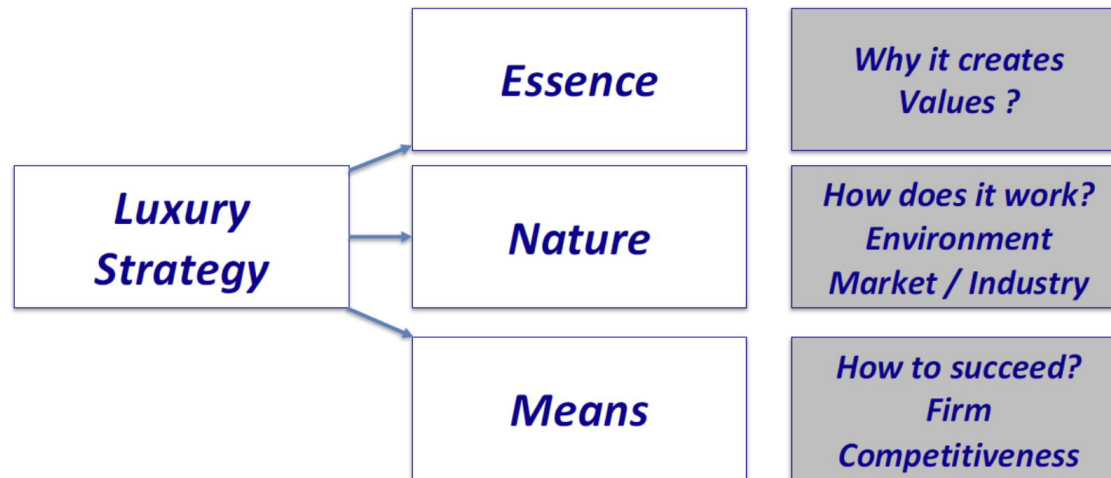


Definition of Luxury

Luxury refers to goods, services, or experiences that are characterized by their high quality, exclusivity, and rarity. Typically associated with refined craftsmanship, innovative design, and a deep sense of indulgence and personal satisfaction. It often commands a premium price due to its perceived value, unique attributes, and the status it bestows upon its consumers.



Essence: Why it creates Values?

- This element is about understanding the intrinsic value that luxury items offer. It probes into the reasons why luxury goods are valued and desired by consumers. The "essence" is the core of the luxury brand, which is often intangible and linked to the brand's heritage, exclusivity, and craftsmanship.

Nature: How does it work? Environment / Market / Industry

- The "nature" of a luxury strategy concerns the operational environment and the dynamics of the luxury market and industry. It involves understanding the market forces, customer behavior, competition, and how luxury items are perceived and interact within their specific context.

Means: How to succeed? Firm / Competitiveness

- "Means" refers to the resources and actions that a firm employs to be successful in the luxury market. This includes everything from production techniques, marketing strategies, and brand management to innovations that enhance competitiveness.

Luxury: An anthropological approach

Early Civilizations

Greece and Rome

Middle Ages and Renaissance

Eighteenth and Nineteenth Century

Contemporary Views

Key Anthropological Insights for Exam Preparation

- **Luxury as a Social Construct:** Recognize how luxury reflects and influences societal values and how its definition evolves with culture and social norms.
- **Cultural and Historical Shifts:** Understand the transformation of luxury across different historical epochs—from a symbol of power in early civilizations to a marker of taste and distinction in the modern era.
- **Luxury and Power:** Consider the enduring relationship between luxury and social stratification, noting how luxury items signal authority and wealth.
- **Moral and Philosophical Dimensions:** Reflect on the ethical and moral discussions surrounding luxury, historically seen as a vice or extravagance, and how this perspective has shifted in modern times.
- **Contemporary Luxury:** Delve into the current luxury market's attributes, focusing on how modern luxury is characterized by both high quality and exclusivity while also embodying sustainability, ethical production, and the importance of consumer experience.
- **Status and Conspicuous Consumption:** Examine the role of conspicuous consumption as theorized by Veblen, where luxury serves as a display of wealth and status, and its adaptation in contemporary society.

