

The Concept of Luxury Brands

Klaus Heine

- **The Taxonomy of Luxury:**
Definition and Categorization of Luxury Products and Brands
- **Handbook for the Creation of Luxury Products and Brands:**
The Code of Luxury and the Luxury Marketing-Mix

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EMLYON Business School, Markets & Innovation department, 23 Avenue Guy de Collongue, 69134 Écully cedex, France, Tel: +33.4.78.33-70.20, Fax: +33.4.78.33-79.26

Technische Universität Berlin, Marketing department, Steinplatz 2, 10623 Berlin, Germany, Tel: +49.30.314-222.66, Fax: +49.30.314-22.664

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List of Abbreviations

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PR: Public Relations	88
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A. The Taxonomy of Luxury

A.I. Introduction: Luxury is Anything and Nothing

While a Volkswagen Polo could be seen as a luxury car to a student, a Mercedes S-Class might be just an ordinary car to a wealthy heir. This demonstrates that luxury is a relative term that could refer to **almost anything or nothing** depending on whom you ask. In addition, luxury has today become an inflationary used and worn out label for almost anything (Berry, 1994, p. 3; Vickers & Renand, 2003, p. 460). For instance, some discount supermarkets and beer brands claim to sell “luxury for everyone”. On the contrary, most luxury brands refrain from explicitly declaring their products as luxury, while at the same time actually selling more and more non-luxury products. In addition, there are an increasing number of non-luxury brands selling luxury products or “masstige” (mass prestige) products with (at least) some feeling of luxury (Silverstein & Fiske, 2003, p. 50; Truong, McColl, & Kitchen, 2009, p. 376).

These confusions are also reflected in the management literature. Although a variety of definitions already exist for luxury products and brands, including the most popular concepts by Dubois et al. (2001) and Vickers & Renand (2003), the discussion about the definition of luxury is still going on. From about 20 years ago until today, there is above all a consensus in business literature that there is actually **no consensus about the definition of luxury products and brands** and that the existing concepts remain a little bit “blurry” (Kapferer 2001, p. 319; see also Büttner et al. 2006, p. 10; Christodoulides et al. 2009, p. 397; De Barnier et al. 2006, p. 5; Kapferer 1996, p. 76; Kapferer 1998, p. 44; Reich 2005, p. 33; Valtin 2004, p. 15; Vigneron & Johnson 2004, p. 485; Yeoman & McMahon-Beattie 2006, p. 321)

The ongoing discussion, together with the inconsistencies and impracticability of the existing definitions, is rooted in some **major misunderstandings** due to a missing conceptual base. Although it is impossible to develop a specific definition of luxury products, such as Louis Vuitton bags, that also covers intangible luxuries such as time and space, many authors do not distinguish between different understandings of luxury (De Barnier et al. 2006, p. 6 et seqq.; Schiereck & Königs 2006, p. 2; Vickers & Renand 2003, p. 469). Consequently, since

different authors refer to different objects of investigation, it is impossible to achieve a consensus.

An **adequate definition of luxury is long overdue** for researchers and marketers. Since the 1980s, the luxury market has grown at about ten percent per year, a much higher rate than the world economy, making the luxury industry a relevant economic factor (McKinsey 2011). Estimates of the size of the market for traditional luxury categories including fashion, jewelry and tableware range from about 150 billion € to 200 billion € in 2010 (Bain & Company 2011, p. 2; BCG 2010, p. 2; KPMG 2010, p. 15). Considering not only traditional luxury categories, but also cars and services such as hotels and travel, the global luxury market is estimated to approach 1 trillion € (BCG 2010, p. 1). Despite the current economic uncertainties, Bain & Company (2011, p. 15) forecast the luxury market to grow in the next few years by about five to six percent p.a. worldwide and by even more than ten percent p.a. in Asia. High growth rates and the prospect of high margins attract numerous new players into the luxury market (Meffert & Lasslop 2003, p. 2). This includes mass-market manufactures aiming to upgrade their products and brands into the luxury segment, as well as a wave of new luxury ventures (Heine 2011a). Before they can enter the luxury market, however, these companies need to know what actually constitutes a luxury product or brand.

The growth of the luxury industry is reflected in a growing body of scientific literature about this segment. However, a clear definition of the objects of investigation is necessary in order for the research results to be clear and comparable (Friedrichs 1973, p. 73), and therefore would provide a **basis for further research** in luxury brand management and consumer behavior. For instance, without a clear definition of luxury products and brands, there can be no recognized definition as to what constitutes luxury consumers and how they can be distinguished from non-luxury consumers (Heine 2010, p. 132). For instance, Dubois et al. (2001, p. 7) selected luxury consumers as respondents for their study based on the following criterion: “all respondents had acquired [...] at least one product they considered luxurious.” However, this means that they targeted virtually everybody to speak about virtually anything that could be a luxury.

Therefore, the **objective of this paper is to develop a comprehensive concept of luxury brands** based on a solid conceptual framework. As luxury brands are obviously characterized by selling luxury products, they are usually defined by product-related characteristics (Meffert & Lasslop 2003, p. 6; Büttner et al. 2006, p. 12; Valtin 2004, p. 30). Therefore, the concept requires not only defining both luxury products and brands, but also distinguishing similar concepts and differentiating between major types of luxury products and brands. In that way, it should create a better understanding of what actually constitutes luxury products and brands, and thus should be useful for both researchers and managers within the field of luxury brand management.

According to its objectives, the paper is split into the following two major components:

- **Taxonomy of luxury:** The tasks of distinguishing between luxury and non-luxury and of categorizing luxury into different types reminds one of the work of taxonomists, who try to order organisms into groups based on their similarities and differences (Stace 1991, p. 5 et seqq.). The classification of organisms is not that simple, not only because of their vast variety, but also because boundaries between species are diffuse (MacKenzie et al. 2005, p. 120). However, similarly to the taxonomy of organisms, the taxonomy of luxury should provide a definition of “luxury products” and “luxury brands” that, for any products and brands, allows one to decide as best as possible if they are part of what is meant by these terms. In addition, the taxonomy should give an overview of the major types of luxury products and brands, as well as of similar concepts.
- **Handbook for the creation of luxury products and brands:** For mankind, classification had to be carried out from the very beginning, because the accurate identification of food, predators, mates, fuel, building materials etc. was crucial to survival (Stace 1991, p. 6). This demonstrates that classification also leads to a better understanding about the objects of investigation. Besides their value in the classification of luxury, the characteristics of luxury products and brands thus also help to develop an understanding about how they are actually created. As this is a distinctive area of application, the explanations about their characteristics are consolidated in a separate part of the paper, which should serve as a handbook for the creation of luxury products and brands.

According to its objectives, this paper does not focus on analyzing all the different preferences and understandings of luxury for different consumer segments, which could include almost anything from a warm meal to musical talent, self-fulfillment to Louis Vuitton bags; instead, it **concentrates on the narrow segment of luxury products and brands** as defined from the perspective of luxury brand managers and their target groups.

Another reason for the ongoing debate lies in the nature of the subject: **Luxury is “constantly on the move”** (Kapferer 2008, p. 96) and is always changing its appearance (Jäckel & Kochhan 2000, p.89; Mortelmans 2005, p. 504), which prevents any concept of luxury from remaining valid for an extended period of time. Consequently, this concept should not be seen as the final answer to the luxury debate, but will be constantly up-dated.

Therefore, please feel free to send me your **feedback and ideas**. Your comments are highly appreciated and will be considered for the further development of this concept.

Outline of Chapters

The subsequent part describes the conceptual foundations:

- **Chapter A.II.1** outlines the general approaches to definition, which includes discussing the benefits and limitations of definitions (section A.II.1.1), the relevant types of definitions (section A.II.1.2), and theories for the categorization of objects (section A.II.1.3).
- **Chapter A.II.2** outlines the five-step approach to conceptualization including semantic analysis (section A.II.2.1), dimensional analysis (section A.II.2.2), operationalization (section A.II.2.3), the explication of luxury terms (section A.II.2.4), and a review phase (section A.II.2.5). As part of the dimensional analysis, the common approaches to definition are differentiated by their level of abstraction into a characteristics-based and a consequences-based approach and by their source of information into a consumer-oriented and an expert-based approach. Based on that, the paper explains the advantage of a characteristics-based and consumer-oriented approach that is constrained by a conceptual framework (section A.II.2.2.2) and outlines a set of requirements for luxury product characteristics (section A.II.2.2.3).

Part B.I outlines the taxonomy of luxury – the definitions and categorization of luxury products and brands:

- **Chapter B.I.1** reveals a basic definition of luxury that is generally accepted across all research disciplines (section B.I.1.1) and suggests a categorization of the types of luxury relativity (section B.I.1.2), which is used to constrain the scope of luxury with regard to the requirements within the field of luxury brand management from almost anything to a more reasonable level of specificity (section B.I.1.3).
- **Chapter B.I.2** describes the three major understandings of luxury by area of research, including the philosophical-sociological (section B.I.2.1), the micro-economical (section B.I.2.2), and the managerial understandings (section B.I.2.3). The managerial understanding of luxury is characterized by its major research objectives (section B.I.2.3.1), its corresponding scope of luxury (section B.I.2.3.2) and is further constrained by differentiating major luxury market segments such as private vs. public and b2b vs. b2c luxury products (section B.I.2.3.3).

- **Chapter B.I.3** outlines a definition of luxury products (section B.I.3.1), a categorization of luxury product industries (section B.I.3.2) and distinguishes between the major types of luxury products (section B.I.3.3).
- **Chapter B.I.4** derives the definition of luxury brands from the definition of luxury products (section B.I.4.1) and differentiates between the major types of luxury brands (section B.I.4.3).
- **Chapter B.I.4.4** distinguishes luxury products and brands from similar concepts including premium (section B.I.4.4.1), masstige (section B.I.4.4.2) and prestige products and brands (section B.I.4.4.3).

Part B outlines a handbook for the creation of luxury products and brands:

- **Chapter B.II** explains the characteristics of luxury products in detail based on an empirical study and relevant literature.
- **Chapter B.III** gives an overview about luxury marketing-mix strategies that allow luxury brands to influence consumer perceptions about major luxury characteristics.

A.II. Conceptual Foundations

This part of the paper outlines the conceptual foundations, which includes specifying the relevant types of definition and theories of categorization (subsequent section) and on that basis explaining the five-step approach to conceptualization (section A.II.2, p. 24). You may like to skip this chapter if you are interested above all in the results: the taxonomy of luxury (see chapter B.I, p. 40).

A.II.1. Types of Definitions and Theories of Categorization

A.II.1.1. Benefits and Limitations of Definitions

According to (Odgen & Richards 1923, p. 246), “the reply to the question what any word or symbol refers to consists in the substitution of a symbol or symbols which can be better understood. Such substitution is definition.” The **objective of a definition** is to specify the meaning and usage of a linguistic sign (a term). The process of definition includes combining a term with a phenomenon of reality (designatum) by specific semantic rules (Kromrey 2009, p. 143). A definition consists of two components: the definiens, the term to be defined and the definiendum, an expression that defines that term (Opp 2005, p. 105).

The **major benefit** of definitions is that introducing terms allows assigning observations or objects (e.g. specific brands) to categories (=classes) of objects that are similar to each other (e.g. luxury brands). This process is also named categorization (=classification). For any new object, this makes it decidable if or to what degree it belongs to a category. If people perceived any object as unique and belonging to no category, they would be overwhelmed by the great diversity of objects around them and become incapable of acting. This means that the categorization of objects is used to reduce complexity (Eckes 1991, p. 4; Hoffmann 1986, p. 11). A clear definition of the object of investigation (luxury brands) is a prerequisite for the results (of luxury brand management research) to also be clear and intersubjectively comprehensible and replicable (Friedrichs 1973, p. 73).

However, a definition does not link a term directly to a phenomenon of reality, but to a mental idea about a phenomenon of reality (Rosch & Mervis 1981, p. 90). This triad relationship between a term, mental idea and designata (symbol-referent-reference) is

referred to as a semiotic triangle (Odgen & Richards 1923, p. 10 et seq.). For instance, the term “table” does not stand in the first instance for an actually existing table, but for the mental idea of a table (Trabant 1989, p. 27 et seq.). The same is true for the term “luxury brand” – it evokes a mental image in peoples’ minds about what the corresponding set of real phenomena (designata) they have observed (including brands such as Louis Vuitton and Rolls-Royce) represents in general and what these phenomena have in common. A person’s mental image is referred to as a **conception** and comprises everything he or she has observed or was told about the designata. People differ in their conceptions and cannot communicate them directly, but they can use a term to communicate about them. However, this requires achieving an agreement about what is specifically meant by a term. The process of determining the meaning of a term is called conceptualization and its result is a concept (Babbie 2010, p. 126 et seq.; Medin & Smith 1984, p. 114).

The major challenge for the definition of luxury brands is that “luxury” and the related terms are especially **vague** and their meaning depends very much on the user’s perspective (Kapferer 2008, p. 96; Kisabaka 2001, p. 77; see also section B.I.1.2, p. 43). A term is generally vague if its major characteristics are continuous. Categorical (or discreet) characteristics such as “he drives a Porsche” can either be assigned to an object or not and continuous (or dimensional) characteristics such as “product quality” can be assigned to an object to a certain degree (Atteslander 2010, p. 48). Hempel (1952, p. 54) refers to terms that rely on continuous characteristics as comparative terms. The assignment of any object to a term of this type is not as clear and definite, but there is rather a continuum of class affiliation. This means that there is no clear boundary between objects that belong to a vague term and objects that do not. Between the extremes of full class affiliation and full non-affiliation, there are numerous exemplars, about whose affiliation to a term a clear decision cannot be made (Eckes 1991, p. 37; Hoffmann 1986, p. 31). This corresponds to the concept of “fuzzy sets” defined by Zadeh (1965, p. 339) as a “class of objects with a continuum of grades of membership,” which is characterized by a function that assigns a grade of membership to each object ranging from zero to one (see also Viswanathan & Childers 1999).

These basic characteristics of the term “luxury” induce **limitations** for the definition of luxury products and brands. It seems unrealistic to totally dissolve the ambiguous gray area of products and brands about whose affiliation to the luxury category a clear decision cannot be made. However, for practicability in luxury brand management, the paper does not focus on developing a measurement for the degree of class affiliation, but focuses first of all on developing definitions that at least allow for the differentiation of as many products and brands either into the luxury or non-luxury category as best as possible. The continuous character of class affiliation is taken into account by further distinguishing luxury categories by luxury level (see section B.I.4.3.1, p. 64). Moreover, definitions are generally limited by the fact that not every term included in the definiendum can also be defined without creating a definitional circle. Therefore, the meaning of at least some terms is expected to be known by the target groups of the definition, which prevents definitions from dissolving any ambiguities completely (MacKenzie et al. 2005, p. 315; Opp 2005, p. 111).

A.II.1.2. Types of Definitions

A.II.1.2.1. Intensional vs. Extensional Definitions

The distinction between **intensional and extensional definitions** refers to the major difference in the approach to definition and the nature of the definiendum. The ideas that people have about a category (a concept) consist of an intension (the meaning) and an extension (the objects of this category; (Rosch & Mervis 1981, p. 90). Accordingly, an extensional definition is a list that names all objects that should be covered by a term. For instance, “Scandinavian countries” could be defined extensionally by “Denmark, Norway, and Sweden.” In accordance with the basic idea of an extensional definition, the “World Luxury Brand Directory” (WLBD) aims at identifying all luxury brands worldwide. On the other hand, an intensional definition covers all characteristics involved in deciding about the affiliation of an object to a term (Eckes 1991, p. 21; Kromrey 2009, p. 143). The primary objective of this paper is to develop an intensional definition of luxury brands.

A.II.1.2.2. Real vs. Nominal Definitions

The distinction between real definitions and nominal definitions refers to the basic idea of the purpose of definitions. The objective of a **real definition** is not to determine the meaning of a term, but to describe the essence or nature of the corresponding phenomenon of reality (Opp 2005, p. 113). Accordingly, representatives of this approach believe that there is for each term a single true or “real” definition. As real definitions are statements about reality, they are either right or wrong (Babbie 2010, p. 134; Hempel 1952, p. 14).

In contrast to that, a **nominal definition** does not represent a phenomenon of reality, but refers to the conception about a phenomenon of reality and determines the meaning and usage of a term for a specific purpose (Babbie 2010, p. 134; Hempel 1952, p. 14). According to Opp (2005, p. 108 ets eqq.), a nominal definition introduces a convention about the usage of a term by determining that a specific term A^1 (the definiens) should be synonymous with another term A^2 (the definiendum), whereby the meaning of the other term A^2 is presumed to be known and term A^1 should attain the meaning of A^2 . As the definiendum determines the meaning of the definiens completely (therefore also called explicit definition), both terms A^1 and A^2 can be used interchangeably. The major advantage of nominal definitions is that this replacement of a relatively long definiendum (A^2) with a shorter definiens (A^1) helps to save space in scientific publications and facilitates communication between researchers. Therefore, nominal definitions are widespread in the scientific literature. They are also used in this paper and complemented with definitions by reduction sentences and operational definitions, which will be discussed subsequently.

A.II.1.2.3. Definition by Reduction Sentences

A definition by reduction sentences can be considered as a special type of a nominal definition. Both types do not make any assertion about reality, but determine how a term should be used. The major difference between the two is that a standard nominal definition is explicit and a definition by reduction sentences is not, i.e. they determine the meaning of a term only partly and therefore, the definiens and definiendum cannot be used interchangeably (Opp 2005, p. 118). This type of definition sets out some conditions that need to be consistent and that have to be fulfilled in order to categorize an object (to a certain degree) into a specific category (Carnap 1936, p. 441). In contrast to standard

nominal definitions that “fix the meaning of the new term once for all” (Carnap 1936, p. 449), these conditions can also be extended at a later stage. For the definition of luxury consumers, for instance, a person could be asked: “Have you bought a watch of a luxury brand worth more than 5,000 € within the last three years?” By answering with “yes,” the respondent could be categorized as a luxury consumer. As this might not be enough to differentiate adequately between the two segments, more conditions could be added, which constitute a luxury consumption scale (Heine 2010, p. 187). A respondent obtains one point for each question that he or she can agree to and qualifies as a luxury consumer by exceeding a certain number of points. Reduction sentences generally refer to characteristics that are not directly observable, but can be ascribed to an object only after specific operations are conducted. This means that these characteristics are hidden and the objects only have a disposition to react to specific stimuli in a specific way (Hempel 1952, p. 31). Terms defined by reduction sentences are therefore referred to as disposition terms. According to the definition of luxury consumers by the consumption scale, a person can only be categorized after answering the questionnaire. However, this definition could be changed to conditions that are directly observable requiring consumers, for instance, to wear a luxury watch. This approach leads also to an operational definition, which will be explained below (Opp 2005, p. 114 et seqq.).

