TRACING THE CHARACTERISTICS AND CONSEQUENCES OF LUXURY THROUGH A REVIEW OF LITERATURE

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ABSTRACT

Purpose: The academic interest in ‘luxury’ as a concept may be traced to Veblen’s seminal work “Theory of the Leisure Class”, where he argues that wealthy individuals often consume luxury for purposes signalling status. This premise created numerous research work on answering questions such as – how does one identify a brand as luxury, what characteristics typify a luxury brand, how does a luxury marketer achieve these characteristics, what benefits do consumers seek from luxury, and finally, what are the consequences of luxury consumption for the consumer and to the society. This paper explores answers to these questions through an in-depth review of literature.

Theoretical Framework: The scoping for the review of literature was carried out by applying the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA).

Design Methodology and Approach: Keywords like ‘luxury management’, ‘luxury consumer’, ‘luxury definition’ and ‘luxury brand’ were searched on prominent databases (EBSCO, Emerald, JSTOR, ProQuest and Google Scholar). The relevant papers were reviewed and cross referred to ensure comprehensiveness of the review of literature. The arguments and evidences from over 50 research papers (primarily between 1995-2023) have been stitched to create the conceptual model proposed in the paper. The literature reviewed and were categorized as a) research which discuss and propose the typifying characteristics of luxury, b) research which examined the consequences of luxury consumption to the society and to the consumer and c) research expounding the distinct approach required for managing luxury brands. By connecting the evidences from extant literature, this paper proposes a model that traces the characteristics of luxury (and the antecedent or source of the characteristic) with its corresponding benefits and consequences. Finally, the specificities of luxury management that arise from the characteristics and consequences have been explored and discussed.

Research, Practical and Social Implications: Elaborating on the features of luxury provides scholars and researchers with a basis for deriving operational definitions in future research. Moreover, by mapping the connection between the characteristics of luxury and their associated benefits and consequences, the research offers luxury marketers practical insights for effectively managing and cultivating robust luxury value.

Originality Value: The article consolidates existing literature to create a concise conceptual model, offering novel viewpoints on luxury and luxury marketing.

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RASTREANDO LAS CARACTERÍSTICAS Y CONSECUENCIAS DEL LUJO A TRAVÉS DE UNA REVISIÓN DE LA LITERATURA

RESUMEN

Propósito: El interés académico en el concepto de “lujo” se remonta a la obra fundamental de Veblen, “Teoría de la Clase Lazer”, donde este argumenta que los individuos ricos muchas veces consumen lujo para fines de sinalización de estatuto. Esta premisa creó numerosos trabajos de investigación para responder a preguntas como: ¿cómo identificar una marca como lujo, que características tipifican una marca de lujo, cómo es que un comerciante de lujo atiende estas características, que beneficios os consumidores procuran el lujo y, finalmente, quais son las consecuencias del consumo de lujo para el consumidor y para la sociedad. Este artículo explora respuestas a estas preguntas por medio de una revisión aprofundada de la literatura.

Referencial teórico: La definición del escopo de la revisión de la literatura fue realizada por medio de la aplicación del Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA).

Metodología y Abordagem de Design: Palavras-chave como ‘gestión de lujo’, ‘consumidor de lujo’, ‘definición de lujo’ y ‘marca de lujo’ fueron pesquisadas en bases de dados proeminentes (EBSCO, Emerald, JSTOR, ProQuest y Google Scholar). Los artículos relevantes fueron revisados y cruzados para garantir la abrangência da revisão da literatura. Los argumentos y evidencias de más de 50 artigos de pesquisa (principalmente entre 1995-2023) fueron costurados para criar el modelo conceptual propuesto en el artículo. A literatura revisada foi categorizada en a) pesquisas que discutem e propõem as características tipificadoras do luxo, b) pesquisas que examinaram as consecuencias del consumo de lujo para a sociedad y para o consumidor e c) pesquisas que expõem a abordagem distinta necessária para a gestão de marcas de luxo. Ao conectar as evidências da literatura existente, este artigo propõe um modelo que traça as características del luxo (e o antecedente ou fonte da característica) com seus correspondentes benefícios y consecuencias. Por fim, foram exploradas y discutidas as especificidades da gestão do luxo que decorrem das características y consecuencias.

