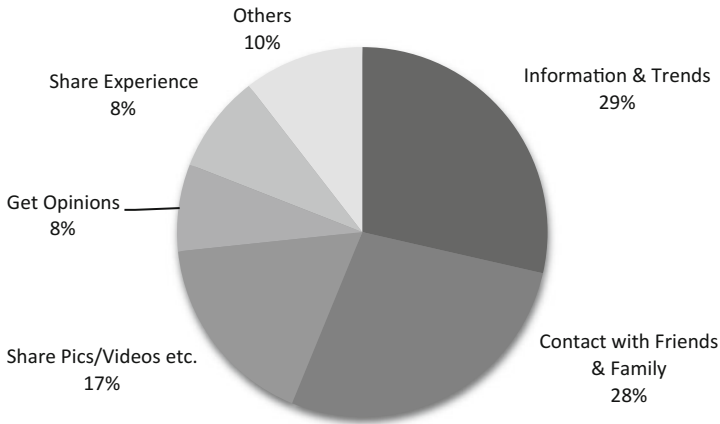
As reasons for why interviewees use online social networks 29 % (30 respondents) answered for information purposes as well as the research of trends. 28 % use social networks to stay in contact or reconnect with friends and family. Less popular are answers like ‘Share Pictures/Videos etc.’ (17 %), ‘Share Experience’ (8 %) and ‘Get Opinions’ (8 %). Additional to the answers provided, respondents also mentioned ‘Professional Networking’ and ‘Inspiration’ as reasons to use social networks (Fig. 8.7).

The average respondent is engaged in social media in the way that they like to ‘Comment and Like’ (41 %) content on online networks, however only few respondents (27 %) seem to actually post content themselves. A large share of respondents go on social media simply to scroll through for new information (32 %) but are otherwise quite limited in their engagement (Fig. 8.8).

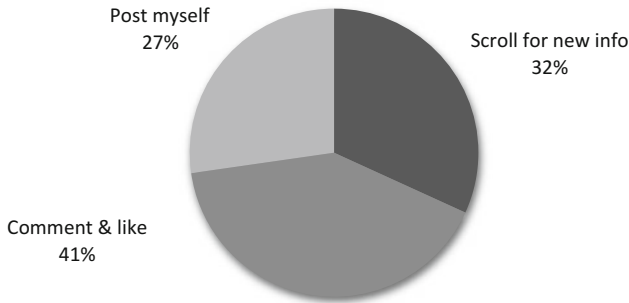
If respondents follow luxury fashion brands on social networks it is mainly on Facebook (47 follows) and Instagram (55 follows). Less respondents follow brands



**Fig. 8.6** Respondents’ personal user profiles on social networks



**Fig. 8.7** Reasons why respondents use social networks



**Fig. 8.8** Level of engagement of respondents

on LinkedIn (9 follows) and Twitter (6 follows). The reason why so many respondents follow HUGO BOSS on social media and especially on LinkedIn and Xing is because the company is a potential employer for the respondents, which is situated close to Reutlingen University (Fig. 8.9).

Their last visit to one of the brand sites has been either ‘Today’ (10 %), ‘This Week’ (27 %), ‘Last Week’ (10 %) or as it was valid for 40 % of the respondents ‘Last Month or More’. A total of 13 % has never visited any of the luxury brands’ profiles on social media.

A weak correlation ( $C = 0.5$ ) emerges between the amounts of companies the respondent follows on different social networks to when the respondent last visited these website. The more companies the respondent follows on social networks, the smaller the amount of time passed since he/she last visited one of the companies’ profiles. The scale 0–6 on the left hand side refers to the time periods, 1 being “never” and 6 “today” (Fig. 8.10).

	Facebook	Google+	Instagram	LinkedIn	Pinterest	Tumblr	Twitter	YouTube	Xing
Burberry	4	-	6	1	-	-	1	1	-
Chanel	12	-	11	1	-	-	1	1	1
Chloé	4	-	4	-	-	-	1	-	-
Dior	3	-	9	-	-	-	1	-	-
D & G	2	-	3	-	-	-	-	-	-
Gucci	2	-	3	-	-	-	-	-	-
Hermès	1	-	1	-	-	-	-	-	-
BOSS	12	-	6	7	-	-	1	-	1
LV	5	-	7	-	-	-	1	-	-
Prada	2	-	5	-	-	-	-	-	-

Fig. 8.9 Respondents following luxury fashion brands on social networks

What the respondents say is true about being a fan of a fashion luxury brand on social media is they strongly feel updated, closer to the brand and are more confident with the products or services the brand provides. Yet, they do not see that their social media relation with the brand makes them buy more. Their favorite features on social networks are live streaming of fashion shows as well as seeing celebrities with products. Quizzes and forum discussions, on the other side, seem to be less of importance.

Testperson	Amount of luxury fashion brands followed on social networks	Period of time since last visit
TP_01	11	4
TP_02	2	2
TP_03	5	2
TP_04	0	1
TP_05	7	4
TP_06	2	3
TP_07	5	2
TP_08	0	1
TP_09	6	4
TP_10	3	1
TP_11	2	2
TP_12	1	2
TP_13	7	2
TP_14	10	3
TP_15	7	4
TP_16	7	5
TP_17	0	2
TP_18	3	2
TP_19	2	4
TP_20	4	3
TP_21	2	5
TP_22	6	2
TP_23	0	4
TP_24	14	4
TP_25	2	2
TP_26	0	2
TP_27	8	5
TP_28	0	1
TP_29	1	2
TP_30	7	4

Standard deviation:	3,6
	1,2
Arithmetic average:	4,1
	2,8

Correlation coefficient: 0,535 =KORREL(C3:C32;D3:D32)  
 0,535 =WJURZEL(0,2864)

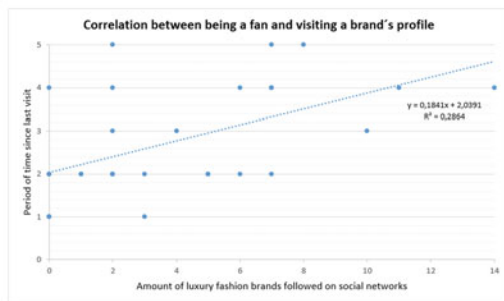
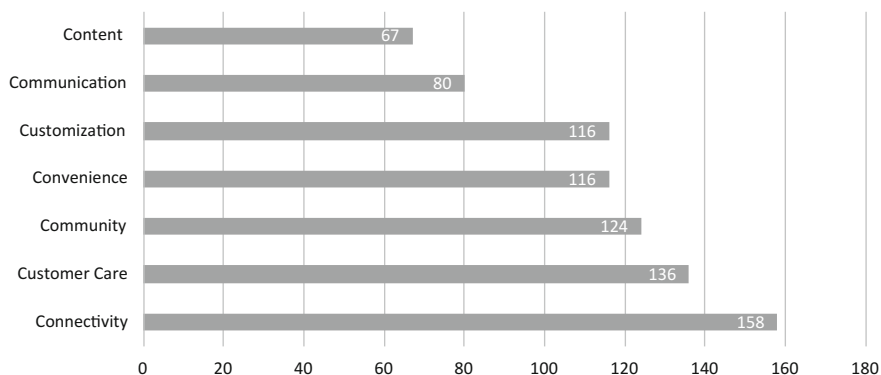


Fig. 8.10 Correlation between being a fan and visiting a brand's profile



**Fig. 8.11** Web experience models ranked by respondents due to their relevance

In the questionnaire respondents were asked to rank the seven factors of the common and well-approved web experience model by A.T. Kearney due to their personal relevance. The ranking showed that content is the most important feature, closely followed by communication between brand and the consumer. Then customization and convenience both were equally relevant, coming in third. Community made the fourth place, customer care fifth and connectivity comes in last (Fig. 8.11).

What we can further learn from the analysis of the questionnaire is that, for the highly fashion conscious respondents (test persons TP\_09, TP\_14, TP\_15, TP\_24 and TP\_27) content is more important than communication. Respondents are more engaged in social media and are often sharing pictures, videos and experiences themselves.

Respondents that are relationship media focused (TP\_05, TP\_20, TP\_22 and TP\_25) make forum discussions out to be much more important than the average, stressing their affinity for contact with others and the exchange of knowledge. Whereas sharing their personal photos or experiences with the brand seem less relevant to them. This could indicate that communication is more important than content. Respondents are less engaged (share, comment and like less) and often use social networks for professional networking purposes. Also respondents that are relationship media focused agree less to feeling more confident with the products and the service provided through the use of social networks than the average respondent. Whereas live streaming of fashion shows seems to be more important.

The results of the eye tracking test include the nomination and ranking of the ten top clicked-on Instagram posts of each of the three accounts. Those posts are then analyzed and based on the findings recommendations of action are given.

Analyzing the Top 10 Burberry Instagram posts one can see that all content on Burberry's Instagram account is very controlled and carefully staged. The pictures fit the company's corporate identity perfectly and almost always have a strong connection to London, the place where Burberry was founded back in 1856. Burberry is the only of the three accounts which is already looking festive and is in

preparation for the holiday season. Their content is very emotional and often shows smiling faces or family-related imagery. Moreover, there is a lot of content including the brand reps Romeo Beckham and Rosie Huntington-Whiteley. Since these pictures belong to the group of the most clicked-on pictures of the account it can be stated that the tie-up between the brand and those celebrities has been successful. Their faces are strongly tied to the brand and are aligned with positive memories of the consumers. What is more is that we see a lot of content promoting of the Burberry check. The consumer is confronted with models wearing the world-famous Burberry checked scarves or other products using the check. Burberry is also heavily promoting the service of personalizing goods, showing images of the stitching process as well as the final products. Additionally there is a lot of content concerned with the #ArtoftheTrench campaign, which is also connected to Pinterest and has its own website ([artofthetrench.burberry.com](http://artofthetrench.burberry.com)), which again is directly linked to the brand's online shop (Fig. 8.12).

Analyzing the Top 10 Instagram posts of Gucci we see that the brand's recent content is very artsy and often humorous. This trend has evolved since new Creative Director Alessandro Michele has come into office and has given the brand a major spin. This has gained Gucci many new followers, now adding up to 6.2 m. That is about 1 m followers more than Burberry has. The Top 10 Instagram picture are dominated by brand-related UGC (user generated content) send in for the contest #GucciGram. Alessandro Michele says concerning the contest: “#GucciGram is a starting point to tell different stories, which are all united by great freedom. Today creativity is often born and finds its voice in digital media, a vital source of visual culture” (Pinterest n.d.). The artists and their work that are ultimately published on the brand's Instagram account are selected by Gucci's Creative Director. In the descriptions followers find detailed information on the work of the artists, which gives the often aspiring artists great publicity. The feedback of the respondents concerning the descriptions on the artists' work was that they were too long and that nobody would take time to read through the whole description when usually using the App. Gucci uses hashtag marketing a lot and thus connects the different platforms. Their #GucciGram campaign is for example run on Instagram as well as Pinterest. Further we find the hashtag #NoLongerNotYet which refers to the special art exhibition that is currently held at the Minsheng Art Museum in Shanghai (Fig. 8.13).

When analyzing the Top 10 Instagram posts of Louis Vuitton one can see the videos were strongly preferred over pictures in this account. Four out of ten of the most clicked posts were videos, three of which were ranked on places 1, 2 and 3. All of the three videos belong to the campaign #SpiritofTravel, starring Michelle Williams and Alicia Vikander.

In the videos the focus is set on the presentation of different handbags. Those handbags are connected to the theme of travel and the idea of longing for











Click Rank	Clicks	Emotional Response	Visual Content	Description
No. 1a	8	Strong positive response towards the Beckham family and especially towards the Beckham boys	 <a href="https://goo.gl/AS6tCJ">https://goo.gl/AS6tCJ</a>	@VictoriaBeckham with Romeo and Cruz Beckham at the @Burberry festive film premiere last night
No. 1b	8		 <a href="https://goo.gl/B0nCTB">https://goo.gl/B0nCTB</a>	Stars of the festive campaign @RosieHW and @IAMNaomiCampbell
No. 3	7	Strong positive response towards the pregnant couple	 <a href="https://goo.gl/MNGOXA">https://goo.gl/MNGOXA</a>	Congratulations to #LauraHaddock and @MrSamClaflin. Laura wearing a custom @Burberry dress to the premiere of @TheHungerGames #MockingJayPart2
No. 4	6	Strong positive response towards model and brand rep Rosie Huntington-Whiteley	 <a href="https://goo.gl/2S2WAb">https://goo.gl/2S2WAb</a>	Campaign star @RosieHW live on the @Burberry red carpet for tonight's festive film premiere
No. 5	5		 <a href="https://goo.gl/LNE9yz">https://goo.gl/LNE9yz</a>	Host @GregJames17 congratulates the 2015 @BAFTA #BreakthroughBrits recipients
No.6a	4		 <a href="https://goo.gl/Zx0Y1N">https://goo.gl/Zx0Y1N</a>	The @Burberry festive film - celebrating 15 years of Billy Elliot. Click the link in bio to see the full film starring @EltonJohn, @JamesBayMusic, @IamNaomiCampbell, @RosieHW and #RomeoBeckham
No. 6b	4		 <a href="https://goo.gl/JEBVTI">https://goo.gl/JEBVTI</a>	Sisters Sama & Haya Khadra (@SamaHaya) wearing @Burberry trench coats at Melrose Trading Post in LA for #ArtoftheTrench #AOTT
No. 6c	4		 <a href="https://goo.gl/Ednwk7">https://goo.gl/Ednwk7</a>	Weaving the @Burberry check
No. 9a	3		 <a href="https://goo.gl/1FSGzy">https://goo.gl/1FSGzy</a>	Runway inspired contouring. Burberry Artistic Make-up Consultant @WendyRowe applies the Face Contour pen around the eyes, nose and cheeks, before blending to create a natural looking shadow that contours and shapes the face. Follow the link in bio to [...]
No. 9b	3		 <a href="https://goo.gl/GYdasG">https://goo.gl/GYdasG</a>	Personalise an icon. Follow the link in bio to monogram yours at The @Burberry Scarf Bar

Fig. 8.12 Top 10 Burberry Instagram posts








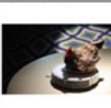

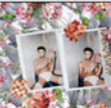


Click Rank	Clicks	Emotional Response	Visual Content	Description
No. 1	10	Strong positive response and interest by respondents		Ryder Ripps (@ryder_ripps) is a consummate hybridizer. He works as easily in the programming languages underneath the smooth surfaces of the Internet as he does in the slick conceptualism of contemporary art. He's a key figure in popularizing and preserving Internet art, and, through [...]
No. 2a	6			Since long before self-portraits were deemed "selfies," artists have been turning cameras on themselves for both internal investigation and public expression. Today, Italian actress and artist @kamillafilippi uses Instagram to play with the form. In the series [...]
No. 2b	6			Claudia Maté (@claudiamate) has a CV as colorful and frenetic as one of her trademark seizure-inducing GIFs. The Spanish-born, London-based artist emerged as a key figure of the early 2010's net-art renaissance, creating works that mimic and push to absurdist extremes the online aesthetic [...]
No. 4a	5			Reilly (@hey_reilly) is a multimedia artist, whose Instagram features a mix of digital collages, mosaics, and videos. Scrolling through his feed is a dizzying experience: it's one long feed of ideas that jump from point to point, a visual path of themes and histories; jokes like Disney gone bizarro [...]
No. 4b	5			The artist Aksiniya (@artaksiniya) from Bryansk, Russia, was once a major in journalism and literature. But she eventually replaced words with pen, paint, and sculpture. Today, her Instagram is a without boundaries exploration of not just one area of visual art but all of it. Followers are as [...]
No. 4c	5			"The complex urban production system has dynamically and constantly blurred the boundaries and the difference in scales between cities and villages," says Beijing-based artist @cao_fei on her installation "Rumba 2" for #NoLongerNotYet. A carpet decorated with a #GucciFW15 print is [...]
No. 7a	4			Bordeaux-based Photographer Nicolas Gavino (@nicolasgavino) investigates what he calls "the strong connection between eroticism and death." On his voraciously updated Instagram, he posts photos that might be called erotica—certainly they are erotic. In rough, uneven black and white, [...]
No. 7b	4			Curated by the Istanbul-based creative director @anilcan_ of smashthemag, @fuckingcoolthings is a compendium of just what it sounds like—the highlights of the global world of fashion, day in and day out. The feed doesn't restrict itself to any one brand or designer, but rather pours a never- [...]
No. 7c	4	Strong negative response towards the outfit and its striking colours		Hand-embroidered with animal and flower motifs, macramé details and blue silk flowers on the neckline, @chloessevigny chose a #GucciCruise16 yellow lace gown by #AlessandroMichele for @lacma's #ArtandFilm Gala.
No. 10	3			Follow a guest into a party taking place in a villa outside of Florence, presenting a short edit of the #GucciCruise16 Campaign, directed by @_glen_luchford. #AlessandroMichele. Art director: @christophersimmonds Stylist: @jane_how Hair: @paulhanlonhair Makeup: [...]