A.II.1.2.4. Operational Definitions

An operational definition can be considered as a complement of a nominal definition (Bortz & Döring 2006, p. 63) and aims at linking a term with empirical objects and specifying how a concept should be measured (Babbie 2010, p. 134; Hempel 1952, p. 43). Similar to a definition by reduction sentences, the definiens and definiendum cannot be used interchangeably. If the number of Rolls-Royce drivers in a city are to be counted, the term “Rolls-Royce” seems to be clear enough so that it does not need to be operationalized. However, although the term “driver” is basically comprehensible, it still needs to be operationalized because it is not clear if the term should cover only the owners of a Rolls-Royce, all drivers of the owners or even people who drive a friend’s Royce once in a while. This example demonstrates that a broad definition (of “driver”) can be modified by an operational definition, which helps to reduce ambiguities about a term and to define it more precisely. For this purpose, adequate indicators for a term need to be determined. There is a

variety of different types of indicators ranging from simple observations (“a person driving a Rolls-Royce”) to individual questions (“Do you own a Rolls-Royce?”) to statistical measures (“number of registered Rolls-Royce automobiles”; Opp 2005, p. 123). Accordingly, operationalization means specifying adequate indicators for a term, i.e. translating a term in observable events and determining the designata of a term by research operations such as observations, surveys, content analyses, etc. (Carnap 1936, p. 431). The indicators have to be stated clearly so that it is possible for any person to identify the designata without any problems. In that way, an operational definition helps to decide if any actually existing (empirical) object is part of what is meant by the term (Kromrey 2009, p. 110).

A.II.1.2.5. Evaluation of Nominal Definitions

First of all, a definition needs to be **precise**, which requires that the meaning of a term is intersubjectively comprehensible and replicable (Kromrey 2009, p. 144). This means that all people, who know the meaning of a term, can decide for any object if it is part of the designata of a term or not and that all people decide in the same way (Hempel 1952, p. 45). For the purpose of this paper, it should be possible to decide for any object if it is part of the designata of luxury products and brands or not. In addition, as nominal definitions are not assertions about reality, but just determine how specific terms should be used, they can neither be right nor wrong, but rather more or less **appropriate** (Opp 2005, p. 108), which depends on their purpose. For this paper, the definitions should be adequate and useful for researchers in luxury brand management and because research should also have practical relevance for luxury brand managers. The definitions of luxury products and brands should cover sets of comparable objects, which also demand similar marketing strategies (Opp 2005, p. 131 et seqq.).

Products and brands can be categorized as luxury or non-luxury according to the similarity of their attributes (Waldmann 2002, p. 3b-9 et seqq.). There are three major theories for the categorization of objects by similarity. For the purpose of this paper, they are used for the selection of categories (see dimensional analysis in section A.II.2.2, p. 26) and for the interpretation of the resulting definition of luxury products (see section B.I.3.1, p. 55). These theories of categorization are explained below.

A.II.1.3. Theories of Categorization

A.II.1.3.1. Classical Theory

The major assumptions of the classical theory include the following:

- **Critical attributes:** According to the classical theory, a clear decision about the affiliation of an object to a category can be made based on the critical attributes of this category (Waldmann 2002, p. 3b-9 et seqq.). For the category of chairs, for instance, a rather horizontal seating surface might be critical for the categorization of objects, but not attributes such as a backrest, a bolstering or the existence of four legs (Eckes 1991). The critical attributes are individually necessary and all together sufficient for the categorization of an object to a specific category (Medin & Smith 1984).
- **Any object features all critical attributes:** Each object of a specific category features the complete set of critical attributes.
- **Stable and equal level of class affiliation:** Any object either belongs to a specific category or not and any object of a specific category qualifies as an affiliate of this category to the same degree as any other object of that category (Eckes 1991, p. 20; Waldmann 2002, p. 3b-10).

The classical theory may be suitable for easily definable and unambiguous concepts (Cohen & Basu 1987, p. 458). However, its assumptions are rather unrealistic and **inadequate in social science** because “ill-defined categories are the rule, not the exception, in daily life” (Neisser 1967, p. 58). As the boundaries between different categories in everyday language are not clear-cut (Hempel 1952, p. 54), people are often not sure about category membership and these terms can hardly be defined by a list of critical attributes (Medin & Smith 1984, p. 115). For instance, because of some rare exceptions, the “ability to fly” would be disqualified as a critical attribute for the definition of birds according to the classical theory. If a concept is limited to critical attributes, it is **not possible to make use of all the other relevant information** about the designata. For instance, it would be quite useful to predict that it is highly probable that a bird can fly (Eckes 1991, p. 29 et seqq.). In practice, categorizations are usually **not stable**, but vary greatly inter- and intra-individually and also change over time (Hempel 1952, p. 20; Barsalou 1985, p. 643 et seqq.).

Because of these general problems, there is a tendency to switch from the classical theory to the prototype theory, which is explained below.

A.II.1.3.2. Prototype Theory

The major assumptions of the prototype theory include the following:

- **Typical attributes:** The prototype theory suggests that the knowledge about a category is represented by an abstract prototype in form of a list of typical attributes, which relies on experience with concrete representatives of a category (Hoffmann 1986, p. 25). The prototype features all typical attributes of a category and embodies its ideal representative. However, it is possible that there is no single object that corresponds completely with the prototype. Typical attributes have a high probability of occurrence within a specific class of objects, but are not necessarily present at all objects of a category (Waldmann 2002, p. 3b-14; Wittgenstein 1953, p. 31 et seq.). For instance, there exist some exceptional birds which cannot fly. However, it is still possible that there exist attributes that all objects of a specific category have in common (Eckes 1991, p. 58 et seqq.). Accordingly, Medin & Smith (1984, p. 117) concludes that “an object will be categorized as an instance of some concept A if, for example, it possesses some critical number of properties, or sum of weighted properties, included in the summary representation of A.”
- **Definition is not stable:** The prototype theory also assumes that the prototype has to be updated regularly in an infinite learning process (Eckes 1991, p. 60).
- **Attributes can differ in their importance:** In contrast to the classical theory, it also assumes that the typical attributes differ in their relevance for the categorization of objects and that their weight varies depending on, for instance, contextual influences and the activation of content-specific background information and prior knowledge (Chaigneau et al. 2008, p. 85 et seqq.). There is no strict distinction between relevant and irrelevant characteristics (Hoffmann 1986, p. 31).
- **Objects can differ in their degree of class affiliation:** The prototype theory also suggests that the objects of a specific category differ in the degree that qualifies them as representatives of that category (Cohen & Basu 1987, p. 458; Eckes 1991, p. 32; Rosch & Mervis 1981, p. 90 et seqq.), which is also referred to as typicality (Loken & Ward 1990, p. 111).

Notwithstanding the general trend of switching to prototype theory, the latter is also **more suitable in particular for the definition of luxury products and brands**. As is the case for all vague terms, luxuries are not equally luxurious and there are various levels of luxury (Kisabaka 2001, p. 120 et seq.; see also section B.I.4.3.1, p. 64) and thus luxury products and brands also must differ in their degree of class affiliation. The classical theory's assumption of an equal level of class affiliation alone makes it unusable for a definition of luxury products and brands. While the classical theory postulates that categorizations remain stable, the concept of luxury brands is constantly changing over time and therefore needs to be updated regularly (Kapferer 2008, p. 96; Jäckel & Kochhan 2000, p. 89; Mortelmans 2005, p. 504). As explained above, adequate definitions may still not totally resolve the gray area of ambiguous products and brands, but in accordance with the prototype theory they should at least allow for the differentiation of as many products and brands either into the luxury or non-luxury category as best as possible.

A.II.1.3.3. Exemplar Theory

The **exemplar theory** is another approach to concept formation, which shares the more realistic assumptions of prototype theory. However, in contrast to prototype theory, it does not assume that knowledge about a category is represented by an abstract prototype, but by specific exemplars (Medin & Smith 1984, p. 118). Luxury cars may be represented, for instance, by Maybach and Rolls-Royce automobiles. A new object is categorized not by comparison to the prototype, but by comparison to already known exemplars. The new object is assigned then to the category to whose exemplars it shows the highest similarity (Cohen & Basu 1987, p. 460). While the prototype theory assumes that all objects of a category share at least one attribute with the prototype, the exemplar theory only assumes that an object shares at least one attribute with another object, which means that there are also objects that do not even share a single attribute. This shows the major advantage of the exemplar theory: it is much more flexible and preserves much more information than is contained in only an abstract prototype (Waldmann 2002, p. 3b-18). However, for the purpose of this paper, the exemplar theory should not be substituted for the prototype theory because a list and a description of exemplars is very complex and lacks clarity regarding the characteristic attributes of a category. Therefore, the prototype theory is widespread, especially for the categorization of products, and that approach will be taken in

this paper (Cohen & Basu 1987, p. 455; Sujana 1985, p. 32). On the other hand, it can be complemented with the exemplar theory, because the characterization of an object class may become even clearer by describing both the prototype and relevant exemplars.

This chapter gave an overview about the relevant types of definition and theories of categorization, which will be employed for the development of the concept of luxury brands. The next chapter outlines the actual approach to conceptualization, which starts with a semantic and a dimensional analysis.

A.II.2. Approach to Conceptualization

A.II.2.1. Semantic Analysis

The initial point of a semantic analysis is an already given semantic sign (a term). In this paper's case, this includes above all "luxury brands," but also related terms such as luxuries, luxury goods and luxury products. The objective of a semantic analysis is not to specify a convention, but to explore the spectrum of meaning and usage of a term (Hempel 1952, p. 14). The semantic analysis is especially useful for vague terms such as luxury because they have a relatively broad spectrum of meaning and therefore also a great potential for misunderstanding (Opp 2005, p. 122). The analysis includes uncovering and comparing the different usages of luxury terms between different groups of researchers and distinguishing these terms from similar terms (Kromrey 2009, p. 128).

With reference to Kromrey (2009, p. 128 et seqq.), the semantic analysis is conducted in the following steps:

1. **Collection of Material:** This step includes searching through any international literature about luxury in a variety of research domains. Following an iterative process, additional new literature is continuously collected and integrated into this analysis.
2. **Systematization**
 - 2.1. **Identification of a Basic Definition:** The comparison of definitions in lexica and different definitions in a variety of research fields allows for the identification of a basic definition of luxury, which is shared by the vast majority of researchers (see section B.I.1, p. 41).

2.2. Differentiation between the Major Understandings of Luxury: Apart from this basic definition, the idea of luxury differs highly within the scientific community. The analysis demonstrated that these differences are mainly rooted in the varying research objectives. Consequently, it is impossible to develop an overall luxury definition. It is even obvious that there cannot be an adequate definition for very different objects ranging from intangible luxuries such as time and space to luxury products such as Louis Vuitton bags and Rolls-Royce automobiles. Therefore, the understandings of luxury in the literature were analyzed and differentiated by area of research into three major categories including the philosophic-sociological, the micro-economic and the managerial understanding of luxury (see section B.I.2, p. 48). Each of them is explained by their major representatives, research objectives and the corresponding scope of luxury. According to the differentiation between the understandings of luxury, it is also distinguished between the terms luxuries, luxury goods and luxury products and brands.

2.3. Limiting the Scope of Luxury Products: Another component of the semantic analysis is to use the approach to definition of reduction sentences to distinguish luxury products and brands from distinct market segments such as luxury services, real estate and arts (see section B.I.2.3.3, p. 52) and also from similar concepts such as premium, masstige and prestige products and brands (see section B.I.4.4, p. 68).

The semantic analysis explores the usage of the luxury terms within the scientific community (Opp 2005, p. 112). However, Hempel (1952, p. 21) suggests that the **explication** of a term goes beyond the description of its common usage and meaning within the scientific community by reinterpreting the term, which means that the researcher partly disengages from the common meaning of a term in order to reduce misunderstandings and inconsistencies and to increase the clarity and precision of its meaning (Bortz & Döring 2006, p. 61).

Accordingly, the semantic analysis created a basis for the definition of relevant terms such as “luxury goods” and for the development of a broad definition of luxury products (see section B.I.3.1, p. 55) that will be limited further by a dimensional analysis, which will be explained below.

A.II.2.2. Dimensional Analysis

A.II.2.2.1. Overview about the Procedure

The dimensional analysis allows for a further exposition of the concept of luxury brands. While the semantic analysis focuses on terms as linguistic signs and their meaning and usage across different groups of researchers, the initial point of the dimensional analysis is actually existing objects and their characteristics on specific attribute dimensions. For instance, a car may be described as red on the color dimension and with 250 km/h on the speed dimension. The dimensional analysis is especially suitable for practical terms such as luxury products and brands. The objectives of this analysis include at first uncovering and structuring the dimensions of luxury products and brands and then selecting and terming the relevant dimensions adequately (Kromrey 2009, p. 138 et seq.).

With reference to (Kromrey 2009, p. 114 et seqq.), the dimensional analysis is conducted in the following steps:

1. **Collection of Material:** The literature search for the dimensional analysis concentrates specifically on definitions and characterizations of luxury products and brands. Any papers that could be found in the international business and luxury brand management literature were collected in a database. As with the semantic analysis, additional new literature is continuously collected and integrated into this analysis.
2. **Selecting an Adequate Approach to Definition:** A comparison of existing definitions in the luxury marketing literature helped in identifying the major approaches used to distinguish necessary and ordinary products from luxury products. These approaches differ by the type of dimensions they use as criteria for differentiating between luxury and non-luxury products. The approaches were distinguished by the level of abstraction into the characteristics-based and the consequences-based approach. In addition, they were also differentiated by the source of information into the consumer-oriented and expert-based approach. Subsequently, the paper explains the advantages of a characteristics-based and consumer-oriented approach that is constrained by a conceptual framework. The selection of an adequate approach to definition is explained in detail in the subsequent section.
3. **Requirements for the Identification of Luxury Product Characteristics:** The objective of this step is to specify the selection criteria that allowed for the identification of relevant

characteristics (dimensions) and the disregarding of other aspects (Kromrey 2009, p. 138 et seq.). The analysis of the existing definitions and other related luxury marketing literature helped in uncovering the major inconsistencies and problems of the existing definitions, which allowed for a compilation of a set of requirements and selection criteria for the identification of luxury product characteristics. These requirements are outlined after the next section concerning approaches to definition.

A.II.2.2.2. Selecting an Adequate Approach to Definition

A.II.2.2.2.1 Characteristics- vs. Consequences-based Approach

Luxury products can be identified by their characteristics (as means to an end) or by their consequences (ends) such as purchasing motives and consumer values. This categorization corresponds to the means-end theory, which suggests that consumers select a certain product or product characteristic as a mean to achieve a certain end goal (Reynolds & Gutman 1988, p. 60; Herrmann & Huber 2000; see also Heine & Trommsdorff 2010, p. 4). Representatives of the consequences-based approach include Berthon et al. (2009), Vickers & Renand (2003) and Wiedmann et al. (2007). In contrast to the similarity-based theories of categorization (see section A.II.1.3, p. 21), this type of definition is knowledge-based and relies on a goal-derived categorization (Barsalou 1985, p. 630; Felcher et al. 2001, p. 867; Medin & Smith 1984, p. 130; Waldschmidt 2011, p. 47 et seqq.). A typical example of a goal-derived category is “things to take on a camping trip,” which includes items such as a tent, a bedroll, a flashlight, etc. (Barsalou 1983, p. 211). Accordingly, luxury products may be defined as “things that increase people’s prestige.” Even though this approach corresponds to the modern understanding of products as a bundle of benefits (Kotler et al. 2007, p. 625), the consequences do not apply exclusively to luxury products. For instance, there are also non-luxury products that allow consumers to increase their prestige, including luxury goods such as golf-equipment or self-created clothing and luxuries such as time or musical talent. Since the description of their consequences is not enough to distinguish luxury from non-luxury products (see also Vickers & Renand 2003, p. 465), the characteristics-based approach has become widely accepted in the literature (Kisabaka 2001, p. 66).

A.II.2.2.2 Consumer-oriented vs. Expert-based Research Approach

The **expert-based approach** aims to identify the constitutive characteristics of luxury products based on expert opinion or literature analyses. Representatives of this approach include Allérès (2006, p. 48), Fionda & Moore (2009, p. 351 et seq.), Kapferer (1997, p. 77 et seq.), Kotler et al. (2009), Kisabaka (2001, p. 71 et seq.) and Nueono & Quelch (1998, p. 62 et seq.).¹

There are also many authors who do not provide a comprehensive concept, but just state some particular characteristics of luxury products, for instance Beverland (2005, p. 1006 et seq.), Lipovetsky & Roux (2003, p. 22 et seq.) and Nia & Zaichkowsky (2000, p. 486).²

The **consumer-oriented approach** aims to identify the characteristics of luxury products with an empirical study of luxury consumers. The most recognized study originates from Dubois et al. (2001, p. 8 et seq.).³ Their definition of luxury products is presented in section B.I.3.1, p. 55. De Barnier et al. (2006, p. 6 et seq.) provide another consumer-based concept, which is differentiated by region.

The consumer-oriented approach matches with the growing consumer-orientation in marketing (Meffert et al. 2008, p. 16). Its **benefits** can be demonstrated by the definition of quality: Trommsdorff (2009, p. 166) uses the example of dishwashers to illustrate that different types of consumers expect different attributes, consider them varyingly important, evaluate the quality of these appliances by different criteria and therefore end up with different quality judgments. Consumers could find an objectively existing attribute irrelevant or useless and at the same time they could miss another attribute that is subjectively important to them. Similarly to quality, luxury is a complex and subjective term (Kisabaka 2001, p. 77), which is hardly ascertainable with objective measures, but rather through a

¹ See also Belz (1994, p. 646 et seq.), Castarede (2003, p. 3), Giraud et al. (1995, p. 1 et seq.), Kapferer (1996, p. 251 et seq.; 1998, p. 251 et seq.; 2001, p. 320 et seq.), Kapferer & Bastien (2009), Lasslop (2002, p. 331), Lombard (1989, p. 12), McKinsey (1990, p. 13), Meffert & Lasslop (2003, p. 5 et seq.), Mutscheller (1992, p. 64), Nueono & Quelch (1998, p. 62 et seq.), Sihler (2002, p. 177), Valtin (2004, p. 186), Vernier & Ghewy (2006, p. 4) and Vukelic (2000, p. 38 et seq.).