Pesquisa, implicações práticas e sociais: A elaboração das características del lujo fornece aos estudiosos e pesquisadores uma base para derivar definições operationais em pesquisas futuras. Além disso, ao mapear a ligação entre las características del lujo y los beneficios y consecuencias asociados, a investigación ofrece aos profissionais de marketing de luxo insights práticos para gerir y cultivar eficazmente um valor de luxo robusto.

Valor de originalidade: O artigo consolida a literatura existente para criar un modelo conceptual conciso, oferecendo novos pontos de vista sobre luxo y marketing de luxo.

Palavras-chave: Definición de Luxo, Características de Luxo, Conseqüências del Consumo de Luxo.

RASTREANDO AS CARACTERÍSTICAS E CONSEGUÊNCIAS DO LUJO ATRAVÉS DE UMA REVISÃO DA LITERATURA

RESUMO

Objetivo: O interesse acadêmico no conceito de “luxo” pode ser atribuído ao trabalho seminal de Veblen, “Teoria da Classe Lazer”, onde este argumenta que os indivíduos ricos muitas vezes consomem luxo para fins de sinalização de estatuto. Esta premissa criou numerosos trabalhos de investigação para responder a questões como: como identificar uma marca como luxo, que características tipificam uma marca de luxo, como é que um comerciante de luxo atinge essas características, que benefícios os consumidores procuram no luxo e, finalmente, quais são as consequências do consumo de luxo para o consumidor e para a sociedade. Este artigo explora respostas a essas perguntas por meio de uma revisão aprofundada da literatura.

Referencial teórico: A definição do escopo da revisão da literatura foi realizada por meio da aplicação do Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA).

Metodologia e Abordagem de Design: Palavras-chave como ‘gestão de luxo’, ‘consumidor de luxo’, ‘definição de luxo’ e ‘marca de luxo’ foram pesquisadas em bases de dados proeminentes (EBSCO, Emerald, JSTOR, ProQuest e Google Scholar). Os artigos relevantes foram revisados e cruzados para garantir a abrangência da revisão da literatura. Os argumentos e evidências de mais de 50 artigos de pesquisa (principalmente entre 1995-2023) foram costurados para criar o modelo conceitual proposto no artigo. A literatura revisada foi categorizada em a) pesquisas que discutem e propõem as características tipificadoras do luxo, b) pesquisas que examinaram as consequências do consumo de luxo para a sociedade e para o consumidor e c) pesquisas que expõem a abordagem distinta necessária para a gestão de marcas de luxo. Ao conectar as evidências da literatura existente, este artigo propõe um modelo que traça as características do luxo (e o antecedente ou fonte da característica) com seus correspondentes benefícios e consequências. Por fim, foram exploradas e discutidas as especificidades da gestão do luxo que decorrem das características e consequências.

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1 INTRODUCTION

Luxury marketing has gained prominence in recent years, as the market for luxury witnesses a healthy growth fuelled by the ever-increasing income levels and the growth in the number of High-Net-Worth Individuals (Knight and Frank Wealth Report, 2019). The academic interest in this field may be traced to Veblen’s seminal work “Theory of the Leisure Class” (1899), where he emphatically argues that “wealthy individuals often consume highly conspicuous goods and services in order to advertise their wealth, thereby achieving higher social status”. He named this kind of unnecessary and unproductive expenditures as ‘conspicuous consumption’. The Theory of the Leisure class paved the way to research on consumer behaviour of goods that are consumed to signal status. A search for journal articles with words / phrases ‘conspicuous consumption’, ‘luxury’, ‘status consumption’ in the title and/or key words reveal 30,000+ articles in Academic journals between 1960-2019 (searched on Google Scholar and Ebsco; extraction date 2nd Feb 2020). In this period, the theory of conspicuous consumption was debated, elaborated and extended to identify the consumer value drivers of luxury (Wiedmann, et al, 2007 and 2009; Tuoung, 2010; Hennigs et al, 2010; Kastanakis and Balabanis, 2014; Vigneron and Johnson 2004; Barnier et al, 2012) and researchers established theoretical and empirical evidences of types of luxury value and segments of luxury customers (Dubois et al, 2005; Han et al 2010). Research in understanding of value drivers of luxury exhibits the consequence of luxury consumption from the consumer’s perspective. Studying the consumer perspective of luxury needs to be preceded by an understanding of how luxury is construed – since luxury is an inherently subjective and ambiguous concept.

