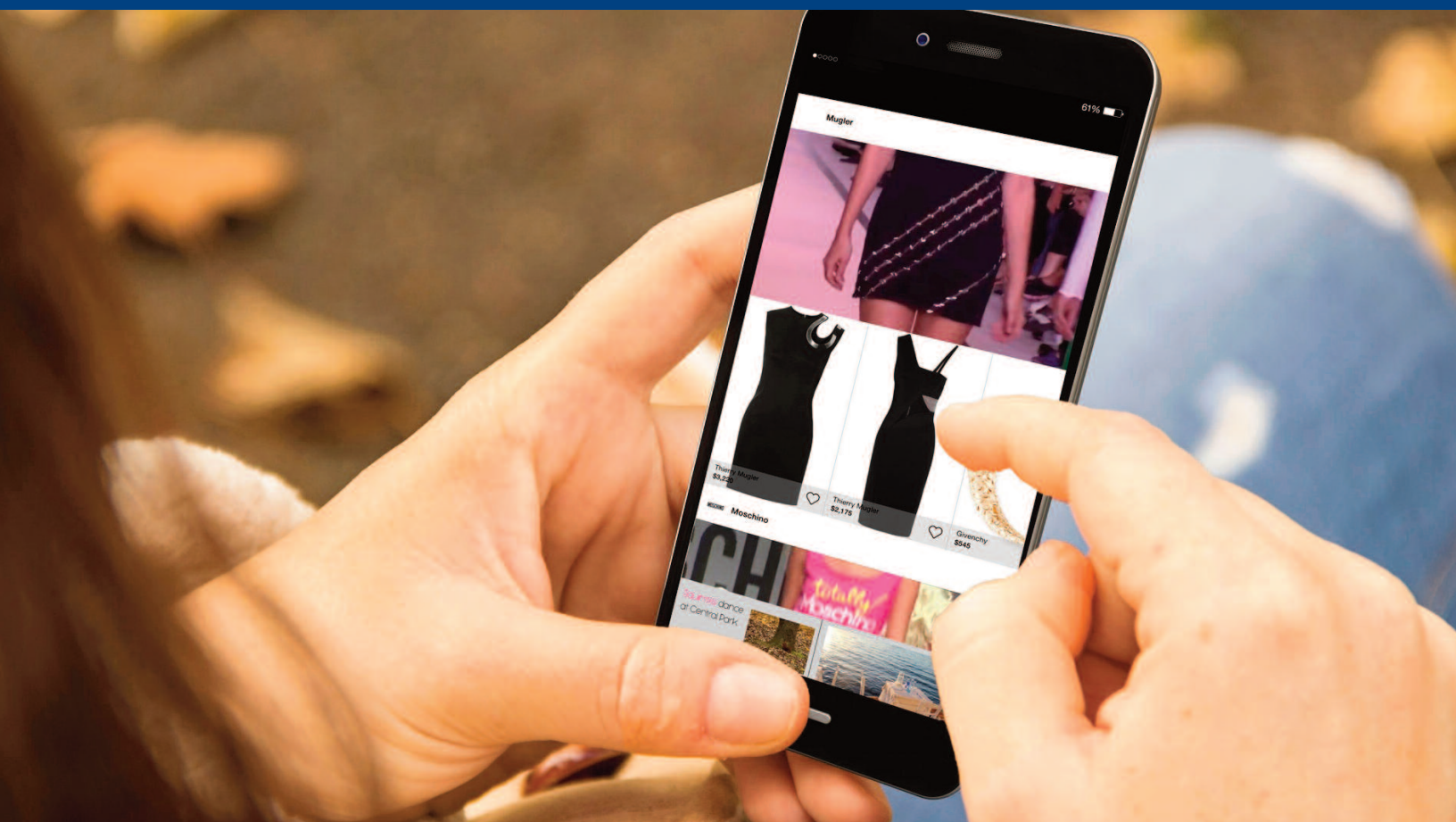


Online Luxury Retailing: Leveraging Digital Opportunities

Research, Industry Practice, and Open Questions



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We hope that you will enjoy reading this report and find the insights shared by the various workgroups inspiring and useful.

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The Wharton School

About the Jay H. Baker Retailing Center at the Wharton School

Established in 2002 through a generous gift by Patty and Jay Baker, Wharton graduate of the class of 1956 and former President of Kohl's Corporation, the Baker Retailing Center is an interdisciplinary research center at the Wharton School. Its mission is to be a global leader in retail knowledge and education through cutting-edge academic research, academic-industry programs, student and alumni activities, and global initiatives. The Center's industry advisory board features leading retail executives from the U.S. and overseas.

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INTRODUCTION

The Challenge for Luxury Retailers: *Figuring Out Digital Opportunities*

By:

Denise Dahlhoff, Research Director, Baker Retailing Center, Wharton School

For a long time and with few exceptions, the luxury sector was hesitant to embrace the opportunities of online channels and digital technologies, despite their increasing pervasiveness in consumers' lives. However, with digital media and technology now ingrained in our lifestyle, resulting in profound changes in customer behavior and expectations, traditional luxury companies have recognized the tremendous creative and commercial opportunities of online and mobile channels.

Besides being an additional marketing and distribution outlet, electronic channels provide luxury brands with access to invaluable consumer data while also connecting them to younger shoppers, their future customer base. What's more, these digital channels can serve as a new creative platform.

Thus, luxury retailers are becoming digital explorers in search of suitable online and mobile strategies. While some brands are racing ahead, others are proceeding more cautiously.

What caused luxury brands' initial hesitancy was the perceived incompatibility between the hallmarks of luxury's cachet—exclusivity and rich customer experience—and the democratic reach of online media's channels for interactive communication and e-commerce. The argument went this way: Online channels increase exposure to a mass segment, thereby stripping luxury brands of their exclusivity. Also, how could online channels provide a rich, personalized customer experience similar to physical stores? After all, a unique shopping experience is what makes luxury brands exclusive and justifies their high prices.

But the fact is that online channels have opened new opportunities for luxury brands to both differentiate themselves and grow. They help brands to better connect with existing and potential customers through an enhanced digital experience, offering convenient shopping and providing in-depth background about the brand.

Importantly, luxury brands stay relevant and contemporary by being online, where their customers are, and they reap new brand associations through their digital engagement.

On top of those benefits, online communication and distribution channels can complement the offline experience. Currently, only a fraction of luxury sales happen online—less than 10 percent, despite a growing trend—yet more than half of all buying decisions are influenced by online engagement. For that reason, some industry experts consider multi-channel retailers better positioned than online-only or offline-only players.

While making online channels feel exclusive and luxurious is challenging, some high-end brands have managed to use the channels to enhance their position in the luxury marketplace and to grow their business. For example, some brands offer exclusive items only online; some offer customized features of designer pieces online; and some have restricted access to certain online features in order to promote exclusivity for select customers.

Digital media is also a new enabler and outlet for luxury brands' creativity and innovation, delivering a high-quality experience. LVMH's hiring of Apple executive Ian Rogers, who led Apple's music streaming business, as its chief digital officer shows how se-

rious the company is about investing in digital and taking a leadership role. As LVMH's chairman and CEO, Bernard Arnault, indicated: "Ian will bring his extensive experience in high-end digital ventures and his innovation-driven spirit to develop LVMH leadership in the digital luxury field."

Burberry has been widely recognized as a pioneer for its early forays into digital, which have included user-generated content (e.g., the "Art of the Trench" campaign), social media, mobile, and cross-channel integration (e.g., online and mobile orders of just-introduced runway items). These innovative activities have facilitated the rejuvenation of the brand— Burberry is now recognized as a digital leader in both the fashion world and beyond.

In fact, digital has become a key part of Burberry's brand DNA and the company continues to innovate. One recent example is the Burberry Snapchat Show at the 2015 London Fashion Week, which gave a behind-the-scenes review of the spring/summer 2016 collection on Snapchat before the runway presentation the following day. Others include an interactive 3D campaign, which let people create custom Burberry scarves on their mobile device for display on the Piccadilly Circus "Curve" screen, and the "Burberry Booth" collaboration with Google to insert video footage of a customer into Burberry's "Festive" 2015 holiday campaign. Burberry has also collaborated with emerging musicians, filming their exclusive performances for Burberry and posting the videos on its Acoustic website section and on YouTube.

Another digital leader has been Chanel, which has created appealing and engaging video content for YouTube, including films directed by Karl Lagerfeld and a clip featuring vintage footage of Marilyn Monroe. Chanel has exemplified how a prestige brand can keep its high-end allure and at the same time be contemporary and relevant.

Instagram has become one of the favorite social channels of luxury fashion brands, thanks to its premium visual feel, which complements the aesthetic standards of many of the top brands. Instagram's head of fashion partnerships, Eva Chen, has called Instagram "the water cooler of the fashion community." Platforms like these have facilitated luxury brands' online engagement.

The tech and consumer developments have created an increasingly connected world, as social media communication and online shopping opportunities cross all borders. Thus, economic conditions around the world, including exchange-rate fluctuations, have a growing impact on global luxury companies. Consider the developments in China, for example, where a weaker economy and the government's anti-corruption policies have reduced luxury purchasing, including gifting, of global brands.

Because of these enormous changes and the questions that luxury brands and retailers face in an evolving environment, the Wharton School's Baker Retailing Center held a conference in 2015 on online luxury retailing for leading academics and retail executives. As part of the conference program (see pages 71-73), workgroups composed of both academics and industry executives discussed key topics in more depth.

The workgroups followed up by preparing white papers on their topics. This report features seven papers, which can be read as a unified body of work or individually, as stand-alone insights. What follows is an overview of each of the seven papers.

Luxury in the Digital World: How Digital Technology Can Complement and Differentiate the Luxury Experience.

After providing an overview of the psychological, social, and economic benefits of consuming luxury goods, this paper describes how the characterization of luxury products has changed over time and how our online way of life will further affect what is—and what isn't—considered a luxury product. The paper highlights the sensory experience and social distance felt by consumers as core features of luxury products. While delivering these features online is a big challenge, the paper highlights how luxury products can be enhanced through online customer experience while at the same time maintain exclusivity. Strategies include facilitating multi-sensory experiences across multiple channels to compensate for the typically less sensory-rich online experience, maintaining exclusivity by offering online-only collections, restricting access to select customers, and creating online portraits of unattainable lifestyles.

Luxury Branding Research: New Perspectives and Future Priorities. Several major trends have changed the landscape for luxury brands. These shifts include the increasing role of technology (digital and mobile) as well as the use by consumers of alternative signals of status, such as wearing less prominently branded apparel, being less conformist (e.g., entering a luxury store in a

casual outfit), consuming leisure time in a conspicuous way or, conversely, the flaunting of a busy life and a dearth of leisure time. In addition, people's relative interest in buying luxury experiences versus luxury products is increasing. Technology has introduced new business models, such as collaborative consumption in a sharing economy (e.g., Onefinestay, Rent the Runway, Sentient Jet), and there is a more explicit focus on sustainability (e.g., Stella McCartney). Luxury brands need to consider the increasing global connectedness, particularly the importance of the Chinese market for luxury companies, as well as customers' changing expectations for the brands. Companies can leverage storytelling to build their brands, and careful brand extensions can grow the business as long as they do not alienate core loyalists. Other potentially risky opportunities to weigh carefully are moving production from the original country of origin, letting the merchandise design be guided too much by customers' wants and needs, using off-price distribution channels, and partnering with a mass merchant on a shared collection (e.g., Target and H&M collaborations).

Luxury Customer Experience and Engagement: What Is the Impact of In-Store Technology? As the world has shifted to a new retailing paradigm of online and offline channels with mobile as the connector, the core question facing luxury brands is how can a brand maintain a unique and exclusive customer experience? This paper considers how all kinds of technology—from social media and online reviews to in-store technology and mobile connectivity—can challenge but also benefit luxury brands by protecting, conveying, and reinforcing their luxury status. One specific area addressed is consumer co-creation of fashion designs. Co-creation has had some negative effects on luxury brands, although these can be mitigated if the co-creator is legitimized by the head designer or has artist or celebrity status or if co-creation happens in a product category that isn't used to signal high status (e.g., messenger bag versus handbag). Another area addressed is how in-store experiences that engage the senses, often facilitated through technology, can have a positive impact on shopper behavior. Examples are lighting, music, color, scents, or touches by a salesperson. These experiences differentiate the physical store environment from online. Given the visibility of store windows, it is particularly important to identify the right kind of in-window technology to showcase luxury brands (e.g., interactive kiosks for 24/7 distinctive engagement, data tracking for targeted promotions). Gathering data to enhance shoppers' in-store experience is also important, especially for customers with purchase intent. Technology can also connect tastemakers and their followers, and foster relationships with customers based on their preferences and past purchases, so-called clienteling, even across stores.

The Psychology of Online Luxury Retailing. Three research questions are posed. The first is about the distinction between luxury and premium brands. To distinguish between luxury and premium, companies typically consider how much of the price can be justified by product quality and function, with luxury goods achieving an additional margin due to intangible brand value. But how do consumers differentiate between premium and luxury, and what motivates their consumption of either (e.g., self-signaling and self-reward versus signaling taste, wealth, success, status, etc. to others)? The answer has implications for many aspects of marketing, including the prominence of the logo and brand name. The second question is about differences in storytelling by premium and luxury brands. What is the role of customer stories about their brand experience? And the third question is about psychological trends in luxury consumption, including the amount and type of purchases. What are the underlying motivations and other factors driving those changes?

Luxury Counterfeiting: Marketing Research Review, With Brand Manager and Policy Implications. Counterfeits, i.e., illegally copied versions of the original product, are appealing to certain shoppers because they provide the signaling value of luxury brands without the same high price. Because the stigma of using counterfeits has been diminishing, counterfeiting has been on the rise—for example, many women regularly mix and match genuine and “fake” products. Research has been inconclusive about the characteristics—gender, educational level, socio-economic background, and age—of those more likely to purchase counterfeits. From a social-psychological perspective, high materialism has correlated with a greater likelihood to purchase counterfeits, and high perfectionism and high involvement in the product category with a smaller likelihood. Researchers have investigated various motivational factors involved in buying and using counterfeit goods, including emotional aspects (e.g., the need to look good and impress others, shame, guilt) and social questions (stronger self-identity and self-esteem favor genuine products; the need to belong to a certain social group drives the preference for prominent logos). Manufacturer as well as product-related factors have also been scrutinized (e.g., a counterfeit good's value, its country of origin, the genuine brand's corporate citizenship). Other research relates to ethics questions. The findings have included moral reasoning to justify counterfeit purchasing for social goals and counterfeit use affecting one's perception of authenticity and of behaving ethically. The impact of counterfeits on genuine brands is unclear. Research has found positive, neutral, and negative effects. The legal remedies available to genuine brands are encumbered by inconsistent laws around the world and the anonymity and global nature of online sales, which have been growing.

What Does a Digitized Luxury Strategy Look Like? Best Practices, Research Questions, and Perspectives for the Future. This paper identifies three factors responsible for the slow adoption of digital and social channels into luxury companies' marketing strategies. The first lies in the multiplicity of digital and social channel options and the resulting difficulty to pick the ones most relevant for a brand. The second is the uncertainty regarding stand-alone and interaction effects between online channels and their access medium (e.g., desktop versus mobile). The third is the seeming misalignment of digital tools with the notion of luxury. The paper also addresses how luxury brands can leverage digital and social media more effectively, namely by integrating social media with traditional communication channels such as TV or radio; by creating a cohesive narrative of a brand story across multiple social media and other online and offline channels; and by integrating social media into the physical retail space. Digital options have raised many research questions in this area, all critically important to luxury brands in designing digital strategies and integrating them with their overall marketing strategy.

Pricing the Priceless: How to Charge Luxury Prices. The pricing of luxury goods requires determining the price that reflects their real or perceived value. This paper describes strategies to create a high-value perception and thus achieve a high willingness-to-pay. The ways to establish a high-value perception include creating a "luxury dream," i.e., beliefs around the product and brand, through storytelling about the brand's craftsmanship, country of origin, celebrity endorsements, stores, etc.; keeping the brand exclusive and scarce, either naturally (e.g., with wine and leather products) or artificially (e.g., by capping production); framing (e.g., describing a watch purchase as a long-term investment and gift for the next generation; suggesting two months of salary as an appropriate price for a wedding ring); and educating customers about the product category and brand. In setting prices, luxury brands also need to consider global pricing (e.g., standardized versus differentiated by country), price dispersion within product lines and brands to target different consumers, pricing across channels, promotions that protect and enhance a luxury brand's value (e.g., VIP customer cards with special privileges), pricing strategy over time, and whether to display the price on luxury goods. ■

PART 1

Luxury in the Digital World

How Digital Technology Can Complement, Enhance, and Differentiate the Luxury Experience

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The online retailing environment poses a number of challenges for luxury companies as it may change the sensory experience, social distance, and creative autonomy that luxury products have developed in traditional physical (offline) markets. However, the digital platform may also offer opportunities for luxury companies to stay relevant and to enhance consumers' experiences and perceptions of their products. The key is to selectively adopt digital tools and tactics that can help companies maintain and enhance the hedonic aspect of the luxury experience. This paper captures some of these tactics, which can serve to spark a discussion among academics and practitioners alike about the refined role of luxury in the digital world.

*Là, tout n'est qu'ordre et beauté,
Luxe, calme et volupté.*

—Charles Baudelaire

(*"L'invitation au Voyage,"* in *Les Fleurs du Mal*)

*Here, everything is only order and beauty,
Luxury, calm and sensual pleasure.*

—Charles Baudelaire

(*"L'invitation au Voyage,"* in *Les Fleurs du Mal*)

Luxury is based on the notions of scarcity, social recognition, and superior quality, and it is consumed in the pursuit of unique, sensory-rich, and psychologically gratifying experiences (Frank 1999, Veblen 1899) that define the individual. In contrast, the digital world is based on ubiquitous, cost-free,

and democratized information, and it is often consumed on a flat screen in the pursuit of experiences that are common and shared with others.

Despite intrinsic tensions between the traditional luxury and online worlds, digital technology may be used to complement, enhance, and differentiate the luxury retail experience. This paper highlights ways to achieve that goal. It briefly discusses pertinent research, notes how luxury has evolved over time, and identifies three areas in which the digital platform poses novel opportunities for bolstering consumers' experience of luxury.

Psychological, Social, and Economic Benefits of Luxury Consumption

Since antiquity, consumers have pursued luxury to fulfill a set of psychological, social, and economic needs and aspirations. From the psychological perspective, luxury consumption fulfills consumers' desire for sensory gratification (Hirschman and Holbrook 1982; Lageat, Czellar, and Laurent 2003). It also helps consumers overcome threats that they experience in various aspects of life (Dubois and Ordabayeva 2015): the threat to the sense of power that they may experience in unbalanced interpersonal relationships (Lee and Shrum 2013; Rucker and Galinsky 2008), the threat to romantic prospects that they may experience in the presence of competitors for desirable mates (Griskevicius et al. 2007), and the existential threat that they may experience in the absence of stable personal ties and social environments that validate their worldview (Mandel and Heine 1999; Pyszczynski, Greenberg,

and Solomon 1999). From the social perspective, luxury consumption allows consumers to signal their high rank in the social hierarchy, to associate with desirable groups, and to dissociate from undesirable ones (Bellezza, Gino, and Keinan 2014; Han, Nunes, and Drèze 2010; Mandel, Petrova, and Cialdini 2006). From the economic perspective, luxury consumption may grant access to limited resources (e.g., to high-end romantic or business partners) and change consumers' short- or long-term economic prospects (Frank 1985; Nelissen and Meijers 2011; Ordabayeva and Chandon 2011). While the basic motives underlying luxury consumption have remained unchanged, the forms of luxury consumption and consumers' relationship with luxury have undergone a significant transformation, largely reflecting the vast socio-economic shifts that have taken place in society.

For example, the industrial and social revolutions that swept across Europe in the 18th and 19th centuries transformed luxury from a strictly regulated set of scarce objects and social norms that defined individuals' ascribed (inherited or ordained) social ranks, to a more democratic and diverse set of symbols identifying the attained positions (earned by merit) of the greater masses (Berry 1994; de Botton 2004). In the process, the forms of luxury fundamentally changed: items that had previously been considered luxurious due to their physical rarity were transformed into everyday pleasures (e.g., chocolate ceased to be a delicacy with the proliferation of global trade). More generally, the meaning behind the scarcity of luxury shifted from physically rare items to exceptional pieces marked by their labor-intensive production (e.g., pieces requiring long hours of detailed, manual work) and exclusivity (often created artificially by companies, for example, through long queues for limited-edition products such as Hermès handbags).

The online digital revolution is poised to transform luxury again, and luxury companies are reluctant to embrace it. This reluctance stems from concerns that using digital tools may undermine consumers' sensory experience of luxury products, and that the accessibility of luxury products online at any time, anywhere, may dilute the scarcity perceptions and the inferred value of such goods (Hennings, Wiedmann, and Klarmann 2012). While these are potentially serious threats, the digital platform may also present novel opportunities for luxury products to strengthen their role in consumers' lives. The following describes three areas that offer such opportunities.

Enhancing the Sensory Experience

Sensory delight is at the center of the luxury experience (Hirschman and Holbrook 1982). Experts have likened luxury

Consumers expect to experience luxury products through all senses, and the quality of the sensory experience significantly shapes perceptions of the products' quality and exclusivity.

to a sanctuary to which consumers come seeking a different and evocative sensory experience to escape the monotony of everyday life (Kapferer and Bastien 2009). Consumers expect to experience luxury products through all senses, and the quality of the sensory experience significantly shapes perceptions of the products' quality and exclusivity (Krishna and Morrin 2008; Lageat, Czellar, and Laurent 2003). It is therefore not surprising that fully controlling the sensory experience of luxury products in the physical retail environment has been at the heart of luxury companies' distribution strategy (Kapferer and Bastien 2009).

However, with the proliferation of online retail, the dilution of the sensory experience of products in the online environment has become a serious concern (Rokeby 1998). For example, while facilitating an adequate visual and auditory experience, the online retail environment offers fewer opportunities to engage consumers' other senses, such as touch. Moreover, recent attempts to integrate digital with in-store experiences raise questions about how and when digital should be used in a leading role, supporting role, or perhaps (in certain circumstances) not at all. Three strategies can help companies sustain and, in some ways, enhance the sensory experience of luxury products.

