Luxury is not only a collection of goods or services with certain characteristics. It is also an important part of the economy. It is neither an economic sector, nor a single industry, but a group of companies involved in the design, production, distribution and sale of goods and services aimed at affluent customers.\footnote{Further on in the text and for the sake of stylistic simplification, the term ‘luxury market’ will be used interchangeably: whether it is a question of demand, supply or the business of luxury.} Due to the specific business models, including the way of competing, the importance of tradition and the control of supply chains in this area, the activities of enterprises offering luxury goods and services make this group quite homogeneous in several important features which distinguishes this business from non-luxury ones.

Luxury goods or services can be found in any industry such as “luxury” pet food, coffee served with gold flakes, or home grills with a wide range of functions and a very high price\footnote{Such coffee is served in Burj Al Dubai, grills and food are described by Silverstein and Fiske (2003b) as examples of new luxury.} but only those industries that have been producing luxury goods for centuries and are the backbone of luxury in the world economy are described here.
The analysis of luxury supply presented in this chapter concerns the structure and dynamics of production and sales and includes a description of the goods and services considered to be the core of this business. Business models, their connection with the capital-ownership system and the evolution of competitive strategies were also discussed. The starting point for this analysis is a unique (as contradicting the rules of marketing) DNA of luxury business model (see Kapferer and Bastien 2009). The analysis reveals the extent to which modern business strategies adhere to these principles. Based on the analysis of the latest global consumer trends the summary attempts to determine the future directions of development of enterprises creating the supply of luxury.

3.1 Global Luxury Market—Sales Structure and Dynamics

The growth rate of the luxury market has been impressive over the last 30 years. It started in 1994 and Bain & Company calls this period “sortie du temple”. At that time luxury goods sales began to increase dynamically, spreading geographically and socially, thanks to the widespread application of extension strategy into less affluent consumer segments while maintaining a luxurious brand image. However, the beginning of this vast dynamic can be traced back to the 1970s when Cartier created the “Les Must” jewellery series aimed at less wealthy audiences who could not afford to buy the then cult Panthère necklaces and watches (Economist 2014). In this phase of dynamic growth global sales of luxury products almost doubled from EUR 74 billion to EUR 133 billion in 2001 and slowed down when the World Trade Center towers were attacked (Bain & Company 2018). The next stage called the phase of democratization of luxury began with a temporary stagnation caused by a drop in the exchange rate of the dollar where the U.S. at that time was the world’s largest luxury buyer. The luxury market continued to develop.

---

3The term democratisation seems somewhat misleading here. It was the “exit from the temple” of luxury for the few that initiated the growing wave of democratisation that continues to this day.
dynamically to reveal speculative stock exchange bubbles, to record small (lower than average in other industries) decreases in sales in 2016–2017, and then rapidly moving upwards due to the “Chinese luxury bulimia” (Bain & Company 2016, p. 6). 2018 was a return to normality understood as an average 4–5% annual growth of the sector, which, however was unattainable for many industries.

In 2019 sales of luxury goods and services reached approximately 1.3 trillion EUR in 2019 and its rate of growth compared to the previous year was estimated at 4% at constant exchange rates. The main forces that have driven this dynamic growth are the demand for luxury from Chinese citizens and the global Millennial group along with the dynamically growing importance of online sales channels. Even Pandemic Covid 19 in 2019/2020 does not seem to change this growing role of the Chinese and other fast growing luxury markets in the development of this sector and will possibly even strengthen this dependence. China was the starting point of the pandemic, but was also the first to deal with its subjugation. Unfortunately at the time of writing this book the world has been experiencing a global panic and both social and economic lockdown caused by the spread of the coronavirus. The first consequences of stopping the Chinese economy to allow drastic measures to be taken in the fight against the coronavirus have a very broad spectrum of impacts, both negative and positive, including in the luxury sector. One of the few positive consequences was a reduction in the level of air pollution in China caused by the stoppage or a drastic reduction of production due to quarantine. Another quite positive effect of coping with communication difficulties was the massive launch of e-learning at Chinese universities and schools. This has forced many universities to adapt quite rapidly to the new way of learning and the effects of such a change can be both permanent and global. However the range of positive changes is much smaller than the negative outcomes. While we can introduce e-learning during the quarantine to continue the education process this is still impossible to introduce for example e-sewing (especially when hand made work is a value creating factor) or e-welding to mitigate the effects of production stops. The slowdown in the Chinese economy will most probably translate into higher production and commodity prices worldwide. Although the effects of Coronavirus should not be equated with
the ones of the global crisis one can expect a longer term stagnation in the dynamics of sales of luxury goods and services on a global scale.

Europe has been hit even stronger and longer than China by COVID 19 pandemic, is now (June, 2020) slowly waking up economically after a few months lockdown, while both Americas are still suffering not only from a rapidly spreading virus but also from social unrest.

The COVID 19 pandemic caused a drop in turnover in the luxury sector of 30–35% on average compared to the previous year. Bain & Co. (2020) predicts that it will take the industry at least two to three years to recover to the sales level before the epidemic although two scenarios of this recovery are assumed, depending on the region. As regards the Asian market a rapid rebound is forecast and the expected rate of recovery will be faster than in the rest of the world for two reasons. First, the Chinese are a major and growing group of luxury consumers on a global scale responsible for the 90% growth in luxury sales in 2019 (see e.g. Bain & Co. 2019). The second scenario refers to the so-called western world: mainly North America and Europe. These regions are experiencing a deep recession and a slower return to stability. These regions have been experiencing a stabilization of interest in luxury for years and sales growth has only been in the region of 1–3%, with more sales growth in hospitality and well-being services. However it should be stressed that these areas of luxury are growing everywhere at a higher rate than the so-called private core luxury. Moreover according to Unity Marketing (2020), these will become the industry of broadly defined hospitality services that will be the one to which most global luxury brands will turn and expand significantly after the end of the COVID 19 Pandemic.

3.1.1 Structure and Dynamics of Sales of Luxury Goods by Geographical Markets

According to Euromonitor (2019) estimates, most luxury goods are now sold in the Asia-Pacific region with Chinese consumers dominating. The share of Chinese purchases currently accounts for more than 30% of world sales of luxury goods. The second place is occupied by the USA followed by the so-called old Europe, which is also the cradle of luxury
goods manufacturers. Japan is an important region for the sale and production of luxury goods; a country of wealthy people fascinated for decades by so-called “high” luxury (see Table 3.1).

However the size of the markets in terms of the value of sales of luxury goods in particular years does not fully reflect the dynamics of consumption. The Chinese are now the largest and consumer group of luxury but in terms of growth in demand they are outstripping India and Poland (see Table 3.2).

The dynamic growth of sales in China, BRIC countries and Central and Eastern Europe can be attributed to the emergence and development of the middle class for which to a large extent the measure of social success is the consumption of luxury.

In terms of per capita spending China ranks first in luxury shopping thanks to ever younger generations of consumers (KPMG 2018; Delloite 2019; Bain 2020). The Chinese are also the main buyers in Hong Kong, Macao and Singapore and represent an important consumer segment in the UK. The latter records such high sales dynamics thanks to the purchases of tourists from Asia and other European countries and the increase in sales of luxury goods from the weak pound sterling against other currencies. Compared to China, prices of luxury goods are on average 22% lower, even compared to Italy (21.6%) and France (21.4%, Delloite 2019). At the same time British purchases of luxury goods stagnated, as well as luxury goods sales in the USA.

The countries with the highest growth rates in luxury goods’ sales include India and Poland (see Table 3.2). It is worth noting how the dynamics of the sales growth in a given country affects its importance for the global luxury supply market. In both cases there is less than a 1% share of global luxury sales from these countries. In Poland with a population of 38 million with a balanced but relatively low GDP growth rate even a high luxury sales growth rate will not result in a sudden increase in the importance of this market on the global arena. In the case of India, the world’s second largest country in terms of population, almost every positive change in the internal economic situation can result in global changes in luxury consumption. On the other hand still retaining the caste system of Indian society and the existence of a large group of people (including the so-called untouchables) living on
| Country          | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| China            | 133,653 | 164,171 | 180,992 | 183,386 | 193,897 | 196,808 | 220,133 | 247,560 | 274,759 | 304,296 | 335,081 |
| USA              | 129,926 | 140,448 | 154,242 | 167,958 | 179,044 | 187,373 | 185,713 | 178,931 | 177,456 | 176,142 | 175,249 |
| United Kingdom   | 36,929  | 38,454  | 41,216  | 44,356  | 47,817  | 52,589  | 57,369  | 61,155  | 66,535  | 72,746  | 79,741  |
| Germans          | 50,518  | 53,673  | 54,617  | 53,466  | 54,630  | 57,576  | 61,348  | 63,025  | 64,806  | 66,213  | 67,347  |
| Japan            | 31,354  | 32,218  | 33,382  | 37,524  | 40,094  | 42,707  | 43,357  | 43,561  | 44,639  | 45,392  | 46,297  |
| France           | 31,620  | 32,583  | 33,519  | 33,384  | 34,141  | 36,136  | 36,971  | 38,137  | 39,271  | 40,460  | 41,536  |
| Italy            | 30,218  | 29,967  | 28,101  | 28,009  | 28,458  | 30,732  | 32,630  | 34,090  | 35,511  | 36,971  | 38,309  |
| Spain            | 17,559  | 16,463  | 15,705  | 15,818  | 17,590  | 19,915  | 22,568  | 24,889  | 27,511  | 30,400  | 33,629  |
| South Korea      | 11,152  | 12,765  | 14,523  | 16,385  | 19,247  | 22,231  | 23,032  | 23,685  | 24,631  | 25,521  | 26,345  |
| Russia           | 14,939  | 18,032  | 22,202  | 24,328  | 24,589  | 20,826  | 19,874  | 19,927  | 20,554  | 21,856  | 22,956  |
| Canada           | 10,966  | 11,349  | 12,076  | 12,924  | 13,771  | 15,153  | 16,273  | 16,780  | 17,207  | 17,538  | 17,831  |
| Australia        | 8585    | 8679    | 9179    | 11,154  | 12,205  | 13,619  | 14,828  | 14,962  | 15,296  | 15,631  | 15,970  |
| Switzerland      | 10,092  | 10,831  | 11,847  | 12,143  | 12,510  | 13,699  | 13,491  | 13,339  | 13,309  | 13,345  | 13,387  |
| Taiwan           | 6436    | 7532    | 8136    | 8951    | 9865    | 10,587  | 11,223  | 11,568  | 12,072  | 12,576  | 13,087  |
| Hong Kong        | 10,337  | 12,656  | 13,341  | 14,141  | 13,456  | 12,979  | 11,861  | 11,678  | 11,822  | 12,031  | 12,302  |
| United Arab      | 8559    | 9826    | 10,793  | 11,714  | 12,111  | 12,270  | 11,953  | 11,639  | 11,570  | 11,724  | 12,241  |
| Emirates         |         |         |         |         |         |         |         |         |         |         |         |
| India            | 3382    | 4201    | 4699    | 4930    | 5430    | 5634    | 6644    | 7559    | 8552    | 9603    | 10,760 |
| Turkey           | 7037    | 7767    | 8060    | 9763    | 11,206  | 13,196  | 13,167  | 10,509  | 9527    | 9798    | 10,253 |
| Holland          | 7394    | 7738    | 8059    | 7727    | 7631    | 8621    | 8398    | 8629    | 8768    | 8929    | 9060   |
| Mexico           | 3857    | 4303    | 4757    | 5069    | 5372    | 5937    | 6702    | 7066    | 7522    | 7958    | 8395   |
| Singapore        | 6442    | 6760    | 7066    | 6934    | 6835    | 7513    | 7673    | 7622    | 7750    | 7945    | 8150   |
| Poland           | 2456    | 2349    | 2543    | 2755    | 3218    | 3731    | 4594    | 5485    | 6328    | 7056    | 7800   |

*Source* Euromonitor (2019)