The term ‘luxury’ extends itself to describing a whole range of products and services (Heine and Phan, 2011) - from super-cars to pedicures, from holiday packages at a private island to an ayurvedic cream in a jar. On one hand, there are marketers launching products and brands with the promise of ‘affordable luxury’ or ‘masstige’ products (Truong et al, 2009; Benady, 2008; Royo-Vela & Voss, 2015) and on the other hand, we have some luxury brands refraining
from calling themselves ‘luxury’ (Han et al., 2010). These confusions are reflected in management literature, where there is a lack of consensus on a precise and overarching definition of luxury (Christodoulides et al. 2009; Barnier et al. 2006; Kapferer 2008; Vigneron & Johnson 2004; Yeoman & McMahon-Beattie 2006; Barnier, Florence & Falcy, 2012). Despite a number of rigorous studies, an all-encompassing definition of luxury remains elusive to researchers and practitioners. Research in the area of defining the concept are primarily engaged in unearthing the typifying characteristics of luxury.

Consumers often use a product’s characteristics as diagnostic information to evaluate the specific benefit (Meyvis & Janiszewski, 2002). This paper is an attempt to review extant literature to trace the theoretical and empirical evidences of the characteristics of luxury, the source of the characteristic, the consumer benefit of the characteristic and finally the consequence of the characteristic to the customer, society and the luxury brand.

Literature on luxury often expounds the distinctiveness of luxury brand management – as compared to non-luxury brands. The characteristics and consequences emerging from the from the model lend support to these specificities of luxury management.

**Theoretical Framework and Research Methodology**

The Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) model was applied to arrive at the papers to be reviewed.

*Identification:* To compile a comprehensive collection of articles on luxury brand marketing, searches were executed across various databases, including EBSCO, Emerald, JSTOR, ProQuest and Google Scholar. Initially, relevant keywords associated with luxury brands such as ‘luxury management’, ‘luxury consumer’, ‘luxury definition’ and ‘luxury brand’ were employed. The original literature search was conducted in the fall of 2016, subsequently, newly published articles from 2016 to 2021 were continually appended to the original list. Citations from major articles and special issues devoted to the topic were used to augment this list leading to the identification of 207 academic articles addressing the domain of luxury brand marketing.

*Screening:* The compilation of articles underwent refinement through a systematic process that involved eliminating duplicates (23 exclusions). Additionally, articles categorized as non-full-text research papers, such as letters to the editor and editorials, were excluded (26 exclusions). Titles suggesting very specific contexts, such as those confined to a particular geography or comprising case studies for a specific brand, were also excluded (52 exclusions).
Eligibility: The abstracts of the refined set of 103 articles were subsequently scrutinized for their relevance to this research inquiry. Through this analysis, 24 articles were identified that did not address the characterization of luxury nor directly focused on the behavioral aspects of luxury consumption. Consequently, these articles were deemed ineligible for inclusion in this review.

Inclusion: 79 articles were included for an in-depth systematic review of literature. The arguments and evidences from over review have been stitched to create the model proposed in the paper (figure 2).

RESULTS AND DISCUSSION

A detailed review of extant literature on luxury highlights some distinct approaches taken by researchers in the subject. One group of researchers have pursued the definition of luxury – from the perspective of the typifying characteristics of luxury products and brands. On a closer examination of the research outlining the defining characteristics of luxury reveals a sub-theme, wherein academic researchers have explored the possible ‘sources’ of these defining characteristics.