First, luxury companies may simultaneously strengthen their presence across multiple channels, offline and online. Recent work has suggested that an omni-channel presence may generate greater demand by allowing consumers to self-select into the high-sensory (offline) or the low-sensory (online) channels based on their preferences and by encouraging consumers to experience the product through multiple channels (e.g., a consumer may try an outfit on in a store, but then place an order online, if the physical store does not have the

preferred color; Bell, Gallino, and Moreno 2014a). Omni-channel presence also increases companies' operational efficiency due to the greater conversion of sampling into purchases (Bell, Gallino, and Moreno 2014b). Hence, facilitating interactions across offline and online retail channels and encouraging consumers to use both channels can preserve, to some extent, the multi-sensory experience of luxury products and mitigate, at least partly, the negative effects that online retailing may have on sensory gratification.

Second, companies may consider reconfiguring their digital channels in a manner that optimizes consumers' online sensory experience. For example, while touch is an important component of luxury and quality perceptions (Krishna and Morrin 2008; Peck and Childers 2003), the online environment may impede consumers' tactile experience (e.g., their ability to manually examine products). However, recent findings suggest that tactile experiences vary across digital technologies. Specifically, tablets enhance consumers' tactile experiences of products when shopping online more so than desktop computers, as tablets' touch-screen interfaces increase consumers' perceived tactile interaction with products and, in effect, boost the perceived ownership of products and product evaluations (Brasel and Gips 2014; Cavanaugh, MacInnis, and Weiss 2015). Hence, prioritizing mobile applications designed for touch-screen surfaces (tablets and smart phones) may be useful to enhance consumers' tactile sensory experience of luxury online.

Finally, companies may use digital platforms to provide information that complements the offline sensory experience of luxury products. For example, prior studies have shown that providing information about the product's background, such as the country of origin and production method, can

shift the sensory perceptions of product experience (Gürhan-Canli and Maheswaran 2000; Wansink, Painter, and van Ittersum 2001). In that way, the online environment can be used to strengthen luxury brands' message and educate consumers about the brands' heritage and craftsmanship, which, in turn, may enhance consumers' sensory perceptions of their offline luxury experience.

It is important to note, however, that with consumers' enhanced sensory exposure to and knowledge of luxury brands in this omni-channel environment, it is critical for companies to offer a consistent luxury experience online and offline. Hence, companies' efforts to enrich the online presence and experience of luxury brands should be matched with similar strides to maintain these brands' value proposition offline through continuous investment in the quality of the physical stores and salesperson training.

Maintaining the Social Distance

Playing with the notions of distance and scarcity has always been at the heart of luxury. An important component of luxury's aspirational and exclusive value stems from the distance that luxury companies maintain with their customers. This distance manifests itself in product development (which typically occurs in the absence of consumer feedback, but see the next section for certain exceptions), ads (which depict the lifestyles of aspirational social groups), and sales tactics (which often differentiate between low-status and high-status consumers to determine the appropriate level of service; Kapferer and Bastien 2009).

Consumers, in turn, expect and value this distance even if it hurts product functionality and the retail experience. For example, bad treatment by salespeople at luxury boutiques may actually motivate consumers to spend more money to prove their self-worth (Ward and Dahl 2014). Similarly, the social distance that service providers (e.g., financial advisors) create with consumers through their own luxury displays boosts perceptions of service providers' competence and consumers' willingness to do business with them (Scott, Mende, and Bolton 2013). While physical retail environments help companies maintain this aura of competence, mystique, and unattainability, the online environment may break down these barriers, thereby reducing consumers' perceived distance from the luxury brand.

To counter this possibility, luxury companies should look for novel ways to assert the exclusivity of their products in the online environment. One option is to differentiate the online channel from the offline channel by offering collections that

Hence, prioritizing mobile applications designed for touch-screen surfaces (tablets and smart phones) may be useful to enhance consumers' tactile sensory experience of luxury online.

are exclusive to the online platform. Another option is to restrict access to online collections to a select few. The French start-up company Dymant (see www.dymant.com/us/ and www.jonathandacosta.com/dymant/) successfully uses both of these tactics. The website partners with local luxury producers and craftsmen to create exclusive monthly collections that are not available elsewhere, and only those who have a password to the site and who have been invited by existing site customers are able to view and purchase the items.

Finally, while social media boosts the number and frequency of consumers' online interactions with other consumers and companies, it may also increase the distance that consumers experience offline from their social environment. Recent studies have reported that spending time on the Internet and with social media, and passively consuming online content, may reduce individuals' offline social interactions, weaken social connections, and increase the perceived distance from others (Burke, Marlow, and Lento 2010; Verduyn et al. 2015). This suggests that online content of luxury brands may be configured to maintain distance among and from consumers. Companies may specifically consider optimizing the online portrayal of aspirational lifestyles (by employing images of unattainable lifestyles and individuals) and the online interaction with consumers to preserve consumers' perceived distance from the brand. In addition, companies may further harness digital's communicative strengths without sacrificing brand exclusivity, i.e. working to ensure that the brand is known by everyone but owned by few.

Encouraging Customer Participation

Luxury products rely on the creativity of their designers and are typically created without the input of the end-user. However, a recent shift toward mass customization across many product categories has made personalization and co-creation more commonplace and, in some ways, expected by consumers. What can luxury companies learn from co-creation experiences and from using consumers' opinions? And what degree of freedom should customers have in co-creating luxury products?

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Evidence suggests that the perceived benefits of co-creation may not be as high for luxury products as they are for non-luxuries. Many contend that luxury is art, and should spring from artists' creative genius. It is therefore not surprising that consumers, to some extent, pledge allegiance to the artists who dictate what luxury should be and how it should be experienced (Dahl, Fuchs, and Schreier, 2015; Fuchs et al. 2013). This loyalty helps luxury companies preserve the exclusivity, high status, and distance of their products in consumers' eyes.

However, consumers also expect a certain degree of customization of luxury products (e.g., when it comes to fit and aesthetic details), and bespoke items are highly valued, as evidenced by the great success of custom-made luxury apparel (see www.16sur20.com, for an example). It is therefore important for luxury companies to balance the autonomy of artistic design with consumers' desire for customized details. This may be achieved by granting consumers control over a limited number of final design elements, such as fit or color, while protecting the creative ownership of artists over the broad product design. Based on the evidence in the consumer behavior literature, a set of choices with just a few options may boost customer satisfaction and the likelihood of purchase more than a set with a large number of options (Iyengar and Lepper 2000).

Hence, luxury companies may find a sweet spot that quenches consumers' thirst for customization while preserving their own broad artistic control.

In sum, while the digital environment may pose a threat to the traditional value proposition of luxury brands, it may also offer opportunities for luxury brands to preserve and, in some ways, complement the sensory, social, and creative aspects of consumers' offline experience and engagement with luxury. We hope that the ideas presented in this work will inspire new conversations and collaborations between luxury practitioners and scholars around the renewed role and meaning of luxury in the digital world. ■

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PART 2

Luxury Brand Research

New Perspectives and Future Priorities

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In recent years, the luxury sector has received increasing attention from the media, business analysts, academic researchers, and consumers around the world. Often described as “crisis-resistant,” the personal luxury goods sector has grown steadily over the past 20 years (from €77 billion in revenue in 1995 to €224 billion in 2014 according to Bain and Co. Despite the sector’s economic, social, and cultural significance, the specific challenges for luxury marketing are still underexplored.

The research priorities and related research questions outlined in this paper address three general themes. The first theme (understanding new trends in luxury consumption) takes the perspective of luxury consumers, exploring their motivations and expectations, and the impact of these needs and attitudes on consumption trends and behaviors. The second and third themes take the perspective of luxury brands, exploring the strategies they use to build and protect brand equity through storytelling, and the challenges they need to manage over time, namely the exclusivity versus growth paradox and its effect on brand dilution.

Academic Research to Understand Luxury Branding

Academic researchers have shown a growing fascination with the consumption and marketing of luxury goods. Some

recent publications specifically investigate the consumption of luxury brands (Mandel et al. 2006; Wilcox et al. 2009; Berger and Ward 2010; Han et al. 2010; Nunes et al. 2011; Ordabayeva and Chandon 2011; Fuchs et al. 2013; Scott et al. 2013; Bellezza and Keinan 2014; Wang and Griskevicius 2014; Ward and Dahl 2014; Pozharliev et al. 2015, Keinan et al. 2016), while others aim to understand conspicuous and symbolic consumption more broadly (Holt 1998; Etzioni 2004; Escalas and Bettman 2005; Berger and Heath 2007; White and Dahl 2007; Üstüner and Holt 2010; White and Argo 2011; Chernev et al. 2011; Dubois et al. 2012; Mazzocco et al. 2012; Shalev and Morwitz 2012; Bellezza et al. 2014a). Due to the growing demand and interest, many business schools now offer courses devoted specifically to understanding the luxury sector.

However, despite the sector’s significance and the growing interest it attracts, the challenges confronting luxury marketing have not received sufficient attention from academic researchers. It is a particularly interesting time to study luxury because the sector is facing unprecedented changes, driven by the convergence of multiple factors: technology and digital revolution, social media, new forms of consumption, changing consumer behaviors and attitudes, the growing significance of the millennial generation, and global tourists/shoppers, etc. Luxury consumers are no longer traditional

Interestingly, digital and social media may offer opportunities for a more sophisticated storytelling.

loyalists but a global and heterogeneous audience driven by diverse needs and motivations, including status signaling, inner reward and self-indulgence, and social acceptance.

The objective of this paper is to identify research priorities in luxury branding and outline a series of related research questions. As noted, these priorities are organized under three general topics:

- A. *Understanding new trends in luxury consumption*—the luxury industry seems ripe for major changes and disruption, steered by technology, digital and mobile revolution, new consumer behaviors, attitudes, and values, and a new global map of influence. These forces give rise to numerous research opportunities to better understand the current changes, the impact on the sector, and individual firms' strategies and consumer responses. The paper explores major trends in luxury consumption and the implications for consumers and marketers.
- B. *Luxury brand storytelling*—Luxury is as much about the story and mystique surrounding the product as it is about the product itself (Sicard 2014); consumers are buying into a story, and luxury brands have rich and compelling stories to tell about the individuals and vision behind the brand. Interestingly, digital and social media may offer opportunities for a more sophisticated storytelling. The paper explores how luxury companies can create brand equity and educate consumers through storytelling and effectively leverage online engagement and social media for storytelling and brand building.
- C. *Threats to brand dilution: managing the exclusivity versus growth paradox*—Although attractive, the luxury sector is a challenging market. Successfully managing luxury brands involves a difficult balancing exercise between growth and exclusivity. The paper explores strategies for growth and profitability that are tempting for luxury brands, but also hold the potential to dilute the brand and threaten its long-term equity if not carefully executed. How can luxury brands successfully manage the paradox of exclusivity versus growth? Is it possible to turn some of these threats into opportunities?

The paper is organized as follows: It starts with a brief overview of the luxury sector and explains the growing interest and attention it has been receiving. It then discusses each of the three topics listed above and identifies related research questions. The authors hope that the paper will inspire researchers to investigate the sector, identify best practices, and come up with innovative ideas and solutions to address luxury's fascinating challenges.

The Luxury Sector

The boundaries of the luxury sector are difficult to delineate, as this heterogeneous universe spans a large variety of industries: fashion, accessories, cosmetics, perfumes, jewelry, hospitality, food, wines and spirits, travel, events, concierge services, cars, private jets, yachts, and more. According to a study conducted by Altagamma and the Boston Consulting Group in 2014, the luxury sector as a whole is composed of 380 million consumers who spent a total of €730 billion on luxury goods and services; this consumer base is expected to reach 440 million people by 2020, with the U.S., China, Europe, and the Middle East being the leading markets (Moschillo 2014).

In a difficult environment—marked by a slowdown of global economic growth, currency fluctuations, ongoing geopolitical issues, and the Chinese government's crackdown on the "gift giving" of luxury items, which caused some high-end brands to lose 40 to 50 percent of their local business (Gustafson 2015)—the sector is still expected to report steady momentum, with 2 to 4 percent real growth in 2015 (D'Arpizio 2015). Despite the changing landscape, the Boston Consulting Group forecasts continued growth in the luxury goods and services category of around 7 percent a year, "handily outpacing [gross domestic product] in many economies around the world" (Gustafson 2015). These positive predictions are further fueling interest in the sector.

While Bain & Company points to tourism as the major driver of the global luxury sector's performance, other factors have also been at work reshaping the market over the last 15 years. The overall number of luxury consumers has increased from 140 million worldwide to over 380 million. Asia, and more particularly China, has played a key role in this expansion. Indeed, the Chinese luxury market has been growing fast

“luxury stores are becoming hybrid institutions, embodying elements of both art galleries and museums, within a context of exclusivity emblematic of luxury” (Joy et al. 2014).

for several years, notably by 30 percent in 2011. The market size in China was estimated at RMB350 billion (approximately US\$56 billion) in 2013, and Chinese consumers now account for 30 percent of worldwide luxury sales.

Although the Chinese luxury goods market has been slowing down recently, particularly in the wake of the crackdown on corruption, the country’s rising number of middle-class and ultra-rich consumers—who typically show a strong taste for status, recognition, and indulgence—offer a huge long-term opportunity. China is notably hosting the world’s second-largest billionaire population, at 157, second only to that in the U.S., at 515. Furthermore, Chinese consumers are largely responsible for the shift from local consumption to touristic spending, which now accounts for about 50 percent of all luxury spending and poses numerous challenges for luxury brands, especially regarding the efficient management of their global retail network.

The luxury sector is a fascinating industry, a “dream-making” business. It is typically associated with exceptional quality, exclusivity, elegance, craftsmanship, tradition, and high cost (Albatross 2014). Most importantly, luxury goods have the power to make their owners feel special, empowered, accomplished, successful, socially superior (Mandel et al. 2006; Rucker and Galinsky 2008; Mazzocco et al. 2012), and proud (Bellezza and Keinan 2014). Probably more than any other global brands, luxury brands have become “symbols of cultural ideals.” They convey “an imagined global identity” and an attractive lifestyle to be shared by like-minded individuals; they “deliver cultural myths with global appeal” (Holt et al. 2004).

To enhance their prestige, value, and timelessness, luxury brands have cultivated strong ties with the arts. Kapferer (2014) exposed how “leading luxury brands use ‘artification,’ a process

of transformation of non-art into art,” to sustain their growth. As they feature outstanding creativity and aesthetics, some luxury goods can indeed be considered and marketed as art pieces. Some researchers have shown that this artistic dimension can be expanded beyond the product offerings and embedded in the distribution channels—“luxury stores are becoming hybrid institutions, embodying elements of both art galleries and museums, within a context of exclusivity emblematic of luxury” (Joy et al. 2014). Research on “art Infusion” further demonstrates that brands capitalize on the association between visual art and luxury (Hagtvedt and Patrick 2008).

Luxury is highly subjective and the segmentation of the luxury market has traditionally been based on price-point differences and structured in three major segments: accessible, aspirational, and absolute. The latter includes the most exclusive and prestigious brands, such as Chanel, Hermès, Ferrari, and Harry Winston. Their high-end offerings are usually accessible only to the very rich and are intended for connoisseurs and other discerning clients. They are distinctive and provide their owners with exceptional social prestige. Aspirational brands, such as Louis Vuitton or Gucci, appeal to a larger segment of consumers with entry-level merchandise like fragrances and small leather goods, but only a small fraction of consumers could actually afford the top-of-the-line products. Typically, companies in the aspirational segment use a high-low strategy, with their main product lines priced at a discriminatory level and more affordable entry-level diffusion or extended lines priced to capture the majority of the target customers. Accessible luxury brands offer premium goods that are affordable to a wider consumer base, including middle-market consumers. Offerings tend to be relatively small-ticket items. Mass prestige (*masstige*) brands such as Coach, Michael Kors, and Longchamp belong to that category. Beyond this stratification, the luxury market keeps on developing and adapting to the changing needs of a heterogeneous clientele.

Understanding New Trends in Luxury Consumption

The trends in luxury consumption and corresponding implications for consumers and marketers described in this section are opening new research avenues. As the concept of luxury and our understanding of conspicuous consumption evolve, there is a need to better understand the changes happening, their impact on the sector, individual firms’ strategies and consumer behaviors.

Luxury Online

The conflicting and complicated relationships between luxury, the Internet, and e-commerce have been discussed

extensively. Luxury and the Internet were first believed to be incompatible, as technology undermines the very notion of luxury. “The Internet breaks the barriers of time and space, two essential pillars of the luxury creation of value” (Kapferer 2015). However, luxury consumers have broadly embraced e-commerce and social media, and ultimately it has become unsustainable for luxury brands not to be present online.

Historically, many luxury brands have been based on a similar business model in which inaccessibility, superior quality, and uniqueness were core to the value proposition and boutiques were the main business levers. As online sales grow, more luxury brands are investing in digital, and luxury goods have become increasingly accessible to a much wider audience on a 24/7 basis. This new reality is affecting the traditional perception of luxury goods being exclusive and inaccessible and is therefore weakening two of their defining characteristics.

Some industry experts believe that the traditional business model could stay relevant for the next few years, but what will happen when the millennials become the core consumers of luxury brands? What is a luxury proposition and experience in the 24/7 connected era? The interaction with various forms of digital media is affecting consumers' social lives as well as their working habits. The digital revolution (technology, e-commerce, and social media) is profoundly transforming people's lives, and dramatically altering the way consumers shop, behave, and think about brands. In the luxury segment, online sales represent 4 percent to 10 percent of total sales, but over 50 percent

of in-store sales are said to be influenced by online. E-commerce will account for 18 percent of luxury sales in 2025, according to some forecasts (McCarthy 2015). A recent study has determined that 83 percent of hyper-affluent consumers spent time researching a product online before coming to a purchase decision; surprisingly, “affluent consumers, and younger consumers in particular, consider online outlets the most trusted source for pre-purchase research for luxury goods” (King 2015).

In the fashion industry, for example, e-commerce is often seen as the next engine for growth. On the one hand, e-commerce is putting pressure on brick-and-mortar stores. Consumer shopping behaviors are changing drastically and the boundaries between in-store and online shopping are blurring. Today, consumers overwhelmingly go online to gather product information before making a purchase at the touch point they find most relevant. As traditional commerce and e-commerce are merging, retailers must develop complex omni-channel strategies. Technology is also introducing new (but costly) tools (using data to identify consumer insights, shoppable windows, beacons, etc.) that can potentially provide a competitive advantage. In stores, shoppers require great service and, most importantly, meaningful and engaging experiences: shopping is increasingly about entertainment and engagement. On the other hand, fast fashion companies are accelerating fashion cycles (increased number of collections, which affect key functions like design, new product development, supply chain, etc.) and putting pressure on prices. As a consequence, the economics of apparel stores have been deteriorating for the last few years, encouraging companies to consider products with higher margins and longer life cycles.

Some industry experts believe that the traditional business model could stay relevant for the next few years, but what will happen when the millennials become the core consumers of luxury brands? What is a luxury proposition and experience in the 24/7 connected era?

Future research could further investigate how these trends will affect the value proposition of luxury brands, and their business model. How are social media and digital technology changing luxury customer experiences and the path to purchase? What does it mean to provide a luxury experience in a multi-media, multi-screen, and multi-channel environment? How can luxury brands replicate their emotional and experiential dimensions in a digital space? Are luxury brands in danger of placing too much emphasis on technology (e.g., embracing technology at the expense of developing personal relationships with the customer)? Are luxury strategies converging with mass-market marketing strategies?

Additionally, sales on mobile devices are becoming more relevant. Luxury mobile commerce is still a virgin territory. Future research could investigate how luxury brands can effectively adapt to the mobile environment and its transaction processes. What is the impact of this channel on

Some high-status individuals tend to avoid blatant and conspicuous displays of wealth, status, or personal accomplishments, and instead seek more refined luxury consumption habits to differentiate themselves from lower-status individuals. (Feltovich et al. 2002; Berger and Ward 2010; Han et al. 2010)

consumer behavior, and how can luxury brands maintain their cachet and appeal in a mobile setting?

The digital space provides unprecedented opportunities to better understand, engage, and communicate with consumers. The emergence and increased influence of bloggers, “digital influencers,” and other “digital celebrities” is an interesting and unexplored phenomenon, opening the way to new and innovative communication strategies (for an example of a successful and impactful fashion blogger and her collaborations with luxury brands, see “The Blonde Salad” case, Keinan et al. 2015). It would be valuable to further examine the relationships between luxury brands and these new forms of digital communication and better understand their impact on the brands’ perceived authenticity.

Luxury brands have been slow to embrace the digital era but they are addressing the issue and making progress. Interestingly, Johann Rupert, the chairman of Compagnie Financière Richemont SA, recently declared that the impact of e-commerce was not what was keeping him up at night. “Hopefully, we can survive it, because we’re planning for it,” he declared (Socha 2015). Of heightened concern to him are the widening wealth gap, the disappearing middle class, the massive shrinking of employment, and the fact that rich people may not want to show their wealth for fear of being targeted and hated. These concerns are consistent with recent research discussed below, suggesting that consumers find non-traditional and more subtle ways to display their status.

Alternative Signals of Status

In recent years, luxury consumers have become more sophisticated and discerning. As luxury is becoming democratized and its brands accessible to wider audiences, consumers are seeking new ways to consume luxury and alternative methods to signal their status. Some high-status individuals tend to avoid blatant and conspicuous displays of wealth, status, or personal accomplishments, and instead seek more refined lux-

ury consumption habits to differentiate themselves from lower-status individuals (Feltovich et al. 2002; Berger and Ward 2010; Han et al. 2010). For example, sophisticated luxury consumers may elect to use less known and less conspicuously branded luxury goods (Berger and Ward 2010; Han et al. 2010). Alternatively, high-status individuals may voluntarily downgrade their lifestyle and adopt nonconforming consumption habits, such as material frugality, “omnivoreness” (consuming a broad range of products), simplicity, and deviance from the norm (Brooks 1981; Peterson and Kern 1996; Holt 1998; Solomon 1999; Arnould and Thompson 2005; Bellezza et al. 2014). For example, recent research on alternative signals of status demonstrates how nonconforming behaviors, such as entering a luxury boutique wearing gym clothes rather than an elegant outfit or wearing red sneakers in a professional setting, can serve as a nonconventional form of conspicuous consumption and signal high status in the eyes of others (Bellezza et al. 2014).