Fig. 8.13 Top 10 Gucci Instagram posts

something. We, the people, are depicted as “passengers on different roads [but] part of the same journey”. The brand is able to tell strong stories through the use of videos which obviously meets the interest of the respondents. The theme of travel is further enhanced in the post about the Louis Vuitton City Guide App. In this post Louis Vuitton uses the hashtags #LVTravel and #LVCityGuide. Other frequently used hashtags are #LouisVuitton and #LVSS16. Through the use of hashtags the brand motivates followers to link their brand-related UGC to the brand and thus become part of the brand experience (Fig. 8.14).

Based on the top Instagram posts of the three brands taken together one can say that online campaigns, which are simultaneously run on different networks are highly valued by the respondents. Louis Vuitton’s #SpiritofTravel or Gucci’s #GucciGram are positive examples of that. The respondents’ high engagement with the released content support that statement. Through the individual, brand-related hashtags that are used within those campaigns the consumer is able to share his or her own experiences and thus becomes part of the brand’s story. The brand can even use a contest to motivate users to publish those experiences or the content specifically created for the contest. It was noticeable that Burberry is quite reluctant with their use of brand-generated hashtags, the only hashtag used was #ArtoftheTrench or #AOTT. Based on the success of the online campaigns of Burberry’s competitors (measured by clicks), it can be recommended to the brand to further engage in this field.

Moreover, it can be said that it is important for brands to have brand representatives which are put into positive context with the brand. Model examples for this are Rosie Huntington-Whiteley for Burberry as well as Michelle Williams and Alicia Vikander for Louis Vuitton. Those “relationships” between a brand and a public figure can function as a symbiosis and give both, face to a brand as well as achieve additional exposure. The British model Rosie can be spotted in three out of ten of Burberry’s most clicked posts. US American actress Michelle Williams was in three posts as well. Burberry went even one step further than Louis Vuitton and linked Rosie’s Instagram account to the picture, for followers to see her account as well.

The eye tracking test has also demonstrated that most of the respondents (26 out of 30) read the descriptions that are visible once a picture/video has been clicked on. However, many of the respondents stated that they only read the descriptions if they are kept short and concise. A negative example here are the descriptions for the #GucciGram posts. The test has further shown that ‘classic content’ such as fashion show videos and campaign videos are becoming less important to the users. Young fans of luxury brands are focusing more on celebrities with the products worn at events or on the red carpet. Also the products need to be set in context to become interesting for the respondent. As Instagram is a network for inspiration users do not simply want to see product pictures but want those products to be part of some kind of story or campaign.










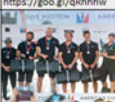
Click Rank	Clicks	Emotional Response	Visual Content	Description
No. 1	8	Strong positive response towards campaign	 <a href="https://goo.gl/JbE422">https://goo.gl/JbE422</a>	Alicia Vikander with the Twist handbag #SpiritOfTravel #LouisVuitton @nicolasghesquiere
No. 2	7	-	 <a href="https://goo.gl/M7gmkl">https://goo.gl/M7gmkl</a>	#SpiritOfTravel #LouisVuitton @nicolasghesquiere
No. 3a	5	-	 <a href="https://goo.gl/CNBDJM">https://goo.gl/CNBDJM</a>	A quest for freedom and adventure: the #SpiritOfTravel from #LouisVuitton @nicolasghesquiere
No. 3b	5	-	 <a href="https://goo.gl/Mo4JO6">https://goo.gl/Mo4JO6</a>	Alicia Vikander wearing #LouisVuitton #LVSS16 by @nicolasghesquiere to the Elle Women in Hollywood Awards in Los Angeles #ELLEWIH
No. 3c	5	-	 <a href="https://goo.gl/rTYKZH">https://goo.gl/rTYKZH</a>	Doona Bae, Selena Gomez, @nicolasghesquiere and Michelle Williams at the #InStyleAwards in Los Angeles #LVinLA
No. 6a	4	-	 <a href="https://goo.gl/j0iclc">https://goo.gl/j0iclc</a>	Windows are presented as works of art in the 'Louis Vuitton Windows' hand-bound oversize Ultimate Collection edition by @Assouline, capturing the inspired world that is #LouisVuitton
No. 6b	4	-	 <a href="https://goo.gl/GLykDy">https://goo.gl/GLykDy</a>	The #LouisVuitton #LVSS16 finale. Watch the full show from @nicolasghesquiere now on louisvuitton.com
No. 8	4	-	 <a href="https://goo.gl/P9Cr9l">https://goo.gl/P9Cr9l</a>	@MirandaKerr entering the #LouisVuitton #LVSS16 Fashion Show from @nicolasghesquiere
No. 9a	3	-	 <a href="https://goo.gl/qRhhhw">https://goo.gl/qRhhhw</a>	The #LVCityGuide App is your route to the best possible travel experience. Download it now on the App Store and get the Paris City Guide for free. #LouisVuitton #LVTravel
No. 9b	3	-	 <a href="https://goo.gl/Mbn4cj">https://goo.gl/Mbn4cj</a>	Congratulations to @ArtemisRacing for an impressive win at the @AmericasCup #LVACWSBermuda Races #LVACWS

Fig. 8.14 Top 10 Louis Vuitton Instagram posts

### 8.3 Limitations and General Outlook

To this work there are some limitations and implications that can be expressed for further research. The limitations include that a highly sophisticated sample was chosen for this work, making statements highly specific and not directly transferable onto other consumer groups. Further research in this direction has to be conducted to assure reliable results and in order to be able to speak for all social networks and generations. The Instagram accounts were looked at between the 9th and 13th of November 2015. This is important to consider since content available on Instagram accounts is very time sensitive and recently posted content is more visible than content published longer ago.

“Digital is now the ‘new frontier’ for luxury goods” (Solca et al. 2015). Even though the internet is characterized by accessibility and democracy, which contradicts with the original understanding of luxury, there are many opportunities that come with the digital world and that shall not be underrated. Especially convenience, which is amongst other things manifested in speed, flexibility and mobility, is key in today’s service sector. Digital also provides customers with a more specialized service which is important as we have seen with the student test. But there are still many questions to be asked and obstacles (e.g. aesthetic presentation of goods online, “vulgarization” of luxury (Som and Blanckaert 2015) and online trust that need to be faced by luxury retailers.

Brand communication has changed significantly. There is less brand controlled communication and more communication orchestrated by users. Online communication between users (known as eWOM, electronic word of mouth) has become the norm, with consumers trusting each other more than messages sent by marketers. This is completely changing the degree of influence that marketers have on consumers and pressures companies to find new ways to win back that influence and communicate with the target group authentically and at eye level. Consumers look for personal relationships with the brand and for positive associations caused by positive experiences. Those can be strong points of difference (POD) and may help increase brand loyalty. In times of social media and the internet, however, consumers curate their own multisensory brand experience in a ‘customer-centric model’. This is referred to as a third-party reproduction of experiences. “In the digital age, the heritage and key values of a luxury brand can be communicated by using visual tools like pictures, videos or 3D product presentations, music that evokes certain emotions and interactive media that promote the dialogue with brand advocates” (Hennings et al. 2012).

For heritage brands like Louis Vuitton, Burberry and Gucci, it is and will be a balancing act between evolution and revolution, re-invention and interpretations. In order to fetch the consumer, who is always out looking for the latest thing, luxury brands have to pay close attention and invest in ‘innovation’. Not only in terms of product design but also in distributing channels and store concepts. The challenge will be to combine the traditional brand image with the usage of innovative technologies.

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## Full Instagram links

### Burberry

- 1a <https://www.instagram.com/p/9rKH8PRJEq/?taken-by=burberry>
- 1b <https://www.instagram.com/p/9q6NnKxJG9/?taken-by=burberry>
- 3 [https://www.instagram.com/p/9v\\_zQWRJMY/?taken-by=burberry](https://www.instagram.com/p/9v_zQWRJMY/?taken-by=burberry)
- 4 <https://www.instagram.com/p/9oiYnmxJPA/?taken-by=burberry>
- 5 <https://www.instagram.com/p/96qMihRJJJA/?taken-by=burberry>
- 6a <https://www.instagram.com/p/9okaHjRJCn/?taken-by=burberry>
- 6b [https://www.instagram.com/p/9RGQtXRJO\\_/?taken-by=burberry](https://www.instagram.com/p/9RGQtXRJO_/?taken-by=burberry)
- 6c <https://www.instagram.com/p/8xdSRerJFc/?taken-by=burberry>
- 9a <https://www.instagram.com/p/8OEn5exJNX/?taken-by=burberry>
- 9b <https://www.instagram.com/p/9WivawxJJt/?taken-by=burberry>

### Gucci

- 1 <https://www.instagram.com/p/9o4WbjkG9D/?taken-by=gucci>
- 2a <https://www.instagram.com/p/9oRv9RkG00/?taken-by=gucci>
- 2b [https://www.instagram.com/p/9l\\_ixkEG1T/?taken-by=gucci](https://www.instagram.com/p/9l_ixkEG1T/?taken-by=gucci)
- 4a <https://www.instagram.com/p/9d4azukGxP/?taken-by=gucci>
- 4b <https://www.instagram.com/p/9tWrNMEGzs/?taken-by=gucci>
- 4c <https://www.instagram.com/p/85p0ynEG4R/?taken-by=gucci>
- 7a <https://www.instagram.com/p/9qngCjkG88/?taken-by=gucci>
- 7b <https://www.instagram.com/p/9d1wfqEG6x/?taken-by=gucci>
- 7c <https://www.instagram.com/p/92fDXJkG1x/?taken-by=gucci>
- 10 <https://www.instagram.com/p/8yeNl6EG2m/?taken-by=gucci>

### Louis Vuitton

- 1 <https://www.instagram.com/p/9Y7IKGQGQy/?taken-by=louisvuitton>
- 2 <https://www.instagram.com/p/9dwoJqwGVG/?taken-by=louisvuitton>
- 3a <https://www.instagram.com/p/858N89wGXB/?taken-by=louisvuitton>
- 3b <https://www.instagram.com/p/9DWVXjQGUy/?taken-by=louisvuitton>
- 3c <https://www.instagram.com/p/9VTVw9wGaL/?taken-by=louisvuitton>

- 6a <https://www.instagram.com/p/9bMIjwGeE/?taken-by=louisvuitton>
- 6b <https://www.instagram.com/p/8jSYaOwGXR/?taken-by=louisvuitton>
- 8 <https://www.instagram.com/p/8ihSGTwGfr/?taken-by=louisvuitton>
- 9a <https://www.instagram.com/p/9tTfiQQGW9/?taken-by=louisvuitton>
- 9b [https://www.instagram.com/p/8\\_xM25QGbp/?taken-by=louisvuitton](https://www.instagram.com/p/8_xM25QGbp/?taken-by=louisvuitton)

**Part III**  
**Qualitative Research**

# Chapter 9

## Luxury Fashion and Creativity: Change or Continuity?

Joanne Roberts and John Armitage

**Abstract** This chapter considers the role of creativity in the production and delivery of luxury fashion goods and services. The concept of creativity is closely aligned to the idea of luxury goods as rare and highly crafted, often unique, objects produced through artistic endeavour. Moreover, some luxuries, like expensive cars and private jets, require leading edge design and technologically advanced inputs. Although creativity is essential for the development of new luxury goods and services, this article highlights that some luxuries are timeless and eschew the changes associated with radical creative transformations in favour of maintaining continuity with the past. Following a brief discussion of the nature of luxury and creativity, a number of examples are employed to illustrate the different roles of creativity in the development and delivery of different types of luxury goods and services. To illustrate these differences in the field of luxury fashion retail management a comparison is then drawn between the iconic British luxury fashion brand Burberry and the Australian bespoke tailoring and shirt making company J. H. Cutler. The relationship between luxury and creativity is shown to be varied and complex.

**Keywords** Luxury · Luxury fashion retail management, creativity · Innovation · Craftsmanship · Knowledge

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## 9.1 Introduction

Fashion as a social phenomenon is not restricted to the domain of clothing and dress (Blumer 1969). Hence, luxury fashion includes a wide range of goods and services. The global market for luxury goods and services is expanding rapidly. Indeed, its value exceeded €850 billion in 2014, having grown at a rate of 7 % on the previous year (D'Arpizio et al. 2014: 3). This luxury market growth is accounted for by increasing incomes in the advanced countries, especially among the wealthy who have been relatively unaffected by the global financial crisis of 2008, and the expanding middle classes in emerging countries. Moreover, the luxury sector can be regarded as an important element in the creative economy and a driver for growth in the advanced countries (European Cultural and Creative Industries Alliance (ECCIA) 2012; Foray 2010).

In this chapter, the link between luxury and creativity is interrogated. The production of, for instance, sometimes seemingly avant-garde haute couture collections from Chanel and Alexander McQueen, in line with the increasingly rapid fashion cycle, does require creativity. But to what extent is creativity an essential component of all types of luxury? Is it not possible that luxury derives from stepping out of the rapidly changing world of creative transformations into a timeless landscape, where a major component of a luxury depends on the preservation and continuity of traditions and age-old practices? To investigate these questions, we consider a number of different luxuries to evaluate the extent to which creativity is present in their production and delivery, before focusing on two cases from the field of luxury fashion retailing management. Through the examples presented, we reveal the varied and complex relationship between luxury and creativity.

We begin by considering the contemporary meaning of luxury, drawing on a critical engagement with the work of Berry (1994). Creativity will then be explored, before the relationship between luxury and creativity is examined. Illustrative examples will be employed to highlight how the nature of creativity and its significance varies between different types of luxury goods and services. We then investigate two contrasting cases from the field of luxury fashion retail management. The chapter concludes with a consideration of the implications of the findings for managers of luxury businesses and for scholars concerned with creativity in the luxury sector.

## 9.2 The Nature of Luxury

In popular discourse, luxury is often associated with expensive, elegant, and refined goods and services of the highest quality as well as with a rich, comfortable, and sumptuous lifestyle. Additionally, luxury is related to excessive quantity and viewed by many as superfluous, unnecessary, or an indulgence. In his highly influential book, *The Idea of Luxury*, Berry (1994) provides a detailed historical

exploration of luxury and defines it as the antonym of necessity, in that it is distinct from basic needs, which are non-intentional and universal. For Berry, luxury occupies the realm of wants and desires. Yet, he goes on to argue that luxuries must be the object of socially recognized desire, and, as such, capable of giving pleasure rather than merely relieving pain.

