

Preface

The marketing of luxury goods has become increasingly important over the years, and the number of universities and institutions addressing this concept has recently increased. Global luxury markets have grown, and they continue to grow, and the number of consumers who purchase high-end goods is very relevant. Luxury markets are characterized by the sum of global niches in which the process of internationalization began long ago.

Vast markets for high-symbolic-value goods serve as a large and global competitive arena where players that vie for the same category of consumers face off. The factors that have facilitated the development of an international presence are:

1. The existence of a transnational segment of consumers who share similar characteristics;
2. The global flattening of sociodemographic, lifestyle, and consumption factors;
3. The uniformity of consumers' buying behaviors in the transnational segment;
4. The gradual standardization of brand communication activities to achieve a consistent level of brand perception in all countries;
5. The need to extend national niches toward similar niches at the global level, so as to ensure adequate market potential; and
6. The presence of economies of "replication" in distribution.

These prime factors have led to major international growth among all activities in firms' value chains.

Broader markets for high-symbolic-value goods can be considered as the sum of numerous niche markets, which are small when analyzed within the product sector to which they belong, but large in terms of turnover and the number of consumers they attract when considered on a global scale. This is another important reason why we cross-analyze marketing strategies; specifically, we do not focus exclusively on companies that specialize in fashion, watch making, or recreational boating.

Consumers of high-symbolic-value goods are transversely uniform in their preferences and buying behavior in each country. To simplify this idea, we can say that a senior executive of a multinational Dutch firm, as well as an Italian one, buy the same set of high-end goods and have similar purchasing models. The affluent consumers of Paris are certainly much more similar to affluent consumers in New York than to other segments of French consumers. Aging populations, declining birth rates, the increase in disposable income during retirement years, an increase in leisure time after age fifty, and the increase in female employment are phenomena that are common to all industrialized countries. Therefore, a trend toward the homogenization of consumption based on social class and age at the international level is only natural.

Preface

The competitiveness of a company that operates in markets for high-symbolic-value goods is endangered if the company is not in a position to market its goods and services in all countries around the world and, more specifically, both in mature areas and in emerging areas where there are customers with high disposable income to devote to consumption. If, until now, the main geographic areas of the market for high-symbolic-value goods have been Europe, Japan, and North America, the geographic area of emerging markets will be South East Asia, South America, Eastern Europe, and Africa.

The current process of globalization in luxury markets is not related to the relocation of manufacturing activities which, in many cases, are the subject of a reverse process of a return to the country of origin; rather, the phenomenon of globalization is related to distribution and communication activities. We are currently witnessing the gradual broadening of retail activities, often under direct control of the luxury firm, in emerging markets.

In this market, entry barriers are created with brands. To replicate a serially-produced high-end good is not difficult. The quality craftsmanship of the early phases of a firm's development soon gives way to high industrial quality, which is more easily imitated by competitors. The only real barrier is based on brand image. For companies that want to hold a significant market position, solidifying a brand's image involves developing a global presence and establishing a recognized and distinctive high-value brand.

Furthermore, there is also globalization of the value chain. This affects the ways in which businesses are organized to produce and sell their goods on the market. The activities of planning, product development, design, production, marketing, and distribution are carried out in different locations, and goods are distributed in all major global markets. The value chain of the enterprise and the value chain systems represented by the main business and its business partners are de-localized in many countries. Certain designers have long shifted their activities to different markets. For example, some firms that produce high-end apparel entrust their styling to Italy, production to Poland, and distribution to intermediaries in many geographic areas.

Concurrent with the globalization of value-chain activities, the last few years have witnessed an inverse process where manufacturing activities are redirected to global brands' countries of origin. This phenomenon has come about for economic reasons, primarily related to a general improvement in the competitiveness of the home country, as well as based on a number of marketing decisions. Consumers are paying more attention to the terms and conditions of production, and the link between the product and the skill systems of the territory of origin is a key success factor. For this reason, some firms (such as Brunello Cucinelli) have chosen not to relocate any phases of the value chain. Indeed, this tightly binds the design and production processes to the system and values of the region where the firm is located.

THE CHALLENGES

In recent years, luxury goods markets have faced significant changes that have influenced both the dynamics of the competition, which are daring players, as well as their strategies. The principal changes include the following: new geographical market development, such as in the Far East, India, and some parts of Africa (these countries are added to a list of already relevant countries that are involved in luxury goods consumption, such as the Emirates, Russia, and South America); new consumers are facing these luxury markets; there is diffusion of new media and new technologies in communication, which is characterized by a high degree of interaction; and the evolution of distribution channels is underway – these channels are moving toward new forms of integration that utilize both physical channels and digital ones.