Another alternative form of status signaling involves conspicuous consumption of time; while research on conspicuous consumption has typically analyzed how people spend money on luxury products that signal status (Mandel et al. 2006; Ordabayeva and Chandon 2011; Fuchs et al. 2013; Wang and Griskevicius 2014; Ward and Dahl 2014), conspicuous consumption in relation to time is an equally fascinating domain. In his theory of the leisure class, Veblen (1899/2007) suggests that the wealthy signal their ability to live idle lives by consuming time unproductively. Consistent with this portrayal, movies, magazines, and popular TV shows, such as “Lifestyles of the Rich and Famous,” often highlight the abundance of leisure time among the wealthy. While it is definitely the case that spending time in a leisurely fashion leads to inferences of status in the eyes of others, recent consumer behavior research on alternative signals of status has uncovered the role of busyness and lack of leisure time as a status symbol (Bellezza et al. 2015). This research shows that the positive inferences of status in response to lack of leisure time (and

products associated with busyness, such as Bluetooth or online delivery services) are driven by the perception that a busy person is in demand and scarce. The signaling power of long hours of work is particularly strong for North American consumers. A deeper understanding of the conspicuous consumption of time can yield important implications for marketers of symbolic brands and status-signaling products.

It would be interesting to further examine questions such as these: What alternative forms of conspicuous consumption are emerging? What drives deviation from traditional forms of luxury consumption and what are the implications for consumers and marketers?

Moreover, rather than signaling status with material possessions, consumers may alternatively signal status with the experiences they consume, as discussed next.

Luxury Experiences

According to The Economist's 2014 report on the luxury sector, consumers are moving away from buying things to buying experiences—a trend from “having” to “being,” favoring experiences over material goods. Spending on experiential luxury now represents more than half (55 percent) of the total luxury spending worldwide and has grown 50 percent faster than sales of luxury goods (Bellaiche et al. 2012). Accordingly, industry reports assert that the future of luxury is in the marketing of experiences rather than physical products (Fair et al. 2013). The Marketing Science Institute (MSI) listed the design of consumption experiences as one of its top research priorities for 2012–2014, exhorting researchers to investigate what accounts for experiences that are remembered and valued. Similarly, research by Wealth-X corroborates that experiential marketing is the best way to reach affluent consumers. A deeper understanding of the customer's “experiential journey” continues to be a tier one priority for MSI (for the period 2014 to 2016), suggesting that the experiential aspects of consumption identified by Holbrook and Hirschman (1982) and Schmitt (1999, 2003) are even more relevant in today's environment, specifically in the context of marketing luxuries.

Recent research shows that consumers strive to amass as many meaningful life experiences as they can (Keinan and Kivetz 2011, Bhattacharjee and Mogilner 2014). In particular, they seek unique and memorable, once-in-a-lifetime experiences in an attempt to “check off” items on an “experiential check list” and build their “experiential CV” (Keinan and Kivetz 2011). It is important to further understand what types of experiential luxuries consumers

seek and how luxury brands can best position and market these experiences. Moreover, it is essential to examine how technology (online market platform, social media, mobile) allows consumers to find, document, and share experiences, and whether collaborative consumption models, such as Airbnb and Uber, apply to high-end luxury consumers as well. For example, companies like Onefinestay leverage the sharing economy phenomenon to provide their customers luxurious, unique, and authentic experiences, as discussed below.

Collaborative Consumption and the Sharing Economy

Since the mid- to late-2000s, the use of technology and online market platforms has enabled individuals to become part-time entrepreneurs, blurring the distinction between consuming and producing. The best-known examples of sharing-economy companies include Uber and Lyft, Airbnb, and TaskRabbit, a marketplace for outsourcing small jobs and household errands. Forbes estimated that the revenue flowing through the sharing economy exceeded \$3.5 billion in 2013, with year-over-year growth of more than 25 percent. Investors have taken notice and are aggressively funding sharing-economy companies. By October 2014, Uber had raised \$1.5 billion, and had an implied valuation of \$17 billion, more than the two rental car market leaders Hertz and Avis combined. In a December 2015 New York Times article, the company was valued at \$62.5 billion. Airbnb has raised \$795 million, and has an implied valuation of \$10 billion, more than the market value of Hyatt Hotels, a leading hospitality company with 549 properties around the world. Shervin Pishavar, a Silicon Valley venture capitalist argues, “This is a movement as important as when the Web browser came out.”

Onefinestay is an example of a company that successfully created a high-end premium brand leveraging the sharing-economy phenomenon and targeting wealthy individuals (Avery et al. 2015, “Onefinestay” case). Founded in September 2009 in London, Onefinestay is a vacation home alternative to fine hotels, offering high-end home rentals to travelers who seek a more authentic and local experience than a typical upscale hotel might provide. The company equips its rental properties with luxury amenities such as an iPhone loaded with local maps and restaurant recommendations.

Similarly, in the private aviation sector, Sentient Jet introduced an innovative business model powered by proprietary technology platform, and invented the Uber of private jets before Uber even existed. The firm is therefore able to provide its clients with all the benefits of owning a fleet of aircraft with none of the associated costs and commitments (for more

information, see Keinan and Crener 2016, “Sentient Jet” case.) Future research can identify and examine the main opportunities and challenges in establishing a business model and a brand based on “collaborative consumption,” particularly for high-end consumers (e.g., establishing trust, providing demonstrated value, addressing the “chicken-and-egg” problem of ensuring enough supply and demand, and consistency in service delivery in the offline experience). Additionally, are luxury consumers ready to participate in the sharing economy?

In addition to fulfilling a yearning for social connection, cost saving, and technology-driven convenience, the sharing economy has the potential to lighten one’s ecological footprint, a growing consumer concern (Schor 2010).

Sustainable Luxury

Historically, the luxury sector has not been known for its dedication to environmental issues, and some experts have even claimed that luxury and sustainability are incompatible.

On the one hand, luxury is indeed notoriously associated with pleasure, self-indulgence, superficiality, and ostentation, whereas sustainable development refers to sobriety, altruism, moderation, and ethics (Lochard and Murat 2011). On the other hand, several arguments tend to prove an inherent and complementary relationship between luxury and sustainability. Luxury is about being and having the best, so luxury goods cannot be perceived as being harmful in any way. In the clothing industry, for instance, contrary to mainstream fashion, which is characterized by short cycles and short product life, the luxury sector tends to produce high-quality, long-lasting goods. In other product categories, several brands pride themselves on the long-lasting quality of their products and stress the concept of timelessness, durability, and eternity in advertising (e.g., Patek Philippe’s famous tagline, “You never actually own a Patek Philippe. You merely look after it for the next generation”). Some luxury items, including garments, are sometimes considered art pieces and kept for many years; vintage clothes from famous designers are sought-after items that are auctioned or sold at specialty stores and e-commerce sites. Kapferer (2010) notably declared: “Luxury is the enemy to the throw-away society.”

From a manufacturing perspective, luxury companies do not delocalize as intensively as mainstream brands do. Many luxury brands strive to emphasize their singularity by manufacturing in their country of origin. Localization is part of their distinctiveness and value, as is the culture or historical reference that is typically embedded in their products (Kapferer 2012). To ensure the high quality of their goods, many luxu-

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ry players are either fully vertically integrated or exert tight control over their suppliers. For instance, luxury brands tend to limit their licensing agreements to secure more control over their supply chain. They can therefore enforce a sustainable approach among their partners.

As early as 2001, luxury groups placed sustainable development at the top of their agenda, but had not publicized it yet. Kapferer (2012) observed that “silently, all luxury groups have adopted the high goal of becoming sustainable luxury models . . . [incorporating] green corners into the whole value chain (sourcing, creating, manufacturing, logistics, distribution, marketing, servicing, waste and recycling).” Some brands introduced eco-collections or eco-lines, while others, like Stella McCartney and Edun, embraced sustainability at the core of their ethos and brand DNA. Despite these efforts, a ranking published in 2007 by the UK branch of the World Wildlife Fund (WWF) severely panned luxury brands for their poor environmental, social, and governance performance, and contended that they were lagging behind many other consumer goods manufacturers. In an increasingly resource-constrained and unequal world, WWF urged companies in the luxury sector to recognize and address their responsibilities. The world’s leading conservation organization called for a new definition of luxury, with “deeper values expressed through social and environmental excellence” (Bendell and Kleanthous 2007).

Over the past few years, attention to sustainability has been advancing on a larger front, thanks to coinciding movements: the work of advocacy groups; the role-model effect of companies (such as Patagonia and Stella McCartney; for more details about pioneering sustainable luxury brand Stella McCartney, see HBS case 2015) embracing more ambitious corporate social responsibility programs; and the emergence of greater awareness and concerns among citizens, consumers, and politicians on a global basis. However, despite their declared concerns, most consumers do not seem to care enough about sustainability to pay a higher price (Achabou and Dekhili 2013). First, they are not prepared to relinquish the quality or functional attributes in the product to support the cause in question. Second, many consumers believe that

luxury goods are sustainable by nature and do not have significant negative social or environmental consequences. They just assume that given their high price, prestige, aspirational nature, and exclusivity, luxury goods are not a danger to the planet and therefore are not associated with an excessive use of resources; researchers call this belief the “fallacy of clean luxury” (Davies et al. 2012). Additional research shows that decision-making for one-off aspirational luxury purchases can differ considerably from regular, repeat, commoditized purchases (Davies et al. 2012). For the former, consumers are more inclined to indulge and forget about their good intentions in terms of sustainable consumption. According to other surveys, sustainable consumption is becoming a new form of conspicuous consumption in a number of Western countries (Cervellon and Shammass 2013).

These results further reinforce the need to explore the changing nature of conspicuous consumption. Growing ethical and environmental concerns are putting pressure on luxury brands and it would be interesting to investigate the particularly contradictory field of consumers’ willingness to pay a premium for environmentally friendly and ethical luxury products. Future research can further examine the relationship between luxury and sustainability. Do they contradict each other or represent similar values? Is it beneficial for luxury brands to promote their sustainable efforts? How will luxury consumers respond? Could it be a source of competitive advantage, notably when marketing to the millennials? Are luxury consumers’ attitudes toward sustainable consumption converging or diverging on a global basis? The impact of cultural differences in the luxury sector is discussed next.

New Global Map of Influence, Notably China

Asia, and more particularly China, has been playing a key role in the expansion of the luxury industry. Entering new markets and expanding business across countries and cultures poses distinct challenges, especially in emerging and developing markets. Jimmy Choo is an example of a luxury brand that successfully capitalized on this new global map of influence and entered the Chinese market in recent years, relatively late in the game compared with other luxury brands (Keinan and Crener 2015, “Jimmy Choo” case). Future research could further examine success and failure stories to understand what the challenges and opportunities are for foreign luxury brands to launch in China. Conversely, more research could focus on the emergence of luxury Chinese brands. It would be interesting to understand which strategies they use. For example, are they following the Western luxury model? Are they inventing their own way? Are they using conventional or non-traditional marketing approaches? The case study about “1436”, a

Chinese luxury brand specialized in cashmere garments illustrates the ambition of creating the first pure Chinese luxury brand (for more details, see Keinan and Crener 2016).

Moreover, culture has always played an important role in consumers’ purchasing behaviors by imposing norms and defining what is appropriate in a specific cultural setting (Hofstede 1980; Aaker 2006; Üstüner and Holt 2010). As the Chinese account for 30 percent of luxury sales, it seems relevant to try to better understand their attitudes and behaviors toward luxury consumption. It would be useful, for example, to identify how the Chinese luxury market could be segmented.

If Chinese luxury consumers have been largely influenced by Western trends, researchers have observed that Chinese lifestyles were gradually beginning to show their distinct characteristics. Chinese customers have become more experienced, discerning, and sophisticated in record time so it is legitimate to investigate how their luxury consumption behaviors are evolving. Are luxury consumers becoming more similar globally or are cultural differences becoming more prevalent, notably in China? Are luxury consumers’ tastes converging or diverging across markets. As most luxury brands originate from Europe, can European luxury brand managers assume that the Europe-based/conceived luxury strategies will continue to successfully translate to other geographic markets? For instance, research shows that the rarity principle has a different meaning in Asia than it does in the West (Kapferer 2012). It is certainly inappropriate to assume that consumers’ attitudes toward luxury are uniform and stable over time, as we discuss next.

Consumers’ Expectations From Luxury Brands

An additional area for exploration pertains to the different expectations of luxury consumers and how they are evolving over time. This is a particularly interesting area to investigate

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since luxury consumers are fast changing, increasingly knowledgeable, and demanding. They are often said to “expect the unexpected”—they want to be surprised and amazed, but at the same time require consistent and predictable quality and service. The following are three key expectations of luxury consumers: 1. “Seduce me” (emotional, memorable, experience); 2. “Show me you know me” (personalization, relevance); 3. “Wow me” (surprise, delight). Interestingly, and as noted before, online has great potential in helping luxury brands fulfill and exceed these expectations.

Future research could explore the expectations of luxury consumers and how the roles luxury brands fulfill evolve over time. How are consumers’ expectations from luxury brands similar to, or different from, non-luxury brands? What drives these expectations? As non-luxury brands are being praised for offering superior service and an outstanding online experience, how can luxury brands go beyond that? Do different market segments (e.g., core versus aspirational luxury consumers) have different expectations? How can brands fulfill these expectations? What are the luxury attributes that consumers value the most and why? Should luxury brands always try to fulfill the expectations of their consumers? What are the short- and long-term consequences of fulfilling these expectations? How can luxury brands fulfill and exceed these expectations online using e-commerce, social media, and mobile? As discussed in the next section, the roles and expectations that luxury brands fulfill today go far beyond the functionality and features of the product.

Luxury Brand Storytelling

Brand Meaning and Storytelling

Luxury brands are meaning-based assets, so luxury brand management, at its core, requires meaning management. While all brands may carry some symbolic meaning, luxury brands derive most of their value from what they symbolize and how they help consumers present their identities to the world (Escalas and Bettman 2005; Berger and Heath 2007). The meanings associated with luxury brands contribute a significant share of the exchange value that the products realize in

the marketplace. Brand meaning is influenced by product designs, advertisements, popular culture’s usage of the brand, the consumer’s personal experiences with the brand, and the stories and myths associated with it (Holt 2004, Keinan and Avery 2008, Deshpandé and Keinan 2014, Avery and Keinan 2015).

Consumer research demonstrates the importance of storytelling and narrative for building and managing the brand meaning (Escalas, 2004), and the effective use of storytelling in advertising (Deighton et al. 1989; Mick, 1987; Puto and Wells, 1984; Stern, 1994). By presenting information about the brand in story form, marketers hope to engage consumers in narrative thought processing rather than analytical processing (Escalas, 2004). Narrative thought processing is more persuasive than analytical processing, as it decreases negative cognitive attributions and generates strong affective responses (Green and Brock, 2000).

For luxury brands in particular, storytelling plays a major role. Luxury brands are often built on mythical and unique stories associated with their founders, the vision behind the brands, or the brand’s geographic origin. According to Sicard (2014), “luxury is as much about the story and mystique surrounding the product as it is about the product itself. A high price and scarcity are not the only components of luxury. Consumers need to be buying into a story or history,” (p. 14). “Compelling stories, more than mere facts, convey a certain passion, a sensuality that brings the product to life for the buyer. Luxury products spark emotions; the emotions are based on the soul of the product, its history. There is a terrific story behind almost all luxury brands” (p. 12). Similarly, Holt (2004), in his book “How Brands Become Icons,” argues that brands holding culturally shared meaning usually derive their power from the myths that underlie their stories. These myths, especially in luxury brands, can become more important than functional, product-oriented brand associations.

One type of storytelling that has gained traction in the marketplace is the use of brand biography. Paharia et al. (2011) introduce that concept to describe an emerging trend in branding in which companies author an historical account of the events that have shaped the brand over time. Taking the form of a personal narrative, a brand biography chronicles the brand’s origins, life experiences, and evolution. Brand biographies are initially authored by the brand’s managers and are, therefore, a story selectively told, constructed, and reconstructed as needed to promote the brand to consumers. As such, brand biographies are often delivered to consumers via packaging, advertising, websites, and other marketing communication media. Brand biographies gain their rhetor-

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Adding another facet to the “brand-as-person” concept, brand biographies allow the brand’s story to be told in a dynamic and unfolding fashion over its lifetime.

ical power from the fact that they are more than an arbitrary brand image constructed out of thin air, and they are also more than a simple recitation of facts about the brand (i.e., its country of origin or manufacture, the origins of its ingredients or its manufacturing process, or its year of inception).

Rather, brand biographies link facts and events in the life of the brand to the experiences of the brand and its founders, selectively choosing anecdotes and incidents to shape a coherent life story. For example, the French high jewelry brand Chaumet (currently owned by the LVMH group) often highlights how the founder, Marie-Étienne Nitot (1750-1809), designed jewels, crowns, and swords for Napoleon and the royal families.

Brand biographies encourage narrative thought processing because their open-ended narrative structure nudges consumers to fill in the gaps in the story and to causally link brand events and experiences to brand motives, personality, and developing character. Hence, brand biographies encourage and equip consumers to create narratively structured meaning for the brand (Avery et al. 2010; Paharia et al. 2011).

The emergence of brand biographies in the marketplace demonstrates the continued anthropomorphism and animism of brands by marketers and consumers that has been discussed by researchers studying brand personality (Aaker, 1997) and consumer-brand relationships (Aggarwal, 2004; Fournier, 1998). Adding another facet to the “brand-as-person” concept, brand biographies allow the brand’s story to be told in a dynamic and unfolding fashion over its lifetime. While brand personality describes a set of human characteristics associated with the brand that are largely static and enduring, a brand biography allows brands to be one thing when they are young and another when they are more mature. The brand’s experiences and travels through its life can reveal its changing character to consumers. Furthermore, while brand personalities are often constructed on associations with fictitious concepts and characters, brand biographies are usually/commonly based on the stories of real people, typically the brand’s founders, giving them a tangibility and believability that make it easier for consumers to identify with the brand. Brand biographies capture the dy-

namism of a brand story over the course of a brand’s life and offer consumers multiple points of entry to forge identification with the people behind the brand and with the brand itself (Avery et al. 2010; Keinan et al. 2010, Paharia et al. 2011). Below we discuss additional research questions and topics that aim to better understand how brands create brand meaning through storytelling.

Research Questions and Topics

Components of a luxury brand story and biography. An iconic and passionate founder? Artistic creativity? Craftsmanship? Do non-luxury brand stories incorporate some of these components? If so, what makes luxury brand stories different from stories for non-luxury brands? Additionally, if most luxury brands have very similar story components, what makes their story unique? How can luxury brands build stories that set them apart? How do non-luxury brands use these brand biography components to create a premium image? When are these attempts successful and do they pose a threat to the luxury industry?

Ways to communicate stories. What are the advantages and disadvantages of using different channels to tell the story: movies, media interviews, advertising, sales associates in the boutique, brand website, social media, brand museums, brand exhibitions, etc.? Should luxury brands charge (sell tickets) for exhibitions, museums, and movies, or offer them for free? And relatedly, how important is it that these stories are entertaining and engaging? Should different content be emphasized in different channels? How does the way in which the story is told and the channel used affect the perceived authenticity of the source and the brand story? Do luxury brands tell their story using different tools/channels compared with non-luxury brands? What can non-luxury brands learn from the luxury sector about effective and compelling tools and channels to disseminate their stories?

Storytelling and relevance. Does the luxury brand story need to change and adapt over time to remain relevant? Or does it represent a legacy and heritage, a tradition that should be cherished and preserved over time? How do luxury brands balance these two objectives? How can content be made rel-

At the same time, since brand content is very rich and important in the luxury sector, online and social media can be great vehicles to disseminate this content and engage consumers.

evant to each target audience? What remains and stays constant over time, and what tends to be updated? What makes powerful and compelling brand stories timeless?

Storytelling for different consumer segments. Do all customers care about the brand biography and myths associated with the luxury brands they consume? Does brand biography and storytelling matter more for luxury brands compared with non-luxury brands? Who cares more about the luxury brand's stories, core luxury consumers or aspirational consumers? Do people who cannot afford luxury brands also want to hear these brand stories, even though they are unable to buy them at the moment? Can storytelling be used to educate current and potential consumers and make them understand the complexities and subtleties attached to the brand? Storytelling and cultural differences. What types of stories appeal to and resonate with different cultures? Do some brand biographies have a universal appeal? Do European consumers care more about the stories and heritage of the luxury brands they consume than Americans do? Are sales associates in Europe more likely to tell customers stories about the brand ("romanticize the brand") compared with sales associates in the U.S. (who have a different definition of superior service)?

Storytelling and authenticity. How do consumers infer that the brand story is authentic? Do luxury brand stories/biographies seem more or less authentic? Does the authenticity of the brand biographies matter more for luxury brands? How does online storytelling affect the importance of authenticity (e.g., more transparency in social media)? Does the use of storytelling make the brand seem more or less authentic?

Storytelling and pricing. Do sales associates in luxury boutiques use storytelling as a way to explain (rather than justify)

the price? Is there a correlation between the brand's price point and the type of stories they use (and how they tell these stories)? How do brand stories convey and reinforce the value of the products?

Storytelling for new versus established brands. What are the challenges for luxury start-ups in storytelling? What is the brand heritage? How are these stories different from the stories of established brands? How can entrepreneurs in the luxury space create meaningful and compelling stories for their young brands? Should new, less-known brands highlight their association with larger well-known brands?

Typology of brand stories. What are the main categories or themes in brand storytelling and biography? Is the story necessarily about the founder or another person? About the geographic origin of the brand? About the values and philosophy it represents? How do brands select the focus of the story, or does it typically involve a combination of all three components? Does the focus depend on the product category? Does it change depending on the context (e.g., a salesperson selling a French luxury brand in France may emphasize the country of origin since there is a sentimental value to buying a product in its native country compared with buying it online or in a different country)?

Storytelling and brand elements. How do brand elements (name, logos, symbols, packaging, signage, etc.) convey and reinforce the brand biography and stories? Which brands have effectively incorporated their storytelling and heritage in their brand elements? Are clients of these brands able to identify and understand these storytelling cues in the packaging, brand and product names, and logos?

Storytelling and brand equity. It would be interesting to examine how the brand biography and related stories affect the brand equity components identified by David Aaker (brand awareness, perceived quality, brand associations, and brand loyalty), and the components of the brand resonance pyramid introduced by Kevin Keller. Or examine how storytelling affects the key pillars of brand equity in Young & Rubicam's Brand Asset Valuator (BAV): 1. Differentiation—the degree to which a brand is seen as different from others; 2. Esteem—measure how well the brand is regarded and respected; 3. Energy—the brand's sense of momentum; 4. Relevance—the breadth of the brand's appeal; 5. Knowledge—how familiar and close consumers are with the brand.