What is clear from Berry's (1994) analysis is that luxury cannot be objectively defined because it depends on cultural, social, and individual contexts and meanings. Goods and services regarded as socially non-necessary by some may be 'needed' by others either in a specific instrumental sense or because they are the object of intense desire (i.e. psychologically necessary) or intense identification (e.g. cherished objects). Consequently, not all unnecessary goods or services are luxuries to everyone.

Veblen's (1899) concept of conspicuous consumption, which is so often associated with luxury goods and services, can, according to Berry's perspective, be interpreted as the instrumental consumption of luxury with the purpose of signalling social status. Hence, some consumption of luxuries may actually be necessary for certain individuals to maintain their social position. For Berry (1994, p. 41, original italics), '*luxuries are those goods that admit of easy and painless substitution because the desire for them lacks fervency*'.

In contrast to Berry (1994), in an earlier article, we offered an alternative definition of luxury goods and services inspired by Marcuse's (1964) critique of elites who follow their economic desires or 'false' social needs. Hence, we defined luxuries 'not as painless substitutes lacking fervent desire but as alienating surrogates saturated with the urgent sense of a life determined by external forces, and consequent lack of control or authenticity and oneness with ourselves.' (Armitage and Roberts 2014: 118). In this view of luxury, media and its deployment by luxury businesses plays a crucial role promoting 'false' needs. Hence, creativity in the use of media underpins the demand for luxuries of all sorts and drives the luxury sector's growth.

From a business and marketing perspective, Chevalier and Mazzalova (2012) argue that a luxury product must meet three criteria. Firstly, it must have a strong artistic content; secondly, it must be the result of craftsmanship; and, third, it must be international. The link between art, craftsmanship and luxury is not new. Works of art and the products of craftsmanship normally require high levels of skill, time, and expensive materials. Therefore, their consumption has been the preserve of wealthy individuals and institutions. Nevertheless, changing income levels and techniques of production have made these products increasingly available to a wider range of individuals since the late 20th century. Chevalier and Mazzalova's (2012) suggestion that, for something to be a luxury, it must also be international is very much a consequence of the globalization that has taken place from the mid-1980s onwards. It is also a suggestion that is embedded in a business perspective on luxury, which is primarily concerned with market size and the expanding geographical reach of brands as a means to produce sustainable profits, especially among the large luxury sector conglomerates including, for instance, LVMH (Moët Hennessy Louis Vuitton SE), Kering, and Richemont.

Thus, if luxury is international, it must be recognized as such in various different locations and different cultures. This suggests that there is a homogenizing process. Yet, if luxury is socially constructed, and we live in a diverse social world, how can luxury be recognized as such across the globe? The international recognition of items as luxury occurs among a global elite who have more in common with one another than they do with their national counterparts. A wider population aspires to join these elites and they satisfy these aspirations by imitating the consumption behaviour of elites.

Luxury has also been classified in terms of its accessibility by Allèrès (1990) who identifies three levels of luxury, namely, inaccessible (exclusive unique items), intermediate (expensive replicas of unique items), and, accessible (factory produced and in large production runs). In the contemporary era, we are witnessing a democratization of access to luxury, and a proliferation of terms, such as new luxury or mass luxury. According to Kapferer and Bastien (2012), this is the result of, on the one hand, the efforts of traditional brands to trade up, and, on the other hand, the drive for profits among luxury businesses by offering products and services to a wider global market. Such changes also reflect the fragmentation of the production process, such that the design of luxury goods and services may involve significant artistic inputs and craftsmanship, but the final goods and services can be mass produced in low cost locations without any loss of quality (Thomas 2007). Moreover, globalization has given rise to highly profitable niche luxury markets that can be reached through the Internet and social media platforms (Anderson 2009) as well as in the first class airport transit lounges through which the wealthy pass en route to their next destination. Formerly regional and national niche luxury markets can be aggregated into highly profitable global markets, allowing producers to gain economies of scale, yet because their luxury products are distributed across the globe, they retain an exclusive quality in local contexts.

This shift to mass luxury has been accompanied by the emergence of the idea of meta-luxury (Ricca and Robins 2012) and über luxury (Quintavalle 2013) as counter terms to those that signify the trend towards luxury for all and to make a distinction between mass produced luxuries and those luxuries that remain exclusive, often because they are the result of high levels of skill and craftsmanship, and their cost renders them accessible only to Ultra High Net Worth Individuals (UHNWI).<sup>1</sup>

The meaning of luxury varies through time and space, and across economic, social, and cultural contexts. For instance, in 1900, a telephone would have been a luxury, but today it is a necessity in most parts of the world. Additionally, the possession of an Internet-connected computer may be regarded as a luxury in the present day least developed countries, yet this is seen as a necessity in the advanced nations. Moreover, the meaning of luxury has become stratified, reflecting a

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<sup>1</sup>In their *World Ultra Wealth Report*, Wealth-X and UBS (2014) define Ultra High-Net-Worth Individuals (UHNWI) as those individuals having a net worth of at least US\$30 million.

hierarchy of luxury. In other words, luxury is not a fixed concept but rather a relative and socially constructed term.

Clearly luxury is a complex idea, but it is also manifested in a very real form in the global marketplace where luxury goods and services may be defined by high price. The characteristics of demand for luxury goods and services differ from those of normal goods. They are often referred to as Veblen goods because they display high price elasticity of demand such that increases in price enhance their desirability (Kapferer and Bastien 2012). According to Veblen's (1899) theory of conspicuous consumption, as the price of a luxury good increases the utility that is gained from its consumption rises because it allows consumers to signal their own rising status. Hence, a Veblen good is not necessarily of a higher standard than a normal good, its status as a luxury depends on the perceptions of consumers of its ability to indicate social standing through, for instance, recognizable luxury brand logos. While there is much anecdotal evidence to suggest that luxury goods and services do display the characteristics of Veblen goods (Bagwell and Bernheim 1996), it would be inappropriate to suggest that the price of all luxury goods and services is merely determined by consumer demand underpinned by the utility gained from signalling status. While accessible luxury delineated by Allèrès (1990) may be differentiated from normal goods largely by higher prices, with consumers willing to pay more to display their social rank, for those luxuries that Allèrès defines as inaccessible, in the sense of being exclusive unique items, their high price relative to normal goods is likely to be determined by the greater costs of production. Although the high price of such inaccessible luxuries will attract consumers who gain utility from signalling status, the price of such luxuries will primarily be based on the high costs of production rather than solely on demand derived from the desire of consumers to demonstrate their elevated social position.

From a business perspective, goods and services acquire luxury status from the perceptions of consumers, or the high production costs, or a combination of the two. Nevertheless, whatever the source of luxury status, it is important that managers of luxury businesses remember the socio-cultural underpinnings of the meaning of luxury. This is because, as a socially constructed concept and set of practices, what is defined as luxury and therefore what are recognized as luxury goods and services can shift rapidly due to factors beyond the commercial domain.

### 9.3 The Nature of Creativity

Creativity is the capacity to bring into being original ideas, whether embodied in tangible or intangible forms. Discussions of the nature of creativity often focus on identifying the characteristics of creative individuals (see, for example, Csikszentmihalyi 1996; Amabile 1997). For instance, in her theory of creativity, Amabile (1997) identifies three key components of individual creativity: expertise, creative-thinking skills, and intrinsic task motivation. She argues that creativity is most likely to occur when an individual's skills overlap with their strongest intrinsic

interests; and the higher the level of each of these three elements, the greater the propensity for creativity. This focus on the individual as a source of creativity is evident in popular debates, which emphasize the role of creative individuals and their need for freedom to express their talent or vision (Bilton 2007). It is a conception that is often reflected in the field of luxury by the emphasis on, say, the promotion of the name of fashion designers from Chanel's Karl Lagerfeld to Stella McCartney who create luxury garments and accessories. Luxury fashion houses bear the name of their originators and subsequent fashion designers are promoted in their own right as well as part of the fashion house. By linking the product to an individual designer, luxury brands attempt to reinforce the importance of the individual's creative talent that inspires the product. Yet, such creativity is more often than not the work of many individuals working as a team, with each member contributing their own specialist skills and creative input. As Cummings et al. (2015) argue, creativity occurs through group dynamics. So, for instance, the creative talents of the fashion designer Karl Lagerfeld at Chanel are facilitated and realised by a team of individuals working closely with him, including the many *métiers d'art* upon which Chanel couture designers rely (Colapinto 2007). Moreover, as Bilton (2007) argues, conflating creativity with individualism disconnects creative thinking and creative people from the socio-cultural and economic contexts that give meaning and value to innovations and individual talents. Hence, the meaning and value of Karl Lagerfeld's creative talents must be considered within the context of the Parisian haute couture community and the broader global fashion culture.

We are all creative and our creativity occurs at numerous levels and with varying degrees of originality. According to Amabile (1998: 78), in the field of business, creativity goes beyond originality: 'To be creative, an idea must also be appropriate—useful and actionable. It must somehow influence the way business gets done—by improving a product, for instance, or by opening up a new way to approach a process.' This understanding of creativity is close to Tushman and Nadler's (1986: 75) definition of innovation as 'the creation of any product, service or process which is new to the business unit'. In contemporary discussions, the terms 'creativity' and 'innovation' are often used interchangeably (Bilton 2015), yet they are not synonymous. Although creativity is a necessary component for innovation, creativity alone does not guarantee innovation, which, from an economic perspective, involves the development of some new knowledge or invention such that it can result in the production of intermediate and/or final processes, goods or services available in commercial markets. Innovation, then, necessitates the development of value from creativity and invention. Involving more than the creative process, innovation includes activities such as marketing, sales, and production. Moreover, the synthesis of market needs with technological possibility and production capabilities is required for effective innovation (Tushman and Nadler 1986).

Following Amabile (1998), we understand creativity in the business context as something that goes beyond the generation of new knowledge, and which includes the application of new knowledge in the commercial sphere. Hence, the focus here

is on the nature of creativity that is taken up by luxury businesses, in terms of whether they adopt radically creative developments of their goods and services or production and delivery processes, or whether the creative input in these areas is more incremental. Furthermore, we seek to highlight the important role of what Bilton (2015: 154) has recently termed ‘uncreativity’, which he defines as ‘resistance to new ideas’. Bilton (2015: 154) views ‘uncreativity’ as essential to the creative process in the sense that the ‘purportedly uncreative traits of scepticism, doubt and resistance to change are essential to the creative process’. However, we seek to build on his observation that ‘uncreativity’ directs attention to issues of value and fitness for purpose, thereby providing a counterbalance to the pursuit of novelty for its own sake (Bilton 2015). We argue that in the field of luxury some producers may eschew creativity in favour of preserving existing goods, services and production and delivery practices.

Nevertheless, although some luxury producers resist the change that creativity may bring, others embrace such developments, whether such creativity leads to incremental developments or more radical transformations. In relation to the development of knowledge in organizations, March (1991) makes an important distinction between the *exploration for new knowledge* and the *exploitation of existing knowledge*. The exploration for new knowledge can result in radical new production processes or intermediate or final outputs. However, the exploitation of existing knowledge, for instance, in new situations or new applications, can lead to incremental changes to existing production processes or intermediate or final outputs. March (1991) argues that maintaining an appropriate balance between exploration and exploitation is a primary factor in determining the survival and prosperity of organizations. However, we suggest that, in certain luxury sectors, it is necessary to highlight the importance of the *preservation of knowledge* rather than the creation of new knowledge through exploration for knowledge or the exploitation of existing knowledge in new ways. Through preserving knowledge, by resisting change, or adopting only the very lowest levels of creative input, the essence of certain luxuries is maintained through continuity with the past. Contrary to March (1991), then, we argue that the survival of certain luxury businesses depends on preservation of knowledge rather than a balance between exploration for and exploitation of knowledge.

Thus, for example, the delivery of a greeting to a guest by the doorman at a luxury hotel may be viewed as an act of creativity in the sense that the greeter is performing a role and, in so doing, creating a welcoming atmosphere, which is essential to the quality of the service provided. But such daily acts of creativity replicate, and preserve knowledge of, original creations largely set out in service delivery systems designed to ensure an excellent service interaction in a given context (Polaine et al. 2013). In contrast, the original introduction of such service systems involves an act of creativity based on either the exploration for new knowledge or the exploitation of existing knowledge. In either case, the creativity involved adds value in the business context because it offers something that is new to the world, such that it deviates in some way from established business norms and conventions, and thereby offers the opportunity to set the business apart from its

competitors. While embodying an element of creative action, repetitious daily acts or tasks are not creative because they offer little, if anything, that is new. Rather, they preserve existing ways of doing and acting and provide continuity with past experiences. Nevertheless, the consistent performance of such daily acts is crucial to the maintenance of service quality and thereby to competitiveness.

## 9.4 Luxury and Creativity

The exclusive element of luxury requires that it should always be beyond the reach of many people. Yet, as incomes rise, more luxuries become accessible to more people, and, in the process, they become commonplace and lose their exclusive quality. Consequently, there is a constant drive to create new or enhanced luxuries that replace those items and experiences that fall from luxuriousness due to their widespread availability. The current prevalence of mobile phones in the advanced countries elevates luxury telecommunication to a new level of exclusive and opulent experience. So, while a mobile phone is accessible to the majority of citizens in advanced countries, one of the world's most expensive mobile phones, like the British Designer Stuart Hughes's Black Diamond iPhone 5, which is covered in 100 grams of solid gold, 600 white diamonds, has a sapphire glass touch screen and a 26-carat black diamond replacing the 'home' button, is, at a price of £10 million, out of reach of all but a small number of UHNWIs (Armitage and Roberts 2014: 120). In this example, creativity in the design and the use of rare materials take a standard mobile phone from the common place into the realm of the extraordinarily rare and hugely expensive. The nature of the creative activity involved in the production of the Black Diamond iPhone is based on the exploitation of knowledge from the jewellery sector and its application to the production of the luxury mobile phone.

The search for ever more luxurious products and services can also be seen in the field of tourism. While this may involve exclusive locations and increasingly sumptuous accommodation and service provision, there is also a growing market for adventure-based activity such as space travel. The US company Space Adventures,<sup>2</sup> in collaboration with the Federal Space Agency of the Russian Federation, has, for example, facilitated space flights for private tourists, such as Guy Laliberte, the CEO of Cirque du Soleil, at a reported price of US\$35 million in 2009 (Bertoni 2011). Clearly, such a price puts this experience out of reach of all but the very wealthy. Not only is the price prohibitive but also months of training accompanying such adventures rule them out of reach for even many of the UHNWIs. To cater for the time poor, and to reach out to a wider market, Virgin Galactic is one among a number of companies that is working to provide commercially viable space travel at a cost of US\$250,000 per seat (Chang and Schwartz

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<sup>2</sup><http://www.spaceadventures.com/> (accessed 31/01/2016).

2014). But, of course, such luxury experiences are heavily dependent on high levels of technological advancement that require huge investments in the exploration for new knowledge. The development of this knowledge into commercially viable services requires a complex innovation process. However, such technologically advanced innovation depends upon an initial idea, that is, it depends on creativity. In this case the idea is radical and requires substantial investment in costly technological resources for its realization.

Related to what might be regarded as more down to earth luxuries, we can also see high levels of creativity involving the exploration for new knowledge in, for instance, the production of luxury watches. The development of one of Patek Philippe's 175th anniversary watches, the Grandmaster Chime, priced at US\$2.63 million, for instance, gave rise to six patents (Patek Philippe 2014). The transformation of the creative ideas embedded in new watch designs through to the actual production of the final product involves a complex innovation process. Similarly, luxury products like expensive cars, super yachts and private jets involve high levels of creativity in their design and development and in the integration of new materials and technologies. While the production of such luxuries also involves the exploitation of much existing knowledge, they also require extensive innovation processes to bring incrementally creative ideas through to the production of marketable products.