² See also Catry (2003, p. 10 et seq.), Dohrn-van Rossum (2002, p. 100), Gurvierz & Besson (2000, p. 2), Kotler et al. (2007, p. 634 et seq.), O’Cass & Frost (2002, p. 72 et seq.) and Prendergast et al. (2000, p. 123).

³ It is “most recognized” by number of citations within the area of luxury marketing research, e.g. by Büttner et al. (2006, p. 12), Führer (2008, p.213), Meffert & Lasslop (2003, p. 932) and Valtin (2004, p. 29).

consumer-oriented approach by investigating the relevant characteristics of the target group of luxury consumers (see also Kotler et al. 2007, p. 633).

Figure A-1: The Definition of Luxury Products by Dubois, Laurent, and Czellar (2001)

Excellent quality	The first notion is that of perceived excellent quality. The mental association between luxury and quality is so strong that for some respondents, the two words are almost synonymous.
Very high price	The second notion spontaneously associated with luxury, and almost as salient as the previous one, is that of a very high price. Such a perception is established either on the basis of the absolute value of the price or, more frequently, by comparison with non-luxury alternatives.
Scarcity and uniqueness	The third concept associated with luxury is that of scarcity. Scarcity is closely associated with the perceived excellent quality and high prices associated with luxury goods.
Aesthetics and polysensuality	The fourth aspect of luxury involves a strong aesthetic appeal. And, according to many consumers, it should always be the case. At the extreme, luxury products become pieces of art which have to be recognized as such.
Ancestral heritage and personal history	The fifth notion associated with luxury is its anchoring in the past. In consumers' mind, to be luxurious, products and services must have a long history and their elaboration processes as well as consumption should respect tradition.
Superfluosness	Finally, the concept of luxury implies some perceived superfluosness or uselessness. Luxury products are not felt to be necessary for survival. It is in this sense that consumers as well as researchers oppose luxuries and necessities.

Source: Dubois et al. (2001, p. 8 et seqq.).

However, a **mere consumer-oriented approach is also inadequate** for various reasons. First of all, respondents might lack purchase experience and sufficient knowledge about the objects of investigation. This is a widespread problem, as a big part of the existing studies rely on students or other easy-to-reach segments (Heine 2010, p. 186). In addition, there might be misunderstandings about the object of investigation, which is not clearly specified by many researchers. For instance, Dubois et al. (2001, p. 7) used the following selection criteria: “all respondents had acquired [...] at least one product they considered luxurious.” This means that they targeted virtually everybody to speak about virtually anything that could be a luxury. The biggest problem of the consumer-oriented approach is that, as luxury products are used for social communication (Belk 1988, p. 139), the empirical data may be subject to social bias (Lageat et al. 2003, p. 5).

For instance, there is some reason to doubt that luxury products require an “ancestral heritage” as suggested in the study done by Dubois et al. (2001, p. 7). This could be just a

typical characteristic of a special type of luxury brands (this will be discussed in section A.II.2.2, p. 26). In addition, the characterization of luxury products with superfluosity might be misleading (see also section B.I.1.1, p. 41). De Barnier et al. (2006, p. 8) rely on a mere consumer-oriented approach and even conclude from their study that rarity is not a relevant characteristic of luxury products anymore. This demonstrates that it is inappropriate to identify the characteristics of luxury products merely based on the respondent's statements, which could be biased by their lacking knowledge, confusions about the object of investigation and social desirability.

*Therefore, the **consumer-oriented approach needs to be restrained by a conceptual framework**. This framework consists of a set of requirements for luxury product characteristics, which will be outlined in the subsequent section.*

A.II.2.2.3. Requirements of Luxury Product Characteristics

For the purpose of this paper, the following requirements for luxury product characteristics were identified based on literature analysis:

- **Characteristics should apply specifically to the managerial understanding of luxury:** Many authors do not distinguish between different understandings of luxury (De Barnier et al. 2006, p. 6 et seqq.; Schiereck & Königs 2006, p. 2; Vickers & Renand 2003, p. 469). However, without a clarification of the understandings of luxury, the discussion about luxury refers to different objects of investigation, which makes it impossible to achieve a consensus about their characteristics. Therefore, this paper concentrates on the managerial understanding of luxury as outlined in section B.I.2.3, p. 49; see also Van Maele 2006, p. 20). Misunderstandings about the objects of investigation almost certainly lead to characterizations with inappropriate or missing attributes. This problem is addressed by the following two points.
- **The set of characteristics should contain all relevant characteristics:** For the greater part, concepts tend to not be fully developed (Kisabaka 2001, p. 61). In many cases, authors only refer to a selection of some typical characteristics of luxury products (e.g. Hsu & Tang 2006, p. 749; Schiereck & Königs 2006, p. 2; Nia & Zaichkowsky 2000, p. 486) and often they do not state the characteristics explicitly, but just mention them incidentally in the text (e.g. Belz 1994, p. 646 et seqq.; Castarede 2003, p. 3). According

to the prototype theory, Hoffmann (1986, p. 31) suggests that there is no dichotomy between relevant and irrelevant attributes, but rather a continuum from dominant and typical attributes to insignificant and atypical characteristics. So there are also typical characteristics that are relevant, but only for very few luxury products or to such a minor degree that they do not contribute much to a better understanding and definition of luxury products. Consequently, the set of characteristics should be differentiated from characteristics of minor relevance, but should still contain all (rather) relevant characteristics. There is a large variety of typical and often very specific characteristics of luxury products. This includes, for instance, the characterization of luxury watches with materials such as gold or platinum (Kisabaka 2001, p. 85 et seq.). These specific characteristics can be categorized into some major characteristics. Since comparative terms such as luxury rely on dimensional characteristics (Hempel 1952, p. 54), these major characteristics must apply to virtually all luxury products to at least some degree. Therefore, they are referred to as constitutive characteristics. These characteristics vary on a continuum from one pole that is very typical for luxury products (such as a high price) to the anti-pole that is generally very atypical for luxury products (such as a low price).

- **Constitutive characteristics should be differentiated from accessory characteristics:** In contrast to constitutive characteristics, accessory characteristics only apply to some luxury products (such as traditional design), while their opposite applies to some other luxury products (such as modern design). Accessory characteristics often cover the symbolic attributes and the style of luxury products (Kisabaka 2001, p. 66 et seq.). In the literature, constitutive and accessory characteristics are often confused. For instance, traditional manufacturing and symbolism is often regarded as a constitutive characteristic (Vernier & Ghewy 2006, p. 4; Vigneron & Johnson 2004, p. 494), although there are many modern luxury products that contradict traditional symbolism (Lipovetsky & Roux 2003, p. 51 et seq.). In addition, luxury products are often characterized by belonging to a well-known luxury brand (e.g. by Lombard 1989, p. 28; Mutscheller 1992, p. 65; Phau & Prendergast 2000, p. 124), although there also exist a large variety of little-known connoisseur brands (see also Belz (1994, p. 649) and section B.I.4.3, p. 64). The confusion of accessory with constitutive characteristics leads to an over-restriction of the objects of investigation. For instance, the characterization of

products with high brand awareness and tradition applies only to a subset of luxury products and actually leads to a definition of **typical luxury products** (e.g. Nueono & Quelch 1998, p. 62), which highly corresponds with the classic French idea of luxury.

- **Characteristics should be differentiated from consequences:** Mainly because of an undifferentiated understanding of luxury, many concepts contain both consequences such as “prestige” and characteristics such as “rarity” (e.g. Nia & Zaichkowsky 2000, p. 486; De Barnier et al. 2006, p. 8; Kapferer 2001, p. 322; Schiereck & Königs 2006, p. 2; Lipovetsky & Roux 2003, p. 159 et seqq.; Lombard 1989, p. 13 and McKinsey 1990, p. 14).
- **Characteristics should be differentiated from preferences and attitudes:** Some authors such as Castarede (2003, p. 5) proposes that luxury is ever more associated with increasingly scarce resources such as self-determination, silence, and time. Kisabaka (2001, p. 63 et seqq.) concludes that there must be a postmodern definition of luxury, although these authors represent the philosophical-sociological understanding of luxury (see section B.I.2.1, p. 48) and simply describe the current appearance of luxury and preferences towards it. In addition, “luxury” is emotionally charged and evokes heated discussions. However, the selection of characteristics may not include attitudes and value judgments or even aim at changing peoples’ attitudes or behavior towards luxury. This would be the case for so called persuasive definitions of luxury such as “things that are bought to make others jealous” (Stevenson 1938, p. 331 et seqq.).
- **Characteristics should be differentiated from marketing measures:** Some authors even try to differentiate luxury from non-luxury products by marketing measures, which includes selective distribution (e.g. Lombard 1989, p. 15 and Valtin 2004, p. 186) and specific communication (e.g. Allérès 2003, p. 84 and Mutscheller 1992, p. 65 et seqq.). However, it complicates the analyses of marketing strategies for luxury products, consumer attitudes or purchasing motives if they are already part of the definition.
- **Characteristics should be clearly specified:** The characteristics are often not clearly explained, for instance, what is meant by “high product quality” (e.g. Allérès 2006, p. 48; Lombard 1989, p. 5; Nueono & Quelch 1998, p. 62).
- **Characteristics should be distinguished by their level of abstraction into concrete and abstract characteristics:** In many cases, characteristics are not differentiated by their level of abstraction. For instance, Lasslop (2002, p. 331) describes “less automated manufacturing” and “higher product quality” as equally important characteristics.

However, characteristics can be differentiated by their level of abstraction into concrete and abstract attributes (Olson & Reynolds 1983, p. 80; see section B.II, p. 72 for further explanations).

The dimensional analysis helps in specifying the type of dimensions (characteristics instead of consequences) which should be used for the definition of luxury products and brands. The operationalization complements the dimensional analysis by identifying the luxury product characteristics and will be described below.

A.II.2.3. Operationalization: Identification of Luxury Product

Characteristics

The objective of this step is to identify the major characteristics (dimensions) of luxury products and brands. Based on the conceptual framework outlined above, this operationalization aims at linking luxury terms with empirical objects. As a result, the broad definition of luxury products and brands becomes more clear and should allow one to decide whether a majority of products and brands are part of what is meant by the luxury terms (Kromrey 2009, p. 110). The operational definition relies on the two following steps:

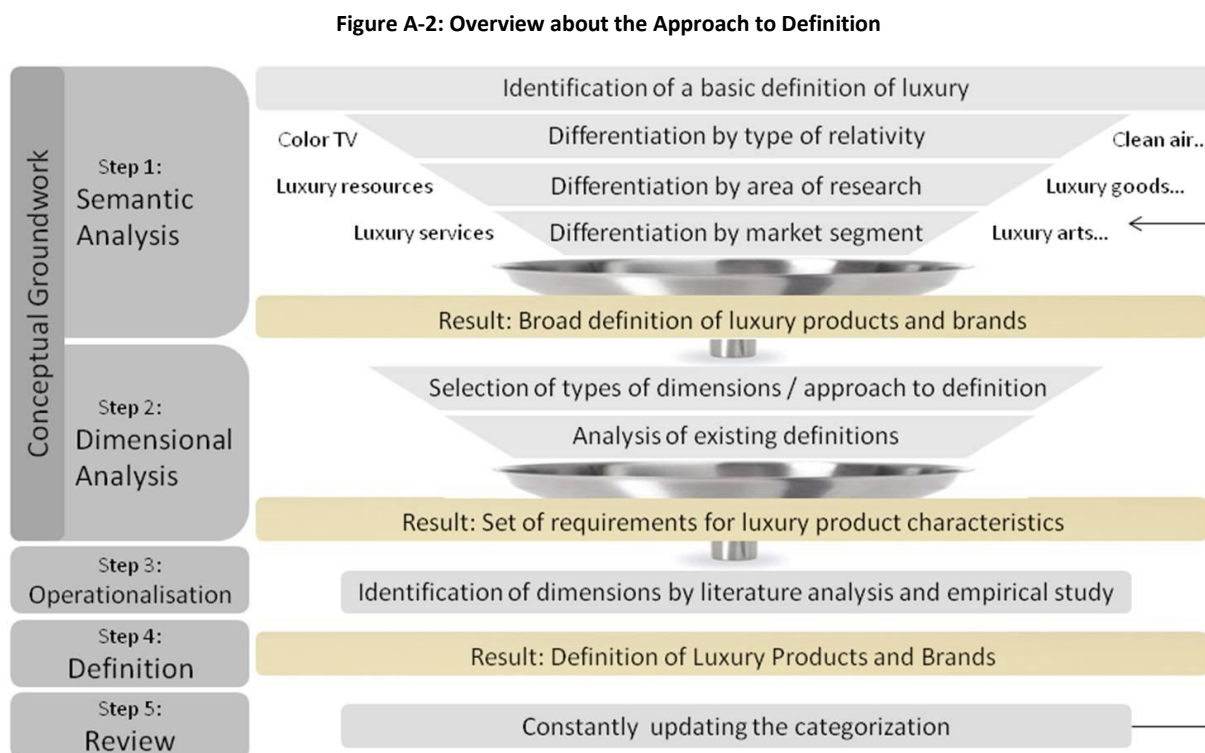
1. **Literature Analysis:** The existing definitions and characterizations were content-analyzed, employing an approach similar to that of Mayring (2002, p. 114 et seqq.). Initially, the potential characteristics of luxury products were recorded in a spreadsheet and then cleared from the items which did not meet the requirements for luxury product characteristics. Subsequently, the remaining characteristics were categorized.
2. **Empirical Study:** The initial categorization of luxury product characteristics was tested by a study of 31 German millionaires with high spending on luxury products. In order to uncover the complete set of luxury product characteristics, the consumer associations about luxury products were not only investigated by open interviews as seen in existing studies, but by a mixture of different methods including the Repertory Grid Method (RGM), the preference differences technique, the critical incident technique and projective techniques. The empirical data was content-analysed employing the data analysis software MAXqda. First the data was cleaned of any irrelevant information, and then a large number of the respondents' associations were assigned to the initial stock of

luxury product characteristics. An iterative process of reviewing followed, in order to adapt these characteristics until a reasonable system of categories was identified and all associations of respondents were assigned to a category (Olson & Reynolds 1983, p. 14). In addition, the relevant literature was used for the analysis and the interpretation of the empirical data (Strauss & Corbin 1996, p. 35). Details about this study including the sampling, interviewing, and data analysis procedure are described by (Heine & Phan 2011).

The subsequent section summarizes the approach to definition of luxury products and brands.

A.II.2.4. Overview about the Complex Definition of Luxury

As definitions of vague terms such as luxury require **multiple operations**, Opp (2005, p. 119 et seq.) refers to this type as complex definitions. The complex definitions of luxury products and brands are summarized by Figure A-2 and explained below.



1. **Semantic analysis:** The initial point of analysis marks the term “luxury brand.” Based on that, other relevant terms are identified and the meaning and usage of these terms are

analyzed and distinguished from each other. Starting from a basic definition, luxury is differentiated by type of relativity, and by an understanding of luxury and market segment, which allows for the limiting of the scope of luxury. Based on that, broad definitions of luxury products and brands are developed, which in fact allow for some typical representatives to be stated, but do not allow for most products and brands to be clearly categorized as either luxury or non-luxury.

2. **Dimensional analysis:** Based on an analysis of existing definitions, the potential dimensions of luxury products are analyzed, which helps in specifying the approach to definition and the requirements of luxury product characteristics. The results of the semantic and dimensional analyses form a conceptual framework, which specifies the types of characteristics (dimensions), which should be used for the definition of luxury products and brands. For instance, as the characteristics-based approach to definition is selected, consequence-related dimensions such as motives or values are not used for the definition of luxury products and brands.
3. **Operationalization:** The objective of this step is to identify common features of luxury products and brands and to use them as defining characteristics. The potential characteristics are identified by a literature analysis and tested by an empirical study.
4. **Deriving the definitions of luxury products and brands:** Based on the operationalization, the definitions of luxury products and brands are summarized and interpreted according to the prototype theory. Results include a convention for the usage of the luxury terms, but because of the semantic analysis and the operationalization, they also include some assertions about these terms, which could be falsified in the future.
5. **Reviewing the consequences of the semantic rules:** The first result of the conceptualization might not be adequate. Instead, it is necessary to check which items the semantic rules would actually cover. As demonstrated in Figure A-2, the semantic rules work like filters that allow for desired designata such as Louis Vuitton bags and Rolls-Royce automobiles to be distinguished from other items such as clean air, color TV's, luxury services, etc. Checking the consequences of the semantic rules could reveal that the term covers specific items, which it actually should not refer to. In this case, the semantic rules need to be modified until the terms correspond to the desired designata (Opp 2005, p 120). This approach corresponds with the basic idea of the **grounded theory** (Glaser & Strauss 1967). Based on a general research question, the researcher

derives the hypotheses during data collection, then develops categorizations of the empirical objects and adapts them further during an iterative process of data collection and analysis (Struebing 2008, p. 29 et seqq.). The alternating or even simultaneous process of data collection and analysis ends with an adequate concept (Strauss & Corbin 1996, p. 7 et seqq.). At this point, the collection and analysis of additional data does not contribute any further insights about a specific category so that the categorization is (temporarily) finished (Pidgeon & Henwood 2009, p. 639).

A.II.2.5. Constant Review and Evolution

As explained by the fifth step of the complex definition and as mentioned in the introduction: **luxury is “constantly on the move”** (Kapferer 2008, p. 96) and will always change its appearance (see also Jäckel & Kochhan 2000, p. 89 and Mortelmans 2005, p. 504), which means that this concept remains subject to a constant process of review and improvement.

