Chapter 18

Luxury Branding

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Introduction: The Changing Face of the Luxury Market and the Emergence of New Luxury

The headline of a recent ad for Pegasus, a line of bathroom fittings by Home Depot, says *"Luxury is only for the privileged? What gave you that idea?"* Today, the promise of the good life, the ultimate experience of luxurious living, is made to mass market consumers by products in virtually every category. Silverstein and Fiske (2003) refer to this trend as the emerging "new luxury" market and describe it as a recent socio-economic trend in which middle-market consumers trade up to "products and services which possess higher levels of quality, taste, and aspiration than [other] goods in the [same] category but are not so expensive as to be out of reach" (Silverstein and Fiske 2003, p. 1). Thus, the "new luxury" market is not restricted to conventional luxury goods such as diamonds, furs, and expensive cars (referred to by Silverstein and Fiske as "old luxury"), but may include any products at the top of their category, from sandwiches (e.g., Panera Bread) to body washes (e.g., Bath and Body Works). According to Silverstein and Fiske (2003), "new luxury" products are premium goods that connect with consumers on an emotional level.

With the emergence of the "new luxury" phenomenon, luxury branding is an increasingly important domain for research in marketing. Although there are some notable exceptions (e.g., Park Milberg and Lawson 1991; Vigneron and Johnson 2004), the concept of luxury, the marketing of luxury products, and the management of luxury brands have for the most part been ignored in the extant literature. The central aim of this chapter is to present the current state of knowledge with regard to luxury branding and to identify gaps in this knowledge that pertain to (1) the conceptualization of luxury brands, (2) the understanding of how consumers relate to and process information about luxury brands, and (3) the identification of the benefits and risks inherent to managing the luxury brand concept.

The remainder of the chapter is as follows. We first distinguish between the notions of “new luxury” and “old luxury”. Next we present a brief review of the state of the knowledge about the marketing of luxury products and brands. A great deal of this research investigates how a luxury brand should be managed from a marketer’s point of view, a notion consistent with old luxury branding. Notably, however, some recent research has provided insight into the motivations driving luxury brand choice. After reviewing the relevant literature, we then identify some critical gaps in this literature with a focus on the reconceptualization of luxury brands, the need for an increased understanding of consumer processing of the luxury brand concept, and benefits and risks inherent to managing the luxury brand concept. Please see figure 1 for a diagrammatic summary of extant and future research.

How Different Is New Luxury From Old Luxury?

Traditionally, underlying the consumption of luxury goods was the principle of rarity (Veblen 1899). However, Silverstein and Fiske (2003) identify a new type of luxury goods consumer responsible for democratizing the luxury market (Tsai 2005). These middle-market consumers selectively trade up to “higher levels of quality, taste and aspiration.” Indeed, these luxury brands have helped the middle class attain the perception of prosperity (Schwartz 2002). Not only is luxury being democratized, but the goods traditionally considered luxury are also changing. Traditional luxury categories like furs, watches, and jewelry, are being replaced by home appliances, fine dining, bath soap, and travel. Indeed, according to Danziger (2005), the old luxury was defined by product category, while the new luxury is independent of product category but is all about the experience.

The global market for luxury products and services is estimated to reach 100 billion US Dollars in 2008 (Unity Marketing 2006; Merrill Lynch/Cap Gemini 2005). Notably, this does not include the ever-expanding “new luxury” marketplace. Indeed, the emergence of new luxury in virtually every product category and the democratization of luxury (Tsai 2005), making the luxury experience accessible to more consumers, is viewed by many observers as a radical transformation of the luxury market. However, if the terms “old luxury” and “new luxury” are to facilitate understanding and discussion of this transformation, rather than confuse the issue of what luxury really is, the relationship between the two concepts should be clarified. The latter concept is differentiated from the former concept in that it is not restricted to specific product categories. Further, the aspect of conspicuous consumption is less important for the latter concept, giving way to a more complete focus on experience, affect, and hedonism. Notwithstanding this trend in the marketplace, old luxury clearly exists alongside new luxury. Further, consumers' perceptions of old luxury inform their perceptions of new luxury, and the clear distinction between the two concepts is somewhat arbitrary. However, the distinction may nonetheless be useful for brand management in the current marketplace. While the old luxury market focused on the status and prestige of the brand, the new luxury market focuses on the pleasure and emotional connection the consumer has with the brand. In the old luxury market, brand management entailed managing the attributes, features, and image of the brand so as to convey the perception of luxury to consumers.