With respect to new markets and new consumer development, we are facing a situation where increasing numbers of consumers are interested in luxury goods consumption. These consumers are not completely educated about global brands, but they are looking for products that are able differentiate themselves and/or guarantee unique experiences. Luxury players have to understand the factors that affect people who are making purchasing decisions, and they also have to be aware of the dynamics that characterize consumers' buying behaviors.

Concerning the diffusion of new digital technologies, in recent years, the increasing importance of the digital channel and the globalization of markets has changed both consumers' roles and the nature of the competitive landscape. This has forced firms to revise their strategies and implement multichannel marketing strategies to continue to operate in increasingly international markets that are characterized by increasingly more demanding and informed consumers.

Recourse to a plurality of channels has proven to be a necessity for luxury goods, especially because digital platforms now constitute communication channels in their own right. From this standpoint, the digital channel serves as a medium that interacts with demand, and it further adopts a hybrid connotation: it can perform functions that are informative, transactional, and relational, and it alternately or simultaneously uses both physical and virtual contact modes. Based on this perspective, multichannel management policies can contribute significantly to establishing a brand's loyalty of existing consumers while acquiring new market segments. Although luxury firms initially had some reservations about using the Web as a distribution channel – especially given that they did not think it would be able to reproduce customers' experiences from the physical point of sale, and that it created distance from buyers with high spending power – in recent years, the opportunities offered by the digital channel have become clear and numerous. In this way, the logic underlying the development of the digital channel for luxury players is one of integration with the physical channel; it is not to be viewed as a standalone distribution channel, but as one that completes and complements the physical channel.

The traditional store setting always plays a major role in the experience of buying luxury goods; however, the huge success of the digital channel has turned it into an inescapable channel for players in the market for high-symbolic-value goods. A Web strategy is thus essential for a luxury brand. The development of non-conventional marketing allows firms to engage with their consumers by focusing on the goal of transmitting the values of a specific brand through involvement, entertainment, and fun. Consumers become leading actors, and firms can develop measures of engagement, while taking advantage of word-of-mouth referrals, using both a proactive and dynamic approach.

Analyzing the evolution of consumer behavior during the purchasing process is particularly important for manufacturers and distributors because the Internet now enables two-way communication flow, thus transforming the classic approach to communication, which was characterized by a lack of interaction.

This digital channel has enabled firms to extend their market to new consumers who have different sociodemographic characteristics and are located in emerging countries. High-symbolic-value goods are traditionally considered incompatible with the digital channel; even today, some companies that maintain extreme brand positioning believe it inappropriate to develop distribution activities in the digital channel. Most luxury players have developed a direct presence in the digital space; this strategic distribution option has largely been successful. The digital channel is increasingly integrated with the activities of physical distribution, and this amalgamation makes it possible to enhance the consumer's shopping experience, while also maintaining long-term relationships.

The latest trend in brand development centers on the growing integration between UGC and the various distribution channels. Brand communication in luxury markets has undergone further development

Preface

with social media marketing that has dovetailed into both the digital and physical distribution space. The consumer is ready, even in luxury markets, to receive information from a specific brand, to share that information, and to respond by liking the product and purchasing it in the digital or physical channel. This growing integration between distribution and effective communication (both online and offline) follows a circular approach, whereby information channels and their flows surround the consumer. This is one of the frontiers of marketing high-symbolic-value goods.

Channel integration in markets for luxury goods lies, in practice, in the introduction of innovative technologies to points of sale, in the integration between two-way communication activities in social networks, and in the physical channel of distribution. With regard to the first path of integration, the use of technology in luxury-brand stores clearly helps intensify consumers' feelings and stimulates their senses. New technologies make it possible to entertain customers, while enhancing the communication process.

The variety of communication options available online allows firms to send messages that are tailored to capture the attention of consumers because they are able to reflect these buyers' special interests and well-established habits. The Internet is thus a reliable medium to achieve this aim, and the effects of an online marketing campaign are easily traceable.¹ Firms are now in a position to define and convey an offer in an integrated manner – that is, by using multichannel strategies. This involves developing a coordinated and comprehensive set of means and channels through which to reduce the gap between supply and demand.