P1: There are distinct characteristics that may be identified as ‘typifying’ features of luxury products and brands.

P1.a: Some part of the luxury creation process enables the creation of the typifying characteristics

Another distinct area of research is unearthed upon expanding the scope of the review of literature to consumer psychology and to socio-psychology, where the researchers have explored and expounded upon the ‘consequences’ of luxury consumption – to the consumer and to the society. Deep-diving into research on consequences of luxury, exhibits how some of these consequences are a result of the ‘benefits’ of luxury, wherein, the benefits are in turn dependent of the typifying characteristics of luxury (figure 1).

P2.a: The characteristics of luxury provides ‘benefits’ to the luxury consumer

P2.b: The benefits created through luxury characteristics have consequences for the consumer and the society

A third area of research explores the specificities involved in luxury marketing and explores the impact of the distinct characteristics and consequences of luxury on marketing strategies and brand management (figure 1).
The distinct characteristics and consequences of luxury have significant practical implications – rendering luxury marketing and brand management different from that of non-luxury.

The primary constructs thus emerging a review of literature are a) characteristics, b) benefits, c) consequences and d) specificities of luxury management. It is pertinent to note that these constructs are fluid as multiple researches reviewed traverse across these constructs.

The remaining sections of this article delve deeply into and enumerate each facet of the proposed conceptual framework, offering insights into its implications for luxury brand marketers.

**Luxury – Characteristics based approach**

The characteristics-based approach helps distinguish luxury from non-luxury and aims to identify constitutive characteristics of luxury products based on expert opinion and literature analyses as well as a consumer centric approach developed through empirical studies. The patrons of the expert opinion approach include Fionda & Moore (2009), Kapferer (1997), Kotler, 2009 and Nueono & Quelch (1998). The contributions of Keller (2009) and Dubois et al (2001) are significant as they consolidate the characteristics of luxury across various product categories and brands.

The characteristics of luxury and the source of the characteristics as gleaned from literature may broadly be described as: (1) Brand Image (*source*: born from the history and heritage of the brand); (2) High Quality and Craftsmanship (*source*: As luxury is created in a
workshop and is handcrafted rather than mass-produced); (3) High Price (source: The high cost producing high quality and the restricted supply due to the method of production) and (4) Exclusivity and Uniqueness (source of the characteristic is the high price combined with the limited supply and controlled distribution).

**Brand Image.** Within the luxury proposition, the concept of the brand – specifically the brand name and identity – is considered fundamental (Okonkowo, 2009; Kapferer, 2009; Jackson, 2004; Dubois and Laurent, 1994; Fionda and Moore, 2009; Phau and Prendergast, 2000). The brand’s image makes it unique and incomparable to other brands, thus rendering competition ‘irrelevant’ (Kapferer and Bastien, 2009). The image of a luxury brand is so distinct, that luxury brands ‘operate in their own monopolies’ (Heine, 2012).

**High Quality and Craftsmanship.** In conjunction with the concept of the brand, various other attributes are considered crucial for creating a luxury brand, including a) product and design attributes (Okonkowo, 2016; Jackson, 2004; Moore and Birtwistle, 2005; Beverland, 2004; Nueno and Quelch, 1998; Chadha and Husband, 2006; Dubois and Luarent, 1994); b) craftsmanship (Okonkowo, 2009; Jackson, 2004; Dubois, Laurent and Czellar, 2001) and c) innovative, creative and unique products (Kent et al., 2002; Moore and Birtwistle, 2005; Bashutkina, 2016). Iconic and coveted products are central to a luxury brand’s product offering which are typified by authenticity, quality and exclusive characteristics that are aspirational (Catry, 2003; Bruce and Kratz, 2007; Kapferer, 2008; Dias and Ryab; 2002). The product experience of luxury needs to percolate to the environment in which it is made available, where luxury stores need to be ‘shopping cathedrals’ that use architecture to convey a sense of splendour (Jackson, 2001; Manlow and Nobbs, 2013; Erickson and Johansson, 1985).