Consequently, many categories of luxury evolve through the application of creativity inputs that feed into complex innovation processes, which result in the production of new luxury goods and services or production and delivery processes. However, we argue that there are some luxuries whose very essence is a sense of inertial timelessness and unwavering continuity. Such luxuries do not become widely available as incomes rise because a major component of their costs rise as incomes increase. As a result, some luxuries retain their price differential with other less luxurious goods despite general changes in the organization of economic activity that lead to productivity increases in many sectors. For instance, in highly skilled craft production or service delivery it is not possible to increase productivity at the same rate as is possible in highly technologically assisted production systems like factory production or self-service delivery. Therefore, the cost per unit of production cannot be lowered through the application of increasing amounts of technology to increase productivity. Hence, as incomes rise, so, too, does the cost of the skilled labour required to produce and deliver such goods and services. There are, then, some luxuries that do not become relatively more accessible as the economy expands and incomes grow.

Luxuries that are handmade using only traditional tools and techniques or that involve personal delivery by highly skilled individuals persist in their capacity to command high prices beyond the reach of the general population. Moreover, they might even become rarer as the skills required in their production become increasingly scarce. A prime example would be bespoke shoes; here, the age-old techniques of handmade custom shoe production are central to their luxurious quality. Commanding a price far in excess of factory made shoes and requiring the consumer to have the patience to wait for the shoes to be made, a process that



involves a number of fittings, bespoke shoes are generally the preserve of the wealthy.<sup>3</sup> Luxurious bespoke shoes require the preservation of shoe making knowledge and skills and such shoes command a high price because of the sheer time and labour involved in their production.

Dimitri Gomez, for example, is a bespoke shoemaker, working out of Crockett & Jones' boutique in Paris. His shoes are constructed entirely by hand and take 4–6 months to produce—a process that includes measurement and the production of a trial shoe; prices start from 3000 euro.<sup>4</sup> Of course, this is not to say that creativity does not occur in any aspect of the process by which the shoes are supplied. For instance, shoemakers at John Lobb Ltd travel across the globe to meet the needs of their bespoke clients—a service that is advertised on the Lobb website and facilitated by innovations in transportation and communications.<sup>5</sup> Here, the use of the Internet has become necessary as a means of marketing and reaching out to old and new clients alike. However, the fundamental production of the shoes remains the same. Shoemakers must undergo a lengthy period of apprenticeship before they are competent to practice their knowledge to produce luxury footwear for their wealthy customers. Moreover, such craftsmen and craftswomen are not driven by market competition. Rather, they endeavour to practice their skills for the satisfaction of producing a well-crafted good or service.

The examples outlined above indicate that the relationship between luxury and creativity is varied. Indeed, there appears to be a spectrum in relation to the extent to which luxuries depend on creativity. For instance, at one end of the spectrum, significant levels of creativity are employed to develop new and more sumptuous and extravagant or technically advanced luxury goods or services. However, at the other end of the spectrum, knowledge remains relatively static with creativity being concerned with customization and the accommodation of client requests within a given tradition of age-old craft practices. To investigate further the use of creativity over this spectrum, from continuous change to continuity, we now turn to an exploration of two cases from luxury fashion retail management.

## 9.5 Luxury Fashion Retailing: Change and Continuity

To advance our understanding of creativity in the field of luxury fashion retailing we focus here on the apparel sector, for it is in this sector that we witness luxury fashion brands like Gucci and Prada developing new clothing collections in a continuous cycle. As Breward (2003: 63) notes: '[f]ashion as material artefact and idea is clearly the direct result of a creative and industrial process, a system of

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<sup>3</sup>Public healthcare systems may provide free or subsidised handmade shoes to those whose health and mobility is impaired by the lack of availability of suitable footwear.

<sup>4</sup><http://www.dimitribottier.com/> (accessed 31/01/2016).

<sup>5</sup><http://www.johnlobbltd.co.uk/main/main.htm> (accessed 31/01/2016).

“innovation” engineered to meet and encourage seasonal consumer demands and fulfilling a cultural requirement to define ever-shifting social identities and relationships’. Hence, in this section, we develop brief case studies of, firstly, the iconic British luxury fashion brand Burberry and, secondly, the Australian bespoke tailoring and shirt making company J. H. Cutler. As Yin (2013) notes, the case study approach is an appropriate research method for the type of exploratory analysis reported in this chapter. Both companies produce and distribute luxury apparel. Yet their methods and the nature of the creativity involved in their activities vary considerably. Drawing on publically available information, we provide a brief account of each company, focusing on key aspects of the creative activities they pursue. We then compare the creative approaches adopted in the production and delivery of their luxury fashion products.

### 9.5.1 Burberry

In 1856, Thomas Burberry, a 21 year-old former draper’s apprentice, founded Burberry when he opened his own store in Basingstoke, Hampshire, England. Burberry is known for the trench coat, produced with a weatherproof fabric known a gabardine, which was invented by Thomas Burberry and patented in 1888 (Breward 2004), as well as for its distinctive tartan coat linings and accessories. Burberry supplied its trench coat to the British military in the First and Second World Wars; hence this garment is a key symbol of the company’s heritage. Today, Burberry is a multinational luxury fashion company employing nearly 11,000 people located in 34 countries (Burberry Group Plc 2015: 41). During the financial year ending 31st March 2015, Burberry’s annual revenue amounted to £2523 million (Burberry Group Plc 2015: 132)<sup>6</sup> and, in 2015, Interbrand (2015) ranked Burberry 7th among the top luxury global brands, with a brand value of US\$5873 million. It is a publicly traded company listed on the London Stock exchange and included in the FTSE100 index. Burberry describes itself as a global British luxury brand with a heritage of design, innovation and craftsmanship (Burberry Group Plc 2015: 15).

Burberry produces seasonal collections and promotes them through the fashion industry’s regular cycle of runway shows. Consequently, Burberry must be continuously creative in terms of the design of its garments and accessories. Yet, despite the change required of the fashion cycle, Burberry retains certain heritage products like the trench coat and cashmere scarves, although these are frequently reinvigorated by the use of new colour combinations. Alongside its recognized heritage, Burberry has also developed a reputation for leadership in the use of

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<sup>6</sup>In this year, excluding revenue from licensing, approximately 38 % of all revenue derived from Asia Pacific, 35 % from Europe, Middle East, India and Africa and 27 % from the Americas (Burberry Group Plc 2015: 132).

digital technologies. For example, in September 2012, with the opening of its flagship Regent Street store in London, Burberry launched its most digitally-advanced brand experience with the aim of bringing to life every aspect of the company's online presence in what it refers to as 'Burberry World Live' (Burberry Group Plc 2012). The Regent Street store provides a heritage setting as the context for digital innovation and experimentation. In this way, Burberry is embracing the creative possibilities that digital technology offers. Box 1 provides details of a number of the innovative features of the Regent Street store.

### **Box 1: Innovative Features of Burberry's Regent Street Store**

- Immersive audiovisual experiences, with nearly 500 speakers and 100 screens. Evolving the Burberry Retail Theatre concept, these more closely engage customers through emotive brand content, including disruptive digital takeovers—such as digital rain showers—synchronized across all screens and speakers at selected moments throughout the day.
- Innovative use of radio-frequency identification technology (RFID). Woven into selected apparel and accessories, this triggers bespoke multimedia content relevant to the products. Mirrors turn instantly to screens with runway footage and exclusive video.
- Digitally-enabled gallery and events spaces, including a permanent hydraulic stage. As an events hub Burberry Regent Street will showcase the best in established and emerging creative talent, including Burberry Acoustic, to live audiences within the space and simultaneously online, opening them up to the brand's digital communities. Satellite technology will also enable guests to enjoy live streamed events from other locations.
- Increasing personalization, as online insights meet offline interactions to create the most progressive luxury customer service. Applications on the iPads carried by all store associates will provide details of customers' purchase history and preferences to enable a more tailored shopping experience. Building on the Click to Call and Click to Chat customer service innovations on burberry.com, Burberry Regent Street will serve customers seamlessly across the brand's digital and physical environments, including the ability to purchase online for collection in store.

Sources: From Burberry Group Plc (2012)

It is because of these digitally driven developments that the former Burberry Chief Executive Officer (CEO), Angela Ahrendts, described Burberry in 2012 as 'a young, old company: forever moving forward while never forgetting our 156-year heritage. The fusion of history and innovation in Burberry Regent Street is the brand's most comprehensive creative and commercial expression' (Burberry Group Plc 2012).

As Interbrand (2015: 120) notes, the current CEO and Chief Creative Officer, Christopher Bailey, has continued to strengthen the British luxury heritage brand through innovative digital content. For instance, Burberry was the first luxury brand to use Twitter's "Buy Now" function, which allows followers to make purchase straight from the runway by clicking on products featured in Tweets. Furthermore, Burberry has been livestreaming its runway shows since 2010 and has launched a series of innovative platform collaborations with social media leaders like Snapchat, LINE, Kakao, and Periscope. For example, Burberry created the Snapchat Show, inviting the platform's 100 million users to preview Burberry's Spring/Summer 2016 womenswear collection the day before its launch (Interbrand 2015: 120).

As a large-scale producer of luxury apparel Burberry, is not only exercising creativity in the design and production of seasonal collections but also in its marketing, customer engagement, and brand strategies. Through the innovative use of new digital technologies, including social media, Burberry is marketing its products to new and existing customers so as to expand its global reach and market share with the aim of sustaining growing sales revenues.

### 9.5.2 *J. H. Cutler*

Established in 1884 by Joseph Handel Cutler, J. H. Cutler provides bespoke tailoring and shirt making services to discerning gentlemen throughout Australia, and across the globe.<sup>7</sup> The business is a family owned Limited Company with foundations rooted in the traditions and standards of London's Savile Row. John Cutler is the company's current Managing Director. He is from the family's fourth generation and he started working in the business with his father, Bruce Cutler, in 1965. In the late 1960s, John Cutler studied at the Tailor and Cutter Academy in London. The company currently has one store located in the Central Business District of Sydney, and a small team of 3 employees, with estimated annual revenues of AUD \$1.65 million (FindTheCompany 2016). J. H. Cutler is a small company yet its reputation is international. This reputation arises from its diligent preservation of rigorous standards, quality, cut, style and fit, all of which has made the company's name synonymous with exclusive clothing. Indeed, J. H. Cutler is regularly included on lists of the world's best bespoke tailors (e.g. Forbes 2007) and it supplies a select clientele, including politicians, members of the professions, and individuals from the world of entertainment and sport.

As the business principal, designer and cutter, John Cutler states that his 'passion for discrete, personal service, old world hand craftsmanship, and sourcing of the very finest of materials from around the world, continues to deliver clothes of timeless elegance and unparalleled quality' (Refer footnote 7). The company's philosophy is to understand and fulfil the commission of each individual client,

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<sup>7</sup><http://www.jhcutler.com/about-j-h-cutler/an-introduction-to-j-h-cutler/> (accessed 14/10/2016).

maintain the highest standards of traditional bespoke tailoring, and create clothing of unparalleled elegance, comfort and quality (Refer footnote 7). The garments produced by J. H. Cutler can be regarded as true luxury in the sense that they are exclusive items and command a corresponding high price. The demand for such products remains buoyant because, as John Cutler notes, 'There will always be those who insist on the very best' (Refer footnote 7).

Although J. H. Cutler produces traditional garments, namely, jackets and trousers, suits, dinner and formal wear, overcoats and shirts, it also has the ability to design and create unique items of clothing and offer bespoke fabrics, designed by and for the individual. Hence, there is scope for creative activity in relation to each commission. The company serves a select elite clientele for whom attention to detail and customer service are of vital importance. The exacting standards of the company, together with the customer relations, are illustrated in Meg Lukens Noonan's (2013) book length account of J. H. Cutler's production in 2006 of a \$50,000 overcoat made from vicuña, one of the finest woollen fibres in the world. The relationship between John Cutler and his clients is an essential component of the experience of purchasing a bespoke garment. This interaction begins in the company's consultation room, which Noonan (2013: 5) describes as 'a clubby space with robin's-egg-blue walls, tufted leather furniture, and an heirloom Persian rug. The paint colour had been selected for its serenity and for the way it seemed to help quiet any twinges of doubt felt by clients as they prepared to spend large sums of money on themselves'.

A recent innovative venture for the company has been the introduction of 'CANVAS by J. H. Cutler', which supplies a range of semi-bespoke men's clothing that complements J. H. Cutler's core bespoke offering. However, the company remains reserved in its adoption of digital technologies. Although a J. H. Cutler website exists, it merely provides general information on, for example, the history of the company, the store details and client services. The website does not provide a platform for e-commerce. Services are not delivered over the internet as the production of bespoke garments requires fittings and close customer client interaction. However, the company does make use of social media through a presence on Facebook, Twitter and LinkedIn. Yet, as a small company, it is limited in the extent to which it can develop and leverage a social media presence. Moreover, J. H. Cutler is not seeking to market its garments to a wide market; rather it serves a select group who come to hear about the company through family and business networks.

### ***9.5.3 Change and Continuity***

Burberry and J. H. Cutler are both businesses situated in the luxury apparel sector, however, they differ considerably in their approaches and in the extent to which they are engaged with creative developments in terms of the products offered and how they produce, market and deliver such products to their customers. Both

companies are involved to a greater or lesser extent in the preservation of certain aspects of their heritage. However, it is J. H. Cutler that is most clearly concerned with the preservation of the craft skills involved in the production of luxury custom made apparel. The companies are also active in the exploitation of existing knowledge, adapting techniques to develop new versions of products. For instance, Burberry produces variations on the trench coat, and J. H. Cutler develops bespoke garments based on traditional designs to match clients' desires.

While the bespoke garments offered by J. H. Cutler are produced by a very small group of workers using traditional tailoring methods, the apparel offered by Burberry is largely mass produced to satisfy a global market—craft may be present in the design of Burberry's clothing range but this cannot be followed through the length of the supply chain when products are mass produced. For Burberry, bespoke offerings are limited to a mass customization system through which online customers can, for instance, select the cut of their trench coat, inclusive of the fabric, the colour, the cuff straps, lining and collars (Sonne 2011). More recently, a mass customization service has been extended to Burberry scarves (Vingan Klein 2015).

Thomas Burberry's invention of the gabardine weatherproof fabric in the 1880s is a clear case of exploration to develop new knowledge. Today, Burberry's exploration to develop new knowledge is very much focused on digital technologies to develop relationships with its target market through online and social media channels and the blending of online and offline experiences in heritage stores. Burberry is at the leading edge of exploiting existing digital marketing techniques and pushing forward understandings of how technology can be leveraged to expand markets. In contrast, J. H. Cutler is not involved in the exploration for new knowledge. Rather, its focus is the preservation of knowledge, thereby providing continuity over the company's 131-year history. Nonetheless, the company does exploit this knowledge though adapting it as required in order to accommodate the distinctive tastes of particular clients.

Although both companies clearly engage in creative activity, the nature of this activity varies considerably. A key element of J. H. Cutler is adaptation in the customization process to meet client needs while remaining faithful to strictly defined standards, thereby providing the quality of timelessness and continuity evident in the garments it supplies. In contrast, Burberry's creative activity is driven by its position as a public limited company that is required to deliver returns to its shareholders. To achieve this, Burberry must secure an expanding market share while also ensuring that it is employing the most efficient and cost effective methods of producing and delivering its luxury fashion apparel. Burberry is, then, characterized by continuous change in relation to the design of seasonal collections, methods that reach out to a wide customer base through digital technologies, production methods and the management of its supply chain.