*Note* Italics are estimates, while others are factual numbers
### Table 3.2  Annual growth rate of luxury sales in individual markets 2010–2020 (%)

| Country             | 2010–11 2011–12 | 2012–13 2013–14 | 2014–15 2015–16 | 2016–17 2017–18 | 2018–19 2019–20 | 2019–2020 |
|---------------------|----------------|----------------|----------------|----------------|----------------|-----------|
| India               | 24 12          | 05 10          | 17 04          | 14 13          | 12 12          | 12        |
| Poland              | −04 08         | 08 17          | 16 23          | 19 15          | 12 11          | 11        |
| Spain               | −06 −05        | 01 11          | 13 13          | 10 11          | 11 11          | 11        |
| China               | 23 10          | 01 06          | 02 12          | 13 11          | 11 11          | 10        |
| United Kingdom      | 04 07          | 08 08          | 10 09          | 07 09          | 09 10          | 10        |
| Romania             | 08 05          | −03 06         | 12 17          | 06 07          | 08 09          | 09        |
| Argentina           | 02 00          | 18 −26         | 10 00          | 18 08          | 08 08          | 08        |
| Indonesia           | 13 07          | 07 03          | 06 04          | 06 08          | 08 08          | 07        |
| Mexico              | 12 11          | 07 06          | 11 13          | 05 07          | 06 06          | 06        |
| Russia              | 21 23          | 10 01          | −15 −05        | 00 03          | 06 06          | 05        |
| Ukraine             | 07 33          | 05 −26         | −25 37          | 08 04          | 05 05          | 05        |
| Malaysia            | 19 14          | 10 07          | 16 04          | 02 05          | 06 06          | 05        |
| Turkey              | 10 04          | 21 15          | 18 00          | −20 −09        | 03 05          | 05        |
| Taiwan              | 17 08          | 10 07          | 06 03          | 04 04          | 04 04          | 04        |
| Thailand            | 13 21          | 21 05          | 09 −02         | 05 04          | 06 04          | 04        |
| United              | 15 10          | 09 03          | 01 −03         | −03 −01        | 01 01          | 04        |
| Arab Emirates       |               |                |                |                |                |           |
| Italy               | −01 −06        | 00 02          | 08 06          | 05 04          | 04 04          | 04        |
| Philippines         | 07 08          | 11 04          | 18 07          | 03 04          | 04 04          | 03        |
| Singapore           | 05 05          | −02 −01        | 10 02          | −01 02          | 03 03          | 03        |
| South Korea         | 15 14          | 13 18          | 16 04          | 03 04          | 04 04          | 03        |
| France              | 03 03          | 00 02          | 06 02          | 03 03          | 03 03          | 03        |

(continued)
Table 3.2 (continued)

| Country   | 2010–2011 | 2011–2012 | 2012–2013 | 2013–2014 | 2014–2015 | 2015–2016 | 2016–2017 | 2017–2018 | 2018–2019 | 2019–2020 |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Hong Kong | 22        | 05        | 06        | −05       | −04       | −09       | −02       | 01        | 02        | 02        |
| Japan     | 03        | 04        | 12        | 07        | 07        | 02        | 01        | 03        | 02        | 02        |
| Australia | 01        | 06        | 22        | 09        | 12        | 09        | 01        | 02        | 02        | 02        |
| Brazil    | 20        | −09       | 21        | 09        | 10        | −22       | −12       | 03        | 05        | 02        |
| Canada    | 04        | 06        | 07        | 10        | 07        | 03        | 03        | 02        | 02        | 02        |
| Germans   | 06        | 02        | −02       | 02        | 05        | 07        | 03        | 03        | 02        | 02        |
| Holland   | 05        | 04        | −04       | −01       | 13        | −03       | 03        | 02        | 02        | 02        |
| Sweden    | 09        | −02       | −01       | 12        | 13        | 11        | 01        | 02        | 01        | 01        |
| Switzerland | 07      | 09        | 03        | 03        | 10        | −02       | −01       | 00        | 00        | 00        |
| USA       | 08        | 10        | 09        | 07        | 05        | −01       | −04       | −01       | −01       | −01       |

Source: Euromonitor (2019)
Note: Italics are estimates, while others are factual numbers
the edge of or below the poverty line\textsuperscript{4} should be taken into account as factors that would not boost the luxury demand to such an extent as in China. However observing the dynamic growth of this economy and the continuous decline in poverty in a few years’ time Indians may replicate the trend of Chinese consumers from more than a decade ago and be the second country in the world to experience luxury.

### 3.1.2 Luxury Goods and Services Categories and Their Share of the Global Market

The supply of luxury goods is represented by companies manufacturing and selling:

- vehicles: yachts, cars, motorcycles and private planes,
- clothing and clothing accessories (e.g. handbags, belts, scarves, sunglasses, etc.),
- shoes,
- jewellery,
- watches,
- spirits and wines,
- perfumes and cosmetics,
- works of art.

Luxury services include primarily tourist services, including hotel, spa and wellness, restaurant and catering services. They are provided by five-star hotels, wellness centres of sufficiently high renown and restaurants (e.g. in the Michelin ranking).

The luxury industry in Bain & Company’s analysis consists of nine segments the main part of which is the so-called luxury core accounting for more than 80% of world sales (Bain & Co. 2019). The core consists of luxury cars, so-called private luxury goods (clothing, footwear,\textsuperscript{4}

\textsuperscript{4}In 2011—the latest World Bank data for India (as of 01.09.2018)—22\% of the Indian population lived below the poverty line, i.e. had an amount equal to or less than $1.9 per day to cover their daily living needs. For the record it should be added that this indicator is falling year on year. By comparison in 2009 it was 30\%. See [https://knoema.com/atlas/India/Poverty-rate](https://knoema.com/atlas/India/Poverty-rate).
cosmetics, watches and jewellery) and the segment comprising tourist services together with spa and wellness (*hospitality*). The largest group within the luxury core are cars. This market segment is growing dynamically at a rate of about 6% annually and the demand for cars have increased mainly in developing countries. The highest growth were noted in India, China, and in Russia. The consequence of significant changes in the demand for cars in various regions of the world is the growing geographical expansion of automotive concerns through foreign direct investments. The biggest increases are in premium and luxury car sales: with Mercedes as number one, followed by BMW and Audi.

The luxury fashion market has for years recorded a stabilization of sale, with the most dynamic development of the accessories segment (bags, accessories, etc.), while the clothing market is relatively the slowest growing segment (Bain & Co. 2019; Delloite 2019).

The supply of luxury fashion goods is represented mainly by global conglomerates and fashion houses. Brands such as LV, Dior, Chanel, Hermés, Prada and Gucci have the biggest market shares. It is worth noting that the fashion market is not as consolidated as the car market and about 30% of sales in the luxury segment of the industry is covered by regional and local brands (Euromonitor 2019).

The luxury jewellery market is characterised by a high degree of fragmentation—the vast majority is dominated by non-branded goods. In 2009 the so-called brand jewellery constituted 19% of the total market compared to 60% for watches. The fifteen largest global brands accounted for 40% of the branded market while 60% accounted for about 1000 other companies in the industry. According to Macquarie Research (2016), Tiffany, Cartier (Richemont), Pandora Jewellery and Swarovski together have about 25–30% of the world’s “branded” market. According to McKinsey forecasts by now (2020) about one third of the market is owned by branded sellers.

However last years the most dynamic growth is observed in the sale of luxury travel on large passenger ships and the sales of food, catering and hotel services recorded the biggest increase, but already purchases of luxury yachts or jets did not record the expected growth, which is explained by an increased tendency to charter them.
While sales of luxury goods have generally been growing rapidly in recent decades we have seen stagnation in luxury private goods except for luxury cars. There may be several reasons for this situation. The first is the decrease in the number of tourists in Europe due to the risk of terrorist attacks. France, Italy and Spain are countries where 70–80% of demand for luxury goods is generated by foreigners. In the case of the United Kingdom and Switzerland the average is between 50 and 55%. About 66% of Russian and more than 40% of Chinese luxury purchases are made abroad. The second reason is the aforementioned drop in oil and gas prices, and a large part of the demand for luxury goods is created by countries rich in natural resources such as Russia or the Middle East. The third reason is that the Chinese government has introduced restrictions to stimulate domestic consumption and halt purchases outside China (Solca et al. 2016). As a result China’s share of the global market for private luxury goods (excluding cars) has stabilised despite increasing consumer purchasing power.

The fourth premise concerns the growing disagreement of a growing group of consumers (including Chinese) in respect of the trend of democratising luxury and their turning away from the frequent purchases of luxury brands sold almost everywhere and to everyone in search of “quieter luxury”. After the wave of luxury 2.0 characterized by democratisation, the signals of the upcoming luxury 3.0 can be seen; not so much a return to the classic dimension of luxury for a few but an individualised, not epic, not hastily experienced, use of digital technologies (Wealth X 2015; Focus. Luxury 3.0).

---

5This is a simplification because luxury goods are still expensive, but a growing number of opinions of analysts, scientists or publicists dealing with luxury note that this development trend constitutes a real threat to the luxury industry in the form of loss of image which is the greatest attribute in this business.
3.2 Competitors in the Luxury Goods Market

The global luxury market is dominated by globally listed corporations, conglomerates and family businesses. These companies account for about 70% of the market and the remaining 30% of sales are owned by local or regional companies offering brands in this range (Euromonitor 2019). The relatively largest percentage of the market in terms of revenues belongs to the automotive industry with the leading share of Audi, Mercedes and Volkswagen (including the owner of the Porsche brand). The luxury car market is therefore dominated by German companies which offer premium and luxury goods in virtually every segment. Italian sports cars, English or American limousines or even the Japanese Lexus have significantly lower market shares. The largest share relatively in the global luxury market is held by three German automobile companies (12% of the global luxury market), and in the segment of luxury goods for private use about ten companies account for less than 50% of revenues.

LVMH (Louis Vuitton Moet Hennesy), Estee Lauder and Richemont have been at the forefront of the latter group for years with double-digit profits for the last five years. Other giants such as Swatch, Ralph Lauren and Chow Tai Fook, are recording stagnant sales. Among the ten largest in terms of sales in this segment are also the two so-called masstige companies—PVH (owner of the Calvin Klein and Tommy Hilfiger brands) and Ralph Lauren Corp. which is experiencing considerable financial difficulties due to a drop in sales (Wahba 2018). The most dynamic of this group is Kering, a smaller conglomerate being a direct competitor of LVMH, recording rapid increase in revenues in last years.

The following types of enterprises operate in the luxury goods market:
• car manufacturers (e.g. Mercedes, BMW, Audi\textsuperscript{6}) which supply cars to all market segments, including the luxury one,
• car companies with a specific production profile, creating cars exclusively for the luxury segment which are part of concerns such as Aston Martin,\textsuperscript{7} Bentley,\textsuperscript{8} Maserati, Ferrari,\textsuperscript{9} Bugatti,\textsuperscript{10} Rolls Royce,\textsuperscript{11} or Lamborghini,\textsuperscript{12}
• conglomerates associated companies representing various industries of luxury in the category of private goods (fashion, jewellery, cosmetics, watches, alcohol and others such as LVMH, Richemont, Kering),
• conglomerates operating in a single luxury industry (e.g. Swatch watches, Este Lauder, L’Oréal Luxe, Shiseido Prestige and Fragrance cosmetics, Chow Tai Fook jewellery, Luxottica glasses),
• family’ companies\textsuperscript{13} focused on the production of goods in one or more related industries (e.g. Prada, Chanel, Hermés, Versace),
• mixed capital companies active in different sectors (e.g. Armani, Ralph Lauren),
• mixed capital companies covering a single brand across a wide range of different but related industries (fashion and cosmetics—e.g. Dior, Chanel, Burberry, Salvatore Ferragamo).

\textsuperscript{6}Audi is part of the Volkswagen Group.
\textsuperscript{7}Aston Martin’s owners include Ford, Daimler Benz, Kuwaiti investment companies and an Italian investment fund.
\textsuperscript{8}Bentley belongs to VW AG.
\textsuperscript{9}Maserati and Ferrari belong, among others, to the Fiat Group.
\textsuperscript{10}The owner of Bugatti is VW AG.
\textsuperscript{11}Owned by BMW.
\textsuperscript{12}Lamborghini is owned by Audi and both brands are owned by VW AG.
\textsuperscript{13}Shares in these companies do not belong only to the founding families but it is still their founders or their heirs who shape the strategies of the companies.
• *Monobrand* companies with mixed capital operating in one industry, e.g. jewellery and watchmaking (Chopard, Graff, Rolex\textsuperscript{14,15}) or yacht manufacturing,
• profiled companies, often family-owned, manufacturing luxury goods from various industries with local or regional coverage.