Ultimately, it is an approach to managing customer relationships that tends to overcome the logistics of using a single channel (typically, the physical channel), thanks to the progressive growth of the economic weight of the service sector and to the increasing use of electronics and digital networks, which make it possible to extend beyond the logistical limits imposed by traditional points of sale.

Within this context, rapidly changing firms have reacted by adopting strategies that are focused on expanding their global presence. These firms have primarily developed hybrid distribution systems, both direct and indirect, but with increasing weight attributed to direct distribution. This growth not only pertains to the major global players in the luxury market, but also to medium-sized companies that have been able to establish themselves in global markets. These companies increase their attention to the use of the digital channel to market their products, as well as to integrate digital and physical distribution channels; this is a communication strategy that focuses on acquiring new consumers through social media.

The three sections of the present book aim to document the principal tendencies described above, with particular attention paid to purchasing behaviors, the progressive interaction between distribution channels and social media, and the major developments in distribution activities.

ORGANIZATION OF THE BOOK

This book is organized into three sections and twelve chapters. A brief description of each chapter follows.

Chapter 1 provides an overview of global consumer behavior in luxury goods markets. The discussion is based on the classic theories of consumers' decision-making processes, and the important factors affecting these processes. As global consumer behavior in luxury goods markets is greatly affected by cultural differences, Hofstede's cultural dimensions theory is used to explain the various consumption behaviors displayed by purchasers from different parts of the world. Past research findings are summarized, and examples of consumer behaviors and appropriate marketing strategies implemented by luxury brands are also presented to provide readers with a better understanding of this topic.

Chapter 2 analyzes the differences in consumer behavior and their attitudes toward luxury goods. The established bond between the consumer and the luxury brand, as derived from a psychological process, is strong and characterized by emotions. The luxury brand is a symbol of personal and social identity; it expresses the individual's personality and lifestyle, and strengthens the projection of self-image, status, and self-concept. This chapter analyzes the buyer's decision process, customer retention, and loyalty by focusing on the role of envy in purchase decisions associated with luxury goods, as this falls within the context of social comparison. Furthermore, advertising messages and their strategies (of which envy is commonly used) are also discussed. The personality of the luxury retail store will be analyzed. This chapter will review the most important scientific contributions in this field, paying special attention to research conducted in the area of neuromarketing and the neurobiology of beauty.

Chapter 3 focuses on the fragrances segment within the luxury market. The chapter offers a detailed description of the basic characteristics of this segment. Therefore, based on the analysis of primary and secondary information (quantitative and qualitative analyses) in the Spanish market, the key elements of luxury fragrance consumer behavior are described, examining the principal explanatory factors that lead to the decision-making processes underlying customers' purchases, as well as the motives that guide the purchase and consumption of these products. This knowledge will explain how luxury fragrance brands appropriately design their global marketing strategies and formulate suitable marketing mixes.

Chapter 4 attempts to fill the gaps in the international marketing literature regarding international marketing entry decisions for luxury products. With this in mind, a macro-marketing approach is used to segment countries according to basic luxury consumption criteria, which are based on a literature review. These criteria include population, gross domestic product (GDP), the GINI coefficient, the total female labor force, and cultural dimensions. These indicators are listed for a total of 60 countries and multidimensional scaling analysis (MDS) is conducted to determine whether some countries can be grouped together as cluster with similar characteristics. Finally, five groups are identified and are further discussed for their luxury goods purchase potential.

Chapter 5 analyzes the new ways in which global luxury players integrate their communication and sales tools to each other, centering their attention on Web and social strategies. Since the spread of digital environments has certainly helped broaden the spectrum of possibilities for managing channels – while also opening the door to new areas of competition – it is thus assumed that new technologies have contributed to the definition of a hybrid environment in which pre- and post-digital revolution habits coexist. The aim of this chapter is to show how this kind of hybrid channel (which aims to bridge communication and sales through the use of integrated media platforms) is currently managed, and how it can be used in the future to reach business and awareness goals in luxury markets.