Online storytelling. While online poses a challenge for the luxury sector and fundamentally questions the sector's tra-

Core users, the equivalent of “brand citizens,” are not threatened by “brand tourists,” who admire the brand and do not claim to be core users.

ditional business model, it can also be leveraged for more sophisticated brand building and storytelling. As noted elsewhere, traditional luxury branding is about exclusivity and control, but online creates ubiquity and accessibility. At the same time, since brand content is very rich and important in the luxury sector, online and social media can be great vehicles to disseminate this content and engage consumers. According to Pauline Brown, Chairman of LVMH North America, there is a rich story behind every LVMH brand, portraying the individuals and vision for each one. Laure de Metz, General Manager for the Americas for LVMH’s Make Up For Ever brand, argues that social media is a fantastic place to tell these rich and compelling stories. Bernd Schmitt similarly argues that there is a possibility to tell more sophisticated stories online than in the store (Schmitt 2015). Future research could further explore how luxury brands can effectively leverage online engagement and social media for storytelling. Particularly, in what ways does online offer more sophisticated storytelling compared with more traditional channels (e.g., compared with a sales associate in the boutique)? Richer content? More customized? More visual? More engaging and interactive (e.g., storytelling through conversation with the customer on social media)? What can luxury brands learn from popular non-luxury brands about storytelling using online and less traditional channels?

Understanding the Threats to Brand Dilution

Although attractive and lucrative, the luxury sector is a highly competitive and challenging market. Successfully managing luxury brands is a difficult balancing exercise that requires a subtle understanding of the brands’ emotional, immaterial, and somehow irrational dimensions. Luxury has long been associated with scarcity and exclusivity. This has given rise to an inherent paradox in managing these brands. Managers aim to generate growth by extending the customer base to new segments and new markets; yet, this increased popularity and prevalence can paradoxically hurt the brand and threaten its symbolic value (Bellezza and Keinan 2014). Consumer research warns managers of brand dilution risks (for a review, see Loken and John 2009). Consumers of exclusive brands, as members of a select in-group, want to limit the number and type of consumers who have access to these brands and also want to maintain their distinctiveness (Amaldoss and Jain

2005; Han et al. 2010). The value of brands can be diluted when firms engage in aggressive brand extension strategies (Kirmani et al. 1999; Keller 2009) and when undesired outsiders start using the brand (White and Dahl 2007; Berger and Heath 2008).

The following section identifies temptations for luxury brands and threats of brand dilution, and explores how these brands can manage the paradox of exclusivity versus growth.

Brand Extensions

Brand extension strategies have often been used by luxury brands as an opportunity to offer an entry point into the growing “accessible luxury” consumer segment. While symbolic and prestigious brands have great potential for brand extension (Park et al. 1991; Chun et al. 2015), they are extremely exposed to the risks of unsuccessful extensions (Keller and Aaker 1992) and in potential danger of losing their high-status character when over-diffused (Dubois and Paternault 1995; Kirmani et al. 1999; Kapferer and Bastien 2009; Keller 2009). Similarly, consumers abandon their preferences for and their usage of products when they become associated with undesirable outsiders (Berger and Heath 2007, 2008; White and Dahl 2006, 2007). In particular, Kirmani et al. (1999) examine brand owners’ response to extensions of exclusive brands (e.g., BMW owners) and demonstrate that owners of these brands exhibit parent brand dilution in response to downward brand extensions (i.e., lower-priced stretches of the core offering of the brand) because of their desire to maintain brand distinctiveness. In sum, this literature suggests that brand extensions at lower price points and the users of these products (non-core users of the brand) pose a threat to exclusive brands and dilute their image in the eyes of the core users.

Recent research proposes a new framework to understand core users’ response to downward brand extensions and non-core users. The response depends on whether non-core users are perceived to claim membership status in the brand in-group (Bellezza and Keinan 2014). Establishing an analogy between countries and brands, this conceptualization builds on the observation that while immigrants are often treated with hostility and viewed as a threat, tourists, who do not de-

Could luxury brands successfully replicate the Apple approach, namely “designed in California, made in China”?

mand any privileges or citizenship rights, are more welcomed by residents. Such tourists confirm and reinforce the attractiveness and desirability of the place they visit and have a positive effect on residents' sense of pride. Core users, the equivalent of “brand citizens,” are not threatened by “brand tourists,” who admire the brand and do not claim to be core users. In contrast, “brand immigrants,” who claim membership in the brand community, can be viewed as a threat to the symbolic value of the brand.

Future research could further examine consumer reactions to upward or downward extensions and their impact on brand equity. How can brands leverage the positive impact of “brand tourists”? Applying the brand tourism conceptualization to the question of consumers' response to high- versus low-fit brand extensions can potentially add a new perspective to the vast debate in the branding literature about this topic (Aaker and Keller 1990; Boush and Loken 1991; Park et al. 1991; Keller and Aaker 1992; Broniarczyk and Alba 1994; Milberg, Park and McCarthy 1997; Hagtvedt and Patrick 2009; Chun et al. 2015). Low-fit extensions could reinforce, rather than dilute, the brand image because these extensions do not allow their users to claim membership in the brand community (Bellezza and Keinan 2015).

An alternative way for new customers to get access to the brand at a lower price is by buying a counterfeit version. The consumption of counterfeits may have a negative or positive effect, depending on whether the consumers of counterfeit products claim in-group status. When it is not apparent that the counterfeit version is fake and people mistake it for a real branded product, then counterfeit users will be seen as “illegal immigrants,” claiming to be part of the core users' in-group. However, when it is apparent that the product is fake and neither the product nor its users are associated with the brand, then users of such fake products may be seen as brand tourists.

Another interesting question pertains to the primary drivers motivating core users to belong to the brand community in the first place. For example, one hypothesis is that core users whose primary motive for belonging to a selective brand community is status display (e.g., individuals buying a Ferrari car to show it off) might react even more positively to brand tourists rela-

tive to core users seeking primarily functionality (e.g., individuals buying a Ferrari because of the superiority of the engine).

Finally, future research can explore the effect of “brand emigrants”: those who could claim in-group status but willingly decide not to. These consumers would include, for instance, a driver who owns a Ferrari but decides to replace it with a different luxury sports car or a full-time undergraduate student at Harvard who transfers to another institution (e.g., MIT) to complete the degree. Brand emigrants may inspire negative reactions from core users, just as citizens might feel betrayed by compatriots who decide to leave the country and live elsewhere. On the other hand, they may also make the brand community feel more united in the face of abandonment.

Delocalization

Another interesting topic is the country of origin. Although brand names have a higher influence on product evaluation and purchase decision than the country of origin, research has shown that country of origin has a stronger effect on luxury products compared with other goods (Piron, 2000; Aiello et al., 2009). As luxury brands are attracting a more global and diverse audience, it would be interesting to examine consumers' perceptions of brands that move production overseas. For instance, do millennials have different views about the appropriate location for production? Are they more forgiving, compared with older generations, of luxury brands that decide to move their production overseas? Could luxury brands successfully replicate the Apple approach, namely “designed in California, made in China”? What are the trades-off between country of origin and of production in terms of price and brand image? How do a luxury product's country of origin and/or country of production affect consumers' opinions?

Listening to the Customers, and Giving Them What They Want

Brand managers in the non-luxury space are very attentive to consumers' needs and desires, and use various marketing research tools to predict, understand, and leverage their preferences. By contrast, luxury brands have had a radically different approach, aiming to dictate consumer preferences. Recent research demonstrates that being “close” to users does not help but rather harms luxury fashion brands (Fuchs et al.

2013), and that rejection can increase aspiring consumers' desire for a luxury brand (Ward and Dahl 2014). It would be interesting to examine the alternative approaches and tools that luxury brands use to understand their customers, instead of the traditional surveys and quantitative research heavily employed for mass consumer goods. Luxury brands, like many other retail brands, are probably tempted to leverage the power of big data and optimize the balance between creativity and merchandising. What would be the risks and benefits for luxury brands to adopt these methods?

Pleasing Various Stakeholders

The luxury sector has gone through several waves of consolidation and many small, independent brands, which have typically lacked the marketing skills and budgets to compete with the large groups, have been acquired by luxury conglomerates or bigger corporations. Following their acquisition, these brands usually gain an international exposure and a global reach. It would be interesting to examine how brand strategies change when luxury brands change ownership status (through an IPO or being purchased by a conglomerate or private equity firm).

Off-Price Distribution Channels

As luxury clientele expands and diversifies, some consumers are increasingly displaying "price awareness and consciousness leading to a rise in the off-price luxury market, which now represents more than 30 percent of total luxury sales" (D'Arpizio 2015). Luxury brands are tempted to capitalize on this trend and satisfy the pent-up demand for bargain hunting. Are all luxury consumers willing to sacrifice a luxury service and experience for a discounted price? Is it possible to effectively target different segments (i.e., consumers willing to pay the full price versus those willing to buy only on sale) without compromising the value of the brand? To what extent do the off-price channels cannibalize full-price sales and hurt the brand's luxury image? Can outlet channels benefit luxury brands by providing more exposure and helping to create new enthusiasts? Under what conditions can an outlet contribute to the brand's reputation? What are the characteristics of discounted luxury shoppers? Are they more or less loyal to the brand? Could they be cultivated to become core customers in the full-price channels? How could discount channels become more aspirational and less damaging to the brand? Is there a difference between off-price brick and mortar versus off-price digital channels? It would be interesting to better understand why even affluent consumers love the thrill of a treasure hunt for a bargain. Relatedly, is it possible to create scarcity and rarity in an outlet environment?

High-Low Strategy and Partnerships With Non-Luxury Brands (Target, H&M, etc.)

Luxury brands are more likely to partner with other luxury brands, although many brand partnerships between luxury and non-luxury brands have emerged, especially in the fashion industry. Notable examples include Versace, Marni, and Stella McCartney collaborations with H&M. These partnerships can be an effective way to grow sales, reach new markets, gain new distribution, and benefit from a positive brand image halo. Future research could examine the risks and benefits in these collaborations. Could they help reach new or younger segments that are not aware of the brand? Democratize the brand? Reinvigorate traditional brands trying to create a more relevant image? What is the role of storytelling in communicating these partnerships to luxury consumers? How do luxury brands decide whether to create a permanent collection versus creating a capsule, limited edition collection? In particular, how do luxury brands rationalize their decisions to partner with a mass retail brand? Who benefits the most? How do luxury brands measure the value of these partnerships and assess their success?

Conclusion

Luxury branding not only is a fascinating domain to study novel consumption phenomena and advance consumer behavior theory, but it also represents an important and growing sector with increasing economic, social, and cultural significance. Today, it is even more important to study luxury because the sector is facing unprecedented challenges and potential disruptions. The combined effects of the forces discussed above (technology; digital and mobile revolution; new consumer behaviors, attitudes, and values; millennials; sustainability; and global tourists/shoppers) are bound to radically transform the sector.

If the traditional pillars of luxury are under siege (luxury brands are more accessible, more ubiquitous, less exclusive, and only subjectively rare), it might be relevant to reconsider the specificity of luxury strategies. If, as stated by Kapferer, the "luxury industry has become a business of brands," then it is likely that branding principles will increasingly be implemented and one may question the long-term survival of the "anti-laws of marketing." All this gives rise to numerous research opportunities to better understand the nature of the changes that are taking place.

Moreover, understanding the strategies and tactics of luxury brands is relevant beyond the sector and can be a source of inspiration for any company that offers or wants to offer high-end products. Luxury brands are gifted at dif-

differentiating themselves and their products. They are able to inspire people and to build huge crowds of followers beyond their core customers. And they are able to survive, adapt, and stay current, thanks to an ability to innovate and reinvent themselves.

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PART 3

Luxury Customer Experience and Engagement

What Is the Impact of In-Store Technology?

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Adam Smith divided consumption into four categories: 1. necessities, 2. basic, 3. affluent (or premium), and 4. luxury. This categorization suggests luxury brands are more than just expensive and high quality. They are defined as a class by themselves, differentiated because they are exclusive, difficult to procure, and scarce. In the extreme, clients have to pass certain criteria to be worthy of ownership.

Critical to this historic idea of luxury is that each brand is non-comparable, not definable on a price-quality continuum, but rather something that often has a unique authentic brand heritage. To keep this exalted position, luxury brands must maintain full control of their value and distribution chains. Consequently, luxury brands are usually exclusively distributed either through limited direct channels or carefully curated partnerships with upscale stores. Counterfeiting must be strictly controlled.

Second, since luxury brands signal status and elitism, luxury goods need to be recognized by non-owners even as they seem out of reach. Information about the brand is disseminated

through a network of select fashion experts and opinion leaders. Design criteria are passed down from the designers to customers at pre-determined and infrequent intervals, often at elaborate fashion shows where attendance is limited.

Finally, luxury brands not only provide superior functional, emotional, and status benefits through ownership, but frequently also offer an experiential component at the time of purchase. This suggests that the acquisition process around luxury brands has to be a VIP affair. The personalized service, customization, and packaging experience are often as important as the attributes of the products themselves—and sometimes more important as luxury is shifting from products to experiences and people share experiences on social media.

These critical aspects of luxury get called into question in the new retailing paradigm where purchasing is made across online and offline channels with the mobile phone as the connector. Products in this new world of retailing can be accessible everywhere (rather than in exclusive locales), in-

formation is 24/7, and everyone can weigh in with self-defined expertise. Rather than controlled designer-led creations, co-creation between the customer and the marketer is the expectation. Customers are beginning to assume that their preferences and purchase data will be learned and then addressed in a dynamic fashion. Purchases are often made through the sterile, non-humanized world of web searches and clicks rather than through personalized, experiential, exclusive, “touch-and-feel” engagement. This is why luxury retailers augment their distribution channels with guided selling, clienteling, and curation so that these channels maintain a personalized, human, and luxurious feel.

While this democratization of information and fashion has its upsides, it also can create a world of too much choice and too much distraction, and ironically end up making the consumer feel overwhelmed. In order to compete in this chaotic world, some brands have resorted to aggressive price promotions, which is obviously a strategy that is antithetical to the luxury positioning.

One option that is considered in this paper is how luxury brands can cope with this changing world through the use of technology. Technology in all its forms enables a new and different kind of customer experience at an omni-channel level. Elements of technology may include social media; mobile as an integrated offline-online channel; online reviews and recommendations; personalized, show-me-that-you-know-me marketing; guided selling; service-based and clienteling relationships with customers for a personal shopping experience via text, email, and web live chat—all couched within letting customers decide how much involvement they want personally or digitally.

Technology can also be installed in the store. For example, some retailers are beginning to deploy smart store windows, in-store kiosks, beacons, smart dressing rooms, in-store video analytics systems, and in-store touch welcome screens. In-store technology, when used correctly, could provide the benefit of maintaining the luxury experience in the physical store, where consumers can “touch and feel” the product, while also allowing access to the digital advantages of rich data, user reviews, expert advice, a global network, and personalization. This represents a true merging of the benefits of physical and digital channels.

If luxury brands begin to use in-store technology, which can tie together the digital world with the luxurious in-store experience, they will have to make sure that the technology platforms are built in a manner that is consistent with the brand

Technology in all its forms enables a new and different kind of customer experience at an omni-channel level.

heritage. Customers don’t want technology per se. Rather, they want technology to provide some kind of value to them. Luxury brands and retailers must keep in mind what kinds of tech-based services are brand-appropriate from the customers’ point of view. Choosing where to integrate various types of technology should primarily serve the luxury brand’s objectives and the customers’ brand expectations. For example, technology that enhances the customer experience, makes customers feel special, or helps convert or upsell customers would be beneficial. Technology can also be used to increase efficiency, which would ideally also enhance the customer experience, for example by making the buying or check-out process easier, providing more convenience, or saving time.

Trade-Offs When Technology Is Considered for Customer Engagement: Risk of Brand Dilution

There are several trade-offs that accompany the use of technology that could potentially threaten the value of the luxury brand, and these must be monitored.

First, if the technology is used to build customized, personalized offerings, the brand must ensure that the customer does not feel that the process is invasive or inappropriate. This can happen if the consumer feels that too much intimate or personal knowledge has been collected or revealed. A well-publicized example from the mass merchant market is Target’s personalized promotion of pregnancy-related items to a teenager based on the company’s “pregnancy prediction score,” which relied on the girl’s purchase history and other data. Target’s customized mailings ultimately made the girl’s unsuspecting father aware of his under-aged daughter’s pregnancy (Hill 2012).

The second trade-off involves a luxury brand or a luxury designer’s vision and point of view and the use of individual preferences from customers based on their perspective, involvement, and experience of the brand. Technology, especially social media, has changed the power dynamics between brands and consumers. Consumers have gained more power

Technology that is not seamlessly integrated into the purchase process in such a way to add value might feel intrusive or manipulative and detract from the luxury experience.

and they want to engage in a dialog with brands as opposed to mostly being talked to. Although adapting to consumers' desire is seemingly positive, part of the value of a luxury brand is benefiting from the designer's heritage and aesthetic point of view. This influence is diminished if the vision is altered to meet the individual consumer's idiosyncratic desires. On the other hand, luxury brands' tailoring of non-product attributes (e.g., customer service) to individual needs and preferences might be appropriate.

A third factor involves deciding where to put the technology in the sales funnel and the customer's path to purchase. For example, technology that might be used in outside store windows could obviously impact the shopper's decision to come inside. Presumably, the use of technology in the window should be different for luxury brands than for non-luxury brands. Further, the strategy for this technology might be different for different times of day or when the store is open versus closed. It might also be different for the shopper who does a great deal of information gathering online prior to coming to the store versus someone who is walking by. Technology that is not seamlessly integrated into the purchase process in such a way to add value might feel intrusive or manipulative and detract from the luxury experience. Thus, retail technologists want the technology to feel invisible—unless technology and gadgetry are a core part of the brand and a prominent display is appropriate—and the experience seem magical.

Another aspect of the luxury experience that must be considered when integrating technology is to decide what the emotional goals should be from the overall experience. Since technology can be used to deliver a more personalized offering that builds on the customer's revealed preferences, the

brand can presumably maximize the long-term, joyful utility of ownership. Often, luxury loyalty programs employ technology—across data insights, personalization, and tailored retail/ecommerce experiences—with the goal of maximizing this long-term relationship. But building on this history and the revealed preferences while maximizing long-term utility and fit may minimize the pleasure that comes from surprise or unexpected discoveries (“surprise and delight”). If this were the goal of the luxury experience, one might want to de-tour from past history.

Finally, the fourth trade-off is about how immersive and sensual the in-store experience should be. If technology can be used to create an immersion-based sensory experience—with special fragrances, lighting, and more—and if this experience can be shared with others, either in person or through social media, does that obviate the need to actually purchase the luxury items? Put another way, as the in-store purchase process becomes more personalized and experiential, does that replace the need for ownership?

These trade-offs are examined in more detail in the following three sections, which specifically discuss 1. the loss of designer control, 2. current findings about sensory marketing and how these techniques may be used to enhance customer experience, and 3. the use of technology in considering geographic/real estate issues with regard to physical stores.

Loss of Designer Control: User Co-Creation in Fashion and Luxury

In non-luxury categories, some have argued that “user design” (i.e., drawing on users' ideas and designs for new products) can enable firms to get a number of positive benefits (cfr. Fuchs et al. 2013), namely: reduce new product development costs, improve time to market, and, most important, derive innovative products that are better at meeting consumer needs and wants (e.g., Hoyer et al. 2010; Lilien et al. 2002; Ogawa and Piller 2006; Von Hippel 2005). Recently, Schreier et al. (2012) found that consumers evaluate a product more positively and indicate stronger purchase intentions if it is labeled as created by users instead of by the firm's internal designers.

User design practices have been successfully implemented across different sectors. For instance, Lego engages its online customer community in designing some of the toys it sells both online and offline, labeling them as “designed by Lego fans” (Fuchs and Schreier, 20011). In the soft drink industry, Mountain Dew lets customers select the flavors that characterize its limited edition drinks. Meanwhile, in the motorcy-

cle industry, Ducati Motor developed an entirely new model—the Hypermotard—by taking into account the systematic feedback of its brand fans on each bike attribute (Sawhney et al. 2005). Muji, a Japanese manufacturer of consumer goods, invites its avid customers to evaluate the attractiveness of new product concepts, and only those concepts that receive a substantial number of customer pre-orders (“binding votes”) are ultimately integrated into one of the company’s product lines (Ogawa and Piller 2006). Field data from Muji has further revealed that products based on user ideas actually performed better in the market than internally developed ideas in terms of aggregate sales revenues and profit margins (Nishikawa et al., 2013).

This practice has started to become popular in fashion as well. For instance, Threadless, a Chicago-based fashion start-up, markets new T-shirt designs on a weekly basis. Unlike many other firms, the company itself does not determine the specific designs to be marketed, but rather its customers do (Fuchs et al. 2010). Threadless has built a strong user community—an average of 1,500 users rate the attractiveness of each new design idea online every week. The highest-rated T-shirts finally make their way to the shelves (Ogawa and Piller 2006). The handbag brand Coach recently invited its users to participate in a “Design a Coach Tote” initiative, which resulted in 3,000 user designs, the best of which were produced by the brand. Coach’s initiative also produced a significant amount of online chatter; more than 100,000 customers rated the user designs, and more than six million page views resulted from the campaign. Even some of the very-high-end fashion brands have jumped on the user design bandwagon: Oscar de la Renta, Fendi, and Anita Dongre, for example, all rely on crowdsourcing to generate new product ideas and designs (Fuchs et al. 2013).

However, while it has been widely shown that user co-creation is beneficial in mainstream fashion (Fuchs et al. 2010), the net effects for luxury brands are not clear. As discussed above, the luxury sector has always distanced itself from consumers (Kapferer and Bastien 2009), implementing “a top-down, we-know-best-and-we-won’t-listen-to-you attitude” (Colyer 2007). This trade-off between maintaining distance versus the new trend of co-creation suggests very delicate questions about the extent to which a luxury brand should rely on user engagement in new product development.

Drawing on the psychological literature on social distance and comparison (e.g., Locke, 2003; Wood, 1996), Fuchs et al. (2013) suggest that being “close” to users does not help but rather harms luxury fashion brands, because user design hin-

ders consumers from signaling high status. They argue that in luxury, user design backfires because user-designed items provide the wrong signal in the marketplace. Through experiments, they find that the user-design cue negatively affects design quality perceptions for the consumer. They also prove that the social signaling of user-designed luxury products fails to provide the agentic feelings characteristic of internally designed luxury products. It seems that the social distance created by high-status signaling, inherent to luxury brands, is compromised by user-designed products. Both factors underlie the reduced demand for user-designed luxury fashion products.