### 3.3 Luxury Brand

#### 3.3.1 Characteristics and Varieties of Luxury Goods Brands

Despite numerous studies on luxury brands,\textsuperscript{16} there is still no consensus on what a luxury brand actually is and how to measure its luxurious nature (Atwal and Williams 2009; Christodoulides et al. 2009; Fionda and Moore 2009; Kernstock et al. 2017; Ko et al. 2019). The reasons for the difficulty in developing a single luxury brand definition are due to the unclear concept of luxury and the different perspectives of its evaluation. For luxury can be seen as a the result of popularity, positive experiences and social perception (Atwal and Williams 2009) or the place in the

\textsuperscript{14}Rolex is a company managed by the Hans Wilsdorf Foundation. According to the last will of the co-founder of the brand (the brand was created by Alfred Davis and his brother-in-law Hans Wilsdorf), part of the income from the activity is donated to charity. Although this was certainly not the intention of the founders the activity of the fund raises a number of questions and controversies. The fund’s authorities have consistently refused to provide information on how much of the profits are spent on charity and doubts about the sound financial management of the company are exacerbated by the fact that Rolex is involved in the infamous Bernard Madoff fund.

\textsuperscript{15}Between 1997 and 2008 there was a huge increase in the number of private luxury yachts ranging from 24 to 70 meters (79 to 230 feet). Some of them can be chartered; the largest ones cost up to EUR 1 million per week. The largest private yachts in the world are the M/Y Eclipse 163.5 m (536 ft) built by Blohm + Voss for Russian businessman Roman Abramowicz and the 180 m (590 ft) Azzam launched in 2013. Amels, Feadship, Hessen Yachts, Oceanco from the Netherlands, Fincantieri Yachts, Perini Navi from Italy, Norbiskrug, Lursen, Blohm + Voss from Germany) and the United States (Christensen Shipyards), but they are also increasingly present in Australia, New Zealand, Asia and Central and Eastern Europe (e.g. in Poland). In 2016 there were about 10,000 luxury yachts with a length of more than 24 meters and annual production volume of about 150 boats.

\textsuperscript{16}The book will continue to use the term luxury brands only for the sake of stylistic simplification.
continuum between the inaccessible absolute and inferior good (Tynan et al. 2010). In this book the following stand is taken: a luxury brand is a set of attributes of a given good/service which coincides with previously described attributes of luxury (see Chapter 2) in connection with its aura which reinforces these attributes.

Premium goods typically offer higher quality and functional characteristics than mass products but are priced higher, whereas luxury goods offer a surplus of value over premium products reflected in their (Mason 1993; Chevalier and Mazzalovo 2008; Kapferer and Bastien 2009; Dion and Arnould 2011):

- aura of uniqueness, reflected by its artistry, novelty etc.;
- aura of timelessness, guaranteed by the artistry of the project and the uniqueness of workmanship, combined with respect for the traditional way of production and the place from which the brand originates,
- the preservation of craftsmanship with often manual production methods;
- maintenance of traditional manufacturing sites, taking into account the history of the company’s establishment in a given location,
- aura of rarity, which is a consequence of the manufacturing methods and the quality of the materials used,
- the aura of magic, built around all the above features, in combination with the charisma of the designers, the beauty and location of the places of sale and social desirability, legitimizing all these attributes,
- the promise of fulfilling dreams that go far beyond expectations concerning the use of a product (they are to bring joy, raise social status, improve well-being, etc.).

Luxury brands through a skilful combination of the above mentioned attributes become credibly auratic like pieces of art (see Arnould et al. 1999; Arvidsson and Malossi 2011; Heilbrunn 2006, p. 189; Dion and Arnould 2011; Featherstone 2016). This means that their aura created around magic, charisma and uniqueness, bears the traces of authenticity through original creative contribution, non-mechanical and non-mass human effort, meticulousness related to the selection of materials and
respect for tradition. These qualities are supposed to make its value timeless.

Luxury brands while shaping the image of their products put varied emphasis on communicating the particular attributes of value proposition for the consumer. Moreover in this business success is not measured by copying and improving competitors’ value propositions and even if it does it is unacceptable for such practices to be publicly communicated. In this market there is no place to make consumers aware that the company is cheaper/more efficient/offer more functional for the same price, etc. compared to other brands on the market. The aim is to create a unique, incomparable brand, which translates into unique way of competing. The rule in the luxury business (even though informal) is the coexistence of companies whose efforts are focused on proposing a unique offer with the imposition of a veil of silence on the cost-organisational layer of their activity and emphasizing the uniqueness, innovation, care, diligence, control over the entire process of production and sales.

Berthon et al. (2009) propose a typology of luxury brands based on philosophical aesthetic considerations. The axes of the model determine the ontological and aesthetic understanding of art and the process of its perception described by Martin Heidegger and Alfred North Whitehead (Heidegger 1993; Whitehead 1978, after: Berthon et al. 2009, pp. 50–51).

The vertical axis determines the metaphysical understanding of luxury as a permanent category, in contrast to the temporal feeling of luxury-ephemeral experience. The horizontal axis is the level of aesthetic education: at one pole there are individuals who have an in-depth knowledge of the aesthetics and the complex value of luxury (experts), and at the other there are novices who evaluate luxury on the surface on the basis of the most strongly exposed brands’ attributes, which at the same time dominate the composition of the overall value proposition (Fig. 3.1).

The axes are defined by four groups of luxury brands:

- classical brands—they are characterized by history, tradition; the values of the products are the result of concentration on artistic and craftsmanship and the brand perception is primarily the result of
consumer education—conducted both by the brand itself and through an individual’s searches. This group includes Hermés, Loro Piana, Rolls Royce, Bentley, Patek & Philippe or Schaffhausen,

- modern brands—offering prestige and status by clearly signalling through style/design, logo and communication strategy that they are expensive, unavailable to the general public but having lasting artistic values, combined with uniqueness and social desirability (intensively strengthened by marketing). The main component of their offer is, apart from the aura of uniqueness and artistry, the social value. These are examples of the so-called well-known brands, such as Gucci, Cavalli, Dolce Gabbana, Prada, Porsche, Ferrari, Lamborghini and Tag Hauer, Omega, Rolex,

- impression brands (Wabi Sabi)—their main component of value is the experiencing of contact with fleeting beauty; this is primarily the domain of services: e.g. offering culinary experiences of molecular
cuisine combining the aesthetics of the service, interior design and unusual form and flavours of the food offered (ice cream with the taste of truffle, broccoli “earth”, foam from herring or caramelized larvae), a marathon at the North Pole, camping in Mount Everest, a snow safari in Antarctica, meditation classes in hammocks in an oasis and so on.

- postmodernist brands—basing their value on the search for new forms of aesthetic and emotional impact. The novelty that will be accepted publicly as interesting is the main component of the value of the brands from this area. Examples of such brands include Moschino or Fog Point Vodka (advertised as made with the use of liquefied fog from San Francisco).

The typology given here does not exhaust the possible categories of brands, nor does it mean that a given area is the only place where a given brand operates. An important criterion for differentiating brand attributes which is missing here is the target segment of consumers with a given purchasing power. This is another level of luxury determined by the consumers’ wallets. Brands, especially those from the classic area while striving to maintain their timeless artistic image, “migrate” to the remaining parts of the model in order to monetize their luxury potential in wider, though less affluent, segments of the market. Although Chanel and Dior with their *haute couture* collections are still undisputedly strong players in the most prestigious, traditional category of luxury brands their biggest revenues are generated by cosmetic and perfume lines sold on a massive scale under their brands. In this way they extend their brand to the remaining segments. Emphasizing the uniqueness and priceless transience of communing with luxury (in the form of using a particular lipstick or perfume) they monetize their potential while maintaining a timeless and artistic aura for the luxury fashion industry.

### 3.3.2 Luxury Pyramid and Brand Positioning

The model of the luxury pyramid illustrates the level of uniqueness and availability of goods. On the very top there is a “materialised perfection” (French “griffe” Kapferer 2008, p. 98). They are single, individualized
objects, unique in terms of design, workmanship or materials used. These include custom-made yachts, planes, cars, jewellery and clothing for very special occasions (e.g. Oscar galas). Below that level but still at the top of the pyramid there is the so-called high, absolute luxury: a short series of expensive, masterfully made goods of exceptional aesthetic and functional qualities. In order to reach this tier of the pyramid the brands must not only have their own history, but their reputation has to stem from their tradition and manufacture in the place where the brand was established. Both “griffe” and absolute luxury, despite the evident changes in the market (resulting in pressure on global e-sale for instance), still adhere to the traditional understanding of luxury. The communication strategies are based mainly on maintaining the image with economical use of the promotional impact (Brun and Castelli 2013; Castelli and Sianesi 2015).

The lower tier is a popular/aspiring luxury available to a wider audience intensively using marketing tools aimed at creating an impression of uniqueness and exclusiveness. These are well-known brands with a long history and reputation, producing goods on a global scale. At the lowest level there is a luxury available with “masstige” brands (i.e. prestige for the masses, see e.g. Truong et al. 2009; Paul 2019). There are popular and quite widely available brands offering goods at a still high price, available for the middle classes. The lowest level of the pyramid has been undergoing the greatest changes for more than 25 years and it includes the activities of those brands which are largely responsible not so much for the redefinition as for the degradation of the concept of luxury.

The lower the tier of the pyramid, the more intense the media coverage, aimed at creating an impression of real luxury and a broader (in terms of channels and locations) mass distribution strategy. Although the lowest-level brands emphasise the uniqueness of their design and style, they are already in the category of mass products. The lower the level, the more effort it takes to convince consumers that the composition of value attributes offered is still luxurious. When rarity, the extraordinary quality of materials, or mastery of not mechanical and mass production cease to be proposed other, mainly emotional, symbolic, epistemic and social components of values must replace these deficiencies. The basis for brands at this level is technical, material innovation or the promise of positive emotions for example which will legitimize the high price and “luxury of the brand” (Hanna 2004).
3.3.3 Pyramid or Pear? The Consequences of the Democratisation of Luxury and Migration and Brand Stretching

There is no single, fully objective pyramid of luxury: there are different variations both in terms of the number of tiers\(^{17}\) and the positioning of brands in each tier (Chevalier and Gutsatz 2012; Rambourg 2014). The position of brands at a certain pyramid level may also vary from market to market. In China many luxury niche brands (such as Sophie Hulme and Bottega Veneta) are becoming more and more desirable and popular. Chinese consumers increasingly want to emphasize their individuality and excellent taste. According to Rambourg (2014) Luis Vuitton is now considered a brand for well-paid Chinese secretaries. Changing Chinese tastes have forced luxury giants (such as Gucci, Chanel or LV) to introduce short-term promotions and limited collections to maintain a consumer base (China Report, Innovation in Luxury 2018).

Since the mid-1990s a steady and continuous increase in the number of luxury goods’ consumers (with slight decreases in 2001–2003 and just after the outbreak of the last financial crisis) has been associated with an exponential increase in the number of new luxury brands at the bottom of the pyramid. While sales and brand sizes on the absolute luxury tier have remained fairly stable for years the revolution has taken place at the accessible luxury and masstige level. The core strategy causing dynamic changes in this tier is an artificial creation of increasingly smaller segments, such as sports and casual luxury brands, intended for various activities (leisure luxury) or for teenagers or children with the aim of creating an aura of suitability and uniqueness in this increasingly competitive part of the market (see Silverstein and Fiske 2003a, b; Paul 2019). The image of the luxury pyramid has been transformed in recent decades. The elegant form of the triangle has evolved into a thick pear, swollen from the number of brands and “about – luxury” quality products (see Fig. 3.2).

\(^{17}\)According to the Bain & Company classification used by other researchers (e.g. Brun and Castelli 2013; Castelli and Sianesi 2015), the pyramid of luxury is divided into three levels: absolute luxury (which also includes a “griffe”) aspiring and accessible.
The pyramids of luxury deformed by the growth of the lower levels are the result of the brand owners’ efforts to stabilize and maximize revenues while maintaining the status of a luxury brand in their so-called “core business”.\(^{18}\) There is therefore a general trend towards the stretching and extension of brands (Reddy et al. 2009; Ahn et al. 2018; Dall’Olmo Riley et al. 2015).

Even though stretching and extensions are often used as synonyms there are distinct types of this strategy (Bastien and Kapferer 2013). Stretching involves placing different brand variations at different levels of the luxury pyramid most often in one industry (in the fashion industry—haute couture lines, prêt a porter, sports, for teenagers; in the automotive industry—Audi A 8 at the highest point of the middle level of the pyramid, Audi A2 in the lower segment). The extension of the brand is the start of activities outside the leading industry (fashion) in sectors such as lifestyle (Armani Hotels, Armani Fiori, Armani Casa), cosmetics and perfumes (Tiffany, LV perfumes), watches (Burberry or LV watches) and even outside the luxury market (the cooperation of Porsche with Acer, residences of Aston Martin’ in Biscayne Boulevard Way in Miami). The probability of success in these strategies depends heavily on so called brand adjacency—the extent to which extensions are consistent with the brand value proposition (Reddy et al. 2009).