Besides using the approach outlined above, the concept of luxury brands can also be reviewed and adapted with a categorization and analysis of luxury brands. The “World Luxury Brand Directory” (WLBD; Heine 2011b) corresponds with the basic idea of an extensional definition (see section A.II.1.2.1, p. 17). While a truly extensional definition of luxury brands equals a complete list of all luxury brands that ever existed, that exist today or in the future (Kromrey 2009, p. 143), the more realistic objective of the WLBD is to identify (only) the majority of luxury brands worldwide. The WLBD was conducted following these steps:

1. **Collection of potential luxury brands:** The first step covers the collection of potential luxury brands into a database. It was assumed that the universe of luxury brands can only be detected with a large variety of different approaches (e.g. by screening of industry reports, member lists of luxury brand associations, etc.). Therefore, the data collection procedure was not fully specified in advance, but was inspired by experimenting with different approaches and in this way it was developed further during its completion (Glaser & Strauss 1967, p. 45).
2. **Identification of luxury brands:** Based on the initial luxury definitions, the actual luxury brands were selected from the collection of potential luxury brands as far as possible.

However, in many cases the final categorization of a potential luxury brand was still not clear. Therefore, the (potential) luxury brands were compared and potential new categories were developed and adapted in several rounds (Pidgeon & Henwood 2009, p. 638). This process allowed for the concept of luxury brands to be challenged and thus further developed. Improvements to the concept include further limitations by differentiating major luxury market segments (see section B.I.2.3.3, p. 52) and additional categorizations of luxury brands, for instance by product category and brand level (section B.I.4.3, p. 64).

3. **Profiling and data analysis:** For each luxury brand a profile was set up including some business information such as the year of foundation, luxury level and business volume. This information offered a foundation for various analyses, for instance for comparisons between luxury product industries or countries of origin, which helped in generating further insights about luxury brands (Heine 2011a).

According to the grounded theory, these steps were not completed successively in one round, but in several rounds and also partly simultaneously until a reasonable concept and collection of luxury brands was achieved. As the population of luxury brands changes over time, the brand directory also needs to be updated by repeating this process regularly.

B. Handbook for the Creation of Luxury Products and Brands

Besides their value for the classification of luxury, the major luxury characteristics also help in developing an understanding about how to actually create luxury products and brands. As this is a distinctive area of application, the explanations regarding the characteristics of luxury products are consolidated in this part of the paper (subsequent chapter). According to their definition, luxury brands have to create associations about the major luxury characteristics, which can only be achieved by adequate marketing measures. Because of their high relevance, this part also gives an overview about the major marketing-mix strategies that allow for the influencing of consumer perceptions about the major luxury characteristics (chapter B.III, p. 81).

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B.I. Luxonomy: The Definition and Categorization of Luxury

The task of distinguishing between luxury and non-luxury and of categorizing luxury into different types is reminiscent of the job of taxonomists, who try to order organisms into groups based on their similarities and differences (Stace 1991, p. 5). "Taxonomy" is more generally used today for classifications of any types of objects of investigation, including, for instance, shopper motivations (Westbrook & Black 1985), vehicles (Pirotte & Massart 2004, p. 2) and luxury consumers (Han et al. 2010, p. 16). This part of the paper presents the taxonomy of luxury particularly for use within the field of luxury brand management. Starting from a basic definition of luxury (section B.I.1, p. 41), it distinguishes between the major understandings of luxury put forth by different areas of research (section B.I.2, p. 48), defines luxury products and brands (section B.I.3, p. 55 and section B.I.4, p. 62) and gives an overview of the major types of luxury products and brands and also of similar concepts (section B.I.4.4, p. 68). The definitions of "luxury products" and "luxury brands" should allow one to decide as best as possible, for any products and brands, if they are part of what is meant by these terms.

B.I.1. The Basic Definition of Luxury

B.I.1.1. The Necessity-Luxury Continuum

Despite confusions, researchers across all disciplines share a basic understanding of luxury. To begin with, luxury is defined as something that is **more than necessary** (Bearden & Etzel 1982, p. 184; Mühlmann 1975, p. 69; Reith & Meyer 2003, p. 10; Sombart 1922, p. 85).⁴

In contrast to necessity, some authors also characterize luxury by **non-necessity and superfluity** (De Barnier et al. 2006, p. 5; Dubois et al. 2001, p. 15; Csaba 2008, p. 3; Geerts & Veg 2010, p. 2; Jäckel & Kochhan 2000, p. 75).

The distinction between necessity and luxury is based on the **availability or exclusivity** of resources. While necessities are possessed by virtually everyone, luxuries are available exclusively to only a few people or at least only on rare occasions (Bearden & Etzel 1982, p. 184).

Bearden & Etzel (1982, p. 186) imagined the **necessity-luxury dimension** as a continuum ranging from absolute necessity to absolute luxury. Accordingly, they developed a six-point Likert scale ranging from “a necessity for everyone” to “a luxury for everyone” in order to measure the luxuriousness of a number of product categories (Kemp 1998, p. 594).

Today however, people spend the biggest portion of their income on goods that satisfy more than their necessary or basic human needs, but most of these goods might still not be considered a luxury. Therefore, Chaudhuri (1998, p. 158 et seqq.) criticized the necessity-luxury continuum produced by Bearden & Etzel (1982) and measured necessity and luxury as two separate variables on a seven-point agree/disagree scale (“This product is a luxury [necessity] for me”). No significant relationships were found among these variables (p. 163), which supports the approach of these authors. However, there were goods with low ratings on both variables such as cornflakes, frozen dinners, and potato chips, indicating the need for another category of ordinary goods. Bearden & Etzel (1982, p. 186) actually already considered this category, as they defined luxuries “as not needed for ordinary, day-to-day

⁴ See also Brinberg & Plimpton (1986, p. 207), Grewal et al. (2004, p. 10), Jäckel & Kochhan (2000, . 74), Kemp (1998, p. 593), Lunt & Livingstone (1992, p. 60 et seqq.) and Mutscheller (1992, p. 64).

living.” Instead of subsuming ordinary goods into the necessity category, the scale can also be extended to the **necessity-ordinary-luxury scale**, which might be more intuitive for today’s consumers.

In very old lexica, luxury is defined as anything that is more than necessary (e.g. Brockhaus 1846, p. 179). After the increase in the standard of living over many social classes in the late 19th century, the definition was further narrowed by luxury being also that which is more than ordinary (Meyers 1890, p. 1035). Since then, most **lexica share the notion of luxury** as anything that is more than necessary and ordinary (Meyers 1995, p. 189).

However, not everything that is neither necessary nor ordinary is a luxury. For instance, most people rarely have moths in their wardrobe, but still do not consider this extraordinary occurrence a luxury. This demonstrates that the characterization of luxury as non-necessary and superfluous can be misleading because luxury is always meant to satisfy some human needs and desires (Berry 1994, p. 4 et seqq.; Geerts & Veg 2010, p. 2; Giacalone 2006, p. 34; Goody 2006, p. 341). Accordingly, luxury is also associated with “dream” (e.g. by Seringhaus 2002, p. 5; Dubois & Paternault 1995). While necessary and ordinary goods are also desirable (or required), a study by Kemp (1998, p. 599) points out an essential difference: “similar items [are] more likely to be perceived as a luxury if they [produce] a positive effect for the recipient than if they [relieve] a state of discomfort [... so that luxuries are...] positive instead of negative reinforcements.” Therefore, Kemp (1998, p. 592) compares the necessity-luxury continuum with the hierarchy of needs produced by (Maslow 1970), which ranges from basic physiological needs such as hunger (necessities) up to needs of self-actualization (luxuries). These facts demonstrate that the luxuriousness of any resource is not only based on its availability, but also on peoples’ desire for it.

Accordingly, the basic definition of luxury may be summarized as follows:

Luxury is anything that is desirable and more than necessary and ordinary.

Luxury usually refers to single items, in which case it is described as **qualitative luxury**. In contrast, quantitative luxury refers to the profusion of an excessive amount of resources,

which are not necessarily luxurious. For instance, this includes lighting a cigar with a handful of matches (Sombart 1922, p. 86; Berry 1994, p. 24).

B.I.1.2. The Relativity of Luxury

The decision of what is desirable and more than necessary and ordinary is relative and depends on the perspective (Büttner et al. 2006, p. 9; Sombart 1922, p. 85; Valtin 2004, p. 20 et seqq.). The relativity of luxury splits into a regional, temporal, economic, cultural and situational relativity, which is illustrated in Figure B-1 and explained below.

Regional relativity refers to the classification of resources on the necessity-luxury continuum depending on their local availability. Some goods are widely available and worth very little in some regions, but acquire luxury status by virtue of their rarity in another environment (Merki 2002, p. 85; Reith & Meyer 2003, p. 10). For instance, in the 19th century, kola nuts could be freely collected in the forests of West Africa and became a luxury in Europe, where they were used for kola biscuits and kola wine (Goody 2006, p. 347). In addition, a sunny day at the beach might be considered a luxury in most parts of Europe, while it is almost an everyday experience for people living in Miami.

Temporal relativity refers to changes in the perception of the luxuriousness of resources over time, which are based on changes in their availability and desirability (Führer 2008, p. 214; Kisabaka 2001, p. 119 et seqq.; Matsuyama 2002, p. 1038). The major causes of these changes are technological progress and societal trends (Schierck & Königs 2006, p. 118). Technological progress is also the main reason for the decreasing relevance of the regional relativity of luxury goods. For instance, modern production methods enabled the development from luxury kola to mass-marketed Coca-Cola (Goody 2006, p. 348). There are many other examples of the metamorphosis of luxury goods into mass market commodities such as butter, chocolate, coffee, spices, sugar, and tea (Reith & Meyer 2003, p. 10). This process runs especially fast for technical products, as exemplified by TV's, PC's, and mobile phones. However, this process can also run in the opposite direction, as seen with some historically ordinary resources, such as clean air, silence and space, which have become increasingly rare, at least in some regions (Koschel 2005, p. 41). Temporal relativity

represents the particular character of luxury as being not stable and constantly changing over time (Kapferer 2008, p. 96; Jäckel & Kochhan 2000, p. 89; Mortelmans 2005, p. 504).

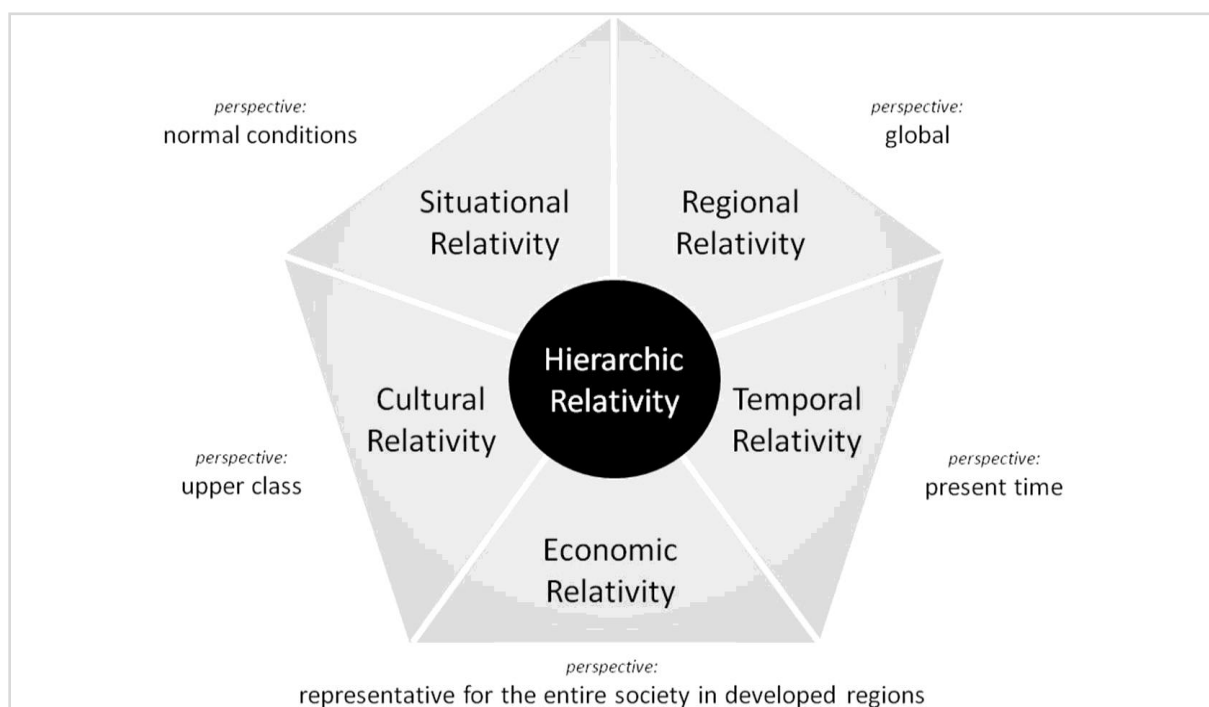
Economic relativity refers to differences in peoples' perceptions of luxuriousness depending on their access to resources (Kisabaka 2001, p. 221; Meffert & Lasslop 2003, p. 4; Vickers & Renand 2003, p. 461). While most **people** consider a watch costing € 50 as an ordinary item, there are some who see it as a luxury, and still others who would not even regard a watch costing € 5,000 as a luxury. Economic relativity also refers to differences among **countries** with varying states of economic development. For instance, cars are generally considered as ordinary goods in Western Europe, but remain a luxury in developing countries (Christodoulides et al. 2009, p. 397; Matsuyama 2002, p. 1038).

Cultural relativity: In any cultural context, luxury refers to something that exceeds necessity and ordinariness. However, in contrast to the previous categories, cultural relativity does not refer to the availability, but to the desirability of resources to people depending on their culture. The same resource might be considered luxurious in one culture, but just ordinary or even useless and undesirable in another culture (Kemp 1998, p. 604; Kisabaka 2001, p. 121 et seqq.). For instance, champagne can be considered as a luxury in European **countries**, but generally is not desired in Islamic societies. The same is true for a Lamborghini from the perspective of someone from a secluded Amazon tribe (Berthon et al. 2009, p. 49). However, Mortelmans (2005, p. 497) argues that "every social group can be said to have its own luxury." There are culture-specific symbols of good taste and luxury, which are determined by the elite of any cultural group or **subculture** and are used for social distinction (Bourdieu & de Saint-Martin 1976, p. 64 et seqq.; Führer 2008, p. 135 et seqq.; Merki 2002, p. 90; Reith & Meyer 2003, p. 24). While gold teeth grills are considered a luxury in the hip-hop scene, the majority of people do not find them desirable. The preferences of luxury are rooted to a great extent in cultural values (Kemp 1998, p. 87; Sombart 1922, p. 87), which differ by demographic variables such as gender, age, and education (Hudders & Pandelaere 2009, p. 6 et seqq.; Jäckel & Kochhan 2000, p. 75). However, the members of a cultural group also differ in their knowledge of the symbols of luxury (Kisabaka 2001, p. 121). These facts demonstrate that there are also differences in the perception of luxury among the members of a cultural group. Therefore, Berthon et al. (2009, p. 47) state that luxury "has an intensely

individual component as well: what might be luxury to one person will be commonplace, or perhaps even irrelevant and valueless, to another.” As the culture-specific symbols of luxury are a result of social learning, it must also be possible to influence peoples’ ideas of luxury using marketing measures (Jäckel & Kochhan 2000, p. 81). For instance, De Beers managed to position diamonds as a symbol of love and luxury.

Situational relativity implies that the same resource could be differently classified as necessary, ordinary or luxurious depending on the circumstances. For instance, ordinary food might become luxurious if a person has not eaten it for a long time, and any luxury food could be considered ordinary after eating it for several days (Kemp 1998, p. 598).

Figure B-1: Types of Relativity



B.I.1.3. General Perspective for the Definition of Luxury

These types of relativity can be used as follows to determine a general perspective from which luxury should be defined, particularly with regard to the requirements within the field of luxury brand management:

- **Regional relativity:** Due to the globalization of business, especially of the luxury industry, luxury should be defined from a global perspective, which leads to the omission of regional specialties from the definition of luxury for the sake of a broad international coverage.

- **Temporal relativity:** The definition of luxury should refer to the present.
- **Economic relativity:** Luxury should not be defined from the perspective of the very poor or the very rich, but of the entire society of developed regions. Despite the differences in the notion of luxury between the poor and the rich, Kemp (1998, p. 596) found that to a large extent, a gross-societal consensus exists concerning the classification of goods as either luxury or non-luxury.
- **Cultural relativity:** The desirability of resources and the appearance of luxury are determined by the upper class, which also includes the relatively homogeneous segment of the global elite (Vickers & Renand 2003, p. 461). Consequently, hip hop-style gold teeth grills cannot be considered luxuries (as long as they are not adopted by the upper class). Basically, luxury appeals to everyone, if defined as something that is desirable and more than necessary and ordinary from his or her perspective. However, studies on the attitudes towards luxury usually refer to luxury as determined by the upper class. Consequently, the attitudes of respondents range from admiration to rejection (Reich 2005, p. 33), which often reflects their general opinion of the societal system. Besides that, the upper class also consists of different segments, which means that a variety of luxury tastes and lifestyles exists.
- **Situational relativity:** Finally, the definition of luxury should generally not consider any temporary or individual circumstances, but should be restricted to normal conditions.

Accordingly, the basic definition of luxury may be complemented as follows:

Luxury is anything that is desirable and which exceeds necessity and ordinariness. As a general rule, this is defined from a global perspective, for the present and for normal conditions. While the exclusivity of resources is evaluated by the entire society, the desirability of resources and the appearance of luxury are determined by the upper class.

Based on that, 错误! 未找到引用源。 exemplifies some of the many resources that can be differentiated from luxury. Accordingly, the **extended basic definition limits the scope of**

luxury from almost anything to a more reasonable level and therefore already helps to dissolve a large part of the controversies about its definition.

Table B-1: Examples of Non-Luxury Items

Example of Non-Luxury	Type of Relativity	Explanation
Clean air	Regional relativity	A luxury in Jakarta, but not from the perspective of most people
Color TV	Temporal relativity	A luxury in the 1950's, but not from today's perspective
VW Polo	Economic relativity	A luxury for a student, but not from a gross-societal perspective
Gold teeth grill	Cultural relativity	A luxury in the hip-hop scene, but not from the perspective of the upper class
McDonald's Hamburger	Situational relativity	Might be a luxury after a strict diet, but not under normal circumstances

However, there are two limitations: First of all, the necessity-luxury continuum indicates that all luxuries are not equally luxurious, which means that there is also a **hierarchical relativity**. Consequently, it seems reasonable to distinguish different levels of luxury (see Kisabaka 2001, p. 120 et seq. and section B.I.4.3.1, p. 64).