The managerial implications of these findings are critical. They constitute a strong warning for luxury brands, many of which are currently experimenting with ways to more actively involve users in their value creation process. Fuchs et al. (2013) identify several strategies luxury fashion brands can pursue to mitigate the negative implications of user design. Specifically, they find that consumers resonate more positively with user design if the users in question have social distance from “regular” consumers. They show that communication strategies in which users are 1. legitimized by the brand’s head designer, 2. described as artists, or 3. linked to celebrity status attenuate the identified negative effects of user design in the luxury fashion context. Examples of non-luxury brands tapping high-profile celebrities for product designs are Adidas collaborating with Kanye West on “Yeezy” sneakers and Puma collaborating with Rihanna on its Spring 2016 runway show. These findings provide direct counsel to firms regarding how to communicate user-design initiatives to the broad mass of

This trade-off between maintaining distance versus the new trend of co-creation suggests very delicate questions about the extent to which a luxury brand should rely on user engagement in new product development.

consumers. Framing user design with some form of social distance ensures that consumers can experience the agentic feelings they require from luxury fashion brands. Thus, these findings point to specific population segments that managers can target for user-design campaigns. Instead of inviting ordinary people to participate, they can carefully select and involve only users who have some form of status elevating them over the targeted consumer.

Fuchs et al. (2013) demonstrate that negative user-design effects are also mitigated if the product category is characterized by lower status relevance. A product category is defined as status relevant if status considerations are important for the purchase decision and if consumers use the product for status signaling. The Fuchs et al. findings imply that luxury fashion brands can involve their users as long as signaling high status is not integral to the product category (of the luxury brand) being purchased (e.g., T-shirt versus dress shirt, sneakers versus leather shoes, messenger bag versus handbag). This analysis suggests that the cultivation of user-design activities in non-status product categories could build brand relationships, and that hypothetically those relationships could transfer to more status-relevant product categories and produce both financial and brand community benefits.

Finally, considering the risk of brand dilution, it might make sense to prioritize customization to loyal customers, who already feel connected to the brand. In contrast, newly

acquired customers might prefer the iconic products of the brand that have been totally designer-designed. To deliver a customization process involving multiple channels and to encourage an in-store luxury experience, an online customization toolkit can be developed and the stores can be supplied with the different patterns of cloth, charms, etc. that are called for by the toolkit.

Compared with crowd-sourced designs, customized designs might actually have a positive impact on both companies and consumers. This customization model maintains the contribution and essence of designers, i.e., their charisma and aura is transferred to the product in the design process, which is crucial for purchase intent of luxury fashion items. This model also integrates self or self-essence, one of the main value drivers of customization (e.g. Franke et al. 2010; Troye and Supphellen, 2012). Unlike crowdsourcing, where designer essence is eliminated, customization maintains a certain amount of designer essence while also giving the customer the opportunity to infuse the desired item with self-essence.

This customization approach suggests a balance of designer and self-essence to maximize purchase intent. Therefore, the purchase intent for luxury items with a disproportionate amount of either self- or designer essence is sub-optimal. For example, a product with high self-essence but low designer essence and a product with the opposite features should generate similarly weak purchase intent.

Figure 1. Inputs to the Shopper's In-Store Sensory Experience



In-store scenting has also been found to increase (or decrease) variety-seeking behavior (Mitchell, Kahn and Knasko 1995) as a function of whether the ambient scent is congruent (or incongruent) with the product category.

In-Store Sensory Experiences Can Improve the Luxury Experience

Prior research has shown that nearly every experience in a retail environment involves one or more of the five senses (i.e. vision, hearing, touch, smell, and taste), which, in turn, can have significant effects on shopper behavior (see Figure 1). Research suggests that these sensory inputs impact shopper behavior indirectly through their effects on the level of pleasure and physiological arousal that shoppers experience while in a store (Donovan and Rossiter 1982). Immersive and pleasurable in-store sensory experiences thus enhance a shopper's mood and feelings of wakefulness, which, in turn, can positively impact his or her evaluation of the store and the products offered.

For example, shoppers' emotions and buying intentions are affected by lighting in retail environments (Park and Farr 2008), altering the route shoppers take through a store (Taylor and Socov 1974) and drawing attention to specific products on display (LaGuisa and Perney 1974, Areni and Kim 1994). Further, the tempo of background music alters the pace of in-store traffic flow in supermarkets (Millman 1982). Color schemes can also impact shoppers' experience of pleasure in a retail environment. For example, Bellizzi and Hite (1992) found more simulated purchases in a laboratory, fewer purchase postponements, and a stronger inclination to shop and browse in retail environments that were blue, instead of red. These results seemed to be driven by the affective dimension (i.e., blue was a color that people liked more). For fashion-oriented stores, Babin et al. (2003) found that blue interiors were associated with more favorable evaluations, marginally greater excitement, higher store patronage intentions, and higher purchase intentions than orange interiors. However, the results change when the effect of store lighting is considered in conjunction with color. Orange interiors that are lit by soft lighting counteract the negative effects of that color and produce the highest level of perceived price fairness when actual prices are controlled.

Simply touching products in the store can be highly pleasing and reduce shoppers' uncertainty, especially among customers who score high on the "need for touch" scale (Peck and Childers 2003). Even the sturdiness of a product container—how it feels in the hand—can impact quality and taste perceptions of the product inside (Krishna and Morrin 2008). On the other hand, Argo et al. (2006) showed that consumers react negatively if they believe the products have been touched by others. On the service side, Crusco and Wetzel (1984) showed that being touched by a waitperson in a restaurant could increase the tips received. Similarly, Hornik (1992) showed that consumers who are touched by the demonstrators in supermarkets are more likely to taste the food samples than those in no-touch situations.

Ambient scenting has been shown to enhance shoppers' ability to recognize and recall brand names and packaging seen in stores (Morris and Ratneshwar 2000, 2003) and can sometimes enhance shoppers' preference for luxury products (Madzharov et al. 2015). These authors found that ambient scents could affect consumers' spatial perceptions in retail environments, which can influence feelings of power. Specifically, they found that in a warm (versus cool) environment, people perceived the environment to be more (versus less) socially dense, and this, in turn, made them experience a greater (versus lesser) need for power, which resulted in increased preferences and purchases of premium products and brands.

In-store scenting has also been found to increase (or decrease) variety-seeking behavior (Mitchell, Kahn and Knasko 1995) as a function of whether the ambient scent is congruent (or incongruent) with the product category. Studies have also shown that under certain conditions such as congruency (Spangenberg et al. 2005) and fluency (Herrmann et al. 2013), pleasant ambient scents can positively affect the amount of time shoppers spend in a store (Gueguen and Petr 2006) and their evaluation of products encountered there (Spangenberg et al. 1996). The degree to which in-store scenting is seasonally (Spangenberg et al. 2005) and gender

Will technological advances, such as smartphones that emit odors or devices that allow differential touch experiences, overcome the sensory limitations of online shopping? Are there other ways to compensate for the current sensory limitations in online shopping environments?

appropriate (Spangenberg et al. 2006) impacts its effectiveness in retail settings. In-store sampling, such as providing taste samples to shoppers, increases purchase intentions, especially for higher-quality store brands (Shimp and Sprott 2006).

Implications for Luxury Retailers

Given the effectiveness of these sensory cues, more and more retailers have begun to experiment with multi-sensory environments, which are often facilitated through technology. For example, Rebecca Minkoff's digital dressing rooms with interactive mirrors allow for different lighting schemes and for the consumer to request something pleasant to drink. Sephora's Sensorium has an in-store participatory museum exhibit, and allows consumers to be fully immersed in the beauty experience both through actual cosmetic and fragrance sampling as well as involvement through kiosks and electronic information displays. In designing its initial stores, Michael Kors shunned the stereotypical luxury "low-light and serene" settings, opting for bright white lights and shiny fixtures paired with an ambience of loud and "exciting" music, with the goal of driving customers' impulses.

In addition to increasing the pleasurable value of the in-store experience, the sensory immersion may also help the customer make a more informed decision—especially if the sensory inputs call to mind an environment in which the purchased products will be used. For example, customers trying on a product in a dressing room may be better able to envision themselves wearing that product in a future setting (e.g., at a fancy dinner party, on a beach vacation, or during a night out) by seeing relevant visual images and lighting, smelling appropriate odors, and hearing sounds that match those settings.

Another positive outcome of providing a more immersive sensory experience would be to alter the customer's focus in terms of the rationale for buying. For example, if some customers might hesitate at purchasing an expensive luxury item such as a handbag because they feel guilty about the status-oriented nature of such a purchase, focusing the consumers

on the sensory qualities of the item could provide a more socially acceptable reason to buy it. Thus, a luxury handbag might be "worth it" not because it would enhance the buyer's social status, but because it would provide daily sensory pleasures via the feel of its soft leather and the visual appeal of its contrast stitching.

Luxury retailers who are looking to find a way to counter online shopping may embrace the notion of providing high-quality in-store sensory experiences since online shopping is devoid of multiple dimensions of sensory input. Indeed, online shopping typically is limited to engaging only the shopper's visual and auditory senses. At present, at least, online shopping venues are unable to provide a sense of touch (e.g., how does a sweater feel?), smell (e.g., how does a skin lotion smell?), and taste (e.g., how does a macaroon cookie taste?). So although online buying is a welcome addition to retailers' abilities to reach out and sell to customers, it also limits their ability to emotionally connect with the consumer via sensory inputs normally experienced in brick-and-mortar environments. Thus, over time, retailers' brick-and-mortar stores may have to assume more responsibility for building those emotional bonds with shoppers, via fuller engagement in the stores of all five senses.

As these trends toward more sensory in-store experiences unfold, interesting questions emerge: Should the in-store sensory immersion experiences be designed differently for flagship (e.g., tourist segment) and non-flagship (loyal buyer segment) luxury stores? Would such a dual-sensory strategy create confusion or dilution of positioning among customers? Will technological advances, such as smartphones that emit odors or devices that allow differential touch experiences, overcome the sensory limitations of online shopping? Are there other ways to compensate for the current sensory limitations in online shopping environments? For example, research has shown that merely asking consumers to imagine what a product smells like can elicit responses similar to those that result from actually smelling the product (Krishna et al. 2014). Perhaps other forms of sensory imagery may at least partly substitute for forms of technology that limit actual sensory experience.

Decisions Regarding Technology Placement in the Physical Store

The Role of the Store Window

As any commercial realtor can tell you, frontage is one of the most critical factors in determining the appeal and value to a retailer of a specific brick-and-mortar location. Frontage refers to the size of the storefront and primarily to the size of the display window. The traditional use of the window in the real world (as opposed to the online or “virtual” world) is to display not only products for sale and the ways in which they can be worn or accessorized, but also to showcase the world of the brand. More directly, one purpose of the window is to entice the shopper to enter the store, where she can browse and interact with the products and trained salespeople. In the luxury world, the role of the window depends on where the brand sits on the luxury continuum. For example, consider the windows for Fendi (Madison Avenue) or Valentino (Fifth Avenue) in New York. These dramatic windows display such brands elegantly, and they add to the experience of the viewer in a way that smaller windows with lower ceilings probably can’t match.

How can technology help move the unsold yet qualified prospective shopper toward purchase? Should an interactive kiosk be put in the window to engage the shopper who would like more information but is not ready to go into the store? Would such a kiosk interfere with the look and feel of the clothes or the environment presented in the window in a way that would undermine their luxurious appeal? Should the technology be invisible to shoppers and, rather than offer them an immediate point of interaction that may not be superior to what they can get on their mobile device, track where they are focusing their attention? And then either follow them in the store with targeted promotions or provide additional information on segments like them to the retailer?

It is also reasonable to assume that different customers who have different motivations or are in different stages in the purchase process will respond to store windows differently. For example, the influence of the window is likely to be different for the tourist shopper than for the planned or destination shopper. The tourist shopper may not plan to go into any particular store, but is just walking on the flagship streets in large cities as an activity in and of itself. Here, elegant windows may entice the shopper into the store. The window may be less important at motivating behavior for a planned purchaser who is further along in the purchase process.

The convenience of technology in a window may be seen as at odds with a luxury purchase given that the larger goal is to draw

the consumer into the store, where the salesperson can provide the full luxury experience. However, when the store is closed, then technology in the window can allow for interaction that would otherwise be a missed opportunity. This suggests that not only is there heterogeneity in the goals of the window and technology by customer type but also by time of day.

As the products move further away from luxury to contemporary fashion (e.g., Theory or Alice and Olivia) and even further to fast fashion (e.g., Uniqlo, Zara, Forever 21, or Primark), technology may become not only more than acceptable, but even part of the image of the brand.

In sum, although the primary purpose of the window will likely continue to be for showcasing products and brands, the idea of faster 24/7 service and a continuous relationship with shoppers, especially millennials, may make including interactive kiosks more prevalent. There is a caveat to kiosks’ increased presence, however—the kiosks must serve a different or supplemental role, compared with mobile devices, and they can’t interfere with the brand image. Further, the best use of in-window technology may be to capture data about window shoppers and use that information either to offer those shoppers a better in-store experience or provide the retailer with marketing data to handle inventory or layouts and displays in store.

Use of Technology Within Stores to Create Experiences

To engage shoppers, retailers are increasingly using their stores to provide more than a transaction, more of an experience. Apple, Warby Parker, and, of course, their predecessor in this effort, Starbucks, have all made it easy and inviting to stay in their stores, engage with their products and staff, and drive buzz and sales. Some retailers go further. Dockers had a barbershop in a pop-up store in Soho where it offered

Through these interactions, the physical store becomes a “second home” to its customers, a place to meet in the real world and form a community through shared experiences and bond with the brand.

Also, data captured in-store can help segment shoppers, even incidental ones, and be used to find similar segments that can be reached either direct to consumer or, if enough critical mass exists, with stand-alone stores.

coffee on a daily basis and hair and beard trims by a local hip barber twice a week, Harman has almost daily prize giveaways, and Rebecca Minkoff has social events. Lululemon partnered with a local school, holding a free yoga class just for parents to build community and develop its relationship with shoppers in the neighborhood. After the yoga class, participants shopped in the store. Lululemon repeated the event the following year. A number of retailers introduce themselves to new communities with shopping events, donating a portion of the proceeds to the community, thereby building relationships with new customers and inspiring loyalty.

Through these interactions, the physical store becomes a “second home” to its customers, a place to meet in the real world and form a community through shared experiences and bond with the brand.

One of the issues that technology can address is how to ensure that the physical store is most welcoming to the segment of shoppers who want that kind of experience. It can also help gather information on shoppers to enhance the experience, and can ensure that on the aggregate total, sales are increasing and not being lost to those spending time in the store. This possibility becomes more worrisome when, as with Warby Parker, so many people are in a store that the retailer has to make sure that customers trying to make a purchase are provided service. Furthermore, some retailers—like Michael Kors, with its KorsConcierge program—utilize digital assistant and clienteling apps to better arm their sales associates with relevant style trend, product, and customer and store data in order to create a higher-touch interaction and more personalized experience for customers.

Segmentation Issues

Shoppers defined by variables that segment them into different groups interact with luxury differently, and consequently, may derive different benefits from technology, or dictate different ways that technology can move them through the funnel or consumer journey.

For instance, taste followers may substantially increase their purchases when a designer they like recommends complementary purchases in addition to those they are already considering, as is the case with the dressing room mirror used at the Rebecca Minkoff store in Soho, New York. For the taste makers, technology can first help facilitate the communication of like-minded groups, and then enable them to influence or create products.

Whether we admit it or not, we all are involved in fashion to a certain extent, and we all have different preferences. Shoppers can be segmented by degrees of fashion consciousness since even the luxury market includes brands that promote their labels and brands that hide them. And, while some individuals do not consider themselves fashion conscious, almost everyone has a personal style, even if that style is mixing and matching everything.

Additionally, our preferences manifest themselves not just in the fashion products we buy, but also in our decision processes leading up to our purchases. Whereas the expert shopper may want very little help in the store, and prefers to gather information online or on mobile to find out where a luxury product such as a watch can be tried on, the novice shopper may want more in-person support in the store.

Brick-and-mortar stores also have different functions and therefore technology in stores can be used differently to support in-store and repeat out-of-store purchases. Generally, flagship locations carry a full line of products and are usually in more commercial, heavily trafficked areas that are more likely to be visited by the one-time shopping tourist. Satellite stores, which may be found in more residential or less trafficked urban areas, can be frequented more by the neighborhood resident, thereby allowing for more familiarity with salespeople and encouraging more frequent purchase and pre-purchase transactions. Based on knowledge of what the customer likes, a salesperson can either order specific items for the customer or hold the items when they are available, say, in a favorite color.

Can in-store technology blur these lines, capturing information in one store and feeding it to another so that the tourists stopping in one store will benefit from that captured infor-

mation when they go home, either because the retailer has a store close to their home or can reach them on line? Data captured in-store can transfer information from one salesperson to the next within the same store, and from one store to the next. Also, data captured in-store can help segment shoppers, even incidental ones, and be used to find similar segments that can be reached either direct to consumer or, if enough critical mass exists, with stand-alone stores.

Then there are the millennials, a group virtually born to shop in that their use of technology has allowed them to move through the consumer journey, even with respect to some luxury items, at a far younger age than previous generations

may have been able to. Millennials can be further segmented by how much they like to participate in in-store social events, based on who is hanging out at Warby Parker and Apple, and how much they prefer to preshop and spend their time gathering information on line.

Because they are accustomed to shopping and refining their tastes at a younger age—in the past, they might have needed help to get to a store and might not have been as welcome to browse in a real-world luxury store—it would be interesting to see whether millennials buy luxury goods at a younger age and, if so, if there is a longer payout from retailers cementing their loyalty early on. ■

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PART 4

The Psychology of Online Luxury Retailing

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The three research questions below are the outcome of this workgroup's discussions related to the psychology of online luxury retailing. They were motivated by Jean-Noël Kapferer's talk on the definition and components of a luxury brand.

Luxury vs. Premium Brands

1. How do consumers represent luxury? Kapferer discussed the distinction between a true luxury brand and a premium brand. The former is defined in part by its price, which cannot be justified solely in terms of product quality and function, whereas a premium brand's price can be justified in those terms. A comparison example might be a Rolls-Royce versus a BMW.

Although the industry may concur with this definition, it is not clear that consumers use the term luxury in the same way. Thus, how do consumers distinguish between a luxury product and a premium product?



Understanding how consumers think about and represent luxury, i.e., what does luxury mean to them, is a critical first step in any research on luxury retailing. One question is the extent to which the motivations underlying luxury versus premium brand consumption differ. For example, a motivation for luxury brand consumption is signaling. Signaling may be self-signaling (self-reward, reinforcement of self-concept related to taste, etc.) or other-signaling (communicating to important others such desired qualities as success, taste, wealth, and status). Do these motivations fundamentally differ between luxury and premium brands?

The answer to this question informs strategies for both brick-and-mortar and online luxury retailing. For example, whether the motivations are self- or other-signaling has implications for the brand's logo prominence. Are consumers of luxury (versus premium) brands concerned with status hiding or status signaling? Even with status signaling, who is the target of the signaling? Answers to these questions have

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implications for whether luxury brands engage in subtle or conspicuous brand name prominence.

Storytelling as Part of the Luxury Brand Experience

2. What is the role of storytelling in luxury? One necessary attribute of a luxury brand, according to Kapferer, is a brand story. Brand stories typically relate to heritage, evolution of the brand, and the process of product creation, among other characteristics. Do the stories of luxury brands differ fundamentally from those of premium brands?

Related to brand storytelling, there is storytelling from the perspective of the consumer: the personal experience of luxury and the extent to which a consumer's story about a luxury brand purchase adds to this experience.

Psychological Trends in Luxury Consumption

3. What are the trends in the psychology of luxury? Understanding how to map and gauge trends in the psychology of luxury allows for a more complete understanding of the underlying motivations and whether those motivations change over time. How are trends in luxury consumption (amount, type, characteristics, customization) evolving, and what are the micro and macro factors responsible for these changes?

These three broad research questions raise more specific questions about how consumers relate to and consume luxury brands. Examples include the type of possession (owning, renting, sharing), pricing (full retail versus discounted), and authenticity (genuine versus counterfeit versus knock-off). ■

PART 5

Luxury Counterfeiting

Marketing Research Review, with Brand Manager and Policy Implications

By:

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The author is grateful for the helpful discussion and suggestions received from participants of the luxury counterfeiting workgroup at the online luxury conference by the Wharton School's Baker Retailing Center:

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The factors that affect purchasing behaviors and perceptions of counterfeit luxury products have received a great deal of attention from academics, brand managers, and legal professionals. Researchers have investigated the ways in which counterfeit use affects consumers of genuine luxury products and impacts perceptions about genuine luxury brands. A great deal of attention has also been given to the myriad factors that affect the willingness to purchase counterfeits and to evaluations of counterfeit products and their users. Finally, a third set of research has investigated the tools and the efficacy of various legal actions aimed at reducing both the supply and the consumption of counterfeit luxury goods. This review paper provides a summary of much of this research. Before addressing these factors (e.g., individual differences, emotions, and social motivations of counterfeit use; corporate and legal factors; and the implications of counterfeit use), it would be useful to provide brief definitions of luxury brands and counterfeits.

While there is no universally agreed upon definition of luxury brands, key characteristics are consistently cited as defining elements (Miller and Mills 2012). These characteristics arise as a result of the institutional barriers that have been placed on luxury products over a long period of time. For example, luxury products are typically available only through



selective channels, and at very high prices. Importantly, however, high prices and exclusive distribution are not enough to qualify a product as luxury. A luxury product must also provide very strong functional features, such as superior quality, unique designs, and durability. Finally, luxury brands are innately hedonic in nature. They are often associated with colorful and detailed histories, typically related to specific individuals (e.g., Coco Chanel and Thierry Hermès) and to a story that helps consumers understand the brand's creative origins. Together, these characteristics create a brand that consumers can form a personal connection to (Kapferer and Bastien 2009), which is particularly useful as a signal about the social groups that the users wish to be affiliated with (Berger and Heath 2008; Englis and Solomon 1995; Tajfel 2010).

The signaling value of luxury brands is so great, and accessibility of luxury products so low, that consumers have been drawn to counterfeit versions at increasing rates (International Chamber of Commerce 2013). As a result of lower prices, and more accessible distribution channels, counterfeiting has become a significant problem for luxury producers. Estimates of the annual costs of counterfeiting range from \$60 billion to more than \$600 billion (Commuri 2009; International Chamber of Commerce 2013; Wilcox, Kim and Sen 2009; Holmes 2011). These figures include losses in

The stigma of using counterfeits also appears to be diminishing in some markets. In many cultures, female consumers are buying multiple “luxury” products within a category (e.g., handbags) with the mix often including both luxury and counterfeit products (Li 2013).

diverted revenue for luxury goods manufacturers, losses in the American labor market, and losses in tax revenues to governments (Cunningham 2011). The stigma of using counterfeits also appears to be diminishing in some markets. In many cultures, female consumers are buying multiple “luxury” products within a category (e.g., handbags) with the mix often including both luxury and counterfeit products (Li 2013). While counterfeiting is also a problem for many other sectors (e.g., pharmaceuticals and sporting goods; see Kollmannova 2012), luxury brands are among the most commonly seized counterfeit items by the U.S. Customs and Border Protection Agency (Cunningham 2011) and are the focus of this review paper.