---

\(^{18}\)LV no longer sells the number of travellers’ trunks in such a quantity as to generate sufficient revenue to support itself. The bags and accessories are the main source of revenue for the company at the highest margins.
The brand is stretched mainly vertically and most often towards the bottom of the pyramid. Chanel and Dior, while still at the top, monetize their value with prêt a porter lines while retaining control over distribution. As mentioned above an important source of income for Chanel and Dior is the cosmetics industry, where brand value is monetized without compromising its status as a high luxury in the fashion industry.

While downward stretching is normal there are also successful strategies for simultaneously stretching up and down the pyramid, especially in the medium tier. An example of such activities in the fashion industry is the strategy of Armani, who only after success as a designer of men suits (which placed him in the middle tier) developed his collections with women’s clothing lines, including haute couture (Armani Privé). Today, the Armani brand monetizes its value in many luxury industries (hotels, sweets, home accessories etc.), significantly reducing the value of the Armani Privé. Other examples of attempts to stretch the brand upwards come from the automotive industry, although they are hardly a success. For example, VW created and promoted the Phaeton brand and after a few years gave up the production of this car because it was not able to convince consumers that VW is a brand that could offer a product similar to Bentley or Maybach.

However brand stretching is more justified (in terms of future success) if its prestige places it at the top or in the higher middle level of the pyramid. In the case of younger brands (especially when they are rapidly internationalised), they have been at the lowest level of luxury available and masstige since their inception. Then the main strategy is to extend the brand to other industries within one (middle or the lowest tier) with a narrow segmentation to selected groups of consumers (teenagers, children, seniors, etc.) with limited lines (clothing for various types of sports).

The overview in Fig. 3.3 is a compilation of the various developments in the luxury pyramids of the fashion, jewellery, watch and automotive industries, which form the backbone of the luxury supply market.

At the highest level of the pyramid in the fashion industry are clothes designed according to the individual needs of customers and those brands that create haute couture lines targeted at the wealthiest customers. In the automotive industry it is the level of cars that are the
symbol of high social status (Rolls Royce, Bentley) and unique sports cars (e.g. Aston Martin, Ferrari, Lamborghini, Bugatti). In the watchmaking and jewellery industry they are the most expensive, single exhibits or limited series of watches or jewellery. The common feature of all these brands, apart from very high prices, is their artistry, innovation (which creates uniqueness) and rarity of occurrence. This level is synonymous with traditional luxury.

The lower down the ladder the more intensive and wider the distribution and communication, the lower the price and the more it and the greater the number of potential recipients. It should be noted that while buying Michael Kors brand jeans is an expense of about 150 EUR the cars from this level of the pyramid start from 50 to 75 thousand EUR. The juxtaposition of different industries within a pyramid of luxury is therefore not so much to show what income one needs in order to acquire a given category of good as to show that the gradation of luxury takes place in different industries although a different sum of money is needed to buy a dress or a handbag at the same level as to buy a watch or a car.
3.4 Business Models in the Luxury Goods Market

The business model consists of several key elements: customers, customer value proposition, competitive strategy, position in the value network, logic of revenue generation and supply chain organization with identification and development of their key competencies. Although there are many definitions of business models very often it is defined by three basic components: creation of value propositions, value architecture and revenue model, also described by means of investment processes and approaches to business development (Osterwalder and Pigneur 2010). Value creation refers to the specification of the value proposition embodied in products or services and customer segments of the company. Value architecture is the activity of defining the nature (intensity, rules of cooperation, etc.) of relations with customers, within distribution channels and identifying key (for creating and monetizing value) activities, resources and partners within the company and the entire supply chain. The revenue model determines the structure of the company’s costs and revenue streams.

In determining the business model it is also important to identify (see also: Fionda and Moore 2009; Teece 2010; Gutsatz and Heine 2018):

- who, what and where creates value for the customer: which department within the company and within its value chain contributes to the creation of specific components of the value proposition for the

---

19 The value network is understood as that defined by Szymura-Tyc (2006, pp. 46–53). The value network, created through enterprise relationships, crosses the boundaries of the value system, i.e. the links of enterprises within one industry, creating value chains and offering products/services to a specific group of customers. The value offered to different purchasers is created through a cooperation and interaction between companies that benefit from the flow of information, technology and resources. As a supplier within one value system, for example, a company acquires competences, skills, which it then uses to function within another value system and in its own value chain.

20 The term value creation is simplified (and therefore misleading), when used by researchers analyzing business models. As already described in the first chapter it is consumers who create value and companies only offer it. In order to clarify and justify the use of the term value creation at this point it is assumed here that it is about the creation/design of value propositions by companies.
customer; later materialized in products/services, as well as the sales process and the physical usage of the goods;
• who and how (within the company, within the value chain, on the market, etc.) should communicate the value proposition, thus co-create it, through the positive social popularization of the prestigious brand image,
• who and how should supply the products: what distribution and sales channels should be used to, on the one hand, strengthen the proposal of materialised value in the products/services and on the other—allow for the most effective management of sales;
• how to monetize value: what model of financing, investment, cost optimization to adopt in order to strengthen the company’s value over time and at the same time maintain and develop the level of value offer for the client.

The market for luxury supply, regardless various ownership variants, capital structures and inter- and intra-organisational links, is based on one ideal type of a business model which is the combination of an operator and an integrator. Kapferer and Bastien (2009) named this canon the DNA of luxury business. Most of the principles of this canon are contrary to the principles that guide companies operating in the premium and mass sales’ segments. The characteristics of this ideal model are described below and commented on how often they are nowadays bent or broken.

3.4.1 Strategies Related to the Supply and Production Architecture

The guiding principle in the canon of luxury business is to maintain full control of the value chain—from sourcing to retail:

• the whole process of creating value propositions, from production workshops to the use of the product by the customer, is to be closely integrated in order to ensure full cooperation between entities,
subcontracting is to be kept to a minimum and the ultimate goal is full vertical integration so that the entire production process, from raw materials to finished goods, is controlled,

- production is to be carried out in a traditional craftsman’s manner, preserving the traditional way of manufacturing from the time the brand was created. The place where the luxurious goods are manufactured is to be accompanied by the aura of a sanctuary where dreams are created,

- maintaining production in the place where the brand was established as one of the components of its value: the brand is to be an ambassador of local culture and art.

It is widely recognised that high quality throughout the supply chain from production to distribution in retail stores is one of the key requirements for the market success of these companies (Vigneron and Johnson 1999; Antoni et al. 2004; Lamming et al. 2000; Castelli and Sianesi 2015). Ensuring adequate quality control of both materials and production processes should go hand in hand with the management of close, long-term and fruitful relationships with suppliers and contractors, as well as the management of training and human resources (Christopher and Towill 2002; Caniato et al. 2009).

Ideally the whole production process, as well as the provision of materials should be carried out within a single company and at the point of origin of the brand. The origin of goods from certain countries (perceived by consumers as centres of handicraft or the gift of creating beautiful things) is a guarantee of quality, heritage, competence and high social standards for consumers (Balabanis and Diamantopoulos 2008; Money and Colton 2008; Oetzel and Doh 2009). It has been proven that with the increase in brand status (premium, luxury) the frequency and importance of the use of country of origin information in the communication strategy increases (see e.g. Chevalier and Mazzalovo 2008; Calori et al. 2000; Shukla 2011).

However the last few decades have significantly changed the configuration of corporate value chains in luxury business. The production of goods in the brand’s place of origin is currently maintained in relation to the so-called strict core of business; products—icons, symbolizing
grandeur, uniqueness and tradition. Hermès produces Kelly and Birkin bags in France but never in the case of accessories (belts, jewellery, blankets, toys) is this place of production disclosed.\textsuperscript{21} The growing trend of the relocation of production is visible. It is becoming the norm, especially in the luxury fashion industry, to commission the production of collections (especially for lower segments) to countries within Europe (so-called nearshoring) or in the Far East. The principle of choosing a location for production relocation is simple: the lower the brand positioning in the luxury pyramid, the further the cost effective, but less controllable aspects in terms of the maintenance of quality of the manufacturing site.

Contact Lab together with Exane BNP Paribas (Solca 2015) analysed the “made in” labels of leading luxury brands. Brands were divided into four main groups. The first one consisted of fully transparent brands with information about production sites (information available on websites) with almost all products produced in the countries of origin of the brand (e.g. Bottega Veneta, Brunello Cucinelli, Gucci). The second group produces only product lines from the highest levels of luxury in the countries of origin of the brands (Burberry declares “Made in the UK” and “Made in Italy” for Burberry Prorsum, while Burberry Brit is “imported”; Giorgio Armani has “Made in Italy” labels and Armani Jeans has the description of “Imported”). The third group declared that they partially produce their goods in the countries of origin of the brand but this information is incomplete (Hermès, Loro Piana, Louis Vuitton, Ermenegildo Zegna). The fourth group includes companies that do not disclose the origin of the products (Chanel, Dior, Prada, Dolce & Gabbana, Hugo Boss).

Between 2017 and 2018 the author conducted her own research to examine the information about country of origin provided on luxury fashion goods’ tags (see Table 3.3).

The information presented in the table above shows the departure from the traditional manufacturing site of brands located at the middle and lowest levels of the luxury pyramid. For the sake of fairness it should

\textsuperscript{21}A few years ago Hermès officially withdrew from the project to outsource production to factories in China just after it had been announced by the media inadvertently. The company’s PR department effectively cleared the Internet media of any mentions of this intention.
Table 3.3 Information on the country of manufacture of products of selected brands from the luxury fashion industry

| Brand                      | Information about the country of manufacture on official websites | Country of origin (tag tests)a |
|----------------------------|-------------------------------------------------------------------|--------------------------------|
| Hermés                     | Information on the traditional place of production of “icons” goods | France: Paris                 |
| Chanel                     | No information available on the website                         | France, Italy                 |
| Bottega Veneta             | No information available on the website                         | Italy                          |
| Dior                       | No information available on the website                         | France, Italy, men’s sweaters—USA, Great Britain, some children’s clothes—China, India, jeans—Japan |
| Luis Vuitton               | No information available on the website                         | France, shoes—Italy           |
| Prada                      | Information on the website giving the place of manufacture only for Italy, France or the United Kingdom | clothing—Italy, Japan, Peru, Scotland, India; shoes—Italy, Vietnam, purses—China, Italy |
| Armani Collezioni          | No information available on the website                         | Moldova, Romania, Italy       |
| Escada                     | No information available on the website                         | Moldova, Romania, Thailand, shoes—Italy |
| Just Cavalli               | No information available on the website                         | Italy, India                  |
| Karl Lagerfeld             | No information available on the website                         | China, Turkey                 |
| MarcCain Sports            | No information available on the website                         | Hungary, Portugal              |
| Armani Jeans, EA7          | No information available on the website                         | China                          |
| Marciano Guess             | No information available on the website                         | Italy (special logo with COO)  |
| Versace Collection, Versace Jeans | No information available on the website                      | Bulgaria, India, Turkey, Italy |
| Hugo Boss                  | No information available on the website                         | Bulgaria, Romania, Portugal, Turkey, China |

(continued)
be noted that while in the luxury fashion industry top and middle level brands still try to maintain the image of locally produced goods, in the case of the automotive industry, or jewellery in particular, the country of manufacture loses its importance.

The jewellery industry imitates the fashion industry by reacting quickly to emerging trends and shortening the production cycle while at the same time dispersing the production sites. Outsourcing is natural especially when it comes to obtaining ores and precious stones, often extracted in poor, unstable countries, stigmatised by corruption which is a cause for concern for the more environmentally and socially engaged consumers. Most jewellery companies (including those producing and selling luxury jewellery) do not provide information about their sources of supply to the public even if they declare that they are socially responsible and controlled. The Swarovski Group (2015) says it regularly audits its factories in Thailand (The Marigot Jewellery Company and Swarovski Gemstones Thailand) and Austria (Swarovski Gemstones Business) to maintain high production standards and respect for workers’ rights. Tiffany & Co. points to Russia, Thailand, Vietnam, Cambodia, Namibia, Sierra Leone and Botswana as well as Canada, the United States, Belgium and Australia as major diamond mining and supply sites. In order to increase control over its supply chain and ensure transparency for socially engaged customers, Tiffany & Co. has developed a long-term programme based on the principles developed by the Initiative for Responsible Mining Assurance (IRMA).