At the same time, it is possible to differentiate between the types of luxury goods supplied by these two companies. Whereas Burberry is seeking to supply a large international market, and must do this through the adoption of large-scale production, J. H. Cutler serves the select few with a customized personal service and

**Table 9.1** A comparison between the luxury fashion retail practices of Burberry and J. H. Cutler

Characteristics	Burberry	J. H. Cutler
Established	1856	1884
Location	Multinational	Sydney, Australia
Annual revenue	£2523 million	AUD\$1.65 million (estimated)
Ownership	Public Limited Company, London Stock Exchange	Family Owned Limited Company
Types of innovation/creativity	<ul style="list-style-type: none"> <li>• Clothing design in line with regular fashion cycle</li> <li>• Advancing the use of digital technologies and social media to promote its brand and facilitate online sales</li> <li>• Use of audiovisual technologies to enhance the retail experiences</li> </ul>	<ul style="list-style-type: none"> <li>• Designing bespoke items for clients</li> <li>• Use of bespoke fabrics that can be designed by or for individual clients</li> <li>• Semi bespoke clothing</li> <li>• Use of the internet to provide basic information</li> <li>• Use of social media to distribute limited information</li> </ul>
Luxury retail environment and offering	<ul style="list-style-type: none"> <li>• Blending digital and real facilities</li> <li>• Retail theatre</li> <li>• Online sales</li> <li>• Standardized offering</li> <li>• Limited opportunities for customization</li> </ul>	<ul style="list-style-type: none"> <li>• Discrete personal service</li> <li>• Calm serene environment</li> <li>• Individual service</li> <li>• Bespoke tailoring</li> </ul>

bespoke garments. Hence, while Burberry apparel may be classified as accessible in terms of Allèrès' typology of luxury, noted above, J. H. Cutler supplies exclusive luxury that has a timeless and unique quality with clear connections to long standing craft skills. To aid understanding, Table 9.1 below offers a comparison of the key characteristics of the retail practices of Burberry and J. H. Cutler.

## 9.6 Conclusion

This chapter has revealed the complex relationship between luxury fashion retail management and creativity. Although luxury is often associated with highly creative products and services, from haute couture and luxury cars to exclusive experiences like space travel, some luxuries are less dependent than others are on high levels of creativity. Indeed, the very attraction of certain luxuries is that they remain a constant, offering continuity in an ever-changing world. However, even these luxuries are touched by the creativity that has facilitated recent technological changes. The Internet, email, and social media are today mainstream means of communicating with customers and clients. Nonetheless, a core component of certain luxury goods or services remains timeless. Moreover, some luxuries require

a combination of levels of creativity. For instance, luxury hotels may go to great lengths to preserve the traditional forms of customer-client service interaction (front stage), yet behind the scenes (backstage) they may employ highly sophisticated technology in the form of supply chain management and customer relationship management systems.

The investigation of the relationship between luxury fashion retail management and creativity detailed in this chapter suggests that managers of luxury businesses need to reflect on the place of creativity in the goods and services that their companies produce and deliver. It is vital that managers identify where preserving existing production and delivery techniques is central to the maintenance of the luxury status of their goods and services. There are occasions when managers need to avoid change and put resources into ensuring stability and continuity. In other instances, change through the introduction of incremental or radical creativity is crucial to ensure the survival of the luxury firm. Importantly, the changes necessary for the realization of creative ideas are not always conducive to the survival of luxury businesses. Knowing when creativity should be embraced and when it should be resisted is vital for the successful management of luxury companies.

The findings of this chapter are, of course, limited. This is because they are based on the comparison of only two cases drawn from publicly available information. Further research involving a larger number of luxury fashion companies and employing a wider range of primary and secondary sources would provide a basis from which the relationship between luxury and creativity identified here could be confirmed and elaborated.

Nevertheless, through an examination of luxury and creativity, including the contrasting cases of Burberry and J. H. Cutler, this chapter has illustrated the complex interactions between luxury fashion retail management and creativity in the contemporary business environment. There is great variability in the role of creativity in the production and delivery of luxury goods and services. This is evident in the way that knowledge is employed in the production of luxury. In some instances, where luxuries are dependent on technologically advanced inputs, the boundaries of knowledge are pushed back through exploration. In other situations, luxuries are produced through the exploitation of existing knowledge by its application in new contexts. Yet, as we have shown in this chapter, in some cases, the production of luxury depends on *preserving* knowledge and the manner of its application. Gaining a deeper appreciation of the nature of creativity of relevance to particular luxuries would be of benefit for those managers engaged in the development and production of luxuries. Where can creativity be introduced without diminishing the luxuriousness of a good or service? And, crucially, where must creativity be eschewed to preserve the core nature of a luxury? To address these questions managers and scholars must recognize the variety that exists among luxury goods and services and they must adopt a nuanced approach to explorations of luxury and its relationship with creativity.



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# Chapter 10

## Luxury Brands and Social Media in China: New Trends and Development

Mark Ng

**Abstract** This paper offers insights into the use of social network sites and e-commerce platforms to engage consumers against the background of increasing consumption of luxury brands by young consumers in China. The data were obtained from personal interviews with 20 respondents between 20 and 30 years of age who were recruited via a snowball method in Hong Kong. Young Chinese consumers have varied reasons and patterns for luxury consumption. The key motivations and behavior patterns toward the use of social media and e-commerce platform in their luxury purchase are also examined. Companies must consider the differences that exist within this generation to effectively approach this market. The findings show that young consumers in China tend to heavily rely on information from online social networks and e-commerce platform in the pre-purchase and purchase processes. Social networks and e-commerce platforms also facilitated the cross-border luxury buying behaviors of Chinese consumers. Luxury retailers are required to rethink the roles of physical shops and develop better integration of online and offline activities to meet the changes of Chinese consumers. The motivations of buying luxury brands as well as their use of social media in connection with luxury brands are investigated. This study thus contributes to the research of the marketing of the luxury goods market in China.

**Keywords** Social media · China · E-commerce · Young consumers · Luxury marketing

### 10.1 Introduction

In recent years the global sales of personal luxury goods have experienced significant growth, from being valued at about US\$90 billion in 1994, and then tripling to more than US\$280 billion in 2014 (D'Arpizio et al. 2014). The rapidly growing

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affluent Asian consumers have developed a strong appetite for Western-branded luxury goods and have the fastest global consumption growth (Li and Su 2007; Tay 2008). The strong growth of Chinese economy makes it the greatest contributor to the bright performance of luxury goods worldwide. Luxury consumption in China reached US\$37 billion in 2012, making it the world's second largest luxury goods market that year (Anonymous 2013). Western luxury brands, such as Hermes, Louis Vuitton, Gucci, Burberry, Prada and Giorgio Armani, have penetrated China's retail market (Unger 2006). Despite the slowdown of economic growth in 2014, the spending levels of luxury shoppers have increased significantly by 28 %. It is predicted that luxury consumption in China will climb to 44 % of global market share by 2020 (De Lange 2015).

Traditionally, research studies of luxury consumption have mainly been undertaken in Europe and North America. Although a growing number of scholars have been studying the subject in the context of Asian markets (Commuri 2009; Eng and Bogaert 2010; Phau and Prendergast 2000; Phau and Teah 2009), our understanding of luxury consumption in East Asian contexts remains rather limited. There are two key features identified in the luxury market of China: young ages of consumers and high penetration of digital marketing activities.

The first distinct feature of luxury consumers in China is their age. Sixty percent of luxury consumers in China are under 40, compared to 38 % in the Western market (Berger 2012). Chinese consumers between 20 and 30 are becoming a significant segment for luxury products (Atsmon et al. 2011). The Chinese government launched its one-child policy in 1979, which restricted the number of children couples could have to one (Fitzpatrick 2009). As the only-child grew up, they received undivided attention from family members. As a result, this generation of children is nicknamed as the "little emperors and empresses". Their values toward purchase of luxury goods were different from that of the older generations (Wassener 2009). They tended to be more self-indulgent and materialistic, and they put stronger emphasis on entertainment (Dou et al. 2006). Economic development became the major emphasis of China in these decades. With higher disposable income than the older generations, the one-child generation wants to have high-quality lifestyle and have better taste and knowledge of luxury goods. This generation was also trained to seek achievement and success (Yu and Suen 2005). Some studies suggested that they may make purchases to ease their stress and anxiety arising from these pressures (Scelzo and Lerman 2009) and to show their achievement, power and prestige (Li et al. 2009). This background makes conspicuous consumption a key feature of this generation (Podoshen et al. 2011). As such individuals have developed a unique set of attitudes and buying behaviors toward luxury products (So 2011), the present study examines the luxury buying behaviors of this segment in depth and makes significant contributions into the luxury marketing sector in China.

The second key feature is the use of online social networks (OSNs) and e-commerce platforms in luxury markets. McKinsey & Co. reported that luxury shoppers spent US\$15.5 billion worldwide online, which contributed to 6 % of global luxury spending (De Lange 2015). Many luxury brand companies try to

reach Chinese customers through the Internet. For example, both Hermes and Cartier are using their websites to connect with Chinese customers. Burberry launched its e-shop at Tmall.com in 2014, and Chanel started to sell its Coco Crush jewelry in Net-a-Porter (Jones 2015). Almost all major brands have specialized Web pages in different social media. These pages provide profiles of the company, its brands and its products, with advertisements and recent information, acting as platforms to interact with their current and potential customers.

Although many major brands use social media as a core component of their marketing strategy, the studies of how luxury buyers perceive and use social media are still very limited (Wu et al. 2015). This paper aims to explore young consumers' perception of luxury products and their digital media marketing activities in China and identify the roles of social media in their buying behaviors. Specifically, the study investigated the motivations and the factors influencing young consumers' purchase of luxury fashions. Many studies have examined users' motivation for using social network services (Krasnova et al. 2010; Stafford et al. 2004) and social media as marketing communication (De Bruyn and Lilien 2008; Godes and Mayzlin 2009), but only a few examine how luxury consumers respond to the brand's use of social media and e-commerce platforms. This paper aims to offer meaningful and practical insights on how to reach and communicate with this potentially lucrative market segment online.

The paper is structured as follows: After summarizing the key features of OSNs and digital market environment of China, the article reviews the literature of buying behaviors of young luxury consumers in China. Then the methodology is presented, and the results of the study are discussed. It closes with conclusions, including limitations of this study and suggestions of future research.

## **10.2 Luxury Market, Online Social Networks and Digital Marketing Platforms in China**

### ***10.2.1 Development of Luxury Market in China***

Luxury industry refers to an "exclusive group of brands across different product segments that are distinguished from the rest by their ability to convey certain elements of consumer-perceived characteristics of luxuriousness" (Seo and Buchanan-Oliver 2015, p. 83). Traditionally, luxury brand not only offers superior quality and design, but also conveys a particular symbolic and cultural meaning to customers (Tynan et al. 2010). Major luxury brands such as LVMH and Gucci historically are rooted in small artisan family-owned businesses that were valued for their high quality and craftsmanship (Jackson and Haid 2002), which were offered to the most affluent circles of consumers (Kapferer 2006).

Some researchers perceived that China was a newcomer to luxury products. China's use of luxury goods can be traced back to the Spring and Autumn periods

(around 770–221 B.C.). The luxury goods were collected and used by society's elite group (Lu 2008). A unique aspect of the elite group in China was its openness. Individuals can become a member of the elite group and earn a luxurious lifestyle by working their way up to the centralized examination system (Cressey 1929). As luxury goods were not reserved for royalty or nobles by birth, the concept of luxury goods and lifestyle were more widespread in imperial China.

However, from 1966 to 1976, China went through a period of Cultural Revolution, which overturned the traditional cultural value of imperial China. After the Cultural Revolution, Deng Xiaoping started economic reform and adopted the Open Door Policy. The introduction of economic reforms in 1979 created the average annual real GDP growth rate in China by 10 %. As a result, the purchasing power of Chinese customers has increased dramatically. In 2013, China had 2.3 million millionaire households (Beardsley et al. 2014).

### ***10.2.2 Online Social Networks in China***

In recent years, the growth of social media and e-commerce has changed the views of marketers. The luxury industry has gradually recognized the importance of using the Internet and social media. Social media can enhance a brand's reputation, increase interactions with customers and stimulate their desire for luxury (Kim and Ko 2012; Okonkwo 2010). To revitalize its brand, Burberry made use of Facebook, Twitter and YouTube to create a new and interesting experience for its customers. It repositions itself as a trendy brand with a youthful outlook (Phan et al. 2011). OSNs also play an important role in shaping luxury consumer behaviors in China.

On February 3, 2015, China Internet Network Information Center (CNNIC) released the 35th Statistical Report on Internet Development in China. According to this report, the total number of Internet users in China reached 649 million by December 2014, 47.9 % of the country's population, and at that time there were 557 million mobile users. The percentage of using mobile Internet increased from 81.0 % in 2013 to 85.8 %. Chinese Internet users also spend more time on social media sites than users in other countries. Internet users in China spend 46 min per day visiting social-media sites, compared with 7 min in Japan (Chiu et al. 2012). China social-media sites are important portals because they serve as entry points to brand sites. Currently, there are three leading social media platforms in China: Renren, Weibo, and WeChat.

Renren is considered "Chinese Facebook" and offers many Facebook-like functions, allowing users to interact, communicate, share information and content, and play online games. There are 223 million Renren users in 2014 (Renren 2014). Most of them are well-educated, consisting of some Chinese high school students, but more college students and young urban professionals. Although the number of users has continued to grow, the advertising revenue of Renren has decreased due to intensive competition from WeChat and Weibo. In March 2015, Renren's monthly log-in user base was seen at 46 million, which represented a 10 % annual decline.

**Table 10.1** Luxury brands with official Weibo page

	Coach	LVMH	Burberry	Chanel	Gucci
Start using Weibo	13 Apr 2011	15 Oct 2010	1 Feb 2011	21 Oct 2011	26 Jan 2011
Number of Fans <sup>a</sup>	2216630	1009926	1028137	1636116	633773
Number of posts <sup>a</sup>	5990	1346	4248	916	2664

<sup>a</sup>Figures on Jan 30, 2016

The advertising revenue of Renren dropped by 62.9 % annually in 2015 (Renren 2015). Thus, Renren has become less important in promoting luxury brands in recent years.

Sina's Weibo, launched in 2009, offers microblogging similar to Twitter. Weibo has adopted different features of Facebook and Twitter. Users can post personal updates with a 140-character limit, upload photos and videos, and send messages to other users. Weibo users are young (about 20–35 years old), and most of them shop online more than three times each month (Cecilia 2014). In September 2015, there are more than 222 million monthly active users of Weibo (Wang 2015). According to China Internet Watch, in 2014, more than 80 % of Sina Weibo users engaged in online purchases. With a high penetration rate among young user groups and wealthy, urban users, Weibo has become the major social media tool for luxury brands to connect with Chinese customers in the early 2010s (Table 10.1).

WeChat is a rapidly growing social media platform and instant messaging application in China. Its user base increased from 100 million in early 2012 to 650 million in 2015. WeChat is an important strategic tool as mobile plays an increasingly important role in luxury customers' purchasing process. Mobile online sales reached US\$79.6 billion in 2015, which surpassed personal computers as the major online shopping channel (Incitez 2016). The use of mobile instant message apps has grown steadily, attracting 91.2 % of the mobile Internet users. Such strong growth shows massive potential, and many major brands such as Adidas, Starbucks, and Coach have established themselves on WeChat since 2012.

Although the number of WeChat users increased rapidly, in 2015, Weibo is still the most influential OSNs in luxury purchase. About 70 % respondents reported that Weibo prompted their purchase of luxury goods while more than 40 % were prompted by WeChat (De Lange 2015). In 2015, luxury brands still maintain their Weibo site as their major marketing tool, but they have diversified to WeChat to establish a stronger presence in mobile marketing.