- **The Role of Romanticism:** Acknowledge how the Romanticism movement has impacted consumerism, emphasizing personal pleasure and emotional engagement over utilitarian value.
- **The Digital and Globalized Market:** Understand how digitalization and globalization have changed the luxury landscape, influencing how luxury brands engage with consumers and navigate international markets.
- **Sustainability and Ethics:** Recognize the growing importance of sustainability and ethical practices in the luxury industry, a response to increasing consumer awareness and demand for responsible business practices.
- **Experience Economy:** Be aware of the shift towards valuing experiences over material possessions, which has led luxury brands to focus on providing exceptional and memorable consumer experiences.

Managerial lessons. What the manager needs to know

Managerial lessons. What the manager needs to know

Les
Roches

Key aspect	Lessons
Luxury as change	<ul style="list-style-type: none">- Luxury is a dynamic concept. It is continually evolving.- What remains is the human nature of going beyond limits.
Mirror of society	<ul style="list-style-type: none">- Luxury is defined by society, not by firms.- Luxury evolves as society does.
Basic (need) versus sophisticated (desire)	<ul style="list-style-type: none">- The human drive to go beyond boundaries
Luxury as a threat	<ul style="list-style-type: none">- Luxury represents a threat to social organization and hence has received negative connotations.- Quantity defines luxury as access.
Quantity versus quality	<ul style="list-style-type: none">- Quality defines luxury as (a later) sophistication (refinement) of certain characteristics.- Art is a way to appreciate sophisticated attributes.
Link to art	<ul style="list-style-type: none">- Artisanry deals with skills, while artists deal with creation.- Art represents a different mindset. Creation based on self-expression through skills

Table 1.1 Lessons of the anthropological perspective on luxury

Luxury as Change

Mirror of Society

Basic (Need) vs. Sophisticated (Desire)

Luxury as a Threat

Quantity vs Quality

Link to Art

The quest for luxury brand attributes

	Vigneron & Johnson (1999)	(Items developed in Vigneron et al. study)	Kapferer (1998)	Dubois, Laurent and Collier (2001)
Non-personal-oriented Perceptions	Conspicuousness	Conspicuous, Elitist Expensive For wealthy	Belong to a minority Its price	Conspicuous Elitist Very high price Differentiated from others
	Uniqueness	Very exclusive Precious Rare Unique	Exclusiveness Its uniqueness	Scarcity Uniqueness
	Quality	Crafted Luxurious Best quality Sophisticated Superior	Craftsman Its quality Beauty of object Efficence of product	Not mass-produced Rather like luxury Excellent quality Good taste
Personal-oriented Perceptions	Hedonism	Exquisite Glamorous Stunning	Its great creativity Its sensuality Its magic	Pleasure Aesthetics and polysensuality Makes life beautiful
	Extended Self	Leading Very powerful Rewarding Successful	Knowing that few have one	Refined people Reveal who you are Pleasing Few people own
Items without apparent commonalities			Snob Rare and tradition International reputation Long history Grown out of a creative genius Never out of fashion Forefront of fashion	Ancient heritage and personal history Superfluous and non-functional Makes dream

VIGNERON, F., and JOHNSON, L. W. (2004) Measuring perceptions of brand luxury. Journal of Brand Management, Vol. 11 no 6, p. 484.

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Luxury is hardly defined by one or multiple attributes

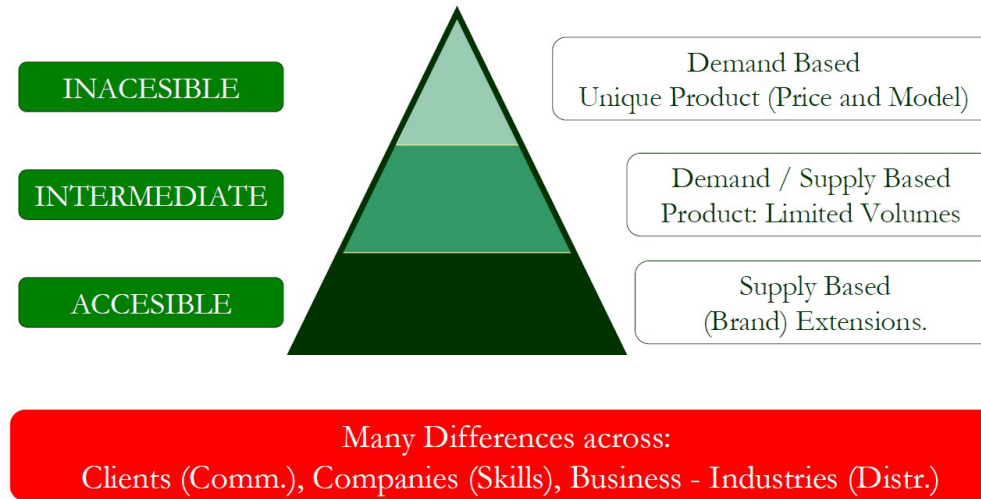
Non-personal-oriented Perceptions

1. **Conspicuousness:** Luxury items are often visible symbols of status, aimed at being recognized by others. They're usually expensive and intended for a wealthy clientele.
2. **Uniqueness:** This refers to how exclusive, rare, and unique a luxury item is. These products are not mass-produced and are often crafted, leading to their precious and luxurious nature.
3. **Quality:** The craftsmanship and the superior quality of materials used in luxury items denote their luxury status. This category emphasizes the sophisticated, best-in-class nature of luxury goods.

Personal-oriented Perceptions

1. **Hedonism:** This relates to the pleasure and enjoyment derived from luxury items. The creativity, glamour, and aesthetic appeal of luxury goods are focused on personal satisfaction and sensuality.
2. **Extended Self:** Luxury items often act as extensions of an individual's identity, indicating their success, power, and rewarding nature. Owning luxury items can be a form of self-expression and is linked to the idea that only a few can possess such items, thereby reinforcing their exclusivity.
3. **Item without apparent commonalities:** This suggests that there isn't always a clear set of shared attributes among luxury items, as luxury can be a subjective and multi-faceted concept.

Some other attempts to define luxury
The categories of Luxury



Top Tier: Inaccessible Luxury

- **Demand Based:** At the apex of the pyramid are luxury products that are unique and often made to order or produced in extremely limited quantities. These are the most exclusive items, typically with a very high price and a specific model, which might include bespoke items or limited edition pieces. The demand is dictated by the uniqueness and the desire of a select few who can afford such luxury.

Middle Tier: Intermediate Luxury

- **Demand / Supply Based:** The middle tier represents luxury products that are available in limited volumes. These items are less exclusive than the top-tier products but still maintain a high level of exclusivity due to their limited availability. They strike a balance between demand and supply to maintain their luxury status while being slightly more accessible than the top-tier items.

Bottom Tier: Accessible Luxury

- **Supply Based (Brand Extensions):** At the base of the pyramid are the most accessible luxury items, which are often brand extensions. These products still carry the luxury brand's name but are made more widely available to a broader audience. They allow for greater market penetration and often include entry-level products from a luxury brand.

The text at the bottom highlights the differences across various factors in the luxury market:

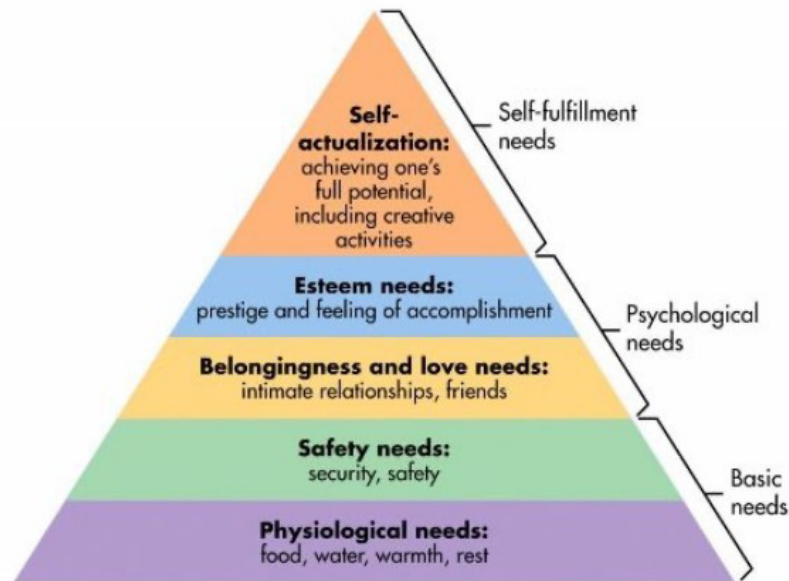
- **Clients (Comm.):** Different customer segments and communication strategies.
- **Companies (Skills):** The distinct capabilities and expertise of luxury brands.
- **Business - Industries (Distr.):** The varied distribution channels and business models across the luxury industry.

Understanding this framework is critical for managers in the luxury industry, as it can inform strategic decisions regarding product design, production, positioning, marketing, and distribution. It underscores the need for tailored approaches depending on which tier of luxury a brand or product is targeting.

Managerial lessons. What the manager needs to know

To understand value creation,
we need to understand human beings

Our priorities :
Maslow hierarchy of needs



How we assess value :
Type of Benefits

Functional

Emotional

Expressive

Source: Aaker, D and Joahinsthaler, "Brand Leadership"

Maslow's Hierarchy of Needs

The pyramid represents Maslow's hierarchy of needs, a psychological theory that organizes human needs into a hierarchy:

1. **Physiological Needs:** The most basic needs for survival such as food, water, and rest.
2. **Safety Needs:** The need for security and safety.
3. **Belongingness and Love Needs:** The need for intimate relationships and friends.
4. **Esteem Needs:** The need for prestige, feeling of accomplishment, and recognition.
1. **Self-Actualization:** The need to achieve one's full potential, including creative activities and the pursuit of personal goals.

Types of Benefits

Next to the pyramid are three types of benefits that products or services can provide, which correspond to different levels in Maslow's hierarchy:

1. **Functional Benefits:** These are the practical and utilitarian aspects of a product that meet physiological and safety needs.
2. **Emotional Benefits:** These benefits address the psychological needs such as belongingness, love, and esteem, providing customers with emotional satisfaction.
3. **Expressive Benefits:** These relate to self-actualization needs, allowing individuals to express their identity and values through the products they use.

For a manager, understanding this framework is key to developing products and strategies that resonate deeply with consumers. It means that to create value, one must design products that not only serve a functional purpose but also fulfill emotional and expressive human needs. By doing so, products are more likely to be valued, desired, and chosen by consumers, which is the ultimate goal in a competitive marketplace.

A reflection on "Value Creation"
Can the packaging be more valuable than the product?



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- Creativity opens limitless opportunities to "understand" value creation.
- Creating value does not equal solving a problem.
- Value is not only a Functional Benefit, but an Emotional or Expressive Benefit too.



This slide presents a thought-provoking question on value creation, particularly in the context of product packaging. It uses the example of "Garbage of New York City" to illustrate its point—a product that essentially packages and sells what would traditionally be considered worthless (garbage) yet gains value through creative presentation and concept.

Here are the key takeaways from the slide:

1. **Creativity in Value Creation:** The slide suggests that creativity can unlock unique opportunities for creating value. This is exemplified by the product in the image, where typical city waste, something normally devoid of value, is transformed into a desirable item through creative packaging and marketing.

2. **Value Beyond Problem-Solving:** Traditionally, products are valued for their ability to solve problems or fulfill needs. However, this slide indicates that value creation doesn't always have to be about solving a problem. Instead, it can be about the story, concept, or experience that the product represents.
3. **Multifaceted Nature of Value:** Value can be derived from more than just the functional benefits of a product. Emotional and expressive benefits are equally important. The packaging of "Garbage of New York City" may evoke an emotional response or allow for self-expression (perhaps as a statement piece or a conversation starter), thereby adding value.