In 2005 the Responsible Jewellery Council (RJC) was established in order to strengthen consumer confidence in jewellery brands by offering
gold and precious metals from proven, ethical suppliers. The founders were the largest miners and distributors: Tiffany & Co, BHP Billiton and Cartier, as well as trade associations (Jewellers of America). RJC’s vision is “a responsible global supply chain that promotes confidence in the world jewellery and watchmaking industry” (RJC 2017). RJC members (14 in 2005 and 850 in 2017) are required to submit to audit procedures for corporate social responsibility of their business practices: respect for human rights, environmental responsibility, mining practices, disclosure of product information and configuration of the jewellery supply chain. However there are opinions that the organization represents low standards, certifying individual companies with its brand name and lack of control over individual firms and their practices (Hepler 2015).

On the other hand, even in the luxury segment, few consumers generally pay attention to where and to what standards jewellery has been produced (see Chapters 6 and 7). Production is widely outsourced to workshops and factories located in the Far East. Indian and Chinese companies not only produce but also often design entire collections for European, Arab and their own markets, acting as OEMs (original equipment manufacturers). The production is later accompanied by the logo of a large, world famous luxury brand (McKinsey 2014). Interviews conducted by the author with representatives of suppliers (mainly precious stones), jewellery manufacturers and retailers at the international fair of the jewellery and watchmaking industry in Dubai22 in December 2016 clearly show that consumers do not ask about the place of jewellery production. According to the representatives of these links in the chain the main element that is the decisive factor in the purchase of jewellery is the style of the product, combined with skilful sales technique. The owner of the Chinese manufactory who produces jewellery for the world’s most famous retailers admitted that the local, anonymous designers employed by him are responsible for the diversity of styling but they know well the preferences of Arab, American and European consumers. The Lebanese owner of a chain of jewellery stores in the Arabian Peninsula and Europe was convinced that the country of origin of stones and precious metals does not matter to the recipients. The most

---

22Dubai is a city that controls almost half of the world’s trade in diamonds and gold.
important factor is the emotions that the seller will be able to evoke using the argument of exceptional product design.

As for the importance of the country of origin in the luxury segment of the car market the situation is similar to that of the fashion industry. The most prestigious cars are assembled in the place that is the cradle of the brand while maintaining strict control over the entire supply chain. As assembly in a traditional brand headquarters is the norm for the most prestigious brands this is not the case for lower-level brands. Given the complexity of a good such as a car it would be unreasonable to expect all components to be manufactured by a single manufacturer. The automotive supply chain is much more complex than in the fashion and jewellery industry. For example, the BMW Group (BMW, Mini, Rolls Royce) works with around 13,000 suppliers in 70 countries but each of them is subject to quality controls to ensure that the quality standards set by the industry and the Group are met (BMW Group 2017). On the other hand, Mercedes-Benz is trying to create a supply chain close to an assembly site. China is a good example of this strategy—the number of local suppliers has grown from five to more than 300 in the last decade in line with the slogan “Made in China for China” (Daimler 2018).

However while the cars sold on the Chinese market are essentially manufactured in China the expectations of European consumers for the car to be “manufactured” for example in Germany are already leading these companies to carry out the final stages of assembly in German factories.

### 3.4.2 Communication Strategies

In the DNA of business in the luxury market a lot of space is devoted to communication with current and future consumers as well as with a large number of people who will probably not be consumers for a long time to come but who form an indispensable group of luxury admirers and boost the social desire for such goods.

The most important communication rules are:

- a ban on intensive, mass advertising,
• the imperative of discreet image creation: creating an aura and a dream,
• directing the communication strategy outside the company’s audience,
• establishing direct, individual customer relationships: luxury means treating all customers as VIPs, which requires personalised interaction.

The principle of abstention is now more of an indication than a practice. Although luxury brands still adhere to it within their highest placed core, they do not shy away from advertising in prestigious magazines and increasingly use Internet communication tools.

Luxury product providers recognise the importance of the Internet and its potential to create added value for customers. It is not only a valuable source of consumer information but also facilitates current communication, enables cheap and interactive image shaping, sales and development of new types of services to make the whole sales process smooth and pleasant (Vecchi et al. 2014; Soopramanien and Robertson 2007). Software packages are constantly being developed to attract consumer attention ranging from classic mobile apps designed to inform consumers about upcoming events which facilitate purchasing decisions (e.g. 3D measurement applications, style tips, interactive screening, see e.g. Okonkwo 2007; Peng et al. 2012; Vecchi et al. 2014; Samuely 2016) to co-creation and exploitation projects of virtual reality (see Wooding 2016).

Enterprises producing and offering luxury goods successfully implement the blend of the psychological of the Maletzky G communication model and a cultural mosaic model described by A. Molles23 (Wiktor 2013, pp. 33–35). Maletzky’s model is based on the assumption that only the core information is sent to the addressees of the proposal, which is usually the one highlighting the highest quality, rarity and an above-average aesthetic. The message is directed to the exceptional audience elite and aims to create an image with which a potential buyer will identify himself finding in the message her/his socially, aesthetically and emotionally desirable “me”. The cultural mosaic model, on the other hand, is used in virtual space: various forms of interaction and ways

---

23A mosaic, not so much cultural as globally eclectic.
of communication with the global consumer are applied, combining elements of local cultures and artefacts in the message and creating the impression of closeness and joint experience and a co-operation in brand creation (Moore et al. 2000; Phan et al. 2011; Lee and Watkins 2016).

Social media are an important channel of communication which is now widely used by the owners of luxury brands. They help to spread the brand image desired by companies and at the same time constitute a convenient, widely available, relatively cheap (in comparison with advertising broadcast on television, for example) tool of social impact (see e.g. Godey et al. 2016).

Table 3.4 presents the results of an Internet content search on the most frequently communicated features of brands that are components of the value proposition offered by these brands for the customer. Three platforms were analysed: Instagram (I), Facebook (F), Twitter (T) and YouTube (YT) for selected luxury fashion brands and content. The results of this analysis (in the form of “tag clouds”) have been simplified and only the most important components of the communicated brand value are shown in the table.

By targeting their communication strategy beyond their current audience luxury brands increase the likelihood of monetizing their value proposition by creating social desire among the multitude of people for whom this luxury is beyond their reach (see also Howarth 2018; Jain 2018; Jain and Schultz 2019). Communication strategies, especially those aimed at the mass audience, are created through the skilful use of so-called content marketing.24 Walking the thin line between the need to maintain elitism and reaching a wide range of potential “followers” and admirers, luxury brands use their heritage as a focal point around which they spin stories intended to arouse emotions: to evoke aesthetic feelings, the impression of communion with something unique, unusual and noble at the same time. The Internet is an ideal place to strengthen the image although the relationship of luxury with

---

24Activities aimed at winning clients by publishing attractive and useful content (webinars, e-video, podcasts, infographics, manuals, reports), especially on the Internet which are to be of interest to a specific group. It is based on creating long-term customer relationships through interaction and commitment on both sides.
Table 3.4  Content of posts and scope of impact (measured by the number of observers) of selected luxury fashion brands in social media

| Brand         | Information on company websites                                                                 | Communication in social media (number of followers)                                                                 |
|---------------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| Hermés        | Communication puts emphasis on brand heritage, more than a century of experience/masterly workmanship, artistry and craftsmanship combined with a unique design | I—10,112,581  
F—3,274,178  
T—82,480  
YT—117,000  
There is little communication on the T-side. The main platforms are I and F. Many fancy, artistic product images and on T information about new sales outlets or sponsored events (e.g. equestrian events) Communication is focused on: elite, prestige, modernity, design |
| Chanel        | Communication is focused on: prestige (designer and place—Paris), craftsmanship, elegance, celebrities/models | I—39,879,947  
F—22,551,977  
T—13,209,776  
YT—1,580,000  
The marketing message is consistent across all platforms. Communication is focused on: design, elegance, celebrities, status |
| Bottega Veneta| No information on the place of production  
Internet communication focuses on: quality, craftsmanship, artistry | I—2,190,242  
F—795,059  
YT—24,500  
The marketing message is consistent across all platforms. Communication focuses on craftsmanship, artistry, uniqueness and design |
| Brand        | Information on company websites                                                                 | Communication in social media (number of followers)                                           |
|-------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Louis Vuitton | No information on the place of production                                                      | I—38,172,040                                                                                       |
|             | Internet communication is focused on: **brand recognition and heritage, celebrities, emotions** | F—23,491,338                                                                                       |
|             |                                                                                               | T—7,508,307                                                                                       |
|             |                                                                                               | YT—425,000                                                                                       |
|             | The marketing message is consistent across all platforms. Communication is focused on: **celebrities, celebrities, modernity** |                                                                                                  |
| Burberry    | On the website we can find information that the company employs 10,000 people around the world  | I—17,093,323                                                                                       |
|             | , so we can assume that production is not just in the UK                                        | F—17,139,762                                                                                       |
|             | Internet communication is focused on: **brand heritage, country of origin, artistry, music**   | T—8,343,915                                                                                       |
|             |                                                                                               | YT—341,000                                                                                       |
|             | The marketing communication is not as consistent as for other brands. Burberry focuses at YT  |                                                                                                  |
|             | on music videos with British artists and Thomas Burberry’s film. On I and T they publish      |                                                                                                  |
|             | pictures of products and celebrities in their clothes. F combine all the approaches mentioned |                                                                                                  |
|             | above. Communication is focused on: **project, artistry, celebrities, country of origin**      |                                                                                                  |
|             |                                                                 (continued)                                                                               |                                                                                                  |
| Brand       | Information on company websites                                                                 | Communication in social media (number of followers)                                                                 |
|------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| Prada      | Information on production sites has been found on the Prada Group’s website. Internet communication only for Prada products focuses on: **design, modernity, well-known brand** | I—23,492,912  
F—6,849,748  
T—1,185,325  
YT—160,000  
The marketing message is consistent across all platforms, and YB emphasizes more fashion shows. Communication is focused on: **well-known brand, design, goals of the British** |
| Gucci      | No information about the place of production, but there are prices in the online store  
Internet communication is focused on: **design, emotions, celebrities** | I—40,428,767  
F—19,105,060  
T—5,894,069  
YT—534,000  
The marketing message is consistent across all platforms. Communication is focused on: **design, modernity, exclusivity, artistry** |
| Karl Lagerfeld | No information on the place of production  
Internet communication is focused on: designer’s brand, everyday emotions, exclusivity | I—6,057,380  
F—1,140,070  
T—1,483,517  
YT—14,300  
The marketing message is consistent across all platforms and YB emphasizes more daily emotions. In addition the communication focuses on: **the designer's brand, the country of origin** |
| Brand          | Information on company websites                                                                 | Communication in social media (number of followers)                                                                 |
|---------------|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| Armani        | Different brands can be found on the same page: Giorgio Armani, Emporio Armani, EA7, Armani Collezioni. No information on the place of production. Internet communication is focused on: **a well-known brand, accessibility, desire**... | I—16,699,232  
F—8,707,787  
T—3,473,531  
YT—139,000  
The marketing message is consistent across all platforms, and YB emphasizes more fashion shows. Communication is focused on: **well-known brand, design, everyday emotions** |
| Versace       | No information on the place of production. On the same page you can find different collections for women, men and children. Internet communication is focused on: exclusivity, but also everyday emotions, because the website is aimed at different age groups | I—21,705,922  
F—5,634,237  
T—4,805,305  
YT—188,000  
The marketing message is consistent across all platforms, and YB emphasizes more fashion shows. Communication is focused on exclusivity |
| Hugo Boss/Boss | No information on the place of production. Different collections can be found on the same page: Boss, Boss Orange, Boss Green, Hugo  
Internet communication is focused on: exclusivity, a well-known brand | I—8,047,696  
F—8,305,827  
The marketing message is consistent across all platforms. Communication focuses on: **celebrities, accessibility** |

**Source** Own study, state of followers on Instagram, Facebook, Twitter and Youtube dated 14.05.2020
this powerful medium can still be described as simultaneous love and hate relationship (Okonkwo 2007; Howarth, 2018). Creating contextual online campaigns (e.g. Burberry Kisses,25 Rolex’s cooperation with National Geographic for discoveries and research on our planet26), aims to induce consumers to engage and independently promote the brand, bringing at the same time a blend of positive emotions and creating a sense of belonging to a community of consumers.