Research included in this review is restricted to findings that were provided over the last 20 years with a particular emphasis on findings from peer-reviewed journals during the last 5 to 10 years. Only findings that are directly related to luxury counterfeit goods have been included. This paper considers counterfeits to be products that are illegally copied versions of original brands that are usually (although not always) inferior in quality (Romani, Gistri and Pace 2012; Lai and Zaichkowsky 1999; Bloch, Bush and Campbell 1993). It looks at research on both types of counterfeits—deceptive and non-deceptive. Deceptive counterfeits are those that consumers purchase unwittingly, often as a result of the sellers intentionally deceiving them into believing that the counterfeits are genuine (e.g., Grossman and Shapiro 1988a; Nia and Zaichkowsky 2000; Penz and Stöttinger 2005). In contrast, non-deceptive counterfeits are products that consumers knowingly purchase as replicas of the genuine version (Grossman and Shapiro 1988a; Nia and Zaichkowsky 2000; Penz and Stöttinger 2005; Staake, Thiese and Fleisch 2009). Consumers can often identify products as counterfeits by their features, or by price and distribution channels (Lai and Zaichkowsky 1999).

Individual Differences

The factors that have received the greatest amount of attention are individual differences and demographic characteristics that impact evaluations of counterfeit products, as well as the propensity to buy and use counterfeit products. Despite

the significant data that is available for these variables, effects often vary greatly and the results fail to show consistent relationships. One such individual difference that has received a great deal of attention, and yet provided little conclusive support, is gender. Some results suggest that females are more likely to purchase counterfeit luxury items than males (e.g., Cheung and Prendergast 2006) while others find that counterfeit perceptions (Carpenter and Lear 2011) and purchase intentions are higher among men (e.g., Ang, Cheng, Lim and Tambyah 2001; Bian and Veloutsou 2007; Sharma and Chan 2011). Others find no gender differences at all (Bian and Moutinho 2009, 2011; Bian and Veloutsou 2007; Tom, Garibaldi, Zeng and Pilcher 1998). Age has also received a great deal of attention. Most of this evidence has suggested that younger consumers are more likely to purchase counterfeits (e.g., Wee, Tan and Cheok 1995; Tom, Garibaldi, Zeng and Pilcher 1998; Phau, Prendergast and Cheun 2001; Kwong, Yu, Leung and Wang 2009; Swami, Chamorro-Premuzic and Furnham 2009; Hamelin, Nwankwo and El Hadouchi 2013). Some evidence, however, has failed to find any effects on the basis of age (Cheung and Prendergast 2006; Bian and Moutinho 2011).

A second set of individual differences that has received a great deal of attention is related to socioeconomic status (e.g., education, profession, income). The attention that researchers have given to these topics is consistent with the importance of social class to the study of luxury brands, which has been established by a sizable body of research (e.g., Carman 1965; Coleman 1983; Mandel, Petrova and Cialdini 2006; Han, Nunes and Drèze 2010; Mazzocco, Rucker, Galinsky and Anderson 2012; Amaral and Loken 2016). First, the effects of education on counterfeit purchases, like those of age and gender, are inconclusive. Phau, Prendergast and Chuen (2001) found that counterfeit purchases were higher among more educated Hong Kong residents, while two other sets of findings saw the opposite effect, i.e., better educated consumers bought fewer counterfeits (Wee, Tan and Cheok 1995; Sharma and Chan 2011). Most findings, however, suggest that education has no relationship with the propensity to purchase counterfeits (e.g., Yoo and Lee 2012; Bian and Moutinho 2009, 2011).

The role of income that might be expected also fails to show on a consistent basis. Specifically, because lower-income consumers cannot afford genuine luxury products, there is an expectation that they are more likely to purchase counterfeit products. While most of the available evidence supports this contention (Ang et al. 2001; Van Kempen 2003; Abdolhamid 2012; Hamelin, Nwankwo and El Hadouchi 2013; Bekir, El Harbi and Grolleau 2011; Sharma and Chan 2011), there are also results suggesting that income has either inconsistent effects (Vida, 2007) or no influence at all (Cheung and Prendergast 2006; Bian and Moutinho, 2011) on counterfeit consumption. Moreover, Phau, Prendergast and Chuen (2001) found that wealthier consumers may be more likely to purchase counterfeits. In their research, however, the authors were comparing relatively middle-class consumers to lower-class consumers. Because the luxury brands associated with counterfeits can be used to communicate social class standing, particularly to peers (cf. Childers and Rao 1992), they can become emblematic of an aspirational lifestyle (Englis and Solomon 1995) that is more closely associated with the aspirations of middle-class consumers, rather than blue-collar, working-class people. This might help to explain the opposing results found by these authors.

Finally, a third set of individual differences found in the literature is related to social psychological aspects of the self (e.g., materialism and self-monitoring). For example, in an investigation of numerous potential social and psychological correlates with counterfeit purchase intentions, Taormina and Chong (2010) found that high self-monitors were more likely to purchase counterfeit products (these consumers were also more likely to purchase genuine luxury products). The authors also found that consumers high in perfectionism were less prone to purchase counterfeits. Research that has investigated the relationship between materialism and counterfeit purchases has provided converging support for a significant correlation between high materialism and a greater likelihood to purchase counterfeits (e.g., Richins and Dawson 1992; Wiedmann, Hennigs and Klarmann 2012). Lastly, Penz and Stöttinger (2005) revealed that a high level of involvement with a particular product category reduced the attractiveness of counterfeit options within that category by diminishing the notion that the purchase of counterfeits makes shoppers appear savvy; high involvement was also associated with an increased fear of social embarrassment if a product was discovered by others to be a counterfeit.

Motivational Factors: Emotions

In the previous section, some of the emotional drivers of counterfeit use were alluded to (e.g., shame and guilt—Nia

and Zaichkowsky 2000; Bian and Moutinho 2009). Penz and Stöttinger (2012) investigated these emotional drivers directly through the use of focus groups in a small European country. They found that a distinction needs to be made between the emotions that drive ownership and use of counterfeits, and those that drive the shopping experience. While a great deal of research has investigated the emotions associated with the counterfeit shopping experience (e.g., Eisend and Schuchert-Güler 2006; Gentry, Putrevu and Shultz 2006), Penz and Stöttinger (2012) point out that these emotions are far more transient and less enduring than those of ownership. Ownership is motivated by ego-focused emotions (i.e., the need to look good and impress the right people) and is subsequently associated with far more enduring emotions. For example, the relatively poorer product quality of counterfeits caused some respondents to feel persistent frustration and regret for not buying the original. Overall, the strongest of these persistent emotions were negative. Consumers felt a great deal of shame when using a counterfeit product and feared being detected because of the social sanctions that they expected from important reference groups (e.g., Bian and Moutinho 2009; Bearden and Etzel 1982). This is consistent with additional research that suggests that a lot of shame and guilt arises from the perceived social risk associated with the purchase and use of counterfeit luxury goods (e.g., Tang, Tian and Zaichkowsky 2014; Bian and Moutinho 2009; Wee, Tan and Cheock 1995).

Research that has investigated the relationship between materialism and counterfeit purchases has provided converging support for a significant correlation between high materialism and a greater likelihood to purchase counterfeits (e.g., Richins and Dawson 1992; Wiedmann, Hennigs and Klarmann 2012).

For example, Koklik (2011), through a survey of 10,000 Slovenian consumers, investigated the role of a number of factors on intentions to buy counterfeit products. The results revealed that the level of perceived risk (both social and legal) was the most significant determinant of the intention to buy.

Motivational Factors: Social

Much of the appeal of counterfeits is a result of the social meanings that luxury brands carry (Englis and Solomon 1995; Lowrey, Englis, Shavitt and Solomon 2001). As a result, some of the strongest motivators of counterfeit consumption are social in nature—for example, the social sanctions that were discussed earlier were deterring some consumers from purchasing or using counterfeit products (e.g., Bian and Moutinho 2009). Consistent with the importance of luxury brands as symbols of membership in important social groups, some research suggests that consumers who are more influenced by others are more likely to purchase counterfeits (Phau and Teah 2009; Penz and Stöttinger 2005), while those with stronger internal sources of self-identity and higher self-esteem are more likely to choose genuine over counterfeit goods (Wee, Soo-Juan and Cheok 1995; Yoo and Lee 2012). One interesting example of the importance of these sources of symbolic expression was found through interviews with 86 executive women in Yogyakarta-Indonesia (Budiman and Wijaya 2014). The researchers found that for these women, who lived in a society that regarded counterfeit use as highly unethical, the intention to buy counterfeit products was lower when subjective norms were more important. The researchers suggested that this linkage was largely a result of the need to adhere to societal rules and social expectations.

Moreover, while it is generally accepted that counterfeits are lower in quality and durability (e.g., Bian and Veloutsou 2007; Phau and Teah 2009), perceived differences in quality between counterfeit and genuine luxury products have narrowed (Penz and Stöttinger 2008b).

Another indication of the importance of social pressure on counterfeit consumption was evident in a survey of Indian and Taiwanese counterfeit consumers that investigated the role of word-of-mouth (WOM) on counterfeit purchases (Lan, Liu, Fang and Lin 2012). While WOM was instrumental in helping customers locate counterfeit dealers, what was more interesting was that the influence of WOM on purchase intentions was only evident when strong ties were involved (e.g., with family members and close friends). Weak social ties had little effect on intention to purchase.

Finally, the most intriguing research on the importance of social factors as underlying motivating factors to purchase counterfeits has been provided by Wilcox, Kim and Sen (2009). In their research, the authors found that attitudes toward luxury brands could be influenced by important elements of the marketing mix (e.g., product design, advertising). More to the point, the authors discovered that socially motivated, image-conscious consumers (i.e., those for whom luxury brands served a more social-adjustive, as opposed to a more value-expressive, role) were more motivated to purchase counterfeits with a prominent logo. In other words, among consumers for whom the counterfeit product played a predominantly social-adjustive role (i.e., consumers who are motivated to use counterfeits in order to gain the approval of important social groups), there was a greater propensity to favor a luxury product with more prominent branding.

Motivational Factors: Manufacturer and Product

In addition to consumer-level factors, a number of product-level factors have been found to affect perceptions about, and intentions to buy, counterfeit luxury products. It should come as no surprise that the product attribute that has received the most attention is price (e.g., Wee, Tan and Cheock 1995; Harvey and Walls 2003; Staake and Fleisch 2008). A key driver of counterfeit consumption is the ability to acquire the exclusive and prestigious symbolism associated with the luxury brand at a fraction of the price of the genuine product. Moreover, while it is generally accepted that counterfeits are lower in quality and durability (e.g., Bian and Veloutsou 2007; Phau and Teah 2009), perceived differences in quality between counterfeit and genuine luxury products have narrowed (Penz and Stöttinger 2008b). As a result, consumers often justify the purchase of counterfeits by arguing that they are a good value (e.g., Ang et al. 2001; Wang et al. 2005; Furnham and Valgeirsson 2007). In one of the earliest studies on the role of price on counterfeit consumption, Bloch, Bush and Campbell (1993) found that the significantly lower price of counterfeits could cause a large proportion of consumers to willingly purchase a counterfeit product over the genuine ar-

Specifically, Han, Nunes, and Drèze (2010) found that the prominence of the brand name on luxury products was less important to consumers who were more established in their high social positions. Relative newcomers to the higher social class, however, preferred products with more blatant brand signals.

ticle. Interestingly, Han et al. (2010) found that the price of various counterfeit luxury handbags mirrored those of the genuine goods: the counterfeit versions of more expensive items were priced higher.

While price is the most investigated factor, other important product-level factors have been identified that affect consumer attitudes toward counterfeit products. Wee, Tan and Cheock (1995) were among the first researchers to investigate non-price determinants of counterfeit purchase intentions. In their work, they explored the role of eight non-price factors in four product categories. The results revealed that for luxury products, only perceived quality and product appearance significantly influenced counterfeit perceptions; as expected, perceptions were more positive when quality was higher and appearance more appealing.

More recently, two manufacturer characteristics have been evaluated: corporate citizenship and country of origin. Research on corporate citizenship suggests that luxury brands can protect themselves from the negative effects of counterfeits by improving consumer perceptions about their role as responsible corporate citizens (Poddar, Foreman, Banerjee and Ellen 2012). Specifically, the results suggested that the strong motivating effects of lower prices to purchase counterfeit products can be counteracted to some extent when a luxury brand is associated with a higher degree of corporate citizenship. The importance of country of origin (COO) effects was revealed by data collected from American and Mexican consumers who were asked to describe their attitudes about counterfeits produced in one of three countries: China, Brazil, and the United States (Chapa 2006). Their views were most positive about U.S.-made counterfeits, presumably as a result of higher perceived quality by U.S. manufacturers. Additionally, the authors found that country of origin effects were more pronounced among American consumers than Mexican consumers. Penz and Stöttinger (2008) also looked at manufacturer effects by surveying 1,846 consumers in six

countries. The results confirmed that better perceptions of the genuine brand increased the likelihood of purchasing counterfeit counterparts and that counterfeit purchases were also more likely when perceptions of the counterfeit manufacturers were higher as well.

Finally, it should be noted that one related set of results also suggests that brand prominence may play a role in counterfeit consumption. Specifically, Han, Nunes, and Drèze (2010) found that the prominence of the brand name on luxury products was less important to consumers who were more established in their high social positions. Relative newcomers to the higher social class, however, preferred products with more blatant brand signals. While this research focused on genuine luxury products, it suggests that the brand of these products is a key driver of counterfeit consumption, (i.e., counterfeit consumption as a tool to enhance the individual and group self through the transfer of the brand's symbolism, without having to pay for it [Cordell, Wongtada and Kieschnick 1996]). The suggestion helps to explain why counterfeiters make products that prominently display the luxury brand and why other research has found that these products are especially attractive to consumers for whom the counterfeit product plays a social role (Wilcox et al. 2009; Stöttinger and Penz 2015).

Counterfeits and Ethics

The topic most frequently surveyed in the counterfeit literature is ethics. For this literature review, nearly 20 articles were found, which either directly or tangentially included ethics or morality as a factor in their analysis. Over a dozen of them directly assessed the role of ethical concerns on consumer perceptions about the purchase or use of counterfeit products. Despite all of this attention, however, there appears to be little agreement about the role of ethics in counterfeit consumption. For example, while most consumers believe that the purchase of counterfeits is unethical (e.g., Lan, et al. 2012; Michaelidou and Christodoulides 2011; Koklic 2011), con-

sumers have also indicated that while the manufacturing of counterfeit products may be unethical, the purchase of those products is not (Lai and Zaichkowsky 1999). Additionally, a structural equation model based on the responses of over 300 American participants revealed that attitudes about the ethicality of counterfeits differed significantly between genders (Carpenter and Lear 2011). Interestingly, in contrast to previous research which found that males had more favorable attitudes toward counterfeits (e.g., Ang et al. 2001; Cheung and Prendergast 2006), females were found to be less likely to see the sale of counterfeits as a crime. This may be the result of moral reasoning—females, for whom luxury fashion might play more important roles in fulfilling social goals, might be motivated to downplay or disregard the unethical aspects of counterfeit use in order to feel more comfortable with the purchase and display of the counterfeit products (e.g., Mazar, Amir and Ariely 2008). Additional evidence of moral reasoning is provided by Kim, Kim and Park (2012). In four experiments, the authors found that consumers were more likely to purchase counterfeits when cognitive resources were constrained, reducing their ability to think about the decision; moreover, the effect of changes in cognitive resources was mediated by the participants' perceptions about the justification of their purchase.

While ethical attitudes about counterfeiting generally impact consumers' intention to purchase (Abdolhamid 2012; Koklic 2011; Phau and Teah 2009), this isn't the case for all consumers. For example, Norum and Cuno (2011) discovered that among Midwestern university students, beliefs about the ethicality of counterfeiting failed to significantly affect the purchase of counterfeit goods. Wilcox et al. (2009) also found an important moderator for the role of morality. In their re-

search, the relationship between moral beliefs and brand preferences was only present when the consumers' brand attitudes served a value-expressive function (i.e., their product choice was associated with a need to communicate their core values and beliefs to others). Finally, Gino, Norton and Ariely (2010) utilized a very interesting set of experiments to reveal that the use of counterfeit products can impact the evaluation of their own, and other people's unethical behavior.

This last set of experiments is part of a series of papers that investigate the consequences of counterfeit consumption. In their research, Gino et al. (2010) found that people who wear counterfeits, whether by choice (study 1) or by random assignment (study 2), behave less ethically, and view the behavior of others as less ethical. Importantly, they reveal that these effects are mediated by a reduction in feelings of authenticity, which are presumably a result of wearing the counterfeit (i.e., "fake") product. Two sets of studies have also investigated the consequences of counterfeit use on consumer intentions to purchase genuine luxury products. In examining concurrent users of both types of products (Yoo and Lee 2012; Triandewi and Tjiptono 2013), both studies revealed that past experiences with genuine products reduced intentions to buy counterfeits, whereas previous experiences with counterfeits were not related to intentions to buy genuine products.

An important aspect of counterfeiting that is poorly understood is how counterfeit use impacts perceptions about the genuine brand. This review uncovered only five academic research articles that looked at this aspect of counterfeit use. All but one article reported findings that are based on self-reports (i.e., the researchers asked participants whether they believed that counterfeits devalue the genuine luxury brand). Nia and Zaichkowsky (2000) found that 70 percent of counterfeit shoppers claimed that the value and status of genuine luxury brands and shoppers' satisfaction were not affected by the wide availability of counterfeits and had no effect on their purchase of the genuine brands. Wilcox et al. (2009) displayed pictures of counterfeit luxury brands to people and then asked whether the counterfeits changed their perceptions of the genuine brand. The answers revealed a negative effect on preferences. And Commuri (2009) asked owners of genuine luxury products in India and Thailand how they might react to the proliferation of counterfeit versions of their products. Commuri found that consumers would react in one of three ways: flight (abandoning the brand), reclamation (emphasizing the distinctive heritage of the luxury brand), or abrading, that is, preferring products made by their favorite luxury brands that disguise the brand cues adopted by counterfeiters. The latter is a strategy that is similar to the behavior of so-

Importantly people from higher classes were more likely than those of lower classes to denigrate the luxury brand when viewing a counterfeit of the brand being used by someone outside their own social class.

Surprisingly, there is substantial evidence supporting a positive effect of counterfeiting on luxury brands. Romani, Gistri and Pace (2012) demonstrated that the presence of counterfeits in a market increased consumer willingness to pay for the original brand.

called Patricians (Han et al. 2010), i.e., wealthy consumers who have a low need for signaling status. Most of these self-reported changes in perceptions showed a negative effect on preferences. In contrast, research that relied on sales data (e.g., Qian 2011) suggested that counterfeits may actually have a favorable impact on sales of the genuine products.

The only research that was not based on self-reported measures conducted five experiments, which revealed that the social class of the participant observer interacted with the social class of the counterfeit user to influence perceptions of the genuine luxury brand's prestige (Amaral and Loken 2016). Specifically, the results confirmed theories of social hierarchy and social identity. When higher-class females viewed or imagined another woman using a counterfeit luxury brand, they tended to rate the genuine luxury brand more negatively when the counterfeit user was from a different social class. Importantly people from higher classes were more likely than those of lower classes to denigrate the luxury brand when viewing a counterfeit of the brand being used by someone outside their own social class.

Consumer Responses to Counterfeit Use

The preceding literature review provides limited conclusive evidence for any negative, or positive, effects of counterfeits on luxury brand sales. However, a substantial set of results does support the belief that producers of luxury products are negatively affected by counterfeits, over and above the potential lost sales that result from consumers choosing to purchase counterfeit versions of their products. For example, research on the interactive effect of brand symbolism and reference groups (e.g., Amaral and Loken 2016; White and Argo 2011; Berger and Heath 2008; Englis and Solomon 1995) provides strong support for potential dilution effects, and possibly enhancement effects, of counterfeit use by similar and dissimilar others. The potential negative effects of counterfeiting are illustrated by Zaichowsky and Simpson (1996), who found that a positive experience with a counterfeit product could reduce evaluations of the genuine product. Other research, however, provides mixed results. For example, a se-

ries of studies with Mexican consumers who own both counterfeit and genuine products of the same brand revealed that they were more attached to the original brands than the counterfeits but that they transferred many of the traits of their genuine products onto the counterfeits (Castaño and Perez 2014). Surprisingly, there is substantial evidence supporting a positive effect of counterfeiting on luxury brands. Romani, Gistri and Pace (2012) demonstrated that the presence of counterfeits in a market increased consumer willingness to pay for the original brand. Additionally, Gabrielli, Grappi and Baghi (2012) found that when consumers were aware of counterfeit versions of a specific product, evaluations on numerous dimensions of the original product were enhanced. Finally, negative experiences with counterfeit products have also been shown to increase the evaluation of a genuine version of the product (Zaichowsky and Simpson 1996). Importantly, other research, however, has failed to find any effect—positive or negative—of counterfeiting on perceptions of the original brand (e.g., Gabrielli, Grappi and Baghi 2012; Hieke 2010).

Stöttinger and Penz (2015) demonstrated that consumers who knowingly purchase and utilize counterfeit and genuine luxury products concurrently can provide valuable insights. Through a series of focus groups with this type of consumer, the authors uncovered a typology of three distinctive groups. One group, The Nonchalant Hedonist, was able to recall vivid details of the purchase situation, such as who they were with and how the negotiation with the seller went. These consumers thought counterfeits were fun to buy and wear and they justified ownership of counterfeits with the belief that “everybody is doing it.” As a result, these individuals felt very little shame or embarrassment about their ownership. A second group was dubbed The Cautious Cherry Picker. These consumers were driven by more utilitarian motives—mainly the lower price and the belief that counterfeits made more sense because of the seasonal nature of fashion. These consumers were very fearful of the social stigma that accompanied counterfeit usage and the social distress that would accompany detection. This group is the largest of the three

For example, are these consumers simply fans of the brand? Are they showing their loyalty to the brand by purchasing and displaying these products without much regard for the source of the brand (i.e., the original luxury producer versus an unauthorized manufacturer)?

segments and, perhaps as a result, was also investigated in a separate set of studies conducted in a flea market setting (Tom, Garibaldi, Cheng and Pilcher 1998). Based on their research, the “Cautious Cherry Pickers” could be further classified as either sly shoppers (i.e., driven primarily by the motivation to appear to others as shrewd and savvy shoppers) or as thrifty shoppers (i.e., motivated primarily by economic concerns). Stöttinger and Penz called the third group of consumers The Guardians of Authenticity. These consumers of both genuine and counterfeit products felt guilt and shame about their counterfeit ownership and recognized the inferior quality and ethical problems (e.g., human trafficking and mafia associations) associated with counterfeiting. Nonetheless, the purchase of the counterfeit product was a thrill-seeking endeavor, a fun and exciting activity. These consumers did not associate the usage of counterfeits with any self or social benefits and claimed to hardly ever use them.