The method of production is an important characteristic of luxury, as it the key to ensuring the high quality of the product.

Kapferer’s pyramid branding model (2008), distinguishes between four types of brands: the brands, upper-range brands, luxury brands and the griffe, where the method employed for production and the quality of the products are the major distinguishing characteristics. In this model, the lowest rung in the pyramid is identified as goods of mass manufacture – ensuring low purchase price and wide availability. The upper-range brands generate an impression of intangible added values for expensive and prime quality goods. Kapferer argues that these products tend to look increasingly like the rest of the market and equates premium brands with mass-prestige. In contrast, the luxury brands are characterized by their high quality, wherein the superior quality is accomplished through the mode of production, as goods are produced in
small quantities and (at least in some part) manufactured by hand. The top of the pyramid, occupied by the griffe, are unique luxurious specimens, engraved by the creator and characterized by their ‘materialized perfection’. A significant part of the luxury brands’ and the griffes’ value is born because of the aura around the creator, lending it a sense of ancestral heritage and personal history (Fuchs et al, 2013; Dubois, Laurent and Czellar, 2001; Kapferer and Bastien, 2009).

**High Price.** The brand image, high quality of the product and the high expense involved in manufacturing luxury leads to a high price. Luxury pricing is characterized by low functionality to price and high intangible utility to price ratios (Nueno and Quelch, 1998; Royo-Vela and Voss, 2015; Jain, Roy and Ranchhod, 2015). As high prices are not fully explained by functional qualities, this means that luxury brands create value far beyond the satisfaction derived from superior product or service performance or quality (Kapferer & Florence, 2016). Luxury price is that of the “singularities” (Swedberg, 2011) built by the intangibles (such as heritage, tradition, history, country of origin, association to famous clients, to an imaginary lifestyle). It is also the price a consumer pays to symbolically belong to the same ‘exclusive club’ as those who made the brand, thus, gaining social recognition and distinction (Veblen, 1899). Finally, beyond wealth and status signaling (Belk, 1988), a high enough price makes followers, unable to afford the luxury brand (Amaldoss and Jain, 2005).

Though the prevailing associations of luxury brands is often the price (Kirmani and Zeithaml, 1993; Park, Jaworski and Maclnnis, 1986), however the ‘expensive’ attribute of a luxury good is not always a determining and prevailing characteristic to make a brand to become a ‘real luxury’ brand (Royo-Vela and Voss, 2015; Nueno and Quelch, 1998; Heyes and Lashley, 2017).

**Exclusivity and Uniqueness.** The premium pricing of luxury is both a characteristic and a tool to create scarcity, which in turn is identified as an essential characteristic of luxury (Han, Nunes and Dreze, 2010; Kapferer and Bastien, 2009; Belezza and Keinan, 2014; Nueno and Quelch, 1998; Dubois and Paternault, 1995; Hennigs et al, 2012). ‘Very exclusive’, ‘precious’, ‘rare’ and ‘unique’ were developed as items within the construct of ‘Uniqueness’ by Vigernon and Johnson (1999).

Dubois, Laurent, and Czellar (2001) used an ‘inclusion’ model (characteristics which must be present to qualify as luxury) for defining luxury. They identified excellent quality, very high price, scarcity and uniqueness, aesthetics and poly-sensuality, ancestral heritage and personal history and finally ‘superfluousness’ as essential characteristics of luxury. Luxury is
not only denial of mass mercantilism, but also the refusal of certain norms within the meaning of a convention accepted by the greatest number - a positioning reflecting the distinctive character of luxury as highlighted by sociologists where luxury is rare, elitist, expensive, beautiful, original, surprising, superfluous, refined, creative, inaccessible, representative of authority, and so on (Chevalier and Mazallo, 2008).