In addition, even though the extended basic definition limits the scope of luxury, it still covers a wide variety of resources such as musical talent, self-determination or Daikin air conditioning systems, which are not relevant within the field of luxury brand management research. Therefore, the **scope of luxury will be limited further** in the following chapter by differentiating the understandings of luxury by area of research.

Summary: *Despite the confusions, a basic definition of luxury exists and is widely accepted across all research disciplines. Accordingly, luxury is considered as anything that is desirable and more than necessary and ordinary. However, this depends on the regional, temporal, economic, cultural and situational perspective. As a general rule, luxury should be defined from a global perspective, for the present and for normal conditions. What is more than necessary and ordinary should be decided from the perspective of the entire society. However, the desirability of resources and the appearance of luxury are determined mostly by its upper classes. Still, this leaves some scope for a wide range of different understandings of luxury.*

B.I.2. The Major Understandings of Luxury by Area of Research

The literature analysis suggests differentiating luxury definitions by area of research into three main categories, which will be explained below.

B.I.2.1. The Philosophical-sociological Understanding of Luxury: Luxuries

The proponents of a philosophical-sociological understanding of luxury concentrate mainly on the evolution of attitudes towards luxury and its societal benefits (e.g. Berry 1994; Mandeville 1724; Sombart 1922, p. 86 et seqq.)⁵ and on the changes in the appearance of luxury and preferences for luxury (e.g. Dohrn-van Rossum 2002; Führer 2008, p. 185 et seqq.; Koschel 2005; Reitzle 2001, p. 26 et seqq.).

According to these research objectives, this understanding represents the **broadest scope of luxury** that can be referred to as luxuries or luxury resources. Examples include musical talent, time, and true love (see also Sombart 1922, p. 85). Luxuries are defined as follows:

Luxuries correspond to the philosophical-sociological understanding and the broadest scope of luxury, comprising all resources which are desirable and exceed what is necessary and ordinary.

B.I.2.2. The Micro-economic Understanding of Luxury: Luxury Goods

The proponents of a micro-economic understanding of luxury investigate the relationships between price and the demand for luxury (e.g. Chaudhuri 1998; Kemp 1998; Lipsey 1975, p. 107 et seqq. and Pöll 1979, p. 38), as well as between income and the demand for luxury

⁵ See also Beck (2002), Freudenberger (1963), Grugel-Pannier (1995), Jäckel & Kochhan (2000), Landauer (1915), Lipovetsky & Roux (2003), Mortelmans (2005), Dohrn-van Rossum (2002) and Reitzle (2001).

(e.g. Deaton & Muellbauer 1980; Lancaster 1971, p. 68; Pöll 1979, p. 30). There are also some researchers who focus on the moderating sociological effects (e.g. Bearden & Etzel 1982; Leibenstein 1950; Veblen 1899) and on the benefits of the luxury goods industry for the economy (Thomas 2007, p. 53 et seqq.).

In light of its research objectives, the micro-economic understanding of luxury represents a **middle scope** that is limited to goods that are suitable for exchange on the market. In microeconomics the term luxury goods was established for that and mainly refers to entire product categories (Meffert & Lasslop 2003, p. 4; Reich 2005, p. 36). The marketability of micro-economic luxury represents its major difference from the philosophical-sociological understanding of luxury. According to Chaudhuri (1998, p. 162), product categories such as barbecue and golf equipment are (still) regarded as luxury goods. The definition of luxury goods can be summarized as follows:

Luxury goods correspond to the micro-economic understanding and the middle scope of luxury, comprising all goods which exceed what is necessary and ordinary, and are suitable for exchange on the market.

Luxury goods are **distinguished from necessary or ordinary goods by consequence-related measures**; thus the luxuriousness of any good is not determined by its characteristics, but by peoples' reaction (changes in demand) to exogenous stimuli. These measures include price and income elasticity of demand (Pöll 1979, p. 29).

B.I.2.3. The Managerial Understanding of Luxury: Luxury Products

B.I.2.3.1. Areas of Research

The proponents of a managerial understanding of luxury focus on the development of business and in particular, on marketing strategy guidance for a relatively small group of luxury product manufacturers. The areas of research can be categorized into studies focusing on **luxury brands** (including products and industry segments) and on studies which rather focus on their consumers. The first group includes image analyses about luxury

brands (e.g. Matthiesen & Phau 2005 and Wong & Zaichkowsky 1999) and studies about the luxury brand identity (e.g. Dubois & Czellar 2002; Heine 2009; 2010b and Heine & Trommsdorff 2010a).

Figure B-2: The major Understandings of Luxury by Area of Research



The existing studies about **luxury consumer behavior** focus on the characteristics of luxury consumers, their consumption preferences and on environmental influences affecting luxury consumption. Studies about luxury consumer characteristics cover consumers’ purchasing motives (e.g. Tsai 2005), attitudes (e.g. Dubois et al. 2005 and Sukhdial et al. 1995) and demographics (Dubois & Duquesne 1993 and Dubois & Laurent 1993). Results of these studies serve as a basis for the segmentation of luxury consumers (e.g. Dubois et al. 2005). Additionally, there are studies focusing on luxury consumer preferences (e.g. about country-of-origin preferences by Nia & Zaichkowsky 2000) and studies about environmental influences on luxury consumption incorporating the impact of reference groups (e.g. Bearden & Etzel 1982; Wiedmann et al. 2007), culture (e.g. Casaburi 2010), product types (e.g. social/private by Bearden & Etzel 1982) and situational factors (e.g. Dubois & Laurent 1996). On top of that, there is a growing interest in the phenomenon of counterfeit luxury products (e.g. Perez et al. 2010; Phan et al. 2010; Dix & Phau 2008; Phau et al. 2009; Wilcox et al. 2009).

B.I.2.3.2. Scope of Luxury

The managerial understanding represents the **smallest scope** of luxury. The major difference separating it from the micro-economic perspective is that the managerial understanding of luxury does not usually refer to entire product categories, but only to the **best products of a category**, or to products with certain characteristics. Accordingly, products that fall within the managerial scope of luxury should be referred to as luxury products. The broad definition of luxury products can be summarized as follows:

Luxury products correspond to the managerial understanding and the smallest scope of luxury, comprising all products which exceed what is necessary and ordinary compared to the other products of their category.

The definition of luxury brands is closely linked to the definition of luxury products and usually refers to specific associations about their products' characteristics (see section B.I.4.1, p. 62). Accordingly, the broad definition of luxury brands is summarized as follows:

Luxury brands are associated with products which exceed what is necessary and ordinary compared to the other products of their category.

These definitions allow one to state some **typical examples** of luxury products and brands including Louis Vuitton bags and Rolls-Royce automobiles. For the sake of simplicity, the luxury product business will be referred to as the luxury industry.

The managerial scope of luxury becomes even clearer in **comparison with the other understandings of luxury**. This is not a horizontal differentiation (such as dog, cat and bird), but a vertical differentiation (such as dog, animal, living being), which refers to the relation between terms of different levels of abstraction (Eckes 1991, p. 120). As demonstrated in Figure B-2, luxury products constitute a subset of luxury goods, which, in turn, form a subset of luxuries. This means that the characteristics of luxuries also apply, to a large extent, to luxury products (see also Hoffmann 1986, p. 31 et seq.).

B.I.2.3.3. Limiting the Scope of Luxury

Despite its small scope in comparison to luxuries, the definition of luxury products still covers a wide variety of different products. Therefore, and according to the basic idea of definition by reduction sentences (Carnap 1936), the scope of luxury products is further limited by differentiating the major luxury market segments as follows:

Luxury Products, Services and Real Estate

The managerial luxury understanding usually refers to movable assets (“products” in the classical sense), as the luxury industry was and is characterized by craftsmanship and engineering (Belz 1994, p. 648; Berthon et al. 2009, p. 50). Beyond that, **luxury services** and **luxury real estate** form distinct luxury segments. Marketing knowledge about products offers a basis for other luxury segments, but still needs to be adapted to their specific characteristics.

Branded vs. Unbranded Luxury Products

Unbranded luxury products are usually made on commission by craftsmen. Because of the high relevance of brands in the luxury segment, this paper considers only branded luxury products (Kisabaka 2001, p. 104; Vigneron & Johnson 2004, p. 486).⁶

Private vs. Public Luxury Products

Instead of public luxuries such as altar pieces or national monuments, the term luxury products usually refers to private luxury, which is owned by a person or a private organization (Sombart 1922, p. 86; McKinsey 1990, p. 13).

B2B vs. B2C Luxury Products

B2C luxury products, also referred to as personal luxury products, are marketed to end consumers and can be used by a person to enhance his or her personal life (Sombart 1922, p. 86; Reith & Meyer 2003, p. 10; Valtin 2004, p. 186). In contrast to that, there is a distinct B2B luxury segment, which includes luxury-specialized suppliers to luxury brands. One such supplier is Peter Bock, a manufacturer of nibs for luxury fountain pens.

⁶ See also Bialobos (1991, p. 42 and 123), Fionda & Moore (2009, p. 351), Lombard (1989, p. 15), Meffert & Lasslop (2003, p. 5), and Vernier & Ghewy (2006, p. 4).

Founder-independent vs. Founder-dependent Luxury Products

This paper considers only founder-independent luxury products, which means that the existence of brands and the manufacturing of products should not depend on the life of their creators. The manufacturers of luxury products should possess a distinct brand personality and at least the capacity for infinite business operation. Although an artist could become a brand, these requirements are not fulfilled as he or she may only create founder-dependent products. Compared to other products, the **luxury art market** follows very specific rules and therefore forms a distinct luxury segment. The same is true for other industry segments such as (star) **architect offices** and the relatively complex and fast-changing market of (fashion) **designer products**.

Uni-regional vs. Multi-regional Luxury Products

This paper disregards uni-regional luxury products, which are only available in specific regions. For instance, shopping in the KaDeWe is only possible in Berlin and spending the night in Le Bristol is only possible in Paris. However, many uni-regional luxury brands have the potential to become global. For instance, the luxury group Hilton developed the New York-based Waldorf Astoria into a global luxury hotel chain.

Contemporary Luxury Products vs. Luxury Antiquities

With reference to temporal relativity (see section B.I.1.2, p. 43), only new products are considered. Luxury antiquities (including antique cars) form a distinct luxury segment.

Accordingly, the broad definition of luxury products may be complemented as follows:

Luxury products correspond to the managerial understanding and the smallest scope of luxury not comprising services or real estate, but products which exceed what is necessary and ordinary compared to the other products of their category. These products are branded, founder-independent, multi-regional, contemporary and possessed or used by a person to enhance his or her personal life.

Table B-2: Examples of Non-Luxury Products

Examples of Non-Luxury Products	Criteria	No Luxury Products, but. . .
Musical talent, time and true love	Philosophical-sociological understanding (not necessarily marketable)	Luxury resources
Air conditioning and golf equipment	Micro-economic understanding (not only specific products of a category)	Luxury goods
First class flights and holidays in the Waldorf Astoria	Movable assets	Luxury services
Penthouse at the “One Hyde Park” in London	Movable assets	Luxury real estate
Luxurious built-in cupboards made by a carpenter for his client	Branded products	Unbranded luxury products / commission work
Cologne Cathedral	Private luxury products	Public luxury products
Peter Bock quills for luxury fountain pens	B2C luxury products	B2B luxury products
“Garçon a la pipe” by Pablo Picasso	Founder-independent products	Luxury art
Badminton Cabinet from 1732 and Bugatti Royale Type 41 from 1931	Contemporary products	Luxury antiques
Staying at Le Bristol in Paris	Multi-regional luxury products	Uni-regional luxury products

Differentiating between the various understandings of luxury and major luxury market segments helps to further limit the scope of luxury in the area of management studies. Based on that, Table B-2 exemplifies some of the many luxuries that can be differentiated from luxury products. However, this is still not enough to distinguish clearly between ordinary and luxury products. Therefore, the broad definition of luxury products needs to be specified further, which will be addressed in the subsequent chapter.

B.I.3. Luxury Products

B.I.3.1. The Definition of Luxury Products

Although the term “luxury products” is broadly defined and therefore basically comprehensible (see previous section), it still needs to be operationalized because it is not yet clear which products are actually “more than necessary and ordinary compared to the other products of their category.” The broad definition of luxury products can be modified and further specified by an operational definition (as explained in section A.II.1, p. 15). For this purpose, adequate indicators for a term need to be determined. According to the dimensional analysis, it was decided to operationalize luxury products by their characteristics (see section A.II.2.2, p. 26). The operationalization relies on a literature analysis and an empirical study (as outlined in section A.II.2.3, p. 33). The results suggest that consumers perceive that luxury products have six major characteristics including price, quality, aesthetics, rarity, extraordinariness and symbolism. These constitutive characteristics and their typical sub-categories are explained in detail in section B.II, p. 72. In that way, the operationalization helps to decide for most products if they are part of what is meant by the term “luxury product” (see also Kromrey 2009, p. 110).

The definition of luxury products can be summarized as follows:

Luxury products have more than necessary and ordinary characteristics compared to other products of their category, which include their relatively high level of price, quality, aesthetics, rarity, extraordinariness, and symbolic meaning.

Comparative terms such as luxury rely on continuous characteristics (see section A.II.1.1, p. 15). Therefore, the major characteristics of luxury products **can be considered as dimensions** ranging from a minimum level that is also necessary for non-luxury products to a maximum level that corresponds to the highest form of luxury. As these major characteristics must apply to virtually all luxury products at least to some degree, they are therefore referred to as constitutive characteristics (as explained in section A.II.2.2.3, p. 30). Although luxury products require a relatively high rating for all of the major characteristics,

there still exists a wide range of possible ratings within the luxury segment. According to the principles of the prototype theory (see section A.II.1.3.2, p. 22), luxury products therefore differ in the degree to which they are qualified as representatives of their category. The luxuriousness of a product increases when the level of at least one of these characteristics increases. Not surprisingly, the **luxury level** therefore is one of the major means of differentiation for luxury products and brands (Esteve & Hieu-Dess 2005).

The characteristics of luxury products are **not independent of each other**. This means that if one dimension is at a high level, it also induces high levels of other dimensions, offering additional support to the argument that these six characteristics are constitutive of luxury products. For instance, their relatively small production volumes (high rarity), their superior level of quality and the relatively high effort made for aesthetics, extraordinariness and a good story behind the product inevitably lead to a relatively high price (see also Dubois et al. 2001, p. 8 et seqq.; Mortelmans 2005, p. 507). Products that are more than necessary and ordinary obviously need to be scarce and cannot be owned by everyone, which is not possible as they are too expensive anyway (see also Wiedmann et al. 2007, p. 7). Moreover, consumers use price as an indicator of product quality (Trommsdorff 2009, p. 96) and the study demonstrated that many are also willing to pay more for products which are different and not owned by everyone.

The definition, by its constitutive characteristics, refers to the prototype of luxury products. The idea of the prototype becomes clearer by complementing these constitutive characteristics with **typical sub-characteristics**, which are not necessarily relevant for all luxury products. Moreover, the characterization of luxury products becomes even clearer by describing both the prototype and relevant exemplars (see section A.II.1.3.3, p. 23). Therefore, some typical exemplars are presented in section B.II (p. 72) such as the Guerlain “Kiss Kiss Or & Diamonds” lipstick.

Consumers' judgments about quality and the other product characteristics depend on the comparison between product expectations and perceived product attributes, and this comparison influences their (expected) product benefits and thereby their purchase decision (Belz 1994, p. 649; Kisabaka 2001, p. 89; Kotler et al. 2007, p. 633). This has two major

implications. First of all, different luxury consumer target groups differ in their expectations for their ideal luxury product, which usually do not require all characteristics to be at a maximum level. Therefore, luxury companies adjust the luxury level of the major characteristics to a specific combination depending on the preferences of their target groups. Consequently, **the six dimensions offer basic means of differentiation** for luxury products and brands.

Secondly, this demonstrates that objectively existing product attributes are not as important as **consumers' subjective perceptions** about the product's characteristics. Consequently, luxury companies compete for the best possible perception of the luxury product's characteristics on the basis of their target groups (Catry 2003, p. 17; Mortelmans 2005, p. 505; Phau & Prendergast 2000, p. 123), which is realized by adequate marketing and especially by communication measures (Kisabaka 2001, p. 102; Vigneron & Johnson 2004, p. 490). Because of their strong relevance, section B.III (p. 81) gives a short overview of the luxury marketing-mix strategies that allow companies to influence consumer perceptions regarding major luxury characteristics.

B.I.3.2. Categorization of Luxury Product Industries

There is a variety of **categorizations of luxury product industries in business and scientific literature**, which offer an initial stock of categories (e.g. Allérès 2003, p. 486; Bain & Company 2011, p. 2; Berry 1994, p. 4; Britt 2006, p. 2; Castarede 2003, p. 60; Giraud et al. 1995, p. 6 and McKinsey 1990, p. 15). As part of the "World Luxury Brand Directory" (see section A.II.2.5, p. 36), these categories were adapted and complemented by analyzing the product portfolio of the selected luxury brands. Figure B-3 presents the resulting categorization of luxury product industries.

In accordance with the temporal relativity (section B.I.1.2, p. 43), this categorization **does not remain stable** as there are more and more new luxury product industries emerging over time. For instance, after the mobile phone developed to become a mass market product, Nokia used the potential of differentiation and set up Vertu as the first luxury mobile phone brand and therewith also established a new luxury product industry segment (The Economist 2003).