The image of brands is also strengthened by appropriately selected product placement as in films (e.g. Aston Martin or BMW in productions with James Bond, Chanel clothes, Manolo Blahnik shoes and other luxurious fashion goods in the series “Sex in the big city”), at big gala events (lending unique jewellery to Hollywood stars, sewing dresses for them for the annual Oscar awards ceremony or Cannes Film Festival) or other prestigious artistic or sports events.

More and more brands also turn to influencers, including Internet bloggers, to ensure greater visibility of their brands on the Internet. On the one hand luxury brands are still worried about how a given blogger or other influential person can change the brand image to an undesirable one, but on the other the temptation to use the services of these people is huge. According to the reports of Luxury Daily, about 70% of brand activity is caused by influencers and not by the brands themselves (Ramirez 2018). However according to the research conducted by L2 (Influencer Special Report 2018) it is not worth investing in luxury pyramid brands in people who have millions of followers on their social networks because being very popular and promoting a lot of goods, they are not perceived as being credible. While such actions may have an impact on the communication strategies of masstige products or accessories or cosmetics, the27 higher luxury is preferred to niche, exclusive bloggers, bloggers and celebrities whose activities guarantee greater emotional attachment and loyalty of consumers.

25http://kisses.burberry.com.
26https://www.rolex.com/science-and-exploration.html.
27The employment of e.g. Bella Hadid by Dior to advertise Dior cosmetics on their websites was a great success and gave the brand more than 19 million page views.
3.4.3 Distribution and Sales Strategies

As regards the configuration of the distribution network the recommendations for luxury brands are identical to those for manufacturing and boil down to maintaining full control over distribution processes, including:

- concentration on sales in own networks,
- not granting licenses.

Personal contact between the seller and the buyer of a luxury product is of such great importance that it is inconceivable for products to be sold by entities that are not part of the “universe” of the brand (Kapferer and Bastien 2017; Okonkwo 2007). In practice, however, this is the case with a variety of multi-brand department stores that have obtained a licence to sell luxury brand products. The principle of direct contact with the buyer as postulated in the communication strategies has also been significantly relaxed thanks to the popularization of Internet sales’ channels. Even brand-controlled online shops cannot provide the impression of traditional sales.

Physical distribution outlets for luxury products include (Moore and Doherty 2007; Moore et al. 2010):

- bricks and mortar shops\(^{28}\) and brand retail stores,
- licensed dealers: in the case of luxury cars, offering one specific brand and in the case of watchmaking or jewellery industry also selling other competing brands,
- single-brand stores or separate stands in a multi branded space and the licence is granted to reputable chains of department stores,
- airports,
- outlet chains, usually built on the outskirts of big cities or in the so-called outlet villages several kilometres away from the metropolis,
- wholesale of surplus products by so-called jobbers.

\(^{28}\)The flagship store is the largest of all types of shops, offers a full range of products, both in terms of range and depth of assortment, as well as service, or special assortment, not available in stores of lower rank (e.g. LV perfumes are sold only in selected brand’s flagship stores).
In online sales we deal with:

- online shops run by brand owners,
- online sales of department stores licensed to sell,
- online sales of many luxury brands by specialised shops offering only brands from this segment and premium brands,
- Internet sales of large portals offering a very wide range of products.

The traditional and at the same time the most advantageous way of distribution in terms of maintenance of control is to sell goods in one’s own shops. Architecture and the way they function are the result of well thought-out strategies and, at the same time, significant financial outlays. In the case of the most prestigious brands (including car brands), they are created in the best locations of big cities; first of all in the largest and most visited by tourists rich metropolises (1st tier cities). The design and furnishing of such shops is carried out by eminent architects and artists and the exhibition of goods itself—sparing in terms of the number of “exhibits”, with the use of appropriate lighting, music and fragrance is to create an aura that is a combination of a visit to a church and museum. The salesmen are the ambassadors of the brand and with their combined professionalism and restrained, discreet assistance they complete the charm of the “act of purchase”.

### 3.4.3.1 Controlled Licensed Sales

The aura of the “brand universe” can be recreated through an appropriate design and sales strategy based on individual service and direct contact with the customer in single-brand licensed stores and dealer chains but already in multi-brand department stores and jewellery stores these features are weakening. They are compensated for by the reputation of the department store itself making a visit to the esteemed buildings of Harrods, Galleries La Fayette or Bergdorf Goodman an impression of luxury. In both types of shops described above seasonal price reductions are applied, but this applies only to a small part of the less prestigious offer and the scale of these reductions is small and discreet.
3.4.3.2 Airports

Luxury is also consumed during a journey. This method of shopping, apart from the dynamically developing Internet channel, is preferred by the largest global Chinese consumers (Delloite 2018). China’s preference for foreign purchases is not only due to the tariffs on luxury goods imposed in China and the yuan’s exchange rates against the USD and EUR but also to the fear of fraud by Chinese consumers where the selling of counterfeit products on the pretence of selling luxury goods in prestigious city districts in their country. Delloite in its 2018 report points to the growing role of airports in the purchase of luxury goods.

The COVID 19 pandemic 2019/2020—drastically changed the direction of sales. The physical blockade of airports caused the turnover to suddenly drop almost to zero and the only source of access to luxury goods became the Internet. It is thanks to it that the luxury goods market did not collapse in the period from February to the end of May although there are many indications that, on average, more than a 30% decrease in turnover in this sector (compared to the same period of 2019) will cause the whole sector not only to return to the level of turnover before the pandemic for at least two or three years but also to undergo major strategic transformations.

3.4.3.3 Outlets

The standard for the strategy of selling luxury brands is not only to refrain from price reductions but also to increase prices in subsequent seasons and years for flagship products. But not all products with brand logos are sold as a complete entity. This is especially true for the fashion, accessories, cosmetics and perfume industries. In order not to spoil the reputation of brands and at the same time to liquidate the excess of goods from previous seasons many companies decide to build their own outlets

---

29Information about these distribution channels, which are the domain of luxury, but rather spoil its image, and hence are not officially communicated by the brands, was published in Stępień (2016). This part of the subsection is a modified version of the quoted article.
or license the sale of these goods elsewhere. The principle is a geographical separation of consumers purchasing goods at full price in flagship stores from those less wealthy and at the same time not determined to own goods from the latest collections. The business model of luxury outlets, whether controlled by brand owners or licensed, has several common features;

- points of sale are located at a certain distance from the prestigious locations of flagship stores,
- the outlets sell only a fraction of the range of goods offered by the flagship shops; they offer mainly masstige products, there are relatively fewer middle-level pyramid brands and there are no top luxury pyramid brands at these locations,
- part of the collection is produced specifically for outlet stores; as a result they do not represent a reduced offer from last season and the outlet products are presented as last season’s reductions to attract the attention of consumers,
- outlets serve designers and brand owners as a place to test new designs and styles before they are introduced to traditional shopping in flagship stores located in prestigious locations.

Outlets are a popular shopping destination for aspiring consumers. Since the beginning of its existence (i.e. the 1970s, when VFC, the world’s largest clothing manufacturer, allowed consumers to search chests with discounted goods from previous seasons), they have been developing extremely dynamically all over the world. In the USA there are currently over 130 large stores located on 42,000 square feet, and in Europe there are about 70 centres, but they cover about one third of the area of such American outlets (Dion and Borraz 2017). The dynamic and continuous growth of such places confirms the success of this business model. Most buyers are young and retired consumers. The image of this group is complemented by crowds of enthusiastic Chinese tourists buying wholesale Ralph Lauren’s T-shirts and Coach bags. Masstige brands use this business model in a wide range and with financial success but brands from higher levels seem to slowly succumb to the vision of earning
money on products from previous seasons (e.g. Salvatore Ferragamo, Prada, Givenchy).

3.4.3.4 Unofficial Retail Outlets for Luxury Goods of Previous Seasons

Companies such as Marshalls, TJ Maxx (TK Maxx in Europe), DSW or Loehmann are large international discount stores. They are not interested in buying small quantities of last season’s collections. Their margins are high, the contract terms are demanding enough, so it is not an option to liquidate unsold collections for smaller and new, aspiring brands. Selling 2-year-old stocks of goods with up to 80% discount often brings these companies more profit than the owner of a small luxury brand assumed when creating a collection.

Some luxury brands when selling their products off-season require the removal of labels before they are displayed in discount stores but this requirement is rather a simulation of a selective distribution policy since the reality of these discount stores shows the exact opposite. On the other hand it must be acknowledged that luxury fashion sales by discount stores (as well as online flash sales portals) are often made without the formal consent of the brand owner. This is due to the fact that surplus goods are disposed of by means of so-called jobbers who carry out mass liquidation of collections.

3.4.3.5 Jobbers’ Activities and Their Impact on the Degradation of Brand Image

One of the risks associated with the sale of surplus stocks by foreign, uncontrolled entities (Internet and traditional) is the effect of cannibalism. This happens when unlicensed sellers reduce the prices of recent seasons’ products more than is the case with luxury brand websites or brand-controlled physical sales sites. This is the effect of moving collections not sold in a given season abroad to the so-called emerging markets of luxury (India is a good example of such a location). Moving goods to less developed markets is done by jobbers: wholesale intermediaries.
Those trusted traders quickly and efficiently move surplus stocks to other distribution channels and entities in the country and abroad and perform this task reliably because they are interested in maintaining good relations with their principals. The goods distributed in this way are often cheaper than the discounted prices offered by brand owners but the potential damage (resulting from inconsistent pricing policies) is offset, for example, by communicating the application of a more lenient pricing policy in developing countries. However there are also some dishonest intermediaries and although a 70–80% discount is effective in helping to monetise collections it does create a sense of an inadequate basic price among consumers and encourages them to postpone purchases in anticipation of significant price reductions.

In the context of the risk posed by off-season sales many, especially those most luxurious brands, choose to destroy unsold collections. This practice is, moreover, covered by the greatest secrecy and this type of work is carried out by trusted intermediaries. Although unethical and environmentally disgraceful this practice exists and is likely to continue. According to the 2018 annual report, Burberry burned unsold products worth £28.6 million. Richemont also made the headlines in May 2018, when it turned out that it had destroyed watches worth 572 million dollars over the last two years30 (however this is value in terms of catalogue prices, see Pinnock, 20.07.2018, Forbes). LV also admits to destroying its products, although it does not state what their value is.

3.4.3.6 Internet Sales Channels

Perhaps the most important feature of the Internet which does more harm than good to luxury brands is the lack of control over distribution channels on the Internet. To maintain this control Richemont Group purchased yoox.com and net-a-porter.com; the two largest online retailers, merged since 2015 (new name is Yoox Net-A-Porter Group S.P.A.31). What is even more interesting (and highlights the importance

---

30In both cases, however, it is the value at selling prices which reduces the injury picture.

31Yoox specializes in buying unsold items from previous seasons from reputable fashion houses (e.g. Dolce & Gabbana, Gucci, Armani, Cavalli, etc.) and selling them online at reduced prices.
of digital distribution channels) in June 2015 the CEO of Richemont invited LVMH and Kering SA to take part in an attempt to set up a luxury retail website that could compete with the global market of the largest online retailers. So far, however, nothing more has been heard about the implementation of this project.

Although the purchase of products in shops and Internet portals deprives consumers of the impressions built through the use of traditional sales methods the Internet sales of luxury goods are growing dynamically. This is primarily due to the large number of aspiring consumers for whom a visit to a traditional shop is either difficult (because it is not in the place where the consumer lives) or, despite its existence, may be a source of frustration (due to the hitherto limited experience in the consumption of luxury goods or the fear of making too many purchases beyond their means under the influence of subtle pressure from the seller). The third and perhaps the most important reason for the growing popularity of Internet sales channels is due to the possibility of buying the desired goods at significantly reduced prices, which would not be found in traditional shops. Such “opportunities” are possible on the Internet precisely because of the lack of full control over distribution channels.

Already in 2019 and even more in 2020 (due to the COVID 19 Pandemic) Internet channel developed most dynamically. It is estimated that on a global scale as much as 75% of physical and online purchases were made under the impulse provided by Internet communication. Just as in luxury shopping in general Asia has the biggest share in the development of online sales channels, with the Chinese as the most intensive users of this form of shopping.