### 10.2.3 E-commerce Platforms in China

In addition to social media, Chinese luxury consumers are more digitally inclined than consumers in other countries. Many young consumers are active Internet and online social network users (Lau 2012). E-commerce spending in China grows

continuously. In 2013, the total e-commerce sales in China surpassed those of the US. It is predicted that the total sales of e-commerce would increase to US\$1 trillion by 2018 (De Lange 2015). According to this survey, 45 % of respondents said they purchased most of their luxury items through online options, with average amount about US\$360 per transaction.

Customers prefer using the Chinese e-commerce platform instead of brands' online stores as they offer more product choices, better product presentation and more information, different payment methods, more accurate peer ratings, and regular promotional activities. The market leaders of e-commerce platforms are Taobao, TMall and JD. Taobao was founded by the Alibaba group and has become the largest C2C-selling platform in China. Everyone with a valid Chinese ID can establish a Taobao shop; as a result, the quality of goods has varied and some shops are selling counterfeit or fake products. Both TMall and JD are major B2C platforms in China. To build consumers' trust, both platforms required shops to provide business licenses and related documents in the registration process. However, as both TMall and JD are associated with some popular brands and low price items, luxury brands seldom sell their products on these sites.

One major e-commerce platform of luxury brand is Mei.com. In 2015, there are 6 million registered members in Mei.com. It works with more than 2000 fashion brands including Armani, Fendi and Vivienne Westwood. In 2015, Alibaba also made a strategic investment in Mei.com. It is expected that Mei.com would be expanded to become the largest online platform for luxury and fashion products of China in future (Griffiths 2015).

In recent years, Chinese shoppers also have access to online stores in different countries to do their shopping. The Chinese Government estimates that the total value of cross-border e-commerce will be worth US\$1 trillion in 2016 (Goh 2015). Many Chinese shoppers buy products overseas which gives rise to a gray-market business, known as "daigou" in Chinese. Daigou refers to agents purchasing goods overseas on behalf of customers in mainland China who gain a profit from price differentials and transportation. The market value of this service reached US\$9 billion in 2014 (Solca et al. 2014).

The daigou services offer competitive pricing and convenience to Chinese customers as they could avoid the tariffs and other taxes by ordering directly from other countries. It allows the consumers to avoid the expensive import tariffs and luxury taxes in mainland China and buy brands not available in China online. Besides, facing the anti-graft campaign initiated by the Central Government, officials and their spouses may use daigou services to buy luxury goods in an understated manner. The major problem of daigou is the difficulty of ensuring the authenticity of product. To avoid the fake products affecting consumers' confidence, some major brands attempt to get Alibaba and other platforms to step up its efforts to remove all gray-market goods. The Chinese government may also incorporate further measures to restrict the use of daigou and other overseas purchases.



## 10.3 Literature Review

### 10.3.1 *Key Motivations of Chinese Young Luxury Consumers*

The motivations for purchasing luxury items are rooted within the cultural traditions of the countries (Chadha and Husband 2010). Different markets and segments may display varied motivations, attitudes and buying behaviors (Okonkwo 2007). Dubois et al. (2005) used three dimensions – elitist, democratic and distant – to examine differences between consumers’ attitudes towards luxury. Their study highlighted that countries may vary in terms of these attitudes in different ways. The historical context and cultural conventions were clearly linked with consumers’ attitudes and behaviors on the purchase and use of luxury brands.

The distinction between ordinary brands and luxury brands lies on its perceived value offered to customers. Luxury brands can offer four different kinds of value: financial, functional, individual, and social value (Hennigs et al. 2012). Financial value refers to monetary aspects like price, resale price and discount (Wiedmann et al. 2007). Functional value refers to core benefits like quality, uniqueness, reliability, and durability (Sheth et al. 1991). Individual value refers to the satisfactions of luxury consumption including materialistic value, pleasure and self-identity (Sheth et al. 1991). Social value refers to perceived rise in status through conspicuousness and prestige (O’Cass and Choy 2008).

Chinese consumers are more interested in the esteem and prestige value of luxury brands. Chinese society is collective, with strong emphasis on group values and social status (Hofstede 1991). Luxury brands can bring face to the consumer (Tse 1994), show their position and prestige (Phau and Prendergast 2000), and symbolize their wealth (So 2012). Tynan et al. (2010) applied this framework to luxury goods’ value creation and added more sources of value, such as craftsmanship and uniqueness (Kapferer 1997), status or esteem (O’Cass and McEwen 2004), prestige (Dubois and Czellar 2002), and authenticity (Beverland 2006). In addition to new sources of value, they also incorporate one new type of value: relational value comes from consumer-brand relationship (Fournier 1998) and brand community (Muniz and O’Guinn 2001). Table 10.2 summarizes the five major values offered by luxury products.

In general, Chinese consumers particularly emphasized the aesthetic values and achievement vanity in luxury goods, that is, functional, hedonic and symbolic values of the brand (Hung et al. 2011). Although “need for uniqueness” was emphasized less in Chinese culture, the prevalence of a particular brand would have negative impact on the perception of luxury brands (Zhan and He 2012). As Chinese consumers pay close attention to the social meanings of products, they are peculiarly subject to normative influence from opinion leaders and aspiration groups, which makes them prefer some well-known and recognizable brands (Hung et al. 2011; Wang and Lin 2009).

**Table 10.2** Major sources of values

Values	Common sources
Functional values	Excellence and craftsmanship (Kapferer 1997)
Hedonic values	Hedonic values (Vigneron and Johnson 1999), aesthetics (Holbrook and 1999), and brand experience (Schmitt 2010).
Financial values	Price, resale value (Wiedmann et al. 2007)
Symbolic values	Uniqueness (Kapferer 1997) Face (Tse 1994) Status and esteem (O’Cass and McEwen 2004)
Social values	Consumer-brand relationships (Fournier 1998) Brand community (Muniz and O’Guinn 2001)

Developed from Smith and Colgate (2007) and from Tynan et al. (2010)

### 10.3.2 *Online Social Networks and Luxury Buying Behaviors*

The OSNs prompted several key changes to the consumer decision making process. Court et al. (2009) proposed that consumers’ decision journey become more interactive and open. In their model, consumers first consider an initial set of brands based on their perceptions and recent exposure. When they are evaluating the brands, they may add or subtract brands during the process. After making the decision at the moment of purchase, consumers would enjoy and advocate for the products. OSNs have become one of the triggers for purchase, affect the evaluation process, and make “advocate” stages increasingly relevant (Van Bommel et al. 2014).

Before the consideration stage, luxury brands use OSNs to enrich consumer experiences and build up positive attitudes toward the brand. Social media activities such as entertainment, interaction, and word of mouth can enhance customers’ value equity, relationship equity, and brand equity (Kim and Ko 2012; Lemon et al. 2001). They can use the Internet to create a unique brand experience for customers with tools like video, music, space, and community (Angella Jiyoun Kim and Ko 2010). For example, Cartier exhibited its heritage collection at the Sichuan Museum, while launching the exhibition virtually on its WeChat and Weibo site. The digital show successfully attracted more than 700,000 online visitors (Liu 2015).

The OSNs allow brands to increase their exposure through various interactive activities. Luxury brands can enhance hedonic values and symbolic values by interacting with high-status individuals such as designers and models, participating in brand events, and offering access to privileged information (Tynan et al. 2010). To trigger their purchase, companies may use OSNs to spread promotional offers to consumers or spread a message to obtain referral from consumers (Ng 2014).

Customer-to-customer communication takes place indirectly on blogs or social network sites. These interactions between consumers and companies play an important role during the evaluation stage (Pan et al. 2007). Online brand

communities are also influential. Psychological attachment increases participants' commitment to an online community since it encourages members to engage in the community, which creates positive feelings toward the community (Jang et al. 2008). Consumers psychologically attached to a particular online community may seek information from that community and rely on the information to make their decisions (Park and Cho 2012). Luxury brands can also use social media to convey brand values and cultural heritage to consumers to establish a unique brand image. To strengthen relational value, a company may directly interact with users and allow users to interact with each other or participate in brand events (Ng 2014).

Traditionally, marketers avoid hard selling on social media platforms (Chan and Guillet 2011). The "buy" stage of luxury brands often takes place at the retail stores. However, in recent years, many luxury and premium brands have established their own stores or online stores on different platforms, which allows customers to order the products directly. Social media platforms also integrate with other platforms to offer new services to consumers such as daigou (Solca et al. 2014).

After purchase, consumers would continue to interact with the brand. Social media can enhance functional values by providing more useful information and responsive services. A company can also use social media as an opportunity to gather insights to drive continual incremental improvements (Barwise and Meehan 2010). OSNs may help brands engage with consumers in this stage by asking them to share their experience of using the products in exchange for discounts or coupons.

## 10.4 Methodology

Personal interviews are conducted in Hong Kong. A total of 20 individuals between 20 and 30 years of age were recruited via snowball sampling method in graduate networks of three universities in 2014. Among those interviewed, 7 were male and 13 were female. The average age was 24. All participants were either in university or university graduates in Hong Kong. The interviews were conducted in the informal environment of coffee shops by a researcher of a similar age, to reduce formality and thereby facilitate discussion. The choice of a sample aged from 20 to 30 for this study was based on the fact that about 60 % of luxury consumers in China are under 40 (Berger 2012) and Chinese consumers between 20 and 30 are becoming a significant segment for luxury products (Atsmon et al. 2011). This group of Chinese customers have developed a unique set of attitudes and buying behaviors toward luxury products (So 2011).

The average length of each interview was about 20 to 25 min. The interview was conducted in Chinese and structured to have three parts. The structured format aims to maximize the feasible level of validity across the data gathered (Wilson 2011). The first part consisted of basic demographic and lifestyle questions. The second part asked respondents about their values, motivations and buying behavior toward

luxury products. For example, respondents were asked what they considered to be a “luxury fashion” brand and why they categorized it as a “luxury”, their motivation and experiences of buying brands, and some factors affecting their purchase decisions. The last part asked respondents about their use of social media and online platform in buying luxury products.

The interviews were tape-recorded with the respondents’ permission and transcribed in Chinese. The transcriptions were then analyzed by a group of three researchers, who followed the procedures and principles of thematic analysis (Aronson 1995), focusing on themes and behavior of respondents.

## 10.5 Results and Discussion

All the vocabulary and the direct quotations reported in this section are idiomatic translations from the original language, Cantonese.

### 10.5.1 *Conception and Motivation of Buying Luxury Goods*

The accelerating globalization process expanded the market size and diversity of luxury goods (Okonkwo 2007). Consistent with Zhan and He (2012), uniqueness was not mentioned often by the respondents. The respondents did not distinguish between luxury goods and premium goods. They perceived some premium brands (such as I-phone and BMW) as luxury goods instead of some traditional luxury brands.

Most respondents identified three qualities of luxury brands: quality, expense and reputation. Consistent with previous studies, younger Chinese luxury buyers have more interest than Western buyers in luxury products’ functional benefits (Atsmon et al. 2011; Suessmuth-Dyckerhoff et al. 2008). Most respondents emphasized excellent quality and design of the product as the key dimensions of luxury goods. They perceived the good quality of luxury brands from their reputation as global brands. Some of them also referred to the material’s superiority, craftsmanship of the product, technical excellence and extensive service as the key features of these brands. These responses were consistent with the previous studies on quality of luxury brands (Atsmon and Dixit 2009) (Table 10.3).

The prominence of a luxury brand is a significant concern for consumers. They would not buy some brands not recognized in their social circle. Respondents want to buy some brands recognized by others: “It is important that many people know about the brands. I definitely do not want to spend a fortune on a branded item people have not heard of (Participant 18).” Research studies suggest that Chinese consumers buy luxury goods to define their social identity or show off wealth and power (Zhang and Kim 2013). Some responses referred specifically to the reputation and social values of the product: “successful,” “wealthy,” “superior,” “recognized,” and “face.” These descriptions implied that the high price of luxury goods

**Table 10.3** Key concepts and motivations of young luxury consumers

Key motivations	Number	Percentage (%)
Uniqueness and exclusiveness	7	35
Quality and design	15	75
Expensive	13	65
Good reputation	12	60
Social status	8	40
Self-reward	5	25
Value maintenance	4	20
Reflect personality	6	30

was justified by not only the quality and design but also the social status of the brands.

While it is important that others should recognize the purchased brand, “uniqueness” is less emphasized but still a key element of luxury goods. However, the concept of “uniqueness” is a bit different in the Chinese context. The product should be “unique” in individuals’ social circle. This uniqueness not only expresses their individuality but also enhances their social status in the group. Participant 5 explained that “I wish that no one is using the same luxury brand product as I am”.

### ***10.5.2 Use of Online Social Networks in Luxury Consumption***

According to Bain & Co., about 70 % of luxury goods bought by Chinese consumers are purchased abroad or through the Internet (D’Arpizio et al. 2014). This situation makes OSNs and e-commerce platforms particularly important in luxury marketing to Chinese consumers. Brands may use OSNs’ engagement to influence their fans’ shopping lists before their trips or directly sell the products online.

All of our interviewees are active users of both WeChat and Weibo. The use of these OSNs becomes part of their daily life. Prior to their purchase, Chinese consumers learn about the brands from both the Internet and traditional media such as fashion magazines. The online to offline experience may trigger the sales of luxury goods (De Lange 2015). The most persuasive triggers included seeing the product in a shop (24 %), reading about a product on a blog or social site (22 %), discussing with friends (19 %), and seeing the product in an online shop (19 %). Many respondents suggested that OSNs become one of the key triggers on their purchase of luxury goods.

Before I made the purchase of this handbag, I saw it in a Weibo advertisement. I chatted with my friends through WeChat before I went to the shop to make the purchase. (Participant 1)

I like to read some posts by celebrities. I pay attention to what products they use or recommend. Sometimes I search for more information if I find the products interesting. (Participant 4)

Although the number of active WeChat users overtakes that of Weibo users, the two platforms have different roles in consumer decision making (De Lange 2015). The luxury marketers should use different platforms together to strengthen their image. Weibo, like Twitter, involves public conversation. Luxury brand users may use it to increase brand awareness, establish brand image and launch promotion campaigns. In contrast, WeChat enabled brands to engage in one-to-one conversation with consumers.

Consumers are less interested to read the message from WeChat unless the message contained some discounts or attractive content. Respondents highlight how they use Weibo and WeChat:

I see the posts of different brands occasionally as I follow many people and brands online. However, before I make purchases, I usually go to the official Weibo page to see videos and photos. (Participant 3)

I like to watch the videos of some famous brands on Weibo such as their fashion shows and new advertisements. (Participant 5)

I like to make reference to some famous fashion and beauty bloggers before I make purchases, as they are innovative and willing to try the new products. (Participant 6)

I seldom make comments or share the posts of brands unless there are attractive discounts or gifts linked with the posts. (Participant 10)

Sometimes I just ignore the message from brands. I would only have a look if I think there are some interesting or attractive offers in the message. (Participant 12)

Reference groups have a strong influence on purchase decisions of Chinese consumers. Their buying decisions would be affected by both celebrities and their circle of family and friends (Wong and Ahuvia 1998). The use of social media increased this influence as they can access to their information and feedback more easily.

When I try on clothes, I like to take photos and share with some friends on WeChat before I make decisions. (Participant 2)

I see many celebrities use these brands in their Weibo. (Participant 4)

I love to follow fashion trends. I read magazines and search information on Weibo before I make up my mind. (Participant 12)

### ***10.5.3 Key Determinants of Buying Luxury Goods Online***

Chinese consumers display a benefits/price ratio in their consumption of luxury goods. The use of e-commerce to buy luxury brands allows them to maximize their values obtained from luxury consumption while minimizing their costs. The top

**Table 10.4** Benefits of buying luxury goods online

Major benefits	Number	Percentage (%)
Lower price, better offers	15	75
Exclusive product offers online	8	40
More product choice	11	55
Convenience	8	40
More information provided	12	60
No physical store nearby	8	40

drivers for purchasing online remain pricing and better deals. The exclusive offers available online created financial benefits for consumers. Some respondents are interested in finding good offers online and sharing them with their friends.