Notably what constitutes "luxury" today is reflective of the changing nature of consumer needs, specifically the evolution of utilitarian or basic needs to hedonic or higher order needs. Many consumers no longer struggle to meet basic needs of survival, security and comfort but strive towards enhancing their pleasure and broadening their life experiences. As the face of the luxury market rapidly changes, the issue of how luxury brands can and should be strategically and dynamically managed so as to connect with a consumer on an emotional level, ensuring that the consumer derives pleasure from the brand experience at each encounter, becomes an important issue to academic researchers and marketers alike.

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Review of the Extant Literature on Luxury Branding

What Is a Luxury Brand?

The Merriam-Webster Dictionary defines luxury as "a condition of abundance or great ease and comfort" or "something adding to pleasure or comfort but not absolutely necessary." This popular notion illustrates a clear link between the concept of luxury and the concept of hedonic consumption (Hirschman and Holbrook 1982). Indeed, Vigneron and Johnson (2004) cite Kapferer's (1997) description of luxury products as those providing extra pleasure and flattering all senses at once, and expand on this description to argue that psychological benefits, rather than functional benefits, are the main factor distinguishing luxury products from non-luxury products. Berry (1994) distinguishes luxury products from necessities by suggesting that necessities are utilitarian objects that help relieve the unpleasant state of discomfort while luxuries are seen as desirable objects that provide pleasure. Others have defined luxury products as those which ratio of functionality to price is low but which ratio of intangible and situational utility to price is high (Nueno and Quelch 1998).

In this chapter, we put forward a consumer focused definition of luxury brands that is reflective of current market trends and the emergence of new luxury. We conceptualize a luxury brand as one that is at the top of its category in terms of premiumness and connects with consumers on an emotional level, providing pleasure as a central benefit (Hagtvedt and Patrick 2008a). We suggest that this formulation of a luxury brand captures the pre-requisite of premiumness for luxury but emphasizes the delivery of emotional benefits that constitute the primary benefit obtained by the consumer.

What Are the Correlates of Luxury Brands?

Extant research has investigated the different aspects of a brand that signal luxury to consumers. Although this research has largely examined what might be considered most relevant for “old luxury,” some of these brand correlates remain important for “new luxury” as well, although empirical research is needed to determine which ones they are.

Phau and Prendergast (2000) suggest that luxury brands are those that imply exclusivity, have a strong brand identity, have high brand awareness, and are perceived to be high quality. Indeed, other research systematically investigates the multi-dimensional nature of the luxury brand concept and suggests how these dimensions should be managed for creating lasting luxury brand value. Vigneron and Johnson (2004), for instance, propose five key dimensions of a luxury brand: perceived quality, perceived conspicuousness, perceived uniqueness, perceived extended self, and perceived hedonism. The first of these dimensions simply refers to the expectation that luxury brands should offer superior performance (Gentry et al. 2001). While an important source of revenue expansion for firms is increased purchase intent induced by increased perceptions of quality (Rust, Moorman, and Dickson 2002), luxury also implies premium pricing which could deter some consumers who might prefer a value-for-money proposition that connotes more quality per dollar spent. For the next three dimensions of luxury, a high price is, in fact, desirable. The concept of conspicuous consumption suggests that consumers purchase conspicuous goods because of their social signaling effect. These consumers thus achieve an enhanced level of status or prestige which sets them apart from others (Veblen 1899). Indeed, some research has even suggested that consumers' propensity to purchase a luxury brand is dependent on their susceptibility to interpersonal influence (Bearden and Etzel 1982). Perceived uniqueness or scarcity of the products adds to this social signaling effect, and firms sometimes incorporate this into brand strategies. For instance, Ferrari promised not to produce more than 4,300 vehicles despite more than a two-year waiting list for its cars, while Christian Dior even sued supermarkets for carrying its products, fearing that wide availability could hurt its exclusive image (cited in Amaldoss and Jain 2005). The underlying assumption here is that luxury brands may serve to classify or distinguish consumers in relation to others. Consumers may also integrate the symbolic meaning of these brands into their own identity (Holt 1995). Belk's (1988) concept of extended self suggests that possessions may form part of a consumer's identity, and the construction of one's self thus seems to be a factor in luxury consumption (Vigneron and Johnson 2004).