Legal Responses to Counterfeit Use

Manufacturers of genuine luxury products face a number of difficulties when attempting to take legal action against the makers and sellers of counterfeit products. One problem is that criminal provisions have developed in a very piecemeal fashion and, as a result, they vary greatly from one country to another (Alcock, Chen, Ch’ng and Hodson 2003). This leads to a second problem, namely that luxury producers are forced to pursue mostly civil remedies, which result only in temporary losses to counterfeit producers while providing little in the way of permanent solutions. Third, the growth of online counterfeit sales, given the global and anonymous nature of the Internet, has made civil and criminal action even more difficult. The important role of the Internet has attracted the attention of academics. In a recent analysis of the Internet’s role, Radón (2012) conducted online interviews and confirmed that a key draw to the Internet is the significantly lower prices it provides. A more instructive set of data has been provided by a netnography of an online luxury counterfeit watch community (Key, Boostrom, Adjei and Campbell 2013). In their research, the authors identified four themes that managers can use to impact counterfeit sales; consumers were drawn to these

online counterfeit communities because of 1. the technical competence of the community members, 2. members’ willingness to pay for the watches, 3. product performance expectations, and 4. trust in the dealers of the watches.

The legal challenges that makers of luxury products face have encouraged some research on the effectiveness of educating consumers about various aspects of counterfeiting as a way to discourage counterfeit consumption. Data collected from consumers who own both genuine and counterfeit luxury products suggests, however, that consumers already have a clear picture of how counterfeits differ from the original products (Penz and Stöttinger 2008b) and that they believe these counterfeits are a good value. Moreover, there is a positive experiential element associated with the purchase of counterfeits that often mitigates the perceived legal or social risks associated with counterfeit use (e.g., Jiang and Cova 2012). More importantly, most owners of luxury brands do not believe that counterfeit use reduces the symbolic value of the genuine products (Nia and Zaichowsky 2000). This review of literature did reveal one potential remedy that luxury brand managers can utilize—an emphasis on the significantly higher level of sales and post-sales service that genuine luxury products provide can reduce intentions to buy counterfeit products. For example, a survey of 128 managers within multinational companies in China revealed that an emphasis on after-sales service could limit the damages to sales and brand perceptions that counterfeit products could cause (Sonmez, Yang and Fryxell 2013).

Future Directions in Research

Despite all of the attention that counterfeits have received from academics and legal and policy experts, our understanding of the effectiveness of various efforts at curbing counterfeit consumption is still lacking. Much more knowledge is needed about the societal and psychological drivers of counterfeit consumption as well as the effectiveness of marketing tactics in reducing the attractiveness of counterfeits. For example, do consumers rely on the huge number of counterfeits in the marketplace as a signal of social acceptance? In other words,

does the “everybody’s doing it” rationale promote disrespect for law and intellectual property rights? This question has not received a great deal of attention in the marketing literature.

With respect to luxury fashion, France and Italy have been trying to make this aspect of counterfeit consumption more salient by making such purchases illegal. It would be helpful to learn what this has done to consumer perceptions of counterfeit suppliers and buyers. Has the consumption of these counterfeits become less acceptable? Have feelings of shame or guilt increased among owners of counterfeits? Have counterfeit owners abandoned their purchases in these countries as a result of increased social pressure to buy only the genuine versions of luxury goods? Have suppliers been negatively affected or have they simply moved to new channels (e.g., increased online sales)? These are all important questions that remain unanswered. Moreover, most consumers are not aware of the role that criminal organizations play in the distribution of counterfeit goods (UNODC 2014). Perhaps increasing knowledge about this element of luxury counterfeiting would reduce the acceptability of counterfeit consumption. To this end, the United Nations Office of Drugs and Crime recently launched a campaign to inform consumers of the connection between counterfeit products and organized crime; no data has been provided on the effectiveness of the campaign.

Consumers that may provide particularly useful insight into many of these questions are those who concurrently own authentic and counterfeit versions of luxury products. This behavior provides evidence to suggest that, for some consumers, the “product” is the brand. For luxury products, the brand can symbolize more than other tangible product attributes, causing consumers to begin to view the brand as a product that can be purchased and consumed (e.g., Gentry, Putrevu, Schultz and Commuri et al. 2001). A greater understanding of this behavior and the role of the brand in counterfeit consumption would be helpful to policymakers and luxury manufacturers. For example, are these consumers simply fans of the brand? Are they showing their loyalty to the brand by purchasing and displaying these products without much regard for the source of the brand (i.e., the original luxury producer versus an unauthorized manufacturer)? Or are these consumers relying on counterfeits to supplement their wardrobes as a result of financial pressures? The two motivations necessitate a different strategy from luxury producers to increase the negative stigma, and reduce consumption, of counterfeit versions of their products. The recent recession suggests that both of these motivations may have played a role. Additionally, it is clear that financial pressures increase counterfeit consumption; one analysis found that during the recent recession,

counterfeit sales increased across every sector of the economy. Even counterfeit Angel Soft toilet paper was available to consumers (Clifford 2010). During this same period of time, however, luxury was one of the few sectors of the economy that continued to experience significant growth, and the messages in luxury brands’ ads were clear: “If you need to ask how much our stuff costs, you can’t afford it” (Rosen 2008).

A related issue that deserves more attention from marketing researchers is the effect that economic conditions may have on counterfeit consumption. While the previous paragraph provides some more obvious implications of economic factors on counterfeit consumption, other interesting questions remain. For example, recall that research by Han, Nunes and Drèze (2010) demonstrated that self-perceived social status can impact consumer preference for the prominence of luxury brand signals. It would be helpful to know how counterfeit demand changes as a result of changes in personal wealth, or changes in perceptions about the economy more generally. For example, do consumers prefer louder brand signals from counterfeits when they feel more insecure about the economy, or about their personal financial situation? Work by Nunes, Drèze and Han (2011) found that, from a supply side analysis, products introduced during the 2008 recession displayed the brand far more prominently than products withdrawn during that time period, implying that consumers who do not exit the luxury goods market are still interested in logo-laden products. Future research should offer a more refined explanation as to how consumers respond to sudden shifts in the economy and the implications for counterfeit goods.

In the opposite direction, presuming that owners of both genuine and counterfeit luxury goods are wealthier than those who own only counterfeit items, is the former group less motivated to consume loud brand displays in their counterfeit goods? Has the expansion of the counterfeit market resulting from online sales changed the kinds of counterfeit products that are purchased? Are these changes a result of increased savviness on the part of consumers, or are they a result of more products becoming available? Answers to all of these questions would be very helpful, especially to manufacturers of genuine luxury products, in cutting counterfeit consumption by reducing, for example, the overlap between what counterfeit consumers are demanding and what luxury producers are offering.

As noted above, a very curious finding that has emerged from this review of the literature is that there is little evidence of any effects of counterfeit consumption on perceptions of the original luxury brand. This lack of evidence is mainly a result

of very little attention given to the issue of the consequences of counterfeit consumption on perceptions of the genuine brand. There is already evidence that consumers are often purchasing counterfeits as a way of consuming the luxury brands without having to pay for them. This has important implications for the consequences of viewing different types of consumers displaying luxury brands (e.g. Amaral and Loken 2016). Importantly, whether the observer can detect the authenticity of the product being displayed, may have important implications for the potential effects of luxury brand use by different consumer groups. To this point, however, these important issues remain unresolved.

Finally, while the present review has demonstrated that marketing researchers have investigated the topic of counterfeiting from various cultural perspectives, only rarely have they directly compared different cultures (see exceptions: Chan and Amaral 2015; Chapa 2006; Bian and Veloutsou 2007). Moreover, what little research has been conducted has done little to provide consistent or actionable evidence. For example, research has suggested that Chinese consumers are more likely than Western (i.e., American) consumers to purchase counterfeits (Harvey and Walls 2003), yet Bian and Veloutsou (2007) have found that Chinese consumers value counterfeits less than Westerners. Results from the latter survey also found that their respondents (from the United Kingdom) viewed counterfeit consumption as a riskier behavior than the Chinese did and that demographic differences were important in understanding counterfeit purchase behaviors in the U.K., but not in China.

More generally, however, these examples highlight that the extent to which consumer attitudes toward luxury brands serve different social functions is likely to vary across cultures. For example, compared with North America, Asia is home to more counterfeiting, but it is also home to more collectivistic (versus individualistic) ways of thinking, in which the social pressure to conform to societal norms is greater. Thus, the dynamics of counterfeit consumption might be different in Asia, where consumers might be more motivated by the

stronger social adjustive demands of their culture. In addition, the greater acceptance and expertise in manufacturing counterfeit products in many East Asian countries is supported by the more complex classification system of counterfeits in that region. For example, in China and South Korea, counterfeit merchants classify products as “A” (low quality), “AA” (higher quality), and all the way up to “SA” (superior quality), which can cost hundreds of dollars. This system suggests that important differences exist in the way consumers in that region view counterfeits compared with consumers in Western countries (e.g., the U.K. and U.S.). It is very important that practitioners understand these differences because they have clear implications for the ways that they should communicate with each type of consumer about the value of genuine luxury products and the risks associated with counterfeit consumption.

In summary, while a great deal has been uncovered about the individual differences and motivational factors that are important in understanding counterfeit consumption, we still know very little about the effectiveness of various tactics and strategies in combating counterfeit use and, more importantly, we have only limited information about the effects of counterfeit consumption on luxury brands. Additionally, the moral, legal, and social perceptions that vary across cultures, particularly between Western and Eastern consumers, could provide a number of helpful insights. To be sure, our understanding of the behavior of counterfeit purchasers and the drivers of their consumption has greatly improved over the past decade. That said, recent findings about branding, information processing, and culture, particularly from social psychologists and marketing researchers, have provided theories and concepts that should aid researchers in developing a better understanding of counterfeit consumption and the effects that counterfeits have on luxury brands. A better understanding of these issues will help manufacturers of luxury products mitigate the negative effects of counterfeiting and provide policymakers, such as the United Nations Office of Drugs and Crime, with more effective tools to reduce counterfeit consumption in the first place. ■

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PART 6

What Does a Digitized Luxury Strategy Look Like?

Best Practices, Research Questions, and Perspectives for the Future

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At first sight, digital technologies may appear to have little in common with the luxury sector. Indeed, luxury products and services have traditionally relied on craftsmanship and heritage as well as a perception of scarcity to create prestige impressions and a sense of distance vis-à-vis consumers. In contrast, the primary raison d'être of digital channels is to establish, maintain, and strengthen relationships between people through faster, more varied, and richer interactions in C2C and B2C contexts.

In this paper, digital channels refer to the whole range of interfaces available to brands, including search engines and social media, messaging, and blogging platforms.

Given the increasing importance that consumers place on digital and social media tools during their shopping journey, it would be a grave mistake to ignore their role. Digital channels are credited with influencing more than 20 percent of luxury sales (Dauriz et al. 2013), and although online sales represent only 5 percent of total sales as of 2014, some analysts suggest that digital could be “the next China” for the luxury sector, adding \$43 billion in sales through 2020 (Roberts 2014).

Why are luxury brands cautious when integrating digital and social media channels in their strategy? Three factors are

slowing down the integration of these tools: the multiplicity and complexity of digital channels, a confusion between the separate and interactive effects and interfaces and platforms, and a perception that digital tools are at odds with the notion of luxury.

First, the multiplicity and complexity of digital channels—from search engines (e.g., Google Search, Baidu) to social media platforms (e.g., Facebook, Twitter) to sites that allow consumers to instantly interact through texts (messaging platforms) or express themselves (blogging platforms)—often produce confusion in managers’ minds. A potential remedy could be to map the different tools at the time of designing a strategy in order to identify the most relevant ones.

Second, it is easy to mix the nature of the interface (e.g., social media or search engine) and the nature of the medium (e.g., mobile versus desktop). While both are important to initiate and sustain relationships between brands and consumers, they do so in different ways. More work is needed to help decision-makers understand when and why each matters in the design of a luxury strategy.

Third, social media are often seen as doing more harm than good when it comes to luxury brands (Dubois 2013).

No one doubts the potential of digital channels to disrupt all stages of luxury consumption—from awareness to consideration to purchase—and new ways to leverage digital channels will certainly arise for luxury brands in the coming years.

Although this is more a perception than a reality, luxury strategists need to figure out how to avoid jeopardizing their brand by distending the necessary ambiguity and mystery surrounding any luxury brand.

How does the digitization—that is, the invasion of digital tools in consumption arenas—affect the development of luxury strategies? There are three areas in which luxury brands can potentially increase, accelerate, and sustain their impact by actively integrating digital and social media channels. The three areas also represent promising avenues for future research to identify and assess the effectiveness of luxury strategies.

The first area is the progressive transition from traditional advertising (i.e., hearing about the brand through a non-social medium such as TV or radio) to social advertising (i.e., hearing about a brand from others through a social media channel). This transition represents a power shift between the brand and its consumers in favor of the latter, to the extent to which the brand is co-created. In addition, the transition has implications for how consumers process information about luxury brands, given that the brand message is socially contextualized. Burberry's "the Art of Trench" campaign, launched in 2009, aimed to encourage people's sharing of pictures of trench coats embedded in consumers' lifestyle.

While such strategies, whether encouraged by the brand or not, are increasingly prevalent, little is known about whether and how they affect consumers' information processing and decision-making. In particular, the following research questions have emerged: a. What is the impact of social advertising versus non-social advertising (at the different stages of the consumer journey)? b. To what extent does social advertising increase or hinder a sense of exclusivity? c. To what extent do people rely on others' consumption in order to create status perceptions?

The second area is how brand strategies integrate multiple touch points to strengthen storytelling, i.e., build a narrative on social media. This transition requires greater agility on

the part of brands in order to coordinate and mix content to reach consumers. The shift can lead to a new approach to introduce consumers to a brand's DNA, as in the recent case of Hermès' *Métamorphosis* campaign, which helped consumers navigate and transition different key product areas and features of excellence of the brand. Another successful example is Michael Kors' 360-degree approach to rapidly introduce its brand as "the Jet Set brand" through a massive and pioneering use of Instagram, Twitter, and a mix of offline and online activities.

Again, future research is needed to understand whether, when, and how new platforms can accelerate the consumer journey, alter consumer behavior, and ultimately help the brand to reach its goals. In particular, the following research questions emerge: a. How can digital channels help brands to craft better storytelling capabilities? b. Are different platforms more impactful for specific goals (e.g., raising awareness, increasing luxury perceptions, etc.) c. How can brands attribute a change in consumer behavior to a specific touch point, i.e., to what extent does the attribution model in luxury differ from the model in other industries?

The third important area lies in integrating social media into the retail space. In the consumer journey, this transition implies thinking where and how to bring novel value to consumers' purchase behavior by enriching the retail space to meet consumer demand and help shoppers' decision making. For instance, Rebecca Minkoff has fully digitalized its retail space by including digital mirrors, giving access to a digital stylist to help consumers understand the brand assortment, letting consumers control the fitting room lighting, and offering a network highlighting potential complementary products (e.g., the matching shoes) based on preference differences from online purchases. Importantly, all these innovations converge to achieve a single goal—empowering consumers. In order to meet this goal, the company chose a specific approach to digital channels that helped consumers make better decisions online (e.g., more comparisons and faster purchases).

Except for a few innovative case studies, little is known about the impact of social media integration in the retail space. In particular, the following research questions are of interest: a. Do people purchase differently in a digitally rich environment and, if so, how (e.g., basket size)? b. Do social networks organized around products affect consumer behavior and, if so, how (at the different stages of the shopping journey)? c. To what extent does online purchasing affect offline purchasing behavior?

In the fast-changing digital environment, new platforms and practices are constantly emerging. No one doubts the potential of digital channels to disrupt all stages of luxury con-

sumption—from awareness to consideration to purchase—and new ways to leverage digital channels will certainly arise for luxury brands in the coming years. Importantly, there is a first-mover advantage: luxury brands—like Burberry or Rebecca Minkoff—that have seized the opportunities and integrated these new channels into their strategy without diluting their brand values have reaped significant benefits. However, the “right way” to engage with digital channels is not easy to articulate, and is to a large extent brand-specific. This is all the more reason for luxury brands to start experimenting and engaging sooner rather than later, and craft a digital strategy to stay ahead of the competition. ■

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PART 7

Pricing the Priceless

How to Charge Luxury Prices

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Luxury goods, by definition, should not be perceived as available to everyone. Perceived exclusivity is at the foundation of generating product desirability and value in the luxury goods sector. A high price is an effective way to achieve exclusivity. But when is a price perceived to be high enough to suggest exclusivity and indicate luxury? The answer varies widely across consumers.

The key to luxury pricing is to create sufficient value to targeted customers, real or perceived, to justify what they perceive as a high price. But the objective price level at which this delicate balance occurs is highly heterogeneous across people.

This paper highlights strategies for brand manufacturers and retailers to generate desirability for luxury goods by creating real or perceived value to customers. It also describes how to capture and maintain the created value through appropriate pricing, especially considering the increased involvement of technology.

Creating High Perceived Value

Strategies to create a high-value perception and thus achieve a high willingness-to-pay include creating beliefs and exclusivity, framing, and the education of customers, which this section describes.



Creating Beliefs

Rather than focusing exclusively on the products in their marketing strategy, companies should also focus on creating beliefs around the products and brand, which can help establish perceptions of high quality, value, exclusivity, and uniqueness (Brucks, Zeithaml, and Naylor 2000) and ultimately positively impact people's willingness-to-pay.

According to Jean-Noël Kapferer, the price of luxury goods has no relation to their functionality, and brands are proud of the price that they can charge. Creating beliefs, or creating a "luxury dream," makes luxury goods non-comparable. By buying and utilizing luxury goods, consumers also seek social elevation (Amaldoss and Jain 2005a and 2005b), and the paid price can elevate people's self-esteem, as has been characteristic of Asian luxury markets.

How can brands/retailers create a belief with customers to make them pay a certain price? A common approach to establish beliefs about a brand is through storytelling, which might involve the brand's origins, the craftsmanship behind products and manufacturing, the country of origin, celebrity endorsements, stores, and symbols. Videos and music can bring the storytelling to life and add an emotional component. Generally, existing beliefs that trigger established asso-

Pointing out that a product is handmade by extremely qualified craftspeople with years of training and practice, or identifying that it was manufactured in a certain country or region, are common approaches to suggest a higher quality and justify a premium price (e.g., “made in the U.S.” versus “made in China”).

ciations (e.g., about certain countries or celebrities) can be leveraged to tie them to the target brand and its products.

Alex and Ani, a U.S.-based fashion jewelry brand featuring charms with inspirational meaning, has developed its brand around several storytelling elements. The jewelry’s charms and symbols and their combinations let customers express their self-identity and tell their own story. Brand marketing and PR emphasize intrinsic benefits of “life meaning” over functional benefits. The brand’s charitable contributions and its history, origin, and manufacturing in the U.S. are core elements of the brand story and support its authenticity objectives. When Alex and Ani first entered international markets, it focused mostly on the product rather than the brand storytelling, which made global expansion initially challenging.

Pointing out that a product is handmade by extremely qualified craftspeople with years of training and practice, or identifying that it was manufactured in a certain country or region, are common approaches to suggest a higher quality and justify a premium price (e.g., “made in the U.S.” versus “made in China”). Alex and Ani manufactures almost exclusively in the U.S. and says that its products are “proudly designed and crafted in America and made with love.”

Procter & Gamble and Kimberly Clark benefitted from the country of origin effect in China through a halo from the companies’ U.S. roots and associated U.S. product safety regulations, which in turn created great trust with Chinese customers.

Apple uses an interesting variation of the “made in” strategy by labeling its products as “designed by Apple in California, assembled in China” to leverage the country of design for customers’ perception of the brand essence.

Other examples of brands using a country-of-origin strategy are Hermès (made in the Hermès atelier) and beer brands, both foreign and locally manufactured craft beers.

Physical stores play an important role in the storytelling process, as they are essentially showrooms for the brand, making for an immersive brand experience. Michael Kors and Estée Lauder are examples of brands whose stores showcase the brand world. Michael Kors stores feature bright lights and louder music to convey a jet set feel and get customers excited. Estée Lauder’s MAC and Aveda stores offer make-up and spa experiences, respectively, reinforcing each brand’s positioning.

The product name can also establish beliefs. For example, BMW’s designation of the different car lines and models (e.g., BMW 330i and 530i) denotes technical details about the cars, namely the type of engine, thus reinforcing technology as a core feature of the BMW brand.

Exclusivity and Scarcity

Luxury brands can create a perception of exclusivity and scarcity in several ways. One approach is to limit the availability of a product or service in order to enhance desirability (Balachander and Stock 2009). The limitation can either happen naturally (e.g., limited natural resources such as wines made in certain locations or bags made from certain leathers) or artificially (e.g., through limited production numbers, screening potential customers, or longer wait times for the product or service). The Hermès Birkin bag, which has limited distribution, costs \$10,000-150,000, and can come with varying wait times, is a quintessential example of product scarcity. At a recent Christie’s auction in Hong Kong, a Birkin crocodile bag sold at \$223,000, a record price (Bloomberg 2015). Hermès doesn’t report how many Birkin bags it sells every year, as to not damage the scarcity perception. It has increased production by opening two new Birkin bag workshops in 2014, with two more slated to open in 2016 (Sherman 2015). Likewise, while Ferrari capped its production at 7,000 units per year until 2014, it has decided to raise the cap to 10,000 to keep up with the growing number of very affluent consumers (CNN 2014, Sylvers 2014).

Private sales and numbering items and/or adding the designer's signature are other ways to make luxury merchandise appear exclusive. Montblanc's Limited Edition pens are an example. A non-luxury example is H&M's limited edition designer collaborations.

A lab experiment involving numbered Beatles albums on eBay showed that perceived exclusivity raises customers' willingness-to-pay. Lower numbers yielded a higher willingness-to-pay than higher numbers.

Market observations confirm scarcity's impact on consumers' willingness-to-pay for natural pearls: Willingness-to-pay dropped when a process was invented to grow cultured pearls, affecting the perceived value for natural pearls.