Figure B-3: Categorization of Luxury Product Industries

· Fashion products	· Wristwatches	· Furnitures
· Apparel	· Jewelry	· Kitchens
· Shoes	· Pens	· Table decoration
· Underwear	· Diaries	· Silverware
· Fashion accessories	· Writing paper	· Crystal & Glassware
· Belts	· Means of transportation	· Porcelain & Stoneware
· Gloves	· Bikes	· Linens
· Scarfs	· Motorcycles	· Table linens
· Hats	· Automobiles	· Bed linens
· Ties	· Boats / Yachts	· Bath linens
· Eyewear	· Aircrafts / Jets	· Bathroom equipment
· Bags & Cases	· Delicacies	· Carpets
· Luggage	· Beverages	· Lamps
· Hand Bags	· Wines	· Interior electronics
· Wallets & Cases	· Sparkling wines	· Interior accessories
· Cosmetics & Fragrances	· Spirits	· Sports equipment
· Body decoration	· Foods	· Garden furnishing
· Mobile electronics	· Interior decoration	

B.I.3.3. Types of Luxury Products

As luxury marketing strategies differ to at least some extent between different product types, the major types of luxury products are outlined below:

B.I.3.3.1. Personal vs. Impersonal Luxury Products

Product categories are especially suitable for a luxury strategy in a context where consumers employ luxury products to manage their self-image (Vigneron & Johnson 1999, p. 4), and where they increasingly build up a personal connection with these products (Nueono & Quelch 1998, p. 62). In contrast to products such as hedge shears and curbsides, “people related items” such as apparel, glasses, and wristwatches are therefore especially suitable as luxury products (McKinsey 1990, p. 19). Furthermore, within the luxury segment there is a continuum that ranges from these very personal to relatively impersonal products, such as bathroom equipment and garden furnishing. The order of luxury product categories (see Figure B-3) refers to this continuum of personal to rather impersonal products.

B.I.3.3.2. Publicly vs. Privately Consumed Luxury Products

These types of luxury products are differentiated by the social setting of consumption. While publicly consumed products such as cars are seen by others, privately consumed products such as kitchen appliances are not usually seen by many others. For some product categories, the categorization is especially situation-dependent. For instance, a good wine can be consumed conspicuously in a restaurant or just all by oneself at home. This distinction is especially relevant for studies about social purchasing motives and reference group influence, which concentrate on products that are “seen or identified by others” (Bearden & Etzel 1982, p. 184 et seq.).

B.I.3.3.3. Accessible vs. Exceptional Luxury Products

As mentioned above (section B.I.3.1, p. 55), the major characteristics of luxury products provide relevant means of differentiation. Dubois & Duquesne (1993, p. 38) suggest distinguishing between accessible and exceptional luxury products on the basis of an inter-categorical comparison of their selling price, which also impacts their diffusion level and repurchase rate. While accessible luxury products such as perfumes are affordable for most people at least from time-to-time, exceptional luxury products such as private jets are only affordable for very few people (inaccessible for most people). This differentiation is especially relevant for the evaluation of the luxury consumption experience, as it is far more revealing if someone buys an expensive car than a bottle of champagne. This dichotomy can be complemented with the additional category of intermediary luxury products such as Porsche cars. Although they are usually bought by wealthy people, in contrast to private jets, they are still within reach for many people. For instance, a genuine fan might fulfil his dream of owning a Porsche after saving many years for this car, instead of saving for an apartment (Allérès 2003, p. 56).

B.I.3.3.4. Unique Pieces, Limited Editions, Expanded-diffusion Products

Luxury products can also be differentiated by their exclusivity and production volume (which also corresponds with their production method) into the following categories:

- **Unique pieces:** This top category typifies the ideal of the luxury segment and is more accurately described by the French word “griffe”, which refers to the clutch of an inspired creator, who is obsessed by the idea of forming a unique masterpiece, an œuvre d'art, that is truly unsurpassable in its perfection. This ideal is exemplified by the haute couture clothing of the exclusive circle of couture houses such as Chanel, Christian Dior and Jean Paul Gaultier (Kapferer 2001, p. 323).
- **Limited editions:** Still very close to the ideal of the griffe are products made in highly limited editions. For instance, the Guerlain “Kiss Kiss Or & Diamonds” lipstick is produced in a limited edition of only 100 pieces (Trommsdorff & Heine 2008, p. 1669).
- **Limited-diffusion products:** The high rarity of these luxury products relies on their manufacturing complexity which requires a high degree of handwork and craftsmanship (Sicard 2003, p. 72). Limited-diffusion products include Gucci Bamboo bags, Maybach automobiles and Meissen porcelain figures. In the fashion segment, this category can be referred to as prêt-à-porter (Alléres 2003, p. 96).
- **Expanded-diffusion products:** Although their production volume is still relatively limited in comparison to mass-market products, their production process resembles mass-market serial production (Sicard 2003, p. 72). Examples include Dolce&Gabbana jeans, Poggenpohl kitchens and Porsche automobiles. In the fashion segment, this category can be referred to as high genre (Alléres 2003, p. 96).

B.I.3.3.5. Conspicuous vs. Understated Luxury Products

These product types are differentiated by their proportion of conspicuous attributes. Manufacturers of conspicuous luxury products focus on price in particular, i.e. on a product image of being expensive. Therefore, they equip their products with typical symbols of wealth and high price such as big logos and rich decoration. It's all about symbols, not about substance. True product quality and excellence are less important than maximum performance, features and size (Kapferer & Bastien 2009, p. 315). A splendid example is the fountain pen “La Modernista Diamonds” by Caran D’Ache, an “over-priced savourlessness”, which works with rather ordinary ink cartridges, but is decorated with 5.072 diamonds and

96 rubies (Marguier 2007, p. 85). Nevertheless, such products form a special market niche for consumers who feel extremely special. The biggest share of the luxury market consists of non-conspicuous products, which might also show some conspicuous attributes, but are not primarily made to be conspicuous. On the other extreme, there are luxury brands such as Jil Sander and Bottega Veneta that are known for their understated products, which seem to hide any conspicuous attributes. However, although Bottega Veneta bags cover no logo, they still have a characteristic design that can be easily recognized by connoisseurs, which makes them suitable for conspicuous consumption between connoisseurs. The major difference is that conspicuous consumption with understated products is nowadays considered a bit more sophisticated.

B.I.4. Luxury Brands

B.I.4.1. The Definition of Luxury Brands

The modern understanding of a brand is **consumer and identity oriented**. Accordingly, brands are regarded as images in the minds of consumers and other target groups (Esch 2010, p. 22), which are designed by companies to identify their products (Philip Kotler et al. 2009, p. 425). Luxury brands are highly associated with their core products (Jean-Noel Kapferer 2008, p. 193). This is reflected by the larger part of the existing definitions of luxury brands, which refer to specific associations about product characteristics (Meffert & Lasslop 2003, p. 6; Büttner et al. 2006, p. 12; Valtin 2004, p. 30). The constitutive characteristics of luxury products therefore correspond largely with those of luxury brands, which leads to the following definition:

Luxury brands are regarded as images in the minds of consumers that comprise associations about a high level of price, quality, aesthetics, rarity, extraordinariness and a high degree of non-functional associations.

Any potential luxury brand should be evaluated by the constitutive characteristics of luxury, which are described in detail in section B.II (p. 72). These explanations are summarized by the following principles:

- **Price:** The brand offers products which belong to the most expensive products of their category.
- **Quality:** The brand aims to create everlasting top-of-the-line products, which won't be disposed of even after long utilization or defect, but rather repaired and which often even gain in value over time so that consumers can even hand them on to their grandchildren.
- **Aesthetics:** The brand behaves like a chic and vain dandy, who would never leave the house in less than perfect style. Whenever and wherever the brand is seen, it embodies a world of beauty and elegance.

- **Rarity:** In contrast to mass-market brands, the brand needs to limit its production and tries not to disclose its (high) sales numbers. The brand plays hard to get and is not available at all times or places.
- **Extraordinariness:** The brand has a mind and style of its own and its products offer an extra kick and surprise with the “expected unexpected”.
- **Symbolism:** The brand stands for “the best from the best for the best”; its charisma fills the room, and regardless of whether it is of a conspicuous or understated nature, deep inside, it is swollen with pride.

B.I.4.2. The Relationships between Luxury Products and Brands

By definition, luxury brands need to offer luxury products. Without a product portfolio that includes luxury products, it is impossible to achieve a luxury brand image. Nevertheless, the product range of a luxury brand does not necessarily consist only of luxury products (Kapferer & Bastien 2009, p. 312). For instance, Mercedes offers luxury cars such as the S-class and non-luxury cars such as the A-class (see also Belz 1994, p. 649; Dubois & Laurent 1995, p. 71), the latter of which can also be referred to as **masstige products** (see section B.I.4.4.2, p. 69). However, all products of a luxury brand such as Mercedes can be referred to as luxury-branded products.

Unsurprisingly, non-luxury brands are generally associated with non-luxury products. Nevertheless, there are also many examples of non-luxury brands that still offer luxury products. For instance, luxury yachts by Blohm+Voss, private jets by Bombardier and first-class flights by Lufthansa undoubtedly belong to the luxury segment. These non-luxury brands that also offer luxury products can also be referred to as **luxury product brands**. These relationships between luxury products and brands are summarized in Figure B-4.

This demonstrates that a decision about the categorization of a brand as luxury or non-luxury **must refer to the brand image** and cannot be made just by evaluating the luxuriousness (or even only the price) of some of its products. A highly expensive and luxurious product does not necessarily come from a luxury brand. On the other hand, there are luxury brands such as Mercedes, whose product portfolio actually consists to a larger

extent of non-luxury products, even including construction vehicles and garbage trucks. Therefore, the evaluation of the luxuriousness of a brand should refer to the core product category with which this brand is associated. A luxury brand that manages to be clearly associated with the constitutive characteristics of luxury within its core product category can successfully extend its product portfolio and even sell garbage trucks.

Figure B-4: The Relationships between Luxury Products and Brands



B.I.4.3. Types of Luxury Brands

B.I.4.3.1. Luxury Brands by Luxury Level

As mentioned above (section B.I.3.1, p. 55), the degree of luxuriousness is determined by the major luxury dimensions and constitutes one of the major means of differentiation for luxury brands (Esteve & Hieu-Dess 2005). According to this criterion and based on the “World Luxury Brand Directory” (section A.II.2.5, p. 36), it seems reasonable to split luxury brands into the following types:

- **Entry-level luxury brands:** As these brands rank just above the premium segment on the lowest luxury level, they are not even generally recognized as members of the luxury segment. Representative brands include Hugo Boss and Mercedes.

- **Medium-level luxury brands:** These brands are widely recognized as members of the luxury segment, but are a step behind the forefront of luxury. Examples include Dolce&Gabbana, Escada and Moschino.
- **Top-level luxury brands:** These brands are established beyond doubt as leading luxury brands. Examples include Armani, Cartier and Louis Vuitton.
- **Elite-level luxury brands:** As niche brands in the top of the top segment, these brands determine the benchmark of the best quality and highest exclusivity within their category. Puiforcat, for instance, is an elite-level luxury brand within the silverware segment (Marguier 2007, p. 42). These brands target the “clientèle de connaisseurs”, who do not just possess the necessary financial resources but also a “culture intellectuelle” (Lombard 1989, p. 16).

According to the relativity of luxury, a brand is ranked in comparison to the other luxury brands. The categorization of a luxury brand **changes over time**. There are brands climbing up the luxury ladder, such as the English fashion brands Asprey and Burberry since they were repositioned some years ago (Phan et al. 2011), **high-potential brands**, such as the German chocolatier Leysieffer, which might enter the luxury segment in the future, and once-upon-a-time luxury brands, such as Calvin Klein, Jaguar and Pierre Cardin, which ruined their luxury image (Kapferer & Bastien 2009, p. 312).

B.I.4.3.2. Luxury Brands by Awareness

Luxury brands can be differentiated by their brand awareness into connoisseur and star brands (see Figure B-5; also Nueono & Quelch 1998, p. 63). This differentiation is of high relevance for brand management, as these brand types require partly contradicting marketing strategies (see section B.III, p. 81).

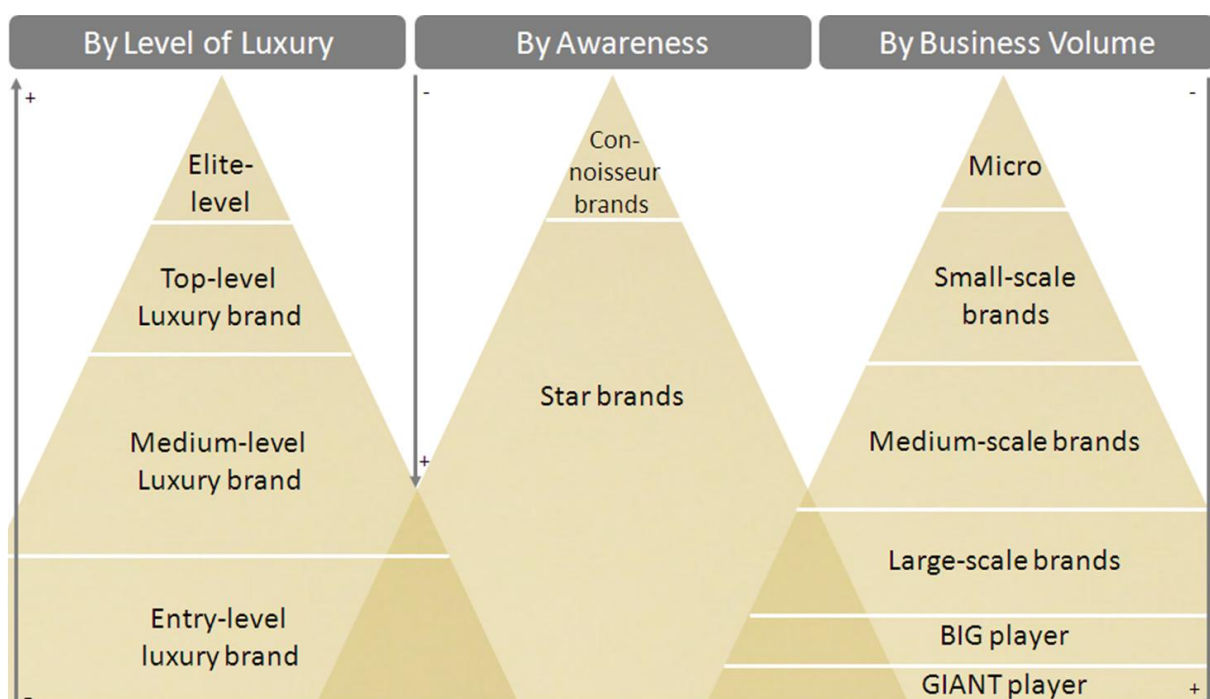
Connoisseur brands, such as Goyard, a French manufacturer of luggage, are limited awareness brands which often specialize in a niche market. These brands are made by and for connoisseurs, and do not even strive for high awareness beyond their relatively narrow target group of select insiders. Connoisseur brands are often also network brands, which are recommended by word-of-mouth between friends (Belz 1994, p. 647).

Star brands, on the other hand, strive for maximum brand awareness well beyond their actual target group. This is in contrast to both connoisseur brands and mass-market brands, which aim at minimizing wastage in their brand communications outside their core target group consumers. Even if star brands are bought only by relatively few people, they preferably should be known by everyone. One of their consumers’ major purchasing motives is to demonstrate their wealth to other people, who often cannot afford these luxury products. Therefore, star brands such as Rolex or Louis Vuitton also have to be known by non-target group consumers in order to fulfill the need of their target group consumers for demonstrative consumption. If people would fail to recognize the brand and thereby the value of a Rolex wristwatch, part of its value would be lost (Jean-Noel Kapferer & Bastien 2009, p. 319).

Star brands can be differentiated by their actual level of awareness into the following types:

- **Little stars** strive for high awareness, but are (still) relatively little-known. Examples include Asprey, Brioni and Shanghai Tang.
- **Big stars** have already achieved a high level of awareness, but still rank somewhat behind the global stars. Examples include Chloé, Fendi and Moschino.
- **Global stars** are globally well-known flagship brands such as Hugo Boss, Louis Vuitton and Rolex.

Figure B-5: Types of Luxury Brands by Level of Luxury, Awareness and Business Volume



B.I.4.3.3. Luxury Brands by Business Volume

The “World Luxury Brands Directory” (see section A.II.2.5, p. 36) also includes a comparison between countries by their number of luxury brands, which appears misleading if luxury brands are not also differentiated by business volume. A comparison between the business volumes of the brands within the database suggests that they should be differentiated into the following types:

- **Micro-scale brands:** There are luxury brands, often business ventures, which do not have many more employees than the boss himself and have rather modest revenues of under € 10 million. Examples: Julisis and Mont Charles de Monaco.
 - **Small-scale brands:** Some brands specialize into markets with relatively little business volume, ranging from € 10 to 100 million. Example: Robbe & Berking.
 - **Medium-scale brands:** the “Mittelstand” of the luxury industry with revenues of more than € 100 million. Example: Poggenpohl.
- Large-scale brands:** Within the luxury industry there are not many of these large-scale businesses with revenues of more than € 250 million. Example: Escada.
- **BIG player:** Only a few star brands achieve revenues of more than € 1 billion. Example: Hugo Boss.
 - **GIANT player:** However, there are high-turnover product categories such as cars, which allow very few brands to generate revenues of even more than € 5 billion. Example: Mercedes.

Figure B-5 summarizes the luxury brand types by luxury level, awareness, and business volume. There are some relationships between them: for instance, luxury brands with very high business volumes often cannot reach the top levels of luxury. In addition, there is also a tendency of elite-level brands to be connoisseur brands.