One of the liquidation practices of unsold collections is to sell them online through flash sales and specialized, socially responsible sellers. Such sales however mainly relate to fashion and is a relatively new, innovative solution that provides brand owners with the ability to manage surpluses while maintaining the aura of uniqueness and unavailability. The French internet platform Vente Privée is considered to be the creator

Yoox also creates capsule collections (e.g. Hussein Chalayan, Alexandre Herchcovitch) sold as flash sales. Net - a - porter is one of the first portals selling luxury goods at slightly lower prices but not much lower than if they were sold in flagship stores.
of this business model now successfully copied by others (Gilt Group, Rue La La, Cocosa, OutNet and over 100 other players). There are also so-called flash sales search engines (such as RetailFetish.com). The most characteristic feature of flash sales is that they offer luxury brands at reduced prices in a very short period of time (usually during a maximum of 2–3 days). It seems that for both websites—operators and brand owners—this is a beneficial strategy. There is still a sense of shortage, margins from the sale of off-season products are still positive and many consumers have a sense of winning the lottery. Belonging to the “lucky ones” (and even happier than buyers in traditional sales outlets due to favourable price offers) is also achieved because some sites are only available to recommended, registered members.

Another safe way for brands to reduce excess inventory is ThredUp. It was a platform originally dedicated to the sale of used goods but in the summer of 2017 ThredUp Luxe was launched, thanks to the huge demand for luxury goods among its customers. According to co-founder James Reinhart, “demand for luxury goods at ThredUP currently exceeds supply with more than 60,000 searches for luxury brands every week”, justifying the huge social desire to own luxury goods, both new and used (see Parisi, 27.07.2017, Luxury Daily 2018).

3.4.4 Monetisation Strategies

The rule of luxury DNA concerning monetization of value propositions is simple—always increase the average price and this is the case with the so-called flagship, iconic brand products, especially those present at the two highest levels of the pyramid. The so-called best sellers are not subject to discounts and their price only increases with time.

Companies in the highest luxury segment apply this principle with an iron fist and the steadily increasing demand for the top luxuries (higher than the supply levels) allows them to do so. This does not mean, however, that the limited volume of production is a consequence of bottlenecks: it is a deliberate strategy to maintain the brand image of an unavailable brand. Despite Kapferer’s claim that the craftsmen sewing Birkin and Kelly bags in Hermés “are not born on stone” (Doran
2015\textsuperscript{32}, it is difficult to assume that there are no very talented purse-makers in the world including those born “in the vicinity of stones” (here: in poverty), which can be acquired from the world market and trained to work in a relatively short time. Sewing a bag, however, is a somewhat less complicated process than the analysis of atomic particles. Even in the case of car brands maintaining an annual production limit is the result of a compromise between the need to maintain the image and the desire to increase profits,\textsuperscript{33} and expenditure on the development of so-called concept vehicles clearly shows that capacity expansion is not a problem in these companies.

The practice of liquidating unsold goods proves how important it is in this sector to maintain the image of an inaccessible, rare luxury because this image allows the generation of high margins and the ability to monetize the brand on lower tiers.

As shown in the discussion on the pyramid of luxury it is usually the products in the so-called middle price range that drive the company’s profitability. The individual and most expensive exhibits are intended only to strengthen the brand image but these individual items, combined with high production costs, are often unprofitable. On the other hand the purpose of manufacturing and selling accessories is not only to make money from their sale but also to attract future consumers who, as their income increases, will return to the company for more expensive products.

The nature, scope and intensity of brand monetization are also determined by the ownership structures and the legal status of the company. Rationalising costs and striving for profit will, as a rule, be more important for listed companies. This pressure will not be felt equally by independent fashion houses or so-called specialists. Being a unique, innovative and sustainable brand often requires a compromise in the form of

\textsuperscript{32}The essence of the Kapferer's message implies how complicated and long-lasting the process is to develop the appropriate craft skills which are one of the key resources of luxury brands.

\textsuperscript{33}For example, despite the huge demand Lamborghini's production capacity is officially announced as no more than 3500 cars per year. The limits apply to all brands on the top rung of the ladder but the desire for profit means that they are constantly being raised (2016.08.26), https://www.cyrkf1.pl/wyniki-finansowe-ferrari-2016/. 
sales diversification, stretching and extension of the brand, although not all players are able to apply this compromise skilfully in the long term.

Ferrari has three sources of profit: the first is cars. Revenues here do not grow dynamically due to the internally maintained production limit. The second is the Formula One championship, where the brand image is created but also the rights to broadcast and use the logo during the competition are sold. A third source is the licence to place the Ferrari logo on various accessories not directly related to cars which generate considerable income allowing the company to function and grow well. Another successful way to maintain a unique brand image is through the personalization/customization of cars such as Rolls Royce which is more profitable than the production of a new standardised car.

Other ways of monetising the brand, although less successful due to its long-term development, concern its intensive extension to almost all possible industries with a luxury segment. This is the case with Armani, which, after years of utilizing this strategy successfully eventually went too far and now has been losing customers and revenues for two years. According to the head of the company, however, the reversal of this unfavourable trend was expected in 2020 due to a thorough restructuring and a change in the business model (Luxury Daily, 2018.08.03, Armani).

3.5 The Interplay Between Ownership Configurations and Business Models in the Luxury Goods Market

Below is the author’s classification of the existing business models of enterprises operating in the luxury market, quite typical for certain ownership structures.34

---

34A protoplast typology for the one presented above (consisting of five models—consolidators, family fashion houses, 3ML sellers, specialists and multi-segment sellers) is the list created by the consulting firm Precepta on the basis of a survey conducted in 2010 (in Hoffmann and Coste-Manière 2012, p. 233). Since then, however, much has changed in the area of acquisitions and capital mergers hence the proposed business model typology and the proposed Precepta terminology was used only as a preliminary conceptual framework, complemented
3.5.1 Large Players, Consolidating and Managing Multiple Brands

1. Luxury consolidators for private use—international, listed conglomerates of luxury and premium brands such as LVMH, Richemont, Kering. They have large financial resources and their development is based on the constant acquisition of new or poorly operating old luxury brands and the management of their portfolio. Brands in the conglomerate retain operational and design autonomy but are subject to a common marketing strategy, guidelines for composition and control of the supply chain and adapt to an overall strategy such as sustainability. Conglomerates are listed on stock exchanges which determines their strategies focused on dynamic value and revenue growth. Their portfolios include so-called milk cows—above-average revenue brands positioned as global players (LV in LVMH, Gucci in Kering, Cartier in Richemont) as well as brands that have been making losses for years but working hard to regain new lustre and become profitability stars.

LVMH—Moët Hennessy Louis Vuitton SE is a French company founded in 1987 by the merger of Louis Vuitton's fashion house with Moët Hennessy a company created by the merger of the champagne producers Moët & Chandon and Hennessy the cognac producer. It has been managed for years by Bernard Arnoult who is considered to have contributed the most to changing the face of luxury by introducing the hard rules of world finance. LVMH controls approximately 60 subsidiaries, each of which manages a small number of prestigious brands. In 2017 Arnault also bought out Christian Dior who had been defending himself against the takeover for many years. The flagship brands in LVMH’s portfolio include LV, Dior, Celine, Marc Jabobs, Fendi, Givenchy and alcoholic beverages: Hennessy, Moët & Chandon, Vveue Cliquot t, or Belvedere; in the jewellery and watchmaking industry: Bulgari, Chaumet, Hublot; with new types of models and current activities illustrating the typical way of operation of these companies.

35However which does not prevent destroying off-season collections and testifies to hypocrisy.
in the cosmetics industry: Guerlain, Tom Ford, Aqua di Parma, Givenchy. LVMH also has sales networks—Sephora, Le Bon Marchè in Paris, DFS in Hong Kong.

Richemont—Compagnie Financière Richemont SA is a Swiss luxury goods trading company founded in 1988 by South African businessman Johann Rupert. Through its subsidiaries Richemont designs, manufactures, distributes and sells the highest quality jewellery, watches, leather goods, writing instruments, firearms, clothing and accessories. The brands it owns are: A. Lange & Söhne, Azzedine Alaïa, Baume & Mercier, Cartier, Chloé, Dunhill, IWC Schaffhausen, Giampiero Bodino, Jaeger-LeCoultre, Lancel, Montblanc, Officine Panerai, Piaget, Peter Millar, Purdey, Roger Dubuis, Vacheron Constantin and Van Cleef & Arpels. Richemont is the owner of YOOX NET-A-PORTER GROUP S.p.A., a leading online retailer of luxury products (data from the company’s official website).36

Kering SA—French operator of luxury and life style brands which was known as PPR until June 2013. The main brands are Bottega Veneta, Gucci, Balenciaga, Alexander McQueen, Stella McCartney, Yves Saint Laurent and Boucheron. Compared to LVMH it is a so-called late entry global player (Gucci was taken over in 1999). Like LVMH it grows through acquisitions (acquisition of Brioni in 2011; Jeanrichard and Girard Perregaux 2011; Qeelin 2012; Christopher Kane 2013; Pomellato 2013; Ulysse Nardin 2014). Half of the Group’s revenues come from luxury fashion followed by the sports and life style industry with Puma as the main brand. In April 2018 however, Kering announced its intention to sell the clothing company Volcom and in May 2018 it also sold its stake in Puma, retaining only 15.7% of the package to focus on the luxury sector. An aggressive investor with a strong, globally recognizable group of brands it is dynamically developing its sales’ network in Asia but the main issue of the concern is too much dependence on the one Gucci brand and a still weak development of the haute horlogerie industry.

36https://www.richemont.com/.
2. **Vertical integrators and consolidators of ‘tech’**—this is a group of listed automotive corporations covering all consumer segments albeit in the case of BMW and Mercedes, with only premium and luxury products. Unlike consolidators gathering private luxury brands from the fashion, jewellery, cosmetics or life—style industries the main component of the value proposition is not symbolism, aura or uniqueness. In this industry technical excellence and innovation are essential, although combined with the complimentary (but crucial) attributes of luxury in areas of the emotional, social and symbolic “magic”. The competition in the global automotive industry takes place through: global sales, pooling of capital of the main players in order to increase the pace and diversification of the risk of design and research activity, dispersal of the production and supply chain on a regional and global scale. The aim of such a configuration is to develop technical innovations as quickly as possible while optimising the cost and global monetisation of manufactured goods to the widest possible audience.

The strategies of car corporations in the luxury segment are two-track: they consist in the simultaneous development of their own, traditional brands with a wide range of goods, as well as the acquisition and development of other niche brands with a clearly defined customer profile (Ferrari, Aston Martin, Bentley, Rolls Royce, etc.). The Volkswagen Group controls Lamborghini, Audi, Porsche, Bugatti and Bentley; Tata Motor owns Jaguar Land Rover; Rolls-Royce is owned by BMW; Lexus is owned by Toyota; Infinity is owned by Nissan; Lincoln is owned by the Ford Motor Company; Cadillac GM and Maserati are controlled by Fiat Chrysler Automobiles. The companies control the entire supply chain dispersed on a global scale but closely connected with intra- and interorganization and capital relationships. In the case of luxury niche brands (sport, uber-luxury), brands retain a high degree of freedom to shape their strategies, although the guiding principle is to keep the production of the number of cars in check, which helps to persuade consumers of their scarcity, unavailability and desirability.

3. **FMLG (fast moving luxury goods) sellers**—this group includes mainly international cosmetics’ companies such as L’Oréal, Estée
Lauder or Coty, but also players from the jewellery industry with a smaller geographical reach (such as Polish Apart or Yes). Companies using this model are present in several market segments from mass market to luxury. Business differentiators include the frequent introduction of new products, intensive marketing and skilful management of the portfolio of brands (e.g. through licensing) in order to achieve economies of scale.

4. **Galaxy models for mass luxury**—this group includes e.g. Ralph Lauren, Armani, Hugo Boss, PVH (owner of Calvin Klein and Tommy Hilfiger). The strategy is based on maximising sales by creating an umbrella brand image. The galaxy is a metaphor for the coexistence of brands created under the “wings” of the founder, most often the head designer (Giorgio Armani, Tommy Hilfiger, Ralph Lauren), operating independently in different industries. The galaxy model differs from the consolidator model in the consumer segments targeted by the products. The umbrella brand while allowing it to be monetised in many industries poses a serious threat to the whole model: if one of them loses its reputation, the odium of decline extends to the others.