The above discussions may be summarized by stating that the characteristics of luxury include: a) Brand image (often born out the creator’s aura, ancestral heritage and personal history); b) High quality products catering to the aesthetic sensibilities of the discerning few and created in a studio or a workshop rather than being mass produced; c) A very high price, with a high ratio of the price to the product’s functional benefits and d) exclusivity and uniqueness developed by managing demand (achieved by maintaining a high price) and supply (scarcity created by the production methods). (Refer table 1)

While characteristics-based approach would help us recognize luxury, it is the consequences of these characteristics that gives interesting insights into consumption patterns and helps one understand consumer behaviour in luxury.

**Luxury – Benefits and Consequences based approach**

As a general rule, purchase of luxury products is an example of extreme-end high-involvement decision making as they are infrequently purchased, require a higher level of interest and knowledge and strongly relate to the person’s self-concept (Vigneron and Johnson, 1999). A human being considers possessions as a part of their extended-self (Belk, 1988) and we are attracted to products that are consistent with, and that enable the enactment of the various social identities which make up our sense of self (Kleine, Kleine and Kernan, 1993). From this viewpoint, modern goods are recognized as essentially psychological things which are symbolic of personal attributes and goals and of social patterns and strivings (Levy, 1959). Considering the high involvement in purchase of luxury products, the motivations of purchase are driven by the product’s congruity with not only one’s ideal self-image but also the ideal social image (Sirgy, 1982; Liu et al, 2012).

Consumers often use a product’s characteristics as diagnostic information to evaluate the specific benefits gleaned from the product (Meyvis & Janiszewski, 2002). The characteristics associated with luxury - brand image, high quality, high price and exclusivity - offer benefits that in turn create customer value (Lai, 1995; Young and Feigan, 1975; Olson
and Reynolds, 1983; Zeithaml, 1988). The benefits of the characteristics and its consequences have been discussed below.

**Hedonistic pleasure and Ideal Self-Image.** The high quality and craftsmanship of luxury creates a very strong personal and hedonistic component which is multi-sensory and experiential in nature (Yohanes and Tannady, 2022; Kapferer and Bastien, 2009; Sheth, Newman and Gross, 1991; Westbrook and Oliver, 1991). Consumption for the sensory gratification and pleasure, fantasy and fun (Sheth, Newman and Gross, 1991; Hirschman and Holbrook, 1982; Dhar and Wertenbroch 2000) is the consequence of the craftsmanship which characterizes luxury (Bloch, 1995) leading to enhancement of the self-image (Belk, 1988; Sirgy, 1982). This point is also echoed by Berry (1994) who argues that a consequence of luxury is that it pleases people rather than simply alleviate a state of discomfort such as in the case of necessities. Most consumers thus describe consumption of luxury as a highly hedonic experience which can engage all the senses (Dubois, Laurent, and Czellar 2001).

**Signaling, Ideal Social-Image and Social Stratification.** While high quality leads to gratification of self-directed values, the method of production, high price and exclusivity are seen to have consequences that create social contexts where luxury is seen as a badge (Kapferer and Bastien, 2009).

Baudrillard (1981) distinguishes between four possible meanings or statuses (logic) for the utility of goods: i) A functional logic of use value, ii) An economic logic of exchange value, iii) A logic of symbolic exchange, like in the case of a gift which ceases to have only the classical economic logic of functional use and exchange value, it has a ‘symbolic’ social value as it represents the value of a relationship and iv) A logic of sign value. The essence of the sign-value of a consumer object lies in the fact that the object is detached from its denoted, literal logic – either economic or symbolic. Luxury products may be viewed as goods which have a ‘sign value’ (Mortelmans, 2005) and offer distinction in society. This distinction communicates a certain set of codes of interaction between those who consume luxury and those who cannot. For this communication to be effective, both, the sender (the consumer of luxury) and the receiver (social groups who cannot consume luxury) need to have the same understanding of the sign-values attached to luxury (Mortelmans, 2005).