The last dimension, perceived hedonism, refers to the sensory gratification, as opposed to the social context, of luxury consumption. The hedonic aspect of luxury consumption thus refers to the intrinsic pleasure and emotional reward derived from the consumption experience itself (Hirschman and Holbrook 1982). This notion also is in line with Silverstein and Fiske's (2003) "new luxury," that is, premium goods that connect with the consumers on an emotional level, and it allows for luxury branding across a wide variety of product categories. After all, pleasure is not only a fundamental human drive (Higgins 1997), but it is universally applicable such that a consumer may be delighted and feel sensory and emotional gratification through the consumption of virtually any product category. Indeed, the “luxury fever” (Frank 1999) that has purportedly swept the nation is proposed to be not the pursuit of furs, diamonds, and cars, but of traditionally functional items like grills, washing machines, and lawnmowers. Further, although the rarity principle underlying conspicuous consumption (Dubois and Paternault 1995; Veblen 1899) may be counteracted by a high availability of products belonging to a luxury brand, there is no evident reason why consumers would be averse to sensory and emotional gratification in abundance.

Consumer Choice of Luxury Brands

Although research on luxury branding from a consumer’s perspective is still at an early stage, some extant literature sheds light on motivations that drive consumers to choose luxury products and on conditions that facilitate choice of a luxury brand option. Early research motivated by economic theory has analyzed the consumption choices of affluent consumers (Dubois and Duquesne 1993; Dubois and Laurent 1993; Veblen 1899), the role of snobbery and conspicuousness in consumption choices (Leibenstein 1950), and the economic and political factors that drive luxury purchases (Vigneron and Johnson 1999). Other research has investigated consumer characteristics that predispose them to luxury consumption. Bearden and Etzel (1982) show that for consumers susceptible to interpersonal influence, approval from their reference group is a strong motivator for luxury brand choice. Dubois and Laurent (1994) suggest that individuals with high hedonistic and perfectionist motives are more likely to purchase luxury products, but feelings of guilt, on the other hand, dissuade consumers from making these purchases (Kivetz and Simonson 2002). Wong and Ahuvia (1998) illustrate that Asians and Westerners differ in their motivations to purchase status goods and luxury brands, implicating cultural differences as a driver of luxury consumption. They assert that since East Asian culture is based on an interpersonal construal of self, Asians (vs. Westerners) tend to be influenced by group norms and goals, leading to a preference for public and visible possessions that communicate financial achievement. Conversely, Asians appear less likely than Westerners to display materialistic behavior based on personal tastes, traits, or goals. In a similar vein, Tsai (2005) discusses the differences between socially oriented and personally oriented consumers in terms of the luxury market, and also provides recommendations for enhancing luxury-brand purchase value for personally oriented consumers.

Scattered research findings also exist that illuminate some situational factors that drive brand choice. Mandel, Petrova, and Cialdini (2006) demonstrate that when a depicted media personality is perceived to be similar and the media depiction is one of success (vs. failure) consumers tend to exhibit increased expectations of their own future wealth along with a preference for luxury brands. Chartrand, Huber, Shiv, and Tanner (2008) demonstrate that primed exposure to a premium/luxury concept (e.g., walking past Nordstrom) activates a prestige goal and results in an increased propensity to choose a luxury product (choice of a more expensive pair of socks). Kivetz and Simonson (2002) illustrate that when making a choice between a hedonic experience (going on a cruise) and a utilitarian one (saving for college), feelings of guilt often result in consumers choosing the latter. Interestingly, however, these researchers show that knowledge about these feelings of guilt results in individuals precommitting to luxury over necessities. These researchers show that people do prefer indulgent awards and that these awards are more effective than cash as an incentive to participate in a lottery, underscoring the appeal of luxury and its power to influence consumer behavior.