As shown in a survey, about one-third of Chinese luxury buyers would make purchases online at the full, non-discounted price. In other words, besides lower price, there are other drivers, including product origin, convenience, better information, and wide product assortment, behind the development of e-commerce in luxury sector (De Lange 2015). Some respondents perceived that the social networks allow them to obtain more accurate information about the brand, share brand experience, and interact directly with the brand. They could also obtain items not available in physical shops through e-commerce platforms. They can avoid buying some items commonly used and maintain rarity of luxury goods (Table 10.4).

Although Chinese luxury consumers frequently visited brand owned websites or some international e-commerce platform, many of them use local e-commerce platforms such as TMall and Mei for their purchases. Most respondents have experience purchasing goods from these platforms before. They use local platforms as they are more convenient for paying. Some respondents also explained that they have higher confidence as they can pay after receiving and checking the products (Table 10.5).

The TMall website was easy to use. I can place an order easily and follow up the order using my phone. (Participant 2)

I prefer using local websites as I can make the payment easily and they allow me to pay after receiving and approving the goods. (Participant 15)

**Table 10.5** Major channel of buying luxury goods

Channels	Number	Percentage (%)
Brand stores	14	70
Other local stores	10	50
Brand stores online	9	45
Other online platforms	7	35
Cross-border e-platforms	10	50
Overseas stores	9	45

### ***10.5.4 Cross-Border Purchase of Chinese Luxury Consumers***

The huge financial benefit is the major driver for the practice of cross-border purchasing. In some product categories, the price difference between the same products in China and other countries was nearly 40 % (Solca et al. 2014). The price discrepancy is mostly attributed to the appreciation of Renminbi and a high level of taxes imposed on luxury goods in China. Purchasing items overseas or from overseas websites created price arbitrage opportunities for Chinese consumers. The increase of personal wealth also allows Chinese residents to travel abroad, which indirectly increase their luxury consumption in other countries (D'Arpizio et al. 2014).

Besides the price gap, Chinese luxury shoppers buy abroad because they want to have more product choices and access to the newest collections of famous brands. China is notorious for its counterfeits of luxury products and wealthy Chinese consumers prefer to buy goods abroad to ensure that they are “genuine” (De Lange 2015). Also, as some consumers perceived that foreign-made goods are better than Chinese made ones, which reinforces the idea that buying a product abroad is better.

I like to buy luxury fashion goods in other countries since the overseas shops provide more product choices and better service. (Participant 4)

I seldom buy luxury brand products from local websites as some shops are selling counterfeit products online. (Participant 6)

I prefer to buy abroad as the shops are more trustworthy and the shopping experience makes me feel different (Participant 18).

Started in 2014, with the support from banks and credit card companies, Chinese consumers gain the ability to make payments to e-commerce platforms of foreign countries more easily. Some local e-commerce platforms called “haitao” were established which expanded the daigou services to a new stage. Haitao means to buy goods from overseas websites directly, which guarantee the authenticity of products. These haitao websites also establish a community to encourage the participants to share their experience and useful information about buying abroad. With the strong preference of buying abroad and development of faster logistics network and e-commerce services, new services such as haitao are expected to expand to new sectors, cities and regions, as well as offer more services in near future. This development may prompt new buying practices of Chinese consumers in the luxury and premium product markets.

## **10.6 Conclusion and Future Studies**

When pursuing opportunities in China’s market, luxury brands must understand the complexity of Chinese consumers. The Chinese market is complex and ever-evolving, requiring international luxury brands to adapt to consumer preferences and target-marketing strategies to appeal to the Chinese consumers.



This paper contributes to the limited literature on luxury purchasing in the Asian context with several contributions: first, it explores the motivations of buying luxury products by young Chinese consumers. Our findings suggest that the new generation of Chinese consumers puts strong emphasis on functional value and social value of luxury products. As young Chinese consumers constitute an important target market segment, the knowledge of their prime motivation in shopping for luxury goods will be an important contribution for developing sound marketing communication strategies.

Second, this paper examined the how online social networks and e-commerce platforms integrate with consumers' buying behaviors of luxury goods. The findings show that young consumers in China tend to heavily rely on information from social networks and e-commerce platform in the pre-purchase and purchase processes. Social networks have played an essential role to in generating consumer's interest, creating a positive brand image, and prompting their purchase. Marketers should utilize social networks to engage consumers with their brands.

Finally, the key drivers of e-commerce and cross-border luxury buying behaviors of Chinese consumers are reviewed. Brands should consider their e-commerce presence when entering the Chinese market, as it is a considerable element of the retail experience there. Brands must adopt local social platforms and target efforts to align with Chinese retail culture. The O2O development forces luxury retailers to rethink the roles of physical shops. The physical shops should integrate with the online activities to create better brand experience and more services to consumers. Traditional brands should adjust their strategy to adapt to this trend of consumers to meet the changes of Chinese consumers.

The current paper is an exploratory attempt to analyze the consumer behavior of young luxury buyers in China. Our findings, however, are based on a small sample size of interviews in a single geographic location, Hong Kong. Although the samples come from different cities of China, a future study is needed to validate our findings with a larger data set collected at different locations of the nation. Just like any youth cultures in the world, trends among Chinese youth are evolving and changing constantly. Further study on how the adoption of information technology and the emerging online trends may further differentiate the way Chinese youth behave toward luxury products is necessary. Finally, many questions about how young Chinese consumers behave in cultural settings, contexts, and purchase situations remain unknown. A proposed conceptual model should be developed, refined and tested quantitatively to understand both the antecedents and consequences of luxury consumption among such individuals.

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# Chapter 11

## Fashion Luxury Brands: Bridging the Gaps Between Cutting-Edge Fashion and Corporate Social Responsibility Concerns

Sandra Maria Correia Loureiro

**Abstract** Corporate Social Responsibility (CSR) in fashion luxury brands has been a topic of great interest for both practitioners and consumers. The current chapter aims at providing insights about how Generation Y (1978–2000) in Europe tend to view and perceive CSR practices in fashion luxury brands and the importance given to each dimension. In order to get data about these perceptions, in-depth interviews were conducted with a group of people from Generation Y. Our analysis revealed that Generation Y tends to be mostly concerned about transparent procedures and helping business and society to improve as a consequence of their sustainable and responsible attitudes. The environmental issues and labor practices are the most cited, commented and recommended factors of CSR proposed by participants. The chapter also provides a framework showing the core factors to incorporate CSR and suggestions for those who deal with the fashion luxury brands management.

**Keywords** Generation Y · Corporate social responsibility · Luxury fashion brands

### 11.1 Introduction

The luxury fashion market is growing mainly in the Asia-Pacific region (Deloitte 2014). For instance, China is the world's fifth largest luxury market, but Western Europe is still in the top ten largest luxury markets in the world: Italy (3rd), France (4th), United Kingdom (6th), Germany (7th), and Spain (9th) (Deloitte 2014).

Luxury brands have a wide product offer: fashion clothing and accessories, beauty luxury brands, automobiles, wines, jewellery, tourism, hotels, private banking, among others (Chevalier and Mazzalovo 2008). This research is specifically focused on fashion luxury brands. The fashion luxury industry and luxury

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brands can be perceived as a mix between the attributes of the product, as well as some extra psychological factors, which are perceived as benefits by the consumer (like added value, esteem and prestige). All these attributes allow a certain group of people to feel they belong to a selective or exclusive society group, who is able to buy these expensive goods (Mansharamani and Khanna 2013). When it comes to luxury brands or luxury products, the price will often be decided by aspects such as their uniqueness, time spent in their production, their exclusivity, among others (Kapferer and Bastien 2009a).

As McPherson (2014) noted in the Forbes' website, not all fashion brands are dealing well with stylish and sustainable issues. In the same website, Diana Verde Nieto, Founder of Positive Luxury, stressed that while a majority of consumers will pay more for "higher quality" clothes, only 26 % of shoppers would spend more on clothes labeled as "sustainable" or "environmentally friendly" and even Millennial consumers (another expression used to specify people born between 1978 and 2000) who favor purpose-driven organizations —"sustainability" can be a counterproductive term. Furthermore, Kapferer and Michaut-Denizeau (2014) found that luxury buyers have ambivalent attitudes towards the cause of sustainable development, such that they consider luxury and sustainability somewhat contradictory, especially with regard to the social and economic harmony facet of sustainable development. In this vein, more research is needed for going further in understanding consumer perceptions, particularly the Generation Y's, who is entering in the luxury fashion market.

Therefore, this chapter aims at providing insights about how Generation Y in Europe views and perceives CSR practices in fashion luxury brands and the importance given to each dimension. The remainder of this chapter is organized as follows: first, the theoretical aspects concerning fashion luxury brands, CSR dimensions and Generation Y overall profile; secondly, the description of the research method and the report of findings are presented; and finally, the conclusions and the implications are exposed.

## 11.2 Theoretical Background

### 11.2.1 *Luxury Fashion Brands*

Luxury is associated with "sumptuousness, ostentation, extravagance, superfluity, frivolity, appearance and material power, or then again with indulgence, easy living and opulence" (Loureiro and de Araújo 2014, p. 394). Luxury is "*a culture, which means you have to understand it to be able to practice it with flair and spontaneity*" (Kapferer and Bastien 2009b, p. 313).

According to Mansharamani and Khanna (2013), a luxury brand is a mix between the attributes of the product with some extra added psychological factors, which are perceived as benefits by the consumer as it happens with added value,

esteem and prestige. The sense of high status or the sense of belonging to a selective or exclusive society group, who is able to afford these expensive goods is another factor related to luxury brands. Jackson (2004, p. 158) summarizes the concept of luxury brands as “exclusivity, premium prices, image and status which combine to make them more desirable for reasons other than function”.

Economists usually make a distinction by comparing the product price with its functional benefits (Kapferer 2010a, b) under three categories. The first one is related to fashion brands that move masses (e.g., Zara or H&M-Hennes & Mauritz AB). The second category is related to premium brands. Although directed to the mass market, these brands aspire to be luxury or prestige brands (e.g., Polo, Ralph Lauren or Tommy Hilfiger). The last category is related with luxury brands (e.g., Cartier, Gucci or Chanel). They represent the highest levels of craftsmanship and the loyalty of unconditional customers which is not affected by seasonal trends (Kapferer and Bastien 2009a).

### ***11.2.2 Corporate Social Responsibility***

According to Kozlowski et al. (2012, p. 20), CSR can be defined as “*A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*”. This means that companies should try to implement a process that integrates social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders (European Commission 2011).

To the International Organization for Standardization (ISO 26000), founded in 1947, Social Responsibility should ensure that the products sold by a company are safe, reliable and are of good quality product (ISO 26000 2013a). In this process, people must be in the beginning, the core and in the end of Social Responsibility approaches, meaning that any organization must create better persons, superior companies and, therefore, a better world (ISO 26000 2011). These standardizations help companies to be more efficient and effective in their business.

The definition of ISO 26000 refers to environment, society and also the stakeholders such as the European Commission definition. But in this concept there are some other relevant ideas that should be added to clarify the meaning of Social Responsibility. Some of these topics include: transparency, international norms and behaviors, sustainable development, health and societies’ welfare (ISO 26000 2013b).

If companies decide to implement these practices, they may achieve several benefits: (i) more competitive advantages; (ii) better brand reputation in society; (iii) more ability to attract and retain stakeholders, customers, as well as investors, donors, sponsors and the financial community; (iv) keep the employees committed to their job; (v) keep good relationships with companies, governments, media, suppliers, peers, customers and the community in which they operate (ISO 26000 2010).

ISO 26000 has proposed seven core practices for the correct implementation of CSR which are: (i) organizational or corporate governance; (ii) consumer issues; (iii) fair operating practices; (iv) environment protection; (v) labor practices; (vi) human rights, and (vii) community involvement and development (Romero 2010).

Another important concern is the relationship between Social Responsibility and the financial performance of the organizations. In a previous research presented by Loureiro et al. (2012), they concluded that the positive impact is mainly demonstrated when the cost goes down and when the productivity increases in the organizations. However, customer satisfaction, at the moment of deciding between a product that is responsible for the society or one which is not, is another positive factor for the financial situation of the company (Loureiro et al. 2012). Finally, consumer satisfaction increases the perceived value, meaning the client's perception about quality, price and benefits of a product compared to competitors (Loureiro et al. 2012).

Recently, some important fashion brands felt the importance of performing some philanthropic activities in order to relieve the damages they may have caused to the environment or society. Unfortunately, in most cases this philanthropic situation does not last long and therefore does not generate a significant change (Knop 2013). Instead of philanthropic activities, Roberts (2011) considers CSR as a potential tool for fashion luxury brands to become more concerned with sustainability, society and environmental issues.

According to Bendell and Kleanthous (2013), as luxury fashion brands have become more accessible, the idea of exclusivity is harder to achieve. Thus, it is necessary to give consumers an added value in order to find this exclusivity feeling through the use of exceptional environmental and social performance which should be understood as part of the brand value. This will also offer the consumer the feeling that the brand is aware of some sustainable practices, giving back to all their stakeholders, especially their clients, a feeling of belonging and loyalty of the brand. Luxury brands may suffer from the gap between rich and poor countries (Waller and Hingorani 2013). Generating well-being is the goal that every luxury fashion brand should aspire for societies. Some of these companies see this approach as a way of retribution to them (Bendell and Kleanthous 2013).

Luxury fashion brands are high influencers about their consumers' behavior and needs, and in that way they have the flexibility to make clients change their choices about design, distribution and duration of the product. As this is an opportunity for brands, they also have the responsibility to balance this, and promote a sustainable consumption among their clients (Bendell and Kleanthous 2013).

Nevertheless, fashion luxury brands have been criticized because of being extravagant, overpriced, wasteful and also because they explore workers and suppliers, especially from third world countries (Waller and Hingorani 2013). Moore (2011) found that some luxury fashion brands use sweatshops or *maquila* to pay less for the labor, while producing and earning more. The ethical cost of doing this has been very high to developing countries which are the ones that are doing the hard work. Several luxury fashion companies have their production settled in low income or developing countries because labor is cheaper and they can pay



minimum salaries, while the CEO and managers are being paid big salaries. Besides, most of the times some of these workers deal with unsafe and unsanitary conditions and have to work long hours. Some of the previous luxury fashion brands often evade taxes, which is not ethically correct and affects the economic performance of these countries (Moore 2011).

### *11.2.3 Overall Profile of Generation Y*

Generation Y enjoys technology, entertainment and exciting things (Solomon 2014). These Generation Yers want experiential activities and they like to be challenged, to have fun and flexibility at the same time (Junginger 2008). Even so, they are able to sacrifice personal pleasure for the common good (Zemke et al. 2000), meaning that they are concerned about the world in which they live. According to McDermott (2013), this generation is prepared to fight against environmental problems and embrace social causes, since they grew up learning how to fight for a better world and being aware of some principles that are already being applied by them, like CSR.

Generation Y is brand conscious because it values consistent quality and not because they regard a particular brand as prestigious. Therefore, the Millennials enjoy going to favorite branded stores and using websites to search for information and sanctioned new products. They do not trust on the face of it, they are suspicious about unknown brands and are unlikely to experiment without being able to touch and examine new products (Lachman and Brett 2014). Solomon (2014) points out five generational characteristics: (i) they use digital devices that bundle communication, entertainment, shopping, mapping and education; (ii) they are a sociable generation and one who enjoys expressing such sociability online as well as offline, particularly in the many areas where online and offline activities and circles of friends overlap, but they also socialize with their parents; (iii) they are community-oriented and enjoy equal relationships and co-decision-making; (iv) they crave for the joy of adventures and discoveries and so, when shopping, they prefer an “experiential” retail environment, where shopping is more than a transaction and the pleasure of being in the store is not limited to the goods that customers take home; (v) they are also a high values-driven generation, particularly when it comes to civic values which lead them to feel accomplished, self-confident, group-oriented and optimistic.