Some of the qualifications of luxury are embedded in the production of the object or service; in the quality of materials and in the technical know-how as well as the bold and creative talent exhibited (Chevalier & Mazzalovo, 2008). These qualifications indicate that luxury, cannot be mass produced (Kapferer, 2008; Keller, 2009) and is therefore unique and
scarce. Since material possessions are often an extension of the self (Belk, 1989), one potential source of self-uniqueness is the possession of scarce commodities (Lynn, 1991). Brock (1968) suggests that people may desire scarce commodities more than comparable available commodities because the possession of scarce commodities conveys feelings of personal distinctiveness or uniqueness and enhances the brand’s perceived value (Park, Jaworski and Maclnnis, 1986). Verhallen and Robben (1994) state that scarcity of a product has an even greater effect on demand if people also perceive the product as unique, popular and expensive.

To be perceived as a brand that fulfils the symbolic function of enhancement of self and social image (by delivering uniqueness and exclusivity), a luxury marketer’s efforts need to be directed towards protecting the target segment by making consumption more difficult for the non-target segment through *market shielding*. Market Shielding (Park, Jaworski and Maclnnis, 1986) is described as a strategy which maintains the exclusivity of the brand by continuously marketing to both targeted and non-targeted segments on the demand side while de-marketing from the non-targeted segments on the supply side. The intention is to create an image for the brand that is simultaneously desirable and unattainable for the non-targeted segment. Luxury is a source for creating social stratification only when it is understood and desired by the non-targeted segments (Mortelmans, 2005; Kapferer and Bastien, 2009; Kapferer, 1998; Park, Jaworski and Maclnnis, 1986; Vigneron and Johnson, 1999; Dubois, Laurent and Czellar, 2001). A luxury product’s or brand’s potential to signal status through its consumption depends in large part on the observer’s ability to decipher the signal correctly (Han, Nunes and Dreze, 2010). It is the desirability combined with unattainability of luxury that creates a reluctance amongst the non-targeted at being excluded, which in turn creates a feeling of exclusivity for the targeted segments.

Desirability for luxury brands among the non-targeted segments is evoked by the high quality of the products, the magic and allure of luxury, the symbolic value attached to the products, and the status that luxury bestows on its consumers (Vigneron and Johnson, 2004; Kapferer and Bastien, 2009). The market shielding is achieved through curtailing supply to create scarcity on the supply side and increasing price to manage the demand side. Marketers understand that a common way to add “snob appeal” to an otherwise pedestrian product is to attach a high price (Eastman, Goldsmith, and Flynn 1999; O’Cass and Frost 2002). Consumers will pay a higher price for a functionally equivalent good because they crave the status brought about by such material displays of wealth (Bagwell and Bernheim, 1996). In some ways, higher
prices themselves make consumers feel superior as one of the few who can afford to buy the product (Garfein, 1989).

The prominence and meaning of a luxury brand being identified by targeted and non-targeted segments creates the eco-system for the brand to signal status (Devanathan, 2023; Han, Nunes and Dreze, 2010). The consumer’s brand choice can send meaningful social signals to other consumers about the type of person using that brand (Wernerfelt 1990). The symbolic meaning that consumers derive from a particular brand is often based on associations between the brand and its users or the ‘type’ of consumer who buys that brand (Muniz and O’Guinn 2001). Consumers are influenced by their own group (Devanathan, 2020; Bearden and Etzel 1982; Whittler and Spira 2002), those they aspire to be like (Escalas and Bettman 2003, 2005), and those with whom they want to avoid being associated with (White and Dahl 2006, 2007). In other words, who uses a brand is integral to the brand image and helps explain why consumers are attracted to certain brands and shy away from others (Sirgy 1982). The consumption of luxury brands is thus a significant tool for creating social stratification in modern day society, where the brands are used for signaling and thus create associations with aspirational groups and disassociations with other groups (Kapferer and Bastien, 2009; Han, Nunes and Dreze, 2010).

A review of extant literature reveals hedonistic value, enhancement of self and social image, accordance of status and creation of social stratification as the significant consequences of luxury consumption (table 1). From the distinctive characteristics and consequences of luxury, we may infer that the imperatives that reign in the marketing and management of luxury brands would be distinct from the paradigms governing non-luxury brands.