Dubois and Paternault (1995) discuss how the appeal of luxury can also change in a cycle of aspiration and consumption. These authors suggest that the luxury concept has "dream value." The paradox of luxury marketing is revealed through a regression analysis that shows that for luxury brands, awareness feeds the dream of owning the brand, but purchase makes the dream come true, thereby contributing to destroy it.

Summary of the Extant Literature and Identification of Gaps for Future Research

Extant literature has focused a great deal on definitions and conceptualizations of the luxury brand and the correlates of luxury that connote luxury status. For the times, this was a reasonable approach since the purpose of the research was to enable better strategic decisions related to management of luxury brands and to determine the extent to which product features and attributes (like price or quality) determined luxury brand status. Early research also investigated the personality-related and social factors that drove luxury brand choice. Recent research in consumer behavior has begun to investigate the choice of a luxury brand as a dependent variable and the conditions under which this occurs. In this chapter, we identify three key sets of issues that represent gaps in the current knowledge. These are pertinent today given the changing face of luxury in the marketplace and its emergence in diverse product categories.

First, we suggest a reconceptualization of what constitutes luxury in today's market place. We propose that luxury is pursued for its own sake and that the hedonic potential of luxury brands is what primarily distinguishes them from other brands within their category. We assert that the processing style and manner in which consumers respond to the luxury concept remains a "black box" even today. One might derive some insight into this black box from related research on hedonic consumer behavior, but an in-depth understanding of consumer response to the luxury brand concept is lacking in the current literature. Further, this understanding of consumer responses to luxury lends insight into a related issue of how managers can strategically and effectively manage luxury brands with a focus on the benefits and risks a luxury brand affords.

To summarize, we identify three key gaps in the literature and call for future research to illuminate these gaps:

1) To reconceptualize the luxury concept in the context of current market trends and conditions and to determine the source from which consumers derive value from luxury consumption.
2) To understand how luxury brands are evaluated, in other words, how consumers process luxury brand information.
3) To determine the benefits and risks of managing luxury brands and to provide insights to enable a more effective and strategic management of these brands.

Gap 1: Reconceptualizing Luxury Brands

It is assumed in marketing thought that the greater the benefits consumers derive, the more they are willing to pay. Thus, luxury brands have been able to command a premium price for the benefits of status, conspiciousness, and exclusivity. Indeed, extant research demonstrates that consumers view premium prices as indicators of higher quality (Quelch 1987; Garfein 1989; Arghavan and Zaichkowsky 2000; O'Cass and Frost 2002). Further, it is often said that luxury products often are purchased simply because they cost more, without providing additional direct utility over cheaper counterparts (Dubois and Duquesne 1993).

However, the real utility a consumer derives from a luxury product is largely psychological, and it is the psychological benefits that distinguish luxury products from non-luxury products and counterfeits (Arghavan and Zaichkowsky 2000). Increasingly, consumers are more willing to spend on luxury experiences, especially for holiday accommodations, home furnishings, food for dinner parties, restaurants, etc., in other words, for hedonic experiences, status related items, and products that are going to last a lifetime (Allsopp 2005). Given this, we conceptualize a luxury brand as one that is at the top of its category in terms of premiumness and connects with consumers on an emotional level, providing pleasure as a central benefit.

To better understand consumer response to luxury, we propose that the notion of luxury for its own sake should also be highlighted. Little or no research has been conducted or even proposed in this regard, but there is a growing stream of research in arts and aesthetics that may shed light on the subject. Dissanayake (1995) discusses art in relation to the concept of “making special” or “artifying,” tied to religion and ritualistic behavior. In other words, humans have a drive, developed through the process of evolution, to make and experience the extraordinary, and this is what underlies our impulse for artistic creation and consumption. It seems reasonable to propose a parallel for the creation and consumption of luxury. Indeed, Kapferer (1997) refers to luxury as art applied to functional items. Similarly, Hagtvedt and Patrick (2008b) discuss the luxury perceptions inherent in the concept of art, noting that both are tied to a special kind of quest for excellence. Of course, this does not imply that luxury is the most salient or important aspect of art, but it implies that an underlying drive that gives rise to both these expressions of human ingenuity stems from the same source, that is, the desire to experience the extraordinary.