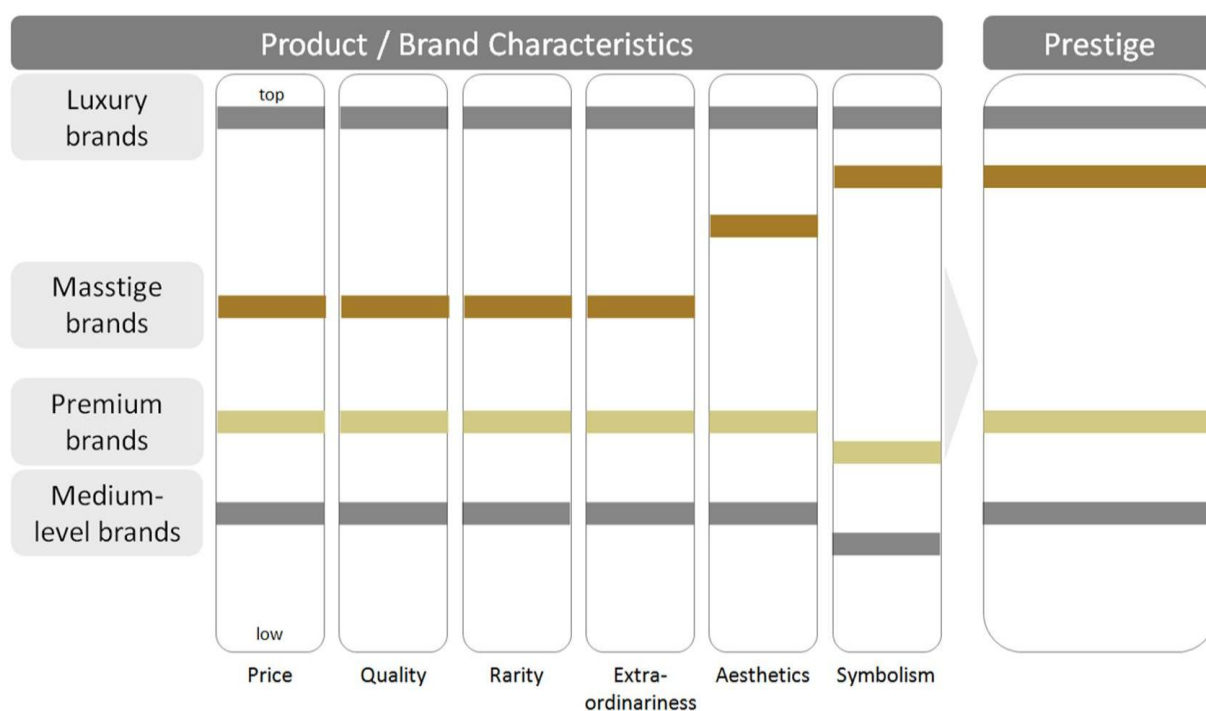
B.I.4.4. Distinguishing Luxury Products and Brands from similar Concepts

B.I.4.4.1. Premium Products and Brands

Luxury products and brands can be distinguished from the premium segment **by their constitutive characteristics**. As discussed above (section B.I.4.1, p. 62), the major characteristics can be considered as dimensions ranging from a minimum level that is also necessary for non-luxury brands to a maximum level that corresponds to the highest form of luxury. As demonstrated in Figure B-6, premium brands rate higher on these dimensions than medium-level brands, but still well below luxury brands. While premium brands still remain down-to-earth and cannot lose sight of the value-for-money ratio, luxury brands are reaching exceedingly reasonable levels in the major luxury dimensions, and some of them even work on topping the current top-of-top luxury level. The differentiation between luxury and premium brands is mainly a matter of degree, which makes it difficult to draw a clear line, especially between top premium brands and entry-level luxury brands.

However, there is also an essential difference between these types of brands: while premium brands focus especially on functional characteristics, luxury brands put much more effort into creating **symbolic meaning**. For instance, Lexus entered the US market with the objective of growing by taking customers away from Mercedes, which was identified as its major competitor. Therefore, they took the Mercedes E Class as the model to overtake and developed a car with a similar design and even superior technical features that was only sold for about half of the price. Lexus generated high growth rates in the U.S. However, they still focused very much on functionality and even emphasized their car's value-for-money, and also had no vision or story to tell – which clearly positions Lexus as a non-luxury brand (Kapferer & Bastien 2009, p. 316).

Figure B-6: Luxury vs. Premium vs. Masstige Brands



B.I.4.4.2. Masstige Products and Brands

The emergence of this new type of brand resolved the traditional dichotomy between luxury and non-luxury brands. The term “masstige brands” easily conveys their basic idea: offering prestige to the masses (some authors also use “new luxury” or “mass luxury” (Kapferer & Bastien 2009, p. 312). Typical masstige brands include Coach, Godiva, Starbucks and Victoria’s Secret (Silverstein & Fiske 2003, p. 51). Although these brands are not luxury brands, they still rate higher than middle-market brands on the major dimensions of luxury products. Masstige brands concentrate especially on creating symbolic benefits and prestige; they care very much about shine and therefore also about design. Zara exemplifies the idea of selling taste and style to the masses, which is accomplished by imitating the design of luxury brands for their clothing, stores and advertising. However, as demonstrated in Figure B-6, they are forced to cut back on the other major characteristics. A mass-prestige-business in the mass/middle-class market reduces the level of rarity and can only be achieved with reasonable prices, which, in turn, requires a compromise on quality, extraordinariness and aesthetics (see also Keller 2009, p. 295). The study carried out by Truong et al. (2009, p. 379) demonstrates that masstige brands successfully differentiate themselves from middle-range brands by their prestige and from luxury brands mainly by their reasonable pricing. The authors found out that products from luxury fashion brands are about three times more

expensive than masstige products, which, in turn, are about twice as expensive as middle-range products. While there is only a relatively small difference in prestige between luxury and masstige brands, the latter were indeed perceived as being much more prestigious than middle-range brands.

The **masstige strategy is also applied by many luxury brands**. They are trading-down by extending their product range with masstige products that are more accessible to middle-class consumers (Truong et al. 2009, p. 379). This kind of price differentiation marks one of the major growth strategies for luxury brands. The challenge that comes with this strategy is one of preserving an image of exclusivity (Keller 2009, p. 292 et seq.). This problem has been solved by Ferrari with line extensions in product categories that do not compete with the brand's core identity: while Ferrari cars remain very expensive and exclusive, the value of the brand is exploited by offering products in categories as diverse as apparel to computers (Berthon et al. 2009, p. 54).

Both the trading-up strategy of masstige brands and the trading-down strategy of luxury brands make luxury-like products accessible for middle-class consumers. This development is referred to as the “**democratization of luxury**”. According to the economic relativity of luxury (section B.I.1.2, p. 43), democratic luxury products are characterized by Kapferer & Bastien (2009, p. 314) as ordinary items for extraordinary people, which are at the same time extraordinary items for ordinary people.

B.I.4.4.3. Prestige Products and Brands

The terms luxury brand and prestige or status brand are often used interchangeably (Bagwell & Bernheim 1996, p. 349; O’Cass & Frost 2002). However, prestige ranks as one of the major purchasing motives over all product categories and allows for the achievement of social reward and status (Trommsdorff 2009, p. 117). Luxury brands have what prestige-seeking consumers crave: they enjoy social prestige, which can be gained by buying these products. Nevertheless, the consumption of luxury products is by far not the only way to satisfy the need for prestige. As mentioned above (section A.II.2.1, p. 24), there are also non-luxury products that allow consumers to increase their prestige including premium products such as Adidas sneakers or masstige products such as Godiva chocolates and Häagen-Dazs ice

cream. The ability to increase the prestige of their consumers is not enough to distinguish luxury from non-luxury products and brands. Therefore, the term “prestige brands” should rather be used for all luxury and non-luxury brands whose products allow consumers to gain prestige. Accordingly, prestige brands correspond with the mirco-economic scope of luxury (see Figure B-2). The study carried out by Dubois & Czellar (2002, p. 3) also demonstrates that in many categories, prestige can be achieved independently of luxury and that luxury and prestige are also perceived as different in the eyes of consumers.

B.II. Characteristics of Luxury Products: The Code of Luxury

As explained above, the characteristics of luxury products rely on relevant literature and an empirical study (as outlined in section A.II.2, p. 24). The results suggest that consumers perceive that luxury products have **six major characteristics** including price, quality, aesthetics, rarity, extraordinariness and symbolism. The characteristics were categorized into **typical sub-characteristics**, which are not necessarily relevant for all luxury products. Size, for instance, can be considered as especially product category-dependent. Figure B-7 gives an overview of the characteristics of luxury products. They are ranked in order of relevance according to the number of times they were mentioned by the respondents (Heine & Phan 2011, p. 111; Hoffmann 1986, p. 78).

Figure B-7: The Characteristic of Luxury Products

Major Characteristics	Manufacturing Characteristics	Concrete Product Characteristics	Abstract Product Characteristics
Price		Price	
Quality	Expertise of manufacturer	Material & Components	Durability & Value
	Manufacturing complexity	Construction & Function principle	Comfortability & Usability
		Workmanship	Functionality & Performance
		Features	Safety
		Product size	
		Service	
Aesthetics			Aesthetics
Rarity		Rarity	
Extraordinariness			Extraordinariness
Symbolism			Symbolism

The characteristics are also categorized into manufacturing, **concrete and abstract characteristics**. Concrete characteristics refer to physical product attributes and are directly observable. A combination of several concrete attributes yields to an abstract attribute such as comfortability (Olson & Reynolds 1983, p. 80).

The category of **manufacturing characteristics** was added because it proved to be very relevant to the respondents (Dubois et al. 2001, p. 40). These characteristics refer to the specific manufacturing process that allows for the creation of concrete and abstract product characteristics.

The characteristics of luxury products are explained in detail below.

B.II.1. Price

All of the respondents referred to price in characterizing luxury products. In addition, it is also the most widespread characteristic in the literature, as it is regarded as the **most objective and the easiest-to-measure criteria** to evaluate the luxuriousness of a product (McKinsey 1990, p. 16; Meffert & Lasslop 2003, p. 5; Mutscheller 1992, p. 65).

First of all, there is a necessary condition requiring that these products are high-priced in an **inter-categorical** comparison, which excludes “affordable indulgences” such as Häagen-Dazs ice cream (Dubois & Duquesne 1993, p. 36; Meffert & Lasslop 2003, p. 331; Nueono & Quelch 1998, p. 63). On the other hand, there are non-luxury products that are very expensive in an inter-categorical comparison such as the Stemme S6 sailplane for allround-flightports. Although a private airplane can be considered a luxury good, Stemme airplanes still do not count as luxury products, as they drop out in an intra-categorical comparison.

Luxury products belong to the most expensive products in an **intra-categorical** comparison, which requires a considerable price premium to products with comparable functional characteristics (Kapferer 2001, p. 320; McKinsey 1990, p. 16). Kisabaka (2001, p. 121) proposes that the five percent of the most expensive fashion products belong to the luxury segment. However, such price limits serve only as a rule of thumb, because they are generally accepted neither on an inter-categorical level nor within specific product categories.

Price proved to be **very important for some respondents** who like to possess luxury products that look expensive: “There’s no way I’d drive a Porsche – this car is just for people who cannot afford something else”. Many respondents are especially excited about making a bargain with a luxury product that others think was expensive.

Nowadays there is even a zone of price overlap between premium and entry-level luxury products, which makes it impossible to rely merely on this criterion for differentiating luxury from non-luxury products. Moreover, Kapferer & Bastien (2009, p. 43 et seq) emphasize that increasing the price does not automatically turn a premium into a luxury product.

B.II.2. Quality

Just as was the case for price, all of the respondents mentioned superior quality as a constitutive characteristic of luxury products. Respondents perceive that quality relies on the following criteria:

B.II.2.1. Manufacturing Characteristics

Expertise of manufacturer: Respondents consider the manufacturers of luxury products as the leading experts with a strong “creative power” in their area of excellence (Mutscheller 1992, p. 222), which covers their technical and stylistic competences (Meffert & Lasslop 2003, p. 2; Vickers & Renand 2003, p. 471). **Technical competence** can rely on a long-time experience in their industry and also on a strong focus on innovation and R&D. A respondent was impressed that “Steinbrueck won the first prize in a competition by the European Association of Craft”. **Stylistic competences** of luxury manufacturers are expressed by associations with highly talented designers, who have a great sense for taste and aesthetics and create new trends with “love and inspiration”. Their expertise even places luxury manufacturers in a “position of superiority with respect to its clients, [...] which is a necessary condition for the richest and most powerful people to crave for luxury [products]” (Kapferer & Bastien 2009, p. 314).

Manufacturing complexity: The manufacturing of a luxury product requires considerable effort, which often includes handcraft (Lasslop 2002, p. 331) and a lot of time. For instance, a

respondent stated that “manufacturing one of the excellent Lange & Söhne wristwatches often takes one and a half years”.

B.II.2.2. Concrete Product Characteristics: Product Attributes

Material & Components: The material is a key characteristic of luxury products and one of the most important criteria that respondents judge the value of a product by. In contrast to materials such as plastics, there are materials that are generally associated with a higher value in an **inter-categorical** comparison such as gold, silver or diamonds (Schmitz-Maibauer 1976, p. 232). However, these associations and the minimum requirements for materials depend on the product category. For instance, in an **intra-categorical** comparison, silver might be an adequate material for the luxury segment of cutlery, but the minimum requirement for luxury watches is rather gold or platinum (Kisabaka 2001, p. 85 et seq.).

Construction and Function principle: The construction and function principle of a luxury product is especially well thought-out. This category refers to the functional design of a product, including, for instance, the construction of a chair, the function principle of an umbrella and the cut of a fashion item. The construction and function principle is seen as a prerequisite for durability, for instance, if two pieces of materials are stitched instead of being glued together or are double instead of single-stitched. In addition, it is also a prerequisite for comfortability and functionality.

Workmanship: A luxury product requires absolute perfectionism in workmanship with a zero-tolerance for flaws. For instance, there can be no scratches on the material or any imperfectly stitched seams. Consequently, the manufacturing of luxury products requires much stronger efforts in quality control (see also Kisabaka 2001, p. 91; Mortelmans 2005, p. 50). However, some luxury products also feature some “planned imperfections” as a result of handmade manufacturing, which do not reduce, but rather prove the quality of these products.

Features: Luxury products offer more features than ordinary products, but only if they are desired by the target group and do not reduce product usability. Although a jacket could have special extras, such as a pocket for a MP3 player, special features are especially

important for electronic equipment and cars. One of the respondents confessed: “I don’t want to miss out on my distance alerter, my automatic lighting and the rain-sensing wipers.”

Service: Kapferer & Bastien (2009, p. 312) argue that luxury products “must have a strong human content [...] with services rendered by a human to another human” (Keller 2009, p. 292). Excellent service covers the purchase experience and the (after-sales) customer relationship management (see Cailleux et al. 2009). The major service tasks include customer advice, product modification or personalization, and reparation (Valtin 2004, p. 109). A respondent realized that she bought a new skirt mainly because she “could not resist entering this beautiful boutique on Sylt, where [she] got a coffee and enjoyed the warm, friendly atmosphere”. Another respondent explained: “You get a lifelong guarantee with a Hermès belt. If you need a new hole, you just send it to them and they do that for free”.

Product size: The product size should be as appropriate to function as possible, which depends on the product category. For instance, while TV screens and mega yachts usually should be as big as possible, complications in wristwatches should often be as small as possible.

B.II.2.3. Abstract Product Characteristics: Product Benefits

Comfortability and Usability: The abstract product characteristics rely on a combination of concrete characteristics. For instance, superior materials and a perfect cut make a shirt cozy to wear and a bigger car with nice technical gimmicks is also more comfortable. Sophisticated construction and function principles can increase the usability and practicability of luxury products, which help consumers to save time and effort. For instance, this includes intuitive and easy to use radios, easy to clean kitchen appliances, and easy to maintain cars.

Durability & Value: The majority of respondents expect that a luxury product is of high and long-lasting value, which could result from superior materials, manufacturing efforts or sophisticated construction and function principles. Durability covers the aspiration of luxury product manufactures to create everlasting products, which will not be disposed of even after long periods of utilization or defect, but will rather be repaired and even appreciate in

value over time (Lasslop 2002, p. 342; Kisabaka 2001, p. 95) so “that you can even leave them to your grandchildren”. This is one of the reasons why many respondents do not perceive trend products such as the iPhone as luxury products (but as prestige products). Durability includes also product reliability, which means that a luxury car, for instance, should work for a long time without any problems (see also Lasslop 2002, p. 342). Luxury products are traditionally associated with endurance, which is represented by De Beers’ traditional slogan “A diamond is forever” (Berthon et al. 2009). Some respondents also mentioned that they buy long-lasting luxury clothing as this releases them from “wasting time with shopping”.

Functionality & Performance: Luxury products have a superior functionality, which means that they “just do their job better”. Luxury products have a high level of performance, which is often much more than necessary and even ordinary as this statement demonstrates: “In this car you can float over streets with a great sense of power. I don't need to, but it's a very relaxing feeling”.

Safety: Respondents appreciate the high level of safety, especially of luxury cars.

B.II.3. Aesthetics

Almost all respondents perceive aesthetics as a distinct characteristic of luxury products. In comparison to the other characteristics, aesthetics were mentioned most often by the respondents. Kapferer & Bastien (2009, p. 314) argue that “money is not enough to define luxury [products (...)] because it] is not a measure of taste”. The aesthetics of luxury products comply with the taste of the upper class, which represents the cultural relativity of luxury (Kapferer 2001, p. 322). Dubois et al. (2001, p. 13) emphasize the polysensuality of luxury products as they “not only look beautiful but also are (and should be) pleasant to hear, smell, taste or touch” and therefore offer a “source of sensual pleasure”. A respondent described her visit to the Gucci boutique in Miami as “sex for the eyes”. Another respondent emphasized the relevance of aesthetics: “The well-designed object is essential in life to feel well”. Not surprisingly, aesthetic product design is one of the most important strategies of manufacturers of luxury products to differentiate themselves from mass market manufacturers (Kapferer 2001, p. 321).

B.II.4. Rarity

Luxury products are by definition not ordinary, but rather a rarity (Kisabaka 2001, p. 96). One of the respondents explained: “I was the only one with this bag – and that adds a great additional value”. Another respondent argued: “I have already had this bag for a year and now everyone is walking around with one – so I’m going to get rid of it soon”.

Luxury companies ensure rarity through limiting production and the individualization of their products (Catry 2003, p. 11 et seqq.; Kisabaka 2001, p. 103; Nueono & Quelch 1998, p. 63). There are natural **limitations**, which arise from the limited availability of product components such as noble metals. In addition, most luxury brands employ artificial limitations such as special editions. These limited editions can be improved further towards the ideal of a unique piece by **individualization**. This includes intended irregularities by hand-made manufacturing, by using natural materials or by artificial variations, which includes the change of the starting point during the processing of fabrics or labeling products with serial numbers. These measures are complemented with **personalization** of products according to consumer wishes (Kisabaka 2001, p. 97 et seqq.). The consumers of the Guerlain “Kiss Kiss Or & Diamonds” lipstick for € 45,000, for instance, can choose jewels to decorate their lip stick cover, request an engraving and get the creative director to mix them their very own lip stick color (Trommsdorff & Heine 2008, p. 1669).