Chapter 6 has two main objectives. First, it reviews the existing literature on content marketing and the main metrics used in this field. Second, it analyzes the degree of use and effectiveness of content marketing strategies by employing a number of tools and metrics to a sample of 218 luxury firms. The results of the study revealed that content marketing is regarded by luxury firms as a marketing communications strategy that provides valuable and helpful information to a clearly defined target audience with the aim of increasing sales. Luxury marketing strategies have undergone some major changes over the past couple of decades. The balance of power is moving away from luxury firms to luxury consumers, who are playing a more significant role than ever before. These challenges in global markets have sparked a growing interest by practitioners and academics in the content marketing field. Various metrics are now being adopted to measure this transition's impact on luxury firm performance.

Preface

Chapter 7 analyzes the relative importance of the different relationship platforms (physical and virtual) in the consumer experience of luxury brands, and it also aims to develop an understanding of how this experience has changed. On the one hand, the results are able to expand upon the theory of luxury branding; on the other, they are also able to highlight some key implications for luxury brand managers. Managing luxury brands nowadays is complex (Wiedmann & Hennigs, 2012). Luxury brands have built their foundation on the strategic use of physical platforms, enabling customers to experience points of sale, which have constituted an indispensable element for these firms' growth. Conversely, over the past 10 years, we have seen leading global luxury brands embrace virtual platforms in various ways to re-imagine consumer experiences. Blending these new elements together can present numerous challenges.

Chapter 8 investigates luxury fashion brands' interactions with consumers, especially on social media. The use of prescribers that identify consumer behavior has been a constant brand strategy, especially when a brand targets younger audiences. These individuals are large consumers of music and audio-visual entertainment products and, as fans, they show a high level of loyalty that leads them to copy the behaviors and consumption patterns of their idols. Furthermore, they are also big users of social media and the Internet, where they express their feelings, experiences, and opinions about their music idols, in addition to the brands and products they use. Technology not only empowers young people to access more information, but it also provides them with the possibility of generating their own content, thus highlighting the two roles played by the brand.

Chapter 9 sets out to explore the phenomenon of blogging and social media communities, and the impact these communities have on reference group culture, social identity, and the buying behavior of a target group of consumers – women aged 18–30 years old – who participate in the online beauty community. This research has examined the impact that participation in this community has had on the amount of money these consumers spend on beauty and skincare products, and the extent to which this behavior has influenced their attitude towards luxury products. The study confirmed findings from the existing literature, in that there does appear to be a connection between purchasing habits and the desire to be considered a member of the community. The study also revealed that regular participation in the community increases consumer knowledge of products, and can eventually lead to consumer expertise surpassing that of the sales staff.

Chapter 10 investigates how luxury global players manage their old and new distribution channels by integrating them together in the global market. It is clear that the distribution strategies implemented by firms operating in luxury markets are typical and specific with respect to firms in other markets, and they represent a source of competitive advantage. Four phenomena have characterized distribution in this area in recent years: a growing investment by luxury brands in direct distribution activities; the integration between distribution and communication activities; the development of the digital channel in luxury markets; and, lastly, the growing integration between UGC and distribution channels. Since distribution influences the constitution of brand identity, old and new distribution channels have to be differently articulated according to the exclusivity of the brand.

Chapter 11 explores how the luxury sector has been affected by the fast fashion brands in the UK market. In particular, this chapter is aimed at examining the effects of fast fashion activity on luxury brands and, more specifically, on how the marketing of luxury brands has been drawn to the fast fashion model. This chapter also analyzes how co-branding collaborations between luxury and fast fashion brands have positively affected consumers' perceptions of luxury brands. The results of this investigation

provide insights into the international fashion business, showing how luxury fashion brands lean toward the fast fashion model and how co-branding collaborations between luxury and fast fashion brands are positive for luxury brands in terms of customers' perceptions.

Chapter 12 explores Moncler's case, an Italian family-owned, fast-growing luxury company. In the luxury industry, family businesses are entities with a strong DNA, where the business is created by a founder or leader and is guided by his or her vision across generations. The strong link between the founder's DNA, the company, and its customers implies a high level of influence on how resources are managed and, consequently, this changes the company's dynamics and results. In the rapidly changing luxury industry's business environment, it is necessary for companies to maintain the DNA's heritage. To succeed, it is necessary to innovate and remain linked to the roots of the past through innovation and evolution. Moncler perfectly illustrates how – ranging from the successful vision of the founder to the company's entrenchment in a deep crisis – it is possible to have a second life (with a new re-founder) that appeals to the original values and DNA of the company.

Fabrizio Mosca
University of Turin, Italy

Rosalia Gallo
Universitat Autònoma de Barcelona, Spain