Extant literature asserts that artworks, in the pure sense of the word, are valued in and of themselves and possess no utilitarian value (Hagtvedt and Patrick 2008b; Hirschman 1983). Indeed, it is argued that aesthetic experiences in general must be intrinsically motivated (Averill, Stanat, and More 1998). This intrinsic value is tied to the experience of the extraordinary for its own sake, and thus, following the above argument, pertains also to the concept of luxury. This insight further clarifies the role of hedonism in luxury consumption, and it also exemplifies the relation to and relevance for research on luxury of several separate streams of research, such as those pertaining to arts, aesthetics, design, and hedonic products. Indeed, research in luxury might greatly benefit from the development of an overarching framework that captures the commonalities between these related areas.

Gap 2: Understanding Consumer Processing of the Luxury Brand Concept

Although there has not been much research that explicitly investigates the processing of luxury brand concepts, we can draw on the emerging stream of literature that investigates consumer responses to hedonic products as a starting point. Hedonic goods are multisensory and associated with fun, feelings, pleasure, excitement, and fantasy (Hirschman and Holbrook 1982). Previous research has suggested that hedonic products elicit a different set of criteria with which they are evaluated (c.f. Yeung and Wyer 2004, 2005) and elicit a different set of consumption goals compared to functional products (Pham 1998).

We propose that luxury brands are likely to also be evaluated based on a different set of criteria than other brands. Given that a luxury brand is defined in terms of the emotional and hedonic benefits it delivers, the extent to which a luxury brand is able to meet affective expectations is more likely to influence evaluation than is performance along a series of attributes (c.f. Patrick, MacInnis, and Park 2007). Consequently, we might posit that if the brand delivers emotional gratification from consumption, the re-experience of this benefit may also be a key driver for repurchase as opposed to satisfaction in terms of specific performance criteria (Hagtvedt and Patrick 2008a). This notion has been supported in the literature in the context of hedonic products, in which Chitturi, Raghunathan, and Mahajan (2008) suggest that while functional products satisfy, hedonic products delight. We would argue that this experience of delight is likely to be a key driver of future purchase, not mere satisfaction, and re-experiencing emotional gratification becomes the consumption goal, not merely repurchase.

As Thomson, MacInnis, and Park (2005) point out, emotional attachment is indeed the tie that binds. Luxury brands constitute a unique context in which to examine some of the key findings in the attachment literature. We would argue that this is a category in which functionality and performance is less important than the emotional connection. The implications for brand loyalty within this category are also an important area for future investigation. Finally, recent research has emphasized the differential processing of brands among different populations, such as for instance the holistic processing prevalent in Eastern societies versus the analytic processing prevalent in Western societies (Monga and John 2008). Future research may investigate other cross-cultural differences in the processing of the luxury brand concept.

Gap 3: Identifying the Benefits and Risks of the Luxury Brand Concept

Given the recent trends in the marketplace of "trading up" and the emergence of "new luxury" products in virtually every product category (Silverstein and Fiske 2003), a systematic understanding of the benefits and risks of the luxury brand concept as conceptualized above is needed. Based on the above, the hedonic properties inherent in a luxury proposition represent benefits for the luxury brand that merit further investigation. After all, hedonic benefits are desirable in and of themselves, with the implications this has for brand and brand extension evaluations, attachment to the brand, purchase behavior, and so on. For instance, this aspect of hedonism implies that a luxury brand is inherently desirable, that luxury brand extensions may be judged on a less strictly rational basis than other brand extensions, that consumer attachment may be easier to achieve with luxury brands, etc. (see also Park, Milberg, and Lawson 1991). Indeed, the centrality of pleasure and emotional connection in the current conceptualization of luxury suggests that the feelings-as-information approach (Schwarz and Clore 1983) may be useful for the investigation of consumer responses to luxury branding (Hagtvedt and Patrick 2008a).