B.II.4.1. Extraordinariness

This attribute was mentioned by most of the respondents, but is often overlooked in the literature. The extraordinariness of a luxury product often results “only” from a **different design or construction principle**. In their role as experts, luxury manufacturers often determine the stylistic trends, which are then adopted by mass market manufacturers (Goody 2006, p. 344 et seqq.). The respondents described that they expect something special from a luxury product, a certain “kick”, which could arise from little details such as special buttons on a shirt or an unusual positioning of the button border. A respondent explained that her new blouse “seems to be army-style from a distance, but from close-up it appears to be covered in small trees”. This was described also as an “eye catcher at the second

view". These examples show that luxury products seem to possess an ESP, an eccentric selling proposition.

Nevertheless, extraordinariness may also be achieved with **innovative functional attributes**. Many innovative technologies are introduced in luxury products before they spread to mass market products. This was the case for technologies such as the ABS and the airbag (Valtin 2004, p. 26).

In addition to eccentric or innovative functional features, extraordinariness may also arise from the product's **history or its manufacturing process**. For instance, a respondent was excited about "a jacket, which was made of Tibetan quilts from a Russian immigrant in Paris". Finally, the extraordinariness of luxury products may be achieved by the brand image.

B.II.4.2. Symbolism

While mass market products mainly stand for their functionality, luxury products generate numerous non-functional, abstract associations. Mortelmans (2005, p. 505) argues that "every notion of functionality is reduced as far as possible." In fact, there is no other product category with a similar **relevance of symbolic benefits**, which often even exceeds its functional benefits. One of the respondents explained: "I have a very special relationship to cars. They have to turn me on. It's very much about feelings, a lot of feelings. A [Mercedes] S-class can come with super features, but it just doesn't turn me on". Another respondent thinks that these products "have a lot to say – they talk to you".

The symbolic meaning refers to a large extent to **human values and lifestyles** (Vigneron & Johnson 2004, p. 490)., the symbolism of luxury products and brands is covered to a large extent by the concept of brand personality, which was adapted to the luxury segment by Heine (2009). The five major dimensions of the **luxury brand personality** include modernity, prestige, sensuality, understatement and eccentricity.

Luxury products cannot symbolize anything, but just as with their aesthetics, they need to comply with the worldview and taste of the upper class. Kapferer & Bastien (2009, p. 314) argues that "the DNA of luxury is the symbolic desire to belong to a superior class".

Therefore, all luxury brands have to possess a high level of **prestige**, which they also have to symbolize at least to some extent (Keller 2009, p. 291).

Symbolic meaning can be conveyed through **product design** (Kotler et al. 2007, p. 636; Valtin 2004, p. 116) or with specific **product information**, for instance by indicating that a famous movie star recommends the product. Luxury products are often linked to popular celebrities, prestigious events or an attractive country-of-origin (Keller 2009, p. 292). An oenophile daydreamed: “It is very fascinating to open a bottle of wine from 1912, which witnessed two World Wars – and when you imagine everything that has happened since that time...” Of course, the symbolic meaning of luxury products is also highly influenced by their **brands** (see also Meffert & Lasslop 2003, p. 5; Nueono & Quelch 1998, p. 62).

This chapter explained in detail the characteristics of luxury products. According to their definition, luxury brands have to create associations about a high level of price, quality, aesthetics, rarity, extraordinariness and a high degree of symbolic meaning (section B.I.4.1, p. 62), which can only be achieved by adequate marketing and especially communication measures. Because of their high relevance, the next chapter gives an overview about the major marketing-mix strategies that allow for the influencing of consumer perceptions about the major luxury characteristics.

B.III. The Luxury Marketing-Mix

Luxury brands employ segment-specific marketing-mix strategies that partly contradict with the common rules of marketing, which are described by Dubois (1992) as the “paradoxes of the luxury marketing”. Kapferer & Bastien (2009, p. 312) overshoots a bit by claiming that “[...] in order to enter the luxury market, to build a successful luxury brand and to make it remain a luxury brand, one has to forget the classical marketing rules”. The subsequent sections draw an overview of how segment-specific marketing-mix strategies are used to influence associations about the essential characteristics of luxury brands, which are illustrated in Figure B-8.

B.III.1. Product Policy

The Product Paradox

The development of new products in mass markets usually relies on consumer research. For instance, Berentzen, a producer of alcoholic beverages, used trend scouting in bars to discover the market niche of vodka energy drinks. They then designed the product and its taste, packaging and advertising according to the expectations of the target group (Trommsdorff & Heine 2008, p. 1674). Dubois (1992, p. 31) terms these products as “produits réponse”. However, this approach contradicts the basic principles of luxury brand management. Luxury brands rely on their specific identity and their unique vision and standards (Kapferer 2001, p. 321), translating their vision into symbolic characteristics and thereby creating the greater part of their product benefits. Therefore, they must be very convinced about their vision and cannot constantly change and adapt it to new market trends and short-term consumer expectations. Based on that, the product paradox of luxury marketing can be summarized as follows (Dubois 1992, p. 31).

On the one hand, luxury products cannot be developed in response to customer wishes; nevertheless, they have to meet consumer expectations as closely as possible in order to be successful in the market.

To resolve this problem, luxury brands have to employ specific market research to better understand which products would please their consumers best. Moreover, they have to think further in order to provide their demanding consumers with the “expected unexpected” (Trommsdorff & Heine 2008, p. 1674).

Achieving Associations of Quality

Of course, the product policy heavily impacts the quality dimension, sub-dimensions as well as the extraordinariness dimension. For instance, quality is reinforced by generous **warranties** (Keller 2009, p. 292) and **packaging**, which is particularly important in the luxury segment as it is instrumental in communicating symbolic meaning (Fionda & Moore 2009, p. 357).

A prerequisite for luxury brands to excel in product quality is achieving the status of an expert, which is obtained through high **investments in innovation and creativity** and also by appointing talented designers and professionals (Fionda & Moore 2009, p. 359). The status and expertise of a luxury brand can be proved with **memberships in recognized luxury brand associations**. National luxury brand associations include Altagamma in Italy, the Comité Colbert in France, SALA in South Africa and Walpole in the UK. The most famous industry-specific luxury brand association is the Chambre Syndicale de la Haute Couture in Paris. Only fashion brands that are members of this association are permitted to label their brand as “maison de couture” and their creative director as “grand couturier”. In addition, “haute couture” is a legally protected and controlled label that can only be used by active members of this association. Furthermore, the status of a luxury brand can also be proved by **affiliation to a recognized luxury group**. Some of the most recognized luxury groups are LVMH, PPR and Richemont. In contrast to these luxury-specialized groups, which own almost only luxury brands, there is a variety of mass-to-luxury groups, which focus on a specific industry and have a differentiated, bottom-to-top (mass-to-luxury) brand portfolio. Mass-to-luxury groups are recognized because of their expertise in their specific industry. Typical examples include L’Oreal, with cosmetics ranging from Garnier to Helena Rubinstein, the Swatch group, with watches ranging from Flik Flak to Glashütte Original, and Volkswagen, with automobiles ranging from Seat to Bentley.

The segment-specific product strategies also include the development of **iconic products**, which epitomize the brand signature (Fionda & Moore 2009, p. 357). Great examples of iconic products include the Chanel no. 5 perfume, the Hermès Kelly bag, and the Montblanc Meisterstück pen. These iconic products are indeed true masterpieces that rate at the very top of the major luxury dimensions. The rationale of luxury brands behind the development of iconic products is to prove their excellence and to enhance their luxury brand image, which should also improve consumer perceptions about the other products they offer.

B.III.2. Price Policy

The Price Paradox

A casual look at the price tag of a luxury product often leads to a minor or major scare, as it is often higher than expected. Prices seem unreasonable and emanated from some wild dream – and this is exactly the plan. “A reasonable price is a price that appeals to reason, and therefore to comparison”, but luxury is not comparative, but superlative (Kapferer & Bastien 2009, p. 319). This **superlative pricing strategy** makes a brand less accessible and evokes associations of rarity. Therefore, luxury brands have to be careful not to risk their brand image with discounts (Keller 2009, p. 292). Luxury brands can even increase symbolic benefits with this luxury pricing strategy, as demonstrated by the price paradox, which covers the following phenomenon:

In contrast to mass-market products, a price reduction of luxury products in the long-run usually leads to decreasing and otherwise a price increase to growing demand.

As price is a major indicator of quality and therefore also of prestige (Keller 2009, p. 292; Trommsdorff 2009, p. 96 et seqq.), luxury brands have to resist price reductions, which would in fact increase the demand in the short-run, but decrease sales in the long-run (Dubois 1992, p. 32 et seqq.).

Consequently, it is recommended to **raise prices continuously** year-by-year in order to increase demand (Kapferer & Bastien 2009, p. 319). Therewith, luxury brands make use of the Veblen and snob effect: the higher the price, the better Veblen consumers can demonstrate their wealth and the better can snobs demonstrate their status, as fewer people are able to afford the products (Vigneron & Johnson 1999, p. 4). In addition, this strategy motivates consumers to buy sooner rather than later. It also ensures the durability and value of luxury products: in many luxury product categories such as porcelain and wristwatches, it is commonly known that the product's value increases over time, which even makes some consumers purchase these products mainly as an investment.

Besides their actual price, it is especially essential for luxury brands to equip their products with an image of being expensive. Therefore, many luxury brands offer some **super-superlative priced products**, which belong to the most expensive products of their category and therefore just evoke respect. However, the bigger part of the revenues of many luxury brands comes from lower-priced items such as accessories (Kapferer & Bastien 2009, p. 314).

Certainly, there are also **constraints to the superlative pricing strategy**. First of all, price increases make a product less accessible for more and more consumers, and, of course, there is also a point where the product becomes inaccessible to virtually everyone. In addition, pricing is also related to true product excellence. The more the value-for-money-ratio becomes unreasonable, the more the brand attracts Veblen and snob consumers, which does not create much loyalty as high pricing can always be imitated (Kapferer & Bastien 2009, p. 319).

B.III.3. Distribution Policy

The **Distribution Paradox** of luxury marketing addresses the fundamental contradiction between luxury and marketing:

Luxury brands also strive to grow their business, but increasing sales volumes reduces rarity, therewith also the luxury image and as a consequence also the sales numbers, which means that the successes of luxury brands jeopardize their future successes.

This phenomenon is exemplified by Cartier's experience with their accessories "Les Must de Cartier". This product line developed to become a bestseller, which started to damage the brand image and therewith forced Cartier to restrain these offerings (Catry 2003, p. 10). Thus, the challenge for luxury brands is to increase their success and still preserve the impression of exclusivity (Dubois 1992, p. 30; Berthon et al. 2009, p. 54).

The distribution paradox also entails additional luxury-specific marketing strategies. Because of the limitations in pushing sales numbers, it is recommended that the potential of profit maximization is exhausted, for instance by **forward and backward integration**. Forward integration includes developing own retail outlets and backward integration covers increasing control over the manufacturing process, for example by exchanging licenses with in-house manufacturing. Another advantage of integration is the increased control over product quality and brand image (Keller 2009, p. 292).

Achieving Associations of Rarity

Of course, the distribution policy especially impacts the rarity dimension. Luxury brands strictly control the accessibility of their brand and practice **highly selective distribution** (Fionda & Moore 2009, p. 357; Keller 2009, p. 292). The basic principle of luxury distribution even claims that it should be difficult for clients to buy luxury products (Kapferer & Bastien 2009, p. 318). In the case of connoisseur brands, consumers even have to initially find out about the existence of these brands. This basic principle also requires that luxury boutiques

cannot be opened up on every corner, but only in prestigious shopping areas possibly in the neighborhood of other luxury brands (Berthon et al. 2009, p. 54). Besides that, consumers also have to overcome temporal barriers: if a product is perceived as being rare, then it is only appropriate that it cannot be consumed instantly. For many luxury products such as Hermès Kelly bags, there are waiting lists, and even fastidious luxury consumers need to be patient for about a year before they receive their order, which fuels their desire and thrill of anticipation (Nueono & Quelch 1998, p. 62).

Achieving Non-functional Associations

Besides its impact on rarity, luxury-specific distribution also concentrates on creating symbolic benefits. A major tool of luxury-specific distribution includes the **flagship store** (Fionda & Moore 2009, p. 358). Following early imitators such as Apple and Nike, this concept has also been increasingly adopted by non-luxury brands. The luxury retail environment is designed to convey all constitutive characteristics of luxury products and the specific personality of a luxury brand. For instance, Aigner emphasizes the quality of their handbags by making sales people wear white gloves when presenting products to their customers. The distribution strategy ensures pleasurable purchase experiences by offering high-class services (Keller 2009, p. 291), and, of course, the aesthetics of luxury products are heavily influenced by their presentation (Valtin 2004, p. 115).

B.III.4. Communication Policy

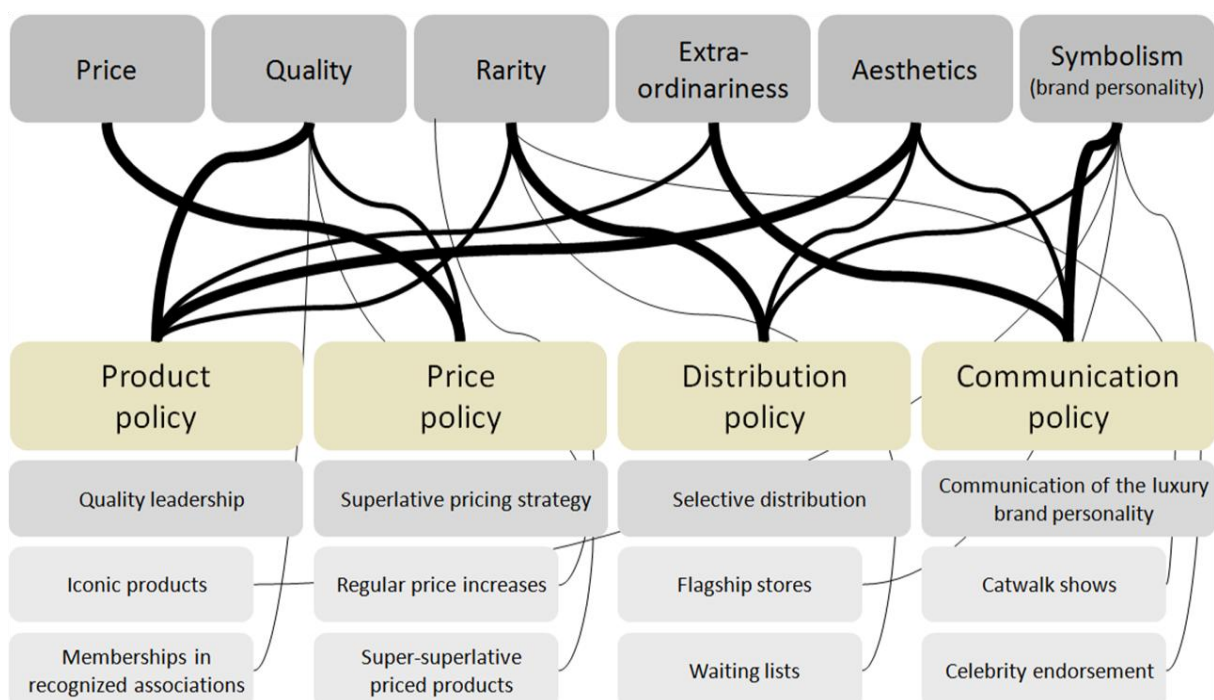
The Communication Paradox of luxury marketing deals with the following problem:

In contrast to mass-market brands, an increase in the luxury brand awareness does not necessarily lead to growing, but rather to decreasing demand.

This paradox refers to **connoisseur brands**, which are often bought by individualistic consumers in order to express their extraordinary lifestyle and to differentiate themselves

from others (see section B.I.4.3.2, p. 65). With growing awareness, the brand attracts bandwagon-consumers, who consume products mainly because their role models do so. At the same time, this distracts the original consumers, whose major purchasing motive is to differentiate themselves from other (bandwagon) consumers (see also Leibenstein 1950, p. 183 et seqq.). Investments in brand awareness can therefore reduce product benefits for individualistic consumers. As a consequence, bandwagon consumers start turning away from the brand, because it does not promise them affiliation to an attractive reference group – the original consumers – any longer (Trommsdorff & Heine 2008, p. 1674). In order not to risk their future success, connoisseur brands do not strive to increase the general awareness of their brand, but try hard to protect their customers from the people they like to differentiate themselves from by focusing their communication precisely to their target group and by keeping their brand a secret to others (Dubois 1992, p. 34). For this purpose, direct marketing and especially exclusive events are suitable for connoisseur brands. On the other hand, it is counterproductive for these brands to make advances to everyone and to emphasize the success of their sales, and therefore it is also a counter sales argument that a generally popular product is one that sells well. Accordingly, bulk mail or television advertising are not adequate marketing measures for connoisseur brands (Belz 1994, p. 648).

Figure B-8: Influencing the Associations about the Luxury Characteristics by segment-specific Marketing-mix Strategies



As **star brands**, on the other hand, strive for maximum brand awareness well beyond their actual target group, they employ much broader, sometimes even aggressive communication strategies (Kapferer & Bastien 2009, p. 319). Typical marketing measures of star brands include advertising in glamour magazines and sponsoring.

Achieving Non-functional Associations

The communication policy impacts especially the symbolic dimension and aims to communicate the intended luxury brand personality. Many luxury fashion brands consider **catwalk shows** a vital communication tool for fostering their brand's prestige and dream value. Other typical communication tools of luxury brands include **celebrity endorsement and PR** (Fionda & Moore 2009, p. 358)

This section gave a short overview about how the segment-specific, marketing-mix strategies allow for the influencing of associations about the luxury brand characteristics, which is exemplified by Figure B-8. Mastering these marketing techniques is essential for luxury brands, because, as explained in section B.I.4.1 (p. 62), they only qualify as luxury brands if they actually succeed in evoking the constitutive associations in the minds of their target groups. Each of the marketing-mix instruments can be used to evoke associations about each of the major luxury brand characteristics. However, some marketing instruments are more suitable for influencing associations about a specific characteristic than others (see also Figure B-8). For instance, the product policy has a strong impact on quality and aesthetics, while the distribution policy especially influences the associations about rarity, but also about aesthetics and the brand personality.

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