**Implications on Luxury Brand Strategy**

Given the uniqueness of luxury with respect to the characteristics and consequences, we can infer that creating and managing luxury brands is distinctly different from managing non-luxury. Bastien and Kapferer (2013) have coined the term *anti-laws of luxury marketing* to highlight the counterintuitive managerial principles governing luxury brand management which made these brands command their incredible pricing power and margins (Tabatoni & Kapferer, 2010). (Refer Figure 2)

The specificities governing the management of luxury (Kapferer and Bastien, 2009) may be broadly looked at in terms of a) the pursuit for brand image rather than positioning; b) customer relationship management is distinctly different for luxury brands, where the luxury
remarketer needs to be indulging yet aloof; c) contrary to traditional economic theory, an increase in price increases the demand for luxury brand and finally d) the advertising objectives of luxury is not increase in sales, but to create a dream.

**Brand positioning versus Brand Image.** While traditional brands identify unoccupied positions in the market (Trout and Ries, 1986; Brooksbank, 1994, Graham, 2008), luxury creates scarcity not through comparison with competition but through uniqueness (Wiedmann, Hennigs & Siebels, 2009). The luxury brand’s identity is born out of itself, and not from surveys to indicate business opportunities (Kapferer, 2009). The intention is to render the concept of competition irrelevant, as the creators of luxury conjure brand identities which become quasi ‘monopolies’ (Heine, 2012). The characteristics of luxury require each brand to set its own luxury, which is the way to be competitive as a luxury brand (Chevalier and Mazallo, 2012).

**Customer management.** In traditional marketing, (where customer is central to the marketing efforts) businesses are built by listening to customers and then transforming these wishes to tangible product offerings (Kotler, 2009). This is in contrast to luxury marketing, where the marketer risks losing the aura and mystery around the brand by giving-in to all customer needs (Fuchs, Prandelli & Dahl, 2013; Kapferer and Bastien, 2009; Liu, Mizerski, & Soh, 2012). While exclusive services and pampering are an essential part of luxury marketing (Dubois and Laurent, 1994; Dion and Borraz, 2017), a luxury marketer needs to preserve a certain distance from their clients which is not supercilious or aloof, nor subservient or casual (Kapferer and Bastien, 2009; Dion and Borraz, 2017).

**Pricing and Demand.** In the standard market model, when the price falls, demand rises. For a luxury brand, lower prices, and therefore higher sales, would lead to erosion of value derived from ‘exclusivity’ and ultimately lower demand. Pricing of luxury brands requires specific procedures to enhance and preserve the image of finest quality, prestige, rarity, and hedonic value (Han, Nunes & Drèze, 2010; Yeoman & McMahon-Beattie, 2006; Hornig, Fischer & Schollmeyer, 2013), for which luxury marketers need to address all integral parts of the pricing process framework: strategic direction, analysis, decision, and implementation (Fassnacht, Kluge & Mohr, 2013). Pricing for luxury brands is not pegged to competition and in some ways, pricing creates the value for a luxury brand by making it scarce and unattainable for the non-targets.

**Advertising Objectives.** For non-luxury consumer brands, the primary role of advertising is to increase sales (Lavidge, & Steiner, 1961; Lucas & Britt, 1963). This concept is almost alien to luxury brands, where the purpose of advertising is to create a dream and stoke
aspirations (Hennigs, Wiedmann & Klarmann, 2012; Kapferer, 2012; Fionda and Moore, 2009). Contrary to traditional advertising’s objective, an increase in sales would only erode the dream. Another measure for advertising effectiveness for traditional brands is the reach of the message to the targeted segments without wastage, where every person reached beyond the target is a waste of advertising money (Taylor, Franke and Bang, 2006). For luxury to retain its sign value, it is essential for marketers to create brand and worth awareness far beyond the target segment, thus requiring alterations to the fundamental measures of advertising effectiveness (Kapferer and Bastien, 2009).
Figure 2: Luxury Characteristics and Consequences – Implications on luxury brand strategy

Source: Author’s own
REFERENCES


Devanathan, S. (2023) Tracing the Characteristics and Consequences of Luxury Through a Review of Literature


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