The good example of a galactic model is the composition of Armani umbrella brand:

- the presence of the brand at the highest level of the luxury pyramid (Armani Prive),
- extension of the original brand to groups of less affluent fashion consumers; Armani Collezioni, Emporio Armani, Armani Jeans,
- expanding the range of fashion accessories (handbags, sunglasses, wallets, scarves, etc.),
- creation of different clothing lines (e.g. sports lines) or collections for children or teenagers with different pricing strategies for smaller, profiled segments; Armani Junior, Armani Exchange, EA7,
- presence of the brand in the cosmetics and perfumery industry with the Armani logo
extension of the scope of operations to the so-called lifestyle area (e.g. hotels, restaurants, food, interior design): Armani Casa, Armani Ristorante, Armani Hotels (e.g. in Burj al Dubai), Armani Fiori, Armani Dolci.

3.5.2 Smaller Players with Several or One Main Brand

5 Aggressive, agile players—The model is a combination of an independent fashion house with its own unique style and an aggressive market expansion strategy adopted from the principles of global finance. It is a hybrid of models 1 and 6 with an original addition in the form of emphasis on the fastest possible monetization of the brand while creating the aura of luxury through intensive marketing and selling goods to almost everyone (through the use of licenses and various forms of discount sales). The dynamics of action is visible not only in the pace of opening stores around the world but also in the acquisition of other brands or geographical dispersion of the value chain. The Prada Group and Michael Kors use this model.37

Prada was founded in 1913 in Milan and initially produced only leather products. Thanks to Miucci Prada and her dazzling husband businessman Prada became a luxury fashion company with haute couture clothing lines and then a prêt-à-porter range. Currently Prada's portfolio includes brands created or acquired and from the beginning promoted by the concern (Prada, Miu Miu, Car Shoe, Marchesi 1824) as well as other well-known brands taken over from the market (Helmut Lang, Jil Sander, Church’s). Currently Prada has 250 stores in 65 countries around the world.

Michael Kors Holdings Limited is an American company from the masstige fashion industry. Founded in 1981 by Michael Kors it was initially sold by the Bergdorf Goodman department store under an exclusive licence granted by Kors. With a designer of sports and life style clothing, Kors strenuously and determinedly sought to take

---

37 However they occupy other levels of the pyramid of luxury within their so-called core business.
a place in the luxury sector. As a designer Celine had the opportunity to learn how such brands work and has since then started a dynamic market expansion with his bags, accessories and fashion. It opened its first retail stores in 2006 targeting mainly young, medium affluent women seeking an aura of luxury but at the level of their financial capabilities. In 2017 the company had 827 of their own stores and 133 licensed stores (offering goods both at full price and in the outlet system). In July 2017 Michael Kors acquired Jimmy Choo Ltd.

6. **Independent fashion houses**—this group includes Chanel or Hermès, which are controlled by family capital or private individuals. They adhere to the principles of management developed by the founders of the brand and subsequent generations of successors. Heritage, tradition, uncompromising care for quality are the basic features of the model. The old-fashioned management style of Hermès (keeping the production inside the company in France, in Paris and a cautious approach to retail) proves to be extremely effective and makes the brand a symbol of “luxury inside luxury”. Chanel has not only stayed in the luxury fashion segment but skilfully achieves high revenues in the cosmetics industry.

Independence, the primacy of the artistic project in comparison with the traditional image of luxury and the set of management principles developed by the founder (although not necessarily in line with global recommendations of consulting companies or popular scientific management guides) is also a typical model for small luxury brands with a localised scope of activity.

7. **Professionals**—well-known, esteemed brands operating in one industry, e.g. Rolex or Mauboussin. The model of this group is based on high margins and small volumes, developing its activities on the traditional ideal model of luxury business described above. It is worth noting that the brands comprising conglomerates (model 1), car corporations (model 2) and FMLG players placed at the top or middle of the luxury pyramid also use this model in the production, distribution and communication layers.

---

38 It has nothing to do with the character of design which is supposed to be innovative although it can be avant-garde, classic and so on.
3.6 Consequences of Changes in the Structure and Dynamics of the Luxury Market Development on the Value Proposition—Summary

Luxury consumption is a reflection of wider, global changes in consumption patterns. The most important are (Global Web Index 2020; Mintel 2020; Danziger 2019),

- deconsumption trends, conscious, sustainable, ethical, ecological consumption as a reaction to consumerism surpluses,
- dematerialization of consumption for the sake of searching and experiencing,
- the abandonment of purchases for the sake of temporary use, sharing or co-creation of goods,
- glocalisation: local consumption as a reaction to global homogeneity,
- a shift away from public loud consumption, towards quiet, private, individualised consumption,
- facilitating sales and use of goods through the use of techniques from the Internet space and mobile communication: e.g. multiple channels to reach consumers to increase their satisfaction with consumption (creating an *omni-channel experience*),
- politicisation and even nationalisation of consumption (see also Halkier 2016).

The trends listed here reflect the changes that are currently taking place in many, not only mature economies, shaping postmodern consumer culture, which dimensions are: negation of universal ideologies, pluralism of views and lifestyles, changeability, hedonism, coexistence of opposing phenomena and trends, or living in hyper-reality, mainly thanks to virtual space.

The characteristics of this culture give rise to the possibility of offering new or strengthening existing types of values resulting from the possibility of the individual shaping of lifestyles. It increases the speed of response to questions and customer needs thanks to the use of space
and virtual application, transformation of marketing communication into real and virtual hyper entities. Companies focus on providing ephemeral sensations and pleasure experienced by many senses, including the coexistence of real and virtual spaces.

In the luxury goods market there is a distance from traditional marketing where consumers are seen as rational decision-makers, focusing on the functional qualities and benefits of products. The present and future consumer is an emotional being focused on achieving a pleasant experience in accordance with the concept of Service Dominant Logic (Vargo and Lusch 2004, 2008). It is a postmodern homo consumericus that has grown up in the world of mass consumption, defined by this consumption and in relation to the cult of consumption, valuing not only purchases but all of itself and others (see Atwal and Williams 2008; Yeoman and McMahon-Beattie 2006; Miller 1998).

As they wrote:

- in the 50’s Fromm about the marketing man (Fromm 1947, 2013),
- in the 1980s, Baudrillard (on consumer freedom as a myth within the framework of purchasing power; Baudrillard 2016),
- in the 1990s, Bourdieu (on shaping demand and production by consumption 1986, 2013) or McCracken (on consumption as a code of communication, 1986, 2005).

the world of consumption today serves the basis for determining the superior system of individual values. The body, children, spouses and even the soul become a product which, like everything else, has its price and is judged by the extent to which it pleases others.

In this context an attempt to move away from the commonness of mass consumption is an escape into an atypical, ephemeral and totally individual (and thus unique) experience. This are created by means of experience marketing or the so-called context, combining forms, channels and ways of influence (see). In the marketing of experience activities are focused on arousing and sustaining specific customer feelings related to their lifestyle. Consumers shall be provided with sensory, emotional, cognitive and relational values that are consistent with what they expect
(and can expect experiences different from those of everyday life). The aim is to achieve synergy between meaning, perception, consumption and brand loyalty. The assumption of these marketing strategies is to base consumers’ decisions on a combination of emotion and rationality. However experience marketing requires a wider range of research methods to understand the causes of specific consumer behaviour in order to involve them. The richness of experience and commitment depends on the interplay between the “experimental zones”: entertainment, education, escape from everyday life and aesthetics (Pine and Gilmore 1999).

According to LuxeDigital (2020), Matter of Form (2020) or Bain & Co. (2020) there are at least a few interdependent trends that will change the luxury market. It is predicted that the most important force that will change the face of luxury will be the Internet and technologies based on its use. The entry of these technologies into all areas of economic and private life will also leave its mark on this market and although until recently it successfully defended itself against mass communication in the Internet media it is abstracted from the level and direction of emotions, from the exploitation of this sphere depends on its existence and development.

It seems that the leading megatrend is and will be the expanding digitalization which will change the face of the luxury market even more dynamically than before. The directions of this transformation aim to intensify the use of Augmented Reality (AR) and Artificial Intelligence (AI) to integrate real and virtual realities. All this in order to facilitate the process of communication with the customer, selection and purchase and assistance during the use of the products. Using AR and AI technologies luxury brands can also provide a personalised consumer experience, reach a wider audience, deepen product consumption experiences and establish more intense customer relationships. In addition to AR and AI we

---

39Okonkwo described this as a love and hate relationship, Okonkwo (2007).
40These expectations relate primarily to the Millennials and Generation Z group which is expected to represent 40% of the global luxury consumer group by 2025 (Delloite 2018). I am also not convinced that the intensification of virtual relationships with the customer is simply aimed at tightening ties resulting in increased shopping and loyalty, although there are studies indicating such dependencies (see e.g. Table 9, Chapter 2).
should also mention the development of virtual commerce with extensive sensory stimuli (voice, sound, image) and the Internet of Things (IoT), which makes it possible to use the services of the Internet:

- incorporation of various additional functions into the proposal for the value of luxury goods in order to increase their functionality or intensify sensations,
- use of software to create individualised products by yourself,
- participation in the process of designing and manufacturing a product (let’s take a look at the Hermés workshop),
- facilitate the selection process virtual fitting rooms, etc.

The marriage of virtual space and the use of modern information technologies is to support the consumer in independently creating the value of luxury goods. It is a proposal to increase the functional and emotional value of luxury goods and services and a tool for the development of the second megatrend.

The aim is to extend the range of possible experiences for the consumer before, during the purchase, use and disposal. The most important seems to be the provision of the so-called omnichannel experience: the possibility of simultaneous use of virtual and real space. 42

Buying luxury goods online also raises the problem of checking their authenticity. Special programs and applications from the so-called blockchain category help in this. Offering such applications by the manufacturers of luxury jewellery, watches, accessories and clothing not only increases the security of purchase, but also eliminates fraudsters and increases investment in online sales channels of luxury goods.

Other trends include the shift from traditional shopping to sharing. The so-called sharing economy is also entering the luxury sector and the phenomenon of renting luxury goods is beginning to grow rapidly.

41 Patrz np. https://www.businessinsider.com/how-herms-bags-are-made-2012-7?IR=T#many-of-the-leathers-like-this-blue-crocodile-skin-are-dyed-4.

42 In the simplest terms it is the integration of ordering in online stores combined with social media such as Instagram where photos of celebrities using the products of a given brand are placed. After “clicking” on a given product, the program is to redirect us to the online store but we can receive the goods physically in the store already.
Consumers and with them new, fast-responding entities operating mainly online, began to ask themselves another question—why buy luxury goods when you can enjoy using them without being their owner for the rest of your life?

Rental applies to jewellery, watches, clothes, accessories and cars. However, lending is a trend for a rather new group of consumers, other than the traditional one for whom the possession of luxury goods will remains an asset. However the traditional customer base of classic luxury lovers is not growing at the same rate as the ambitions to increase revenue for owners and managers of luxury goods businesses. The trend towards the resale of second-hand luxury goods is also developing and the spread of such an approach to luxury makes one wonder whether the existing business models should not be reformulated.

What is more, Julius Baer (2020) clearly highlights a growing trend among the richest groups in the world, being environmentally conscious are inclined to spend money on protecting environment or even for charity rather than on goods or luxury services. A good example of this is the activity of Warren Buffet who devotes over 70% of his income to charity, or the Gates couple who invest over 20% of their income in charity work.43

In addition to charity work the trend towards social and environmental responsibility which is increasingly present and recognised as a new kind of value for consumers should also be noted.

In the longer term it is likely that the vision of “fully automated luxury communism” will come true.44 In a few decades’ time when robots or autonomous products are widespread human working time may be limited to 10–15 hours per week it is work itself that will then become a rare commodity—a luxury, accessible to those who are most educated and who coordinate automated work. Artificially made gemstones or autonomous cars as public transport will be available to the general public as will the ability to manufacture customized clothing and accessories with 3D printers or more sophisticated technologies. Perhaps then

---

43 See also https://www.forbes.com/pictures/59d5055e4b666f37dd9ff693/how-much-do-americas-rich/#46894de94a47.
44 https://www.forbes.com/sites/bernardmarr/2016/06/30/are-we-headed-for-automated-luxury-communism/#48489fec37e3.
Socrates’ vision of luxury the highest measure of which is to serve the public good will be realized. However as predicted by Harari (2018) in such a society economic stratification will be even more visible than it is today and despite the fact that goods now considered luxurious will become universally available. Luxury versions of autonomous vehicles will be produced next to them in production units or the elite access to limited virtual amusement parks will become more important. Health and beauty enhancing services will be divided into generally accessible products (although of a higher quality and scope) and also into those products and services that are the latest, most luxurious and accessible only to the few.

References

Ahn, J., Park, J