A scarcity strategy is in many ways counter to the convenience and instant gratification features of today's retail environment (Givhan 2015).

Framing

Framing is a popular approach to suggest the value of an advertised object and make people buy a certain product, donate to a cause, or spend a certain amount of money.

An example of a framing strategy is the DeBeers diamond campaign, which suggested twice one's monthly salary as the appropriate budget for an engagement ring ("Isn't two months' salary a small price to pay for something that lasts forever?"). Another example is Swiss watch maker Patek Philippe's campaign, which framed its watches as an investment and gift to the next generation rather than a self-indulgence: "You never actually own a Patek Philippe. You merely look after it for the next generation."

Similarly, in non-luxury categories, a past ad campaign positioned hair dye as an opportunity to change one's identity as opposed to just changing one's hair color. Viagra reframed its value by repositioning itself from treating a condition to enhancing a romantic relationship, using a woman's statement that she loves her partner more on Viagra.

Employing an emotional framing tactic, a library organized a "burn the books" day, equating its threatened closing with destroying books to get people to consider a donation to keep it open.

Other framing examples are to present a bottle of a drink with a wine glass rather than a beer glass to suggest a higher-value beverage and stating prices as the cost per day rather than as the total to put a higher total price in perspective.

Educating Customers

For customers to develop a higher willingness-to-pay for certain items and brands, including wines and fashion apparel, a certain level of expertise or at least familiarity with the product category is required, including knowledge of the category-specific vocabulary. Chanel expanded slowly since it realized that it had to educate customers first, which it did through storytelling about the brand. Similarly, Prada educated its customers by identifying certain features, such as the durable nylon of its backpacks.

Pricing Dimensions for Capturing Value

This section highlights pricing dimensions to consider in capturing a high perceived value.

Global Pricing

The two ends of the cross-country pricing spectrum are standardizing international pricing and differentiating prices across markets, the latter of which is sometimes accompanied by unique merchandise for individual markets. Given price transparency, increasing cross-border purchasing opportunities, and fluctuating exchange rates, global pricing has become an increasingly tricky question for any brand and retailer operating internationally.

Heuristics used for international pricing include determining global prices based on domestic prices and competitors' prices in the target market. For international shipping, customers often pay shipping and customs fees. However, to not make shipping fees appear too high to shoppers and discourage international orders, companies sometimes absorb a

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portion of the shipping cost in the product price. (This counters the more common practice in domestic pricing of including a portion of the product price in the shipping cost (Leng and Becerril-Arreola 2010).)

Global pricing also depends on companies' positioning in different countries and their entry strategy, which is influenced by the competitive conditions and local regulations, among other things. For example, Swarovski and Häagen-Dazs are positioned as more premium in China than in the U.S. In addition, the promotional calendar varies by country.

Research has investigated whether the law of a uniform price across countries holds by looking at prices by brands, including Apple, H&M, IKEA, and Zara. Prices were found to be uniform within the Euro currency zone but not outside of it (Cavallo et al. 2014). Prices can vary even within much smaller geographic zones. For example, other research has shown price variations across different cities based on different per capita income levels (Handbury 2013) and across neighborhoods based on the differences in residents' taste and income profiles (Mulhern et al. 1998, Montgomery 1997).

Given the current strength of the U.S. dollar/Euro exchange rate, prices on luxury goods can be up to 30 percent higher in the U.S. compared with Europe, although the price differential between these continents is typically under 10 percent (Masidlover 2015). Currently, the iconic Hermès Birkin bag costs 6,700 Euros (\$7,169) in France versus \$11,000 in the U.S. for the entry-level model, and a bottle of a luxury brand liquor/champagne is about \$50 cheaper in Europe than in the U.S. International price differences create the issue of gray or parallel markets (Hua 2015), which poses a concern for luxury brands since the lower prices and uncontrolled brand buying experience can harm luxury brands.

To address issues of international price differences such as gray markets, Chanel recently reduced cross-country price differences by lowering prices in China, increasing them in Europe, and keeping them constant in the U.S. Richemont made similar changes, following a strategy of global price

standardization (Conti 2015). LVMH, on the other hand, said it had no plans to standardize prices globally (Masidlover 2015), which is in line with Hermès' attitude (Diderich 2015), and Kering has a wait-and-see approach, although it might test price adjustments with its Gucci brand (Guarino 2015). The question of harmonizing global pricing becomes even more pressing as luxury brands increasingly expand their online presence and pursue e-commerce globally (Socha 2015).

Luxury consumers are increasingly aware of international price differences, and the currency exchange fluctuations impact price differences and tourist traffic (Zargani 2015). A way to circumvent the issues of international price discrepancies is to develop unique items for certain countries, especially for a large and important market such as China (Hua 2015, Gu 2015).

Price Dispersion Within Product Lines and Brands to Target Different Consumers

Differentiating prices within a brand or product line can have important implications for the brand perception and therefore has to be done very carefully. The prestige of a brand may be diluted if the brand is extended downward through the introduction of products with prices below the existing floor (Kirmani et al. 1999). Likewise, making a brand more accessible by cutting the prices of the least expensive products may reduce the desirability of the brand because of a loss of exclusivity.

The items at the bottom of the line, however, are not the only products whose prices influence brand image. The prices of the most expensive items in a product line also determine how the brand and its products are perceived (Petroshius and Monroe 1987). For example, in 2014, Coach introduced higher-end handbags with new designs and more exotic materials in an attempt to improve the brand image and better compete with more expensive luxury brands.

Downward extensions fuel the continuous growth of the luxury sector and the introduction of product lines and acces-

sories at accessible prices. But does this blur the traditional concept of luxury associated with expensiveness? A key question is what the minimum price needs to be for an item to be considered luxury. Focusing on consumers' perception of the minimum price for a luxury product in 21 luxury categories (e.g., jewelry, leather goods, clothes, watches, glasses) and seven countries, Kapferer and Laurent (forthcoming) observe an extreme dispersion across consumers (sample size 8,376) in terms of where luxury begins, with a large majority citing very low price thresholds and some respondents citing very high price thresholds. Also, consumers' pricing attitude is consistent across different categories: those who state a very high price threshold for a luxury ring also state very high price thresholds for watches or bags.

Such answers indicate that expensiveness today is a relative concept, as is luxury more generally. The degree of immersion in luxury and financial resources influences each consumer's luxury price threshold. These results suggest a continuum from the "happy few" to the many less privileged. This extreme heterogeneity across consumers is good news for luxury groups, offering options for development strategies from traditional luxury to the new luxury.

Another important point is that consumers perceive a common hierarchy of luxury product categories. They understand that necklaces are more expensive than dresses, which are more expensive than bags, which are more expensive than wallets, which are more expensive than other accessories. Thus, a given luxury brand can offer a portfolio of items at very different prices that are still consistent with the brand's price image. This makes it possible for consumers to first purchase a luxury brand at an accessible price by buying an item from one of the lower-priced categories.

A key objective, however, is to avoid too wide a price dispersion for a luxury brand in a given category such as bags. Alternative strategies could be to create a secondary brand or sub-brand, as in the case of Toyota and Lexus. For a luxury group or for a talented designer, this generates the challenge of managing a portfolio of brands associated with different price levels and can impose higher capital requirements. It is then essential to ensure a perceived differentiation across this portfolio in all aspects of quality and all the dimensions that contribute to the perception of luxury.

Another innovative way to use price differentiation for apparel items is to price fast-selling sizes (typically smaller to medium sizes) at a higher level and slower-selling sizes (very small and very large sizes) at lower levels. This form of differentiation

also helps manage the sell-through of inventory and may reduce the risk of brand dilution.

Cross-Channel Pricing, Including Online-Offline Pricing

How can you achieve a consistent pricing system across channels, including one's own online and offline channels and retail partners' channels, to preserve brand equity? It is ironic that the online channel is often treated differently than the offline channel. For example, brands and retailers often offer discounts for customers shopping online or referring friends, while they don't offer the same promotions at brick-and-mortar stores.

Online retailing is often associated with deals and discounts, generally conflicting with luxury brands' positioning. Discounts can damage luxury brands' equity.

Price consistency doesn't mean necessarily that online and offline prices need to be identical. Consistency means that the pricing system has to "make sense" to customers. For example, higher online prices could be justified with the added benefit of convenience. Considering shipping cost, cross-channel prices aren't always identical today.

Working with retail partners creates the issue of controlling a consistent price. Luxury brands can suggest a price but compliance rates vary (around 80 to 90 percent for a luxury liquor brand to almost 100 percent for iPads) since the laws don't allow manufacturers to dictate retail prices. Retailers' compliance with the manufacturer-suggested retail prices is typically a result of long-term rewards for retailers to stick with the suggested prices, such as a continued partnership with the manufacturer, trade discounts, and the repurchase of

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A gift is especially appropriate if it is unique (e.g., an item specifically designed as a New Year's gift for the brand's best clients), making it priceless because it cannot be bought by other people.

unsold merchandise. To circumvent the issue of different prices across channels, manufacturers can create channel-specific brands.

Pricing across full-price and outlet stores is another question to consider (Kapner 2015). Because of heavy discounting at regular stores, outlet prices are not necessarily lower, as price comparisons have shown. At Ann Taylor, prices at regular stores are typically about 35 to 50 percent higher than at its factory stores. Retailers often carry distinct merchandise for regular and outlet stores though, making price comparisons hard (e.g., at American Eagle's outlets, 40 percent of the merchandise is specifically made for that channel).

Off-price lines and stores have been a growth area for many luxury retailers (e.g., Nordstrom Rack, Coach outlet stores, Saks Off Fifth), and brands sell through off-price retailers such as TJ Maxx (Maheshwari 2014, Much 2013). On the other hand, Barneys has been discontinuing its Barneys Co-op stores, which featured more affordable lines.

Value-Preserving and Value-Enhancing Promotions

Luxury brands can benefit from promotions but only if they are designed to enhance the brand and strengthen the relationship with customers, and not to cheapen the brand as straight discounts can do. Promotions such as loyalty cards, gifts, sweepstakes, brand clubs, price offers, and invitations are typically associated with mass-market consumer goods but they can be appropriate for luxury brands if they are consistent with the values of luxury in general and with the image of the brand.

To cite a few real-world examples, a loyalty card is appropriate if it is labeled as being accessible only to the "happy few" ("our top 100 consumers") and if it gives real privileges, e.g.,

by inviting VIP customers to shop at the store outside of regular store hours or attend private shows or by offering them unique, personalized variations of the merchandise. A sweepstakes may be appropriate if the winner receives an extraordinary prize, such as having a dress designed especially for her. A club is appropriate if it reinforces the feeling of belonging to a very select group, e.g., the dinners organized twice a year by the Monaco dealer of a luxury car brand for the local club of brand owners. A price offer makes sense if it reinforces the image of luxury by offering an out-of-the-ordinary product, e.g., a "limited edition" perfume for New Year's, with a large specially designed bottle such as a one-liter bottle of Chanel N°5 (the lower price per ounce does not jeopardize the brand image). An invitation to a very exclusive event such as a high-level sailing competition or a special opera performance will promote rather than jeopardize the image of a luxury brand if only select clients are invited.

As for gifts, it is more in line with a luxury strategy to frame the gift as a qualitative recognition of the long-time relationship between the brand and the consumer, for example by enhancing the social status of the consumer (Drèze and Nunes 2009), rather than an immediate reward for a specific purchase or certain level of points or cumulated purchases. The qualification should be based on the subjective sense of a long-term bond between a customer and a brand rather than on the precise accounting-like accumulation of points. The gift should be offered at times other than the time of purchase (e.g., for New Year's or the customer's birthday). A gift is especially appropriate if it is unique (e.g., an item specifically designed as a New Year's gift for the brand's best clients), making it priceless because it cannot be bought by other people. Still another strategy is to offer promotions that customers can share with others (e.g., a small branded bag for the daughter of a good customer).

Regarding discounts, rather than offering a price reduction it seems more appropriate for luxury brands to offer free products or services as an add-on to a product sold at regular price. For example, a luxury car manufacturer could offer a free personalization of the car (e.g., special features, a rare leather for the seats) instead of reducing the price for a standard car. Rather than offering a gift card for a specific amount (e.g., \$1,000), a luxury brand could offer gifts representative of the brand, such as specially designed items, if possible matching the consumer's individual tastes and preferences. For example, a luxury wine dealer could offer a very rare bottle of wine to a good customer rather than reducing the price of the customer's purchases. Personalization is the key. Another example of a unique promotion that represents the

brand and reinforces its core identity is Hermès' monthly "mystery box" priced at \$250+, which provides a surprise gift made from Hermès leftover materials, such as leather or silk, used in its products (Givhan 2015).

Pricing Strategy Over Time

How should changes in technology (functionality) and in people's belief system (symbolic), which can be inspired and fostered by new significant consumer segments with different values, affect pricing over time?

Changes in technology as well as people's belief systems and aspirations may impact the definition of luxury, i.e., what people consider luxury. Luxury could be defined by the price but also by the sophistication of technology and the education and knowledge required to fully utilize the luxury product or service.

Traditionally, brand heritage, craftsmanship, and quality have mattered the most to luxury consumers. In luxury watches, since the beginning of this century, firms and customers have moved toward extremely sophisticated forms of traditional

mechanical technologies, including the so-called skeleton watches. At the same time, smart watches such as the Apple Watch have been developed. For these new types of watches, functionality and technology appear to be additional features to define luxury, especially for a younger generation, which treasures leading-edge technology.

Extremely innovative technologies may appear to be a form of luxury, but this is bound to be short-lived if those technologies become more mainstream. For example, the first portable phones used to be considered luxury, and the pioneer cell phone users could impress the people around them, but today smart phones are a ubiquitous mass product. Uber is another example of democratized luxury in contemporary times, which may therefore no longer be considered luxury.

Display of the Price on Luxury Goods

How does the display of the price impact the value perception? There is a difference in the laws regarding the display of prices in Europe and the U.S. In the U.S., companies don't have to display prices but in France, for example, brands have to display prices on all goods except for, interestingly, luxury items. ■

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AGENDA

“Online Luxury Retailing” Conference New York

DAY 1—Thursday, April 30, 2015

8:30-8:45 am: Welcome

Barbara Kahn, *Patty and Jay H. Baker Professor, Professor of Marketing, and Director, Baker Retailing Center, Wharton School*

8:45-9:15 am: Sustaining the Luxury Dream

Jean-Noël Kapferer, *Advisor to the President of INSEEC Group; Honorary Editor of the Luxury Research Journal*

9:20-10:05 am: Evolution of Luxury

Barbara Kahn, *Patty and Jay H. Baker Professor, Professor of Marketing, and Director, Baker Retailing Center, Wharton School*
Pauline Brown, *Chairman of North America, LVMH*
Jim Clerkin, *Chief Executive Officer and President, Moët Hennessy USA*
Alberto Festa, *President, Bulgari USA*
Laure de Metz, *General Manager, The Americas, Make Up For Ever*

10:30-11:10 am: Motivations Underlying Luxury Consumption and Their Implications for Online Retailing

L.J. Shrum, *Professor of Marketing, HEC Paris*
Tina M. Lowrey, *Professor of Marketing, HEC Paris*

The Luxury Experience

Bernd Schmitt, *Robert D. Calkins Professor of International Business and Faculty Director, Center on Global Brand Leadership, Columbia Business School*
Keith Todd Wilcox, *Associate Professor of Marketing, Columbia Business School*

11:15-11:55 am: The Future of Online Luxury Retail

Conversation moderated by Patti Williams, *Ira A. Lipman Associate Professor of Marketing, Wharton School*
William P. Lauder, *Executive Chairman, The Estée Lauder Companies*

1:00-1:20 pm: Digital IQ of Luxury Brands—Rankings and Insights

Scott Galloway, *Founder, L2, and Clinical Professor of Digital Marketing, NYU Stern*

1:25-1:55pm: Online Luxury Pioneers: Setting New Standards in Social and Digital Media

John Idol, *Chairman and Chief Executive Officer, Michael Kors*

2:05-2:25 pm: Social Network Strategies for Luxury Brands

Raghuram Iyengar, *Associate Professor of Marketing, Wharton School*

Z. John Zhang, *Murrel J. Ades Professor, Professor of Marketing, Director, Penn China Center, Wharton School*

2:50-3:20 pm: Luxuries or Lies? Counterfeits, Consumers, and Brand Strategy in a Multichannel World

Susan Scafidi, *Founder and Academic Director, Fashion Law Institute, Fordham University*

Followed by a conversation moderated by

Joseph Nunes, *Professor of Marketing, USC Marshall School of Business*

3:25-4:05 pm: Online Luxury Innovators

Panel moderated by David Bell, *Xinmei Zhang and Yongge Dai Professor, Professor of Marketing, Wharton School*

Panelists

Michelle Peluso, *Chief Executive Officer, Gilt Groupe*

Aslaug Magnusdottir, *Co-Founder and Chief Executive Officer, Tinker Tailor*

4:20-5:05 pm: Digital Challenges and Opportunities in Luxury Retail

Panel moderated by Jerry (Yoram) Wind, *Lauder Professor, Professor of Marketing, Director, SEI Center for Advanced Studies in Management, Wharton School*

Panelists

Daniella Vitale, *Chief Operating Officer, Barneys New York*

Laurent Claquin, *Chief Executive Officer, Kering Americas*

Amanda Rubin, *Global Co-Head, Brand and Content Strategy, Goldman Sachs*

5:05-5:15 pm: Wrap-up

Barbara Kahn, *Patty and Jay H. Baker Professor, Professor of Marketing, and Director, Baker Retailing Center, Wharton School*

6:00 pm: Reception at Freds at Barneys New York

DAY 2—Friday, May 1, 2015

8:30 am-5:00 pm with a working lunch

We will form workgroups based on interest in select topics relating to the “online luxury retailing” conference theme. The goals of the workgroups on the second day of the conference are to:

- discuss the current thinking, work, challenges, etc. on the group's focus topic,
- generate ideas for future research, and
- outline a white paper addressing the above points (to write after the conference).

Each group will have a workgroup chair who will guide the discussion. Here is a suggested agenda for the work sessions. The workgroup chairs might change it to fit their group.

- Each participant will give a brief overview of their interests and work relating to the group's topic. (All participants should prepare a 5-minute presentation.)
- The group will then discuss their group's topic. For the discussion, some of the content from the first day might be helpful as well as the group participants' presented work.
- At the end of the day, each group will present briefly on their discussion, research ideas, and outline for a white paper.
- After the conference, we encourage each group to write a white paper, which the Baker Center would disseminate.
- If new research projects emerge from the conference, we will accept proposals to fund select projects with small research grants. Depending on how many projects the conference will instigate, we might consider facilitating a special section in a top marketing journal such as *Journal of Marketing Research* or a retail-related journal such as *Journal of Retailing* and/or hold another conference at Wharton where the resulting research would be presented.

Speakers and Workgroup Chairs

David Bell, *Xinmei Zhang and Yongge Dai Professor, Professor of Marketing, Wharton School*
Pauline Brown, *Chairman of North America, LVMH*
Laurent Claquin, *Chief Executive Officer, Kering Americas*
Jim Clerkin, *Chief Executive Officer and President, Moët Hennessy USA*
Darren Dahl, *Professor of Marketing, University of British Columbia*
David Dubois, *Assistant Professor of Marketing, INSEAD*
Alberto Festa, *President, Bulgari USA*
Scott Galloway, *Founder, L2 and Clinical Professor of Digital Marketing, NYU Stern*
John Idol, *Chairman and Chief Executive Officer, Michael Kors*
Raghuram Iyengar, *Associate Professor of Marketing, Wharton School*
Barbara Kahn, *Patty and Jay H. Baker Professor, Professor of Marketing and Director, Baker Retailing Center, Wharton School*
Jean-Noël Kapferer, *Advisor to the President of INSEEC Group; Honorary Editor of the Luxury Research Journal*
Anat Keinan, *Jakurski Family Associate Professor of Business Administration, Harvard Business School*
William P. Lauder, *Executive Chairman, The Estée Lauder Companies*
Tina M. Lowrey, *Professor of Marketing, HEC Paris*
Aslaug Magnusdottir, *Co-Founder and Chief Executive Officer, Tinker Tailor*
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Joseph Nunes, *Professor of Marketing, USC Marshall School of Business*
Michelle Peluso, *Chief Executive Officer, Gilt Groupe*
Amanda Rubin, *Global Co-Head, Brand and Content Strategy, Goldman Sachs*
Susan Scafidi, *Founder and Academic Director, Fashion Law Institute, Fordham University*
Bernd Schmitt, *Robert D. Calkins Professor of International Business and Faculty Director, Center on Global Brand Leadership, Columbia Business School*
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Z. John Zhang, *Murrel J. Ades Professor, Professor of Marketing, Director, Penn China Center, Wharton School*

Participating Universities

American University
Arizona State University
Baruch College
Bocconi University
Boston College
City University of Hong Kong
Columbia Business School
Fashion Law Institute at Fordham
Ghent University
Harvard Business School
HEC Paris
INSEAD
INSEEC Business School
MIT Sloan
New York University Stern School of Business
Northwestern University
SKEMA Business School
Southern Methodist University
Temple University
University of Minnesota
University of Bern
University of British Columbia
University of Minnesota
University of Pittsburgh, Katz GSB
University of South Carolina
Marshall School of Business, University of Southern California
Wharton School, University of Pennsylvania
WU Vienna
Yale University

Participating Companies

Advantage Austria	Kering
Alexis Bittar LLC.	Kyu Melange
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Anna Bags, LLC	Loeb Associates Inc.
Barneys New York	LVMH
Bloomingdale's	Mack Capital
Bucherer Group	Make Up For Ever
Buckingham Capital Management	Marchon Eyewear
Bulgari USA	McTeigue & McClelland
Cadenza Capital Management	Michael Kors
Charlotte Tilbury Beauty	Moet-Hennessy USA
Cole Haan	Montblanc North America
ContactLab	Novel Enterprises Limited
Cowen and Company	numberly
Dagne Dover	Perry Ellis International
Dominic Louis	Ralph Lauren
Earthbound	Rebecca Minkoff
Ebay	Refinery29
ECOLE	SageBerry Consulting
ESCADA	Saks Fifth Avenue
Escada SE	Seize sur Vingt
Estee Lauder Companies Online	Silver Lining
Gilt Groupe	The Estee Lauder Companies
Goldman Sachs	The Lansco Corporation
Haddad Brands	Tinker Tailor
HSN	Total Wine & More
J.Crew	Warby Parker
Kekst	

Notes



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The Wharton School
University of Pennsylvania

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