As most of the Generation Yers is now becoming young adults or adults, some companies are being managed or influenced by them and consequently these companies are more interested in being socially responsible. These young dreamers are expected to create a new era of responsible growth that protects the planet and benefits everyone because they are non-conformists (McDermott 2013).

### 11.3 Methodology

An exploratory study (qualitative approach) was conducted to investigate the behavior and the motivations that moves that behavior (what, how and why) (Rafasampedro 2008) by individuals of the Generation Y towards CSR practices in fashion luxury brands and the importance given to each dimension. Thus, a direct technique was employed in order to provide the participants with enough spontaneity to ensure that they answer the questions without being influenced by the interviewer (Kvale 1996). The reason behind the use of qualitative approach lies in the intention to go deeper into the what, how and why Generation Y view CSR practices in fashion luxury brands and explore nuances related to this issue (Stebbins 2001).

Regarding the sample, some researchers suggest that sometimes one interview is enough, while others mention that a good option is to interview a population until saturation, which can be achieved when no new or relevant information emerges (Given and Saumure 2008; Baker and Edwards 2012). Following this last assumption, we conducted interviews (non-structured) using Skype for telephone contact and achieved saturation with 31 participants. With this kind of interview it is easier to find out about the main motivations, feelings, attitudes and beliefs of the respondents about all the analyzed topics (Quiroz 2011). All selected participants were from Europe. The first contact was made through a social network (this is appropriated since, as explained before, Generation Yers contact each other on a daily basis through online platforms). In order to guarantee that the interview was conducted to the proper segment, the first requested information was related to demographic data such as age, country, education, gender and occupation.

The average age of participants was 25 years (ranging from 20 to 31), which is aligned with the Generation Y (approximately between 13 and 33 years old; we did not approach people under 18). Thereby, 65 % of the interviewees were female and 68 % were college or graduate students, while 32 % were already working. Regarding education, 19 % had a Bachelor's degree, while the remainder 81 % had a Master's degree. Participants were from: United Kingdom (22 %), Spain (25 %), Italy (25 %), and France (28 %).

Each interview began by explaining the purpose of the research and the request to record, following planned questions, according to Gubrium and Holstein (2001) and Johnson (2001). The average time for each interview was 60 min. Specific questions asked were: Would you be more willing to buy a luxury fashion brand that is engaging in CSR practices or such would not be a critical aspect in your decision to buy a luxury brand? Why? Do you have some ideas of how a luxury fashion brand can be a better contributor to the environment, society (and even economically be more sustainable) and the world? Before asking these questions each participant was aware of the meaning of CSR.

Regarding data treatment, we started with an impressionistic reading of transcriptions and identification of recurrent main reasons to buy the brand that

incorporate CSR practices and suggestions to incorporate CSR practices. The second level of interpretation involved cross-person analysis in order to discover patterns across individuals that could help structure an understanding of the elements behind the core subjects of CSR.

## 11.4 Findings

### 11.4.1 *CSR as a Critical Factor*

The majority of participants (61 %) expressed that they would be more willing to buy products from luxury fashion brands concerned with CSR, 13 % did not know and 26 % said that CSR would be a critical factor when they have two brands with similar features. The three main reasons provided by participants for buying luxury fashion brands engaging in CSR, as well as some examples of claims made, are summarized in Table 11.1.

### 11.4.2 *Core Factors to Incorporate CSR Practices*

Table 11.2 shows the seven core factors according to the participants' suggestions about the importance given to incorporate CSR practices in luxury brands.

Nevertheless, the luxury fashion products and brands, independently of the CRS issues, have features that Generation Yers enjoys and they consider as a motivator for buying. Participants in interviews pointed out four as the core features: (i) high level of quality (quality of materials and finishes of clothing and accessories);

**Table 11.1** Reasons for buying luxury fashion brand that incorporate CSR practices

Reason	Example of claims
Luxury brands care about CSR	"Yes, because I feel like I am doing something good and the company too, for someone else." "I would support that because I care about CSR"
Similar products and quality	"Yes, if they are really similar, if they are related with the same lifestyle, if they have equal positioning and exactly the same reputation, I would choose the one that is doing CSR"—"...If the products are the same, price, etc. If everything is the same and I know one is doing CSR and one isn't, then sure I guess I would go for the CSR brand" and "More willing to buy the one using CSR tools since for the same price range it is more socially friendly" then, they will be more willing to choose the product from the brand engaging in CSR
CRS is a responsibility of all	"CSR is now a responsibility of every person and company in the world"

**Table 11.2** Core factors to incorporate CSR practices

Factor (percentage of participants citing each factor)	Examples of claims
1. Environmental practices (29.8 %)	<p>“Not using animal fur or skin, giving part of the profits back to the community, using the media attention to promote good causes”</p> <p>“... Don't let things go to waste, etc., using ‘environmentally friendly’ garments perhaps”</p> <p>“Engage in some environmental campaigns or pay more attention to the chemicals used that should follow the Social Responsibility approaches”</p> <p>“Using sustainable materials.” “Using recyclable materials”</p> <p>“...To the environment a good idea could be avoid using products involving the animal suffering like fur, or involving the destruction of trees and forests”</p> <p>“...They can emphasize on energy, water saving in production...”</p> <p>“Sustainable production, Environmentally friendly machine, product, packaging process...”</p>
2. Labor practices (23.4 %)	<p>“Pay fair salaries, Have good working conditions, Support financially important causes (consider using financial support for social causes)”</p> <p>“I think that compensating workers and producers in a fair way could be a good step for these companies to engage with Social Responsibility”</p> <p>“I think that fashion luxury brands can make a big difference when comes to the materials they use, as well as what kind of workforce they use. They can have their collections that would be produced by people in affected areas, they can direct the fashion trends...”</p> <p>“...Giving more job opportunities”</p> <p>“...A company that can prove not to be using cheap labor will always draw more attention to the public and so influence their buying criteria”</p> <p>“Not using 3rd world countries to produce their products”</p> <p>“...workers' rights fully respected, equity ... women and disadvantage people...”</p>
3. Patronage (19.1 %)	<p>“...donate some % of the product price to an NGO (non-profit organization)”</p> <p>“As they have more money they could invest more in charities, or for example sponsoring some humanitarian events, not only fancy ones like tennis tournaments, etc.”</p> <p>“I think that the idea of giving a small percentage of the sales profits to a charity institution would be important to contribute for the society...”</p>
4. Community involvement (12.8 %)	<p>“Brand should use their notoriety and money to improve society through true engagement. Be an ACTIVE partner of a special cause. They should essentially use their influence and their budget to make the difference especially regarding awareness (of what?)”</p>

(continued)

**Table 11.2** (continued)

Factor (percentage of participants citing each factor)	Examples of claims
	<p>“I think the best way these types of brands can help is by using national factories (instead of low cost labor in developing countries) and giving money to institutions”</p> <p>“Evolverment for people in trouble”</p> <p>“Involvement of local producers and creation of educational programs for those communities so that they know how to produce quality goods efficiently”</p> <p>“Luxury brands are generally opening more and more the borders...giving more job opportunities. Also there are different brands launching new young artists...”</p> <p>“...Instead of donating money or creating charity funds, I believe it is more important to get involved with the people needing the help by for instance looking in how you could get them employed and educated”</p>
<p>5. Consumer issues (6.4 %)</p>	<p>“The people that can afford this kind of products is a minority... if we compare it with the total population. It wouldn't have to matter if most of the population is not their customers but they should try to make a connection and build a relationship with people that can't afford them, CSR would be a very good tool to become closer...”</p> <p>“Especially brand from fashion products that are longer living (such as bags) could look in the production of the product for responsible production. They can emphasize on energy and water savings in production, good employee treatment, as well as social campaigns to make social issues popular in the world—e.g. a cool brand such as Louis Vuitton—promoting an important social issue—maybe that will inspire people start thinking about it and act responsible”</p> <p>“...Advertising that has a social role”</p>
<p>6. Fair operating practices (4.3 %)</p>	<p>“I believe that each company have to look into their core business and research for opportunities in the CSR field that are tightly related to their business i.e. fashion luxury brand that invests on fair trading of textiles, or in training programs for people to be reintegrated into the society through fashion”</p> <p>“Have a good production chain”</p>
<p>7. Organizational Governance (2.1 %)</p>	<p>“Sustainable production, Environmentally friendly machines and equipment, product, packaging process, workers' rights fully respected, equity women and disadvantage people, not corruption on the administration panel, transparency on the company finance, etc.”</p>

(ii) uniqueness (exclusivity and unique features); (iii) design signature (a specific style of each brand); and (iv) heritage (the history of the brand that adds to its authenticity). Thus, based on the CSR factors and the features of the fashion luxury products mentioned by participants, a framework is created and shown in Fig. 11.1.

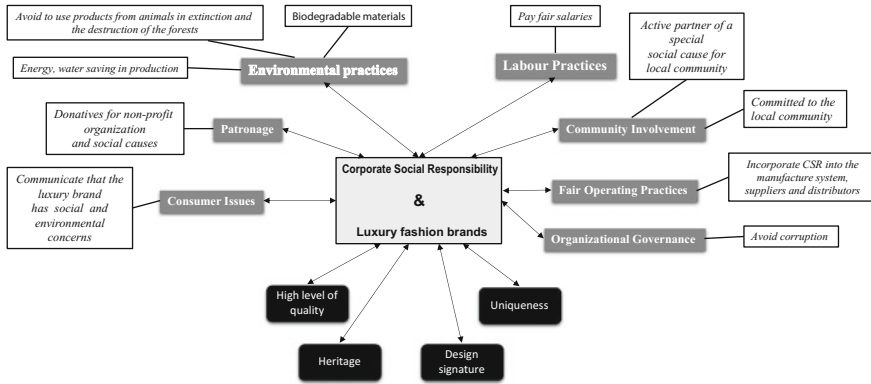


Fig. 11.1 Framework of the core CSR factors and brand features

### 11.5 Conclusions and Implications

Based on the findings, and having into consideration that we conducted an exploratory research, three main points emerge: first, the conceptualization of luxury fashion brands; second, the CSR is suggested to be a critical factor and even environmental issues and labor practices as the main suggestions for CSR implementation; and third, four main features of luxury fashion brands are highlighted by the participants.

Regarding the luxury fashion brands conceptualization, the definition about luxury brands claimed by Mansharamani and Khanna (2013) may be related to the motivations that were mentioned by the participants. Ranking from the most important to the least important one, the participants mentioned that a high level of quality, uniqueness, design signature and heritage are the four most important motivations for buying luxury fashion products.

Although the suggestions made by the participants were coincident to the core factors, the order of importance, comparing the one provided by ISO 26000 from the most relevant to the least relevant, was not the same collected from the results of the study. The environmental issues and labor practices are the most cited, commented and recommended by participants. Generation Y does not like to see barriers, the Millennials know how to use new technologies and how to be influencers, although they are also permeable to being influenced if the companies know how to use the right tools. They are commonly influenced by opinion leaders and by the word spread through online social media and diverse technological communicational tools. Generation Y is concerned about the world, they know what they want, they like to enjoy their time and use it as they want, with flexibility. They are adolescents or young adults and some of them are starting to have important positions in companies and are able to influence their companies with their new ideas.

The perceptions of Generation Yers about the influence of CSR in the luxury fashion brands is related to how the brands communicate their actions and although CSR is sometimes used as a marketing tool, luxury brands should not do it with the purpose of selling, because it is one of the anti-laws for luxury fashion brands, that is, “*The role of advertising is not to sell...it is just to make young people dream about them*” (Kapferer and Bastien 2009a). Therefore, according to our findings, the participants ask the brands to communicate their actions more intensively and explain real facts about what they are doing related to CSR practices. Generation Y wants to feel involved in social issues and causes. Luxury fashion brands should use different approaches to communicate with younger audiences in order to engage them, without the need to sell their products. However, the goal of the companies is always to boost their sales, so increasing revenues from CSR is not necessarily wrong.

### ***11.5.1 Theoretical Implications***

Luxury fashion brands in Europe are not performing in the same way as they were doing in the end of 20th century due to diverse factors. One of the most important aspects may be the economic crisis over the last few years. Although, the market for luxury fashion brands has grown since 2010, most of the growth is occurring in emerging countries and because Asian consumers have turned into important consumers to the European market (Roberts 2011).

According to the research findings, 55 % of the sample respondents say that CSR, in fact, is a good motivator at the moment of deciding to purchase a specific product from a luxury fashion brand, because they enjoy supporting social issues and causes and the main reason to do that is to foster a sustainable development. Although some of them consider that they will not change their minds and that it will not affect their shopping behavior, others say that they do not care about corporate practices and that the price is a disincentive for them. Furthermore, 61 % of the participants also mentioned that if they have to choose between two brands they will be more willing to buy the one engaged in CSR because they will feel good about helping someone else and also because they think that CSR is a responsibility of each person in the planet. This generation is well informed about CSR practices and is very open to giving some ideas of how luxury fashion brands can help to improve the world.

### ***11.5.2 Managerial Implications***

There are some luxury fashion brands that are performing better than others concerning CSR practices. Being such an important issue for the consumers and potential consumers nowadays, these practices may be included as an important part

of their business. Actually, CSR is a very important issue for these young consumers, since 61 % of them mentioned that *they will be more willing to buy fashion luxury brands which use CSR tools* to help improving the companies and at the same time improving society and the world.

Communication is one of the most important tools that luxury brands should use to be close to the Millennials and to let them know which are their actions concerning these practices. There are many ways to communicate, but the Generation Y is very focused on technological media, especially social networks, but also word-of-mouth and opinion leaders are very important for them. They are used to interacting with the companies and with other consumers or potential consumers before deciding to buy a product, and even after the purchase has been made. For this, they are using different channels and media. This is a generation which is accustomed to fast changes; it is really demanding and well informed.

Based on the participants in the study, it is possible to see that there is a good level of knowledge about the general ideas of these practices, but it is necessary to prioritize which should be first and which is the least relevant subject among all of them. This should be acknowledged not only by consumers or employees, but may also be conveyed to every stakeholder in the company, including all the people in society involved with the company's practices.

Fashion luxury brands which are open to these practices have the option to publish an environmental report. As these practices are not mandatory, this report is also not, but if they want to convey their actions about CSR in a proper way, this could be a good starting point in order to let people know and have the certainty about what luxury fashion brands are doing to improve the world and society.

### ***11.5.3 Limitations and Further Research***

Although the current research has been developed with caution and rigor, the results should be interpreted with caution. First, the study employed an exploratory method by interviews and not a confirmatory analysis.

Even though participants represent the common Generation Yers in Europe and the saturation had been achieved, they may not have represented all the individuals of such generation. Future studies should use more diverse populations in different cultural contexts; for instance, people from Brazil, United States, China, India, or S. Korea.

Second, as this study was based on the fashion luxury industry, it would also be interesting to explore the perception of the Generation Yers about some other luxury sectors such as beauty, beverages, and watches, among others.

Third, future studies are welcomed which analyze how CSR practices may change corporate reputation (in the favorable sense, i.e., improving the reputation of the company or in an unfavorable sense, i.e., lowering the company's reputation) of fashion luxury brands. The way companies convey such practices can also be a moderator between CSR and Corporate Reputation.



Finally, future research should analyze and compare the perceptions of luxury fashion consumers segmented by personality traits and other socio-demographic variables, extending the research to a quantitative approach.

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