The management of a luxury brand portfolio is also an area in which a great deal of future research might be conducted. The issues of whether a brand should line extend within its category or extend across categories, and the overall impact of the brand on marketing related criteria such as market share and shareholder value (see Park and Eisingerich 2008), are important for future investigation. Indeed, placing a monetary valuation on the emotional benefits delivered by a brand and translating this emotional brand value into a dollar value is important for future research.

It should also be noted, however, that there may be specific risks inherent in the luxury brand concept. Brand management entails, in part, maintaining consistency and positive brand associations in brand communication (Keller 1993; Park, Jaworski, and MacInnis 1986). The commitment to a specific brand concept entails providing brand cues consistent with that brand concept. For example, cues such as premium pricing and exclusive distribution may be considered consistent with a luxury brand concept (Amaldoss and Jain 2005; Silverstein and Fiske 2003). Further, cheap extensions may have an adverse impact on a parent luxury brand (Kirmani, Sood, and Bridges 1999). Research on brand dilution suggests that providing cues that are inconsistent with a brand concept decreases brand evaluation and consequently might have an impact on brand extendibility (Buchanan, Simmons, and Bickart 1999). In fact, even positively valued attributes, if occurring in a product in unexpected combinations, may lead to incoherence and uncertainty, which in turn may have an unfavorable influence on brand evaluation (Kayande, Roberts, Lilien, and Fong 2007).

Based on our assertion that hedonic associations are central to the luxury brand concept, a potential downside to this is that these perceptions are difficult to maintain and have to be carefully managed. Indeed, it seems reasonable that a luxury brand is sensitive to inconsistencies in brand cues, and that a disruption or interference of hedonic perceptions may cause unfavorable consumer evaluations and brand dilution. Further, inconsistencies in brand cues in extension categories are likely to have negative feedback effects on the parent brand.

Similarly, brand evaluation is enhanced by associating the brand with positive brand cues, while it is diminished by associating the brand with negative brand cues (Park et al. 1986). Several brand cues may influence how a brand is evaluated, for instance, advertising images, celebrity endorsement, product packaging, or word-of-mouth. In general, negative information about a product’s attributes influences brand perceptions more than positive information does (Herr, Kardes, and Kim 1991) since consumers weigh negative information more heavily than positive information when forming overall brand attitudes (Herr et al. 1991). It seems reasonable that different brand concepts may be differentially sensitive to negative brand cues, and that consumers may be particularly sensitive to negative cues associated with the luxury brand concept, if the evaluation of this brand is based more on a general positive emotional connection than on specific performance criteria.

Conclusions

This chapter gives a brief introduction to recent research pertaining to luxury branding. Indeed, brevity is not difficult to achieve here, because only a few scholars have, as of yet, focused on this area. To better understand the domain of luxury, one might draw on previous research on prestige, conspicuous consumption, premium products, and so on, but luxury branding also merits a great deal of further attention. In this chapter, we have outlined some of the major issues in most immediate need of further research. Issues thus discussed pertain to the evaluation of luxury brands, processing of luxury brand information, and risks and benefits associated with luxury branding. Future research might also illuminate issues such as the possible moderating role of consumer goals on luxury brand evaluations and purchase intent, or the role of specific emotions in consumer response to luxury branding. Further, in line with recent literature (e.g., Silverstein and Fiske 2003), the current chapter emphasizes the democratization and changing face of the luxury market, with the notion that the luxury concept may apply to virtually any product category. However, future research may investigate whether “new luxury” and “old luxury” afford the same experience to consumers, and whether the inclusion of specific product types to a luxury brand may add to or detract from the favorable influence of a luxury brand proposition on, for instance, brand evaluation or purchase intent. Finally, while extant literature highlights cultural differences in the appeal of luxury (Wong and Ahuvia 1998), it seems clear that luxury also has universal appeals. Future research might disentangle cultural influences from biological predispositions in regards to luxury consumption, thus also providing insights for the strategic management of luxury brands across nations and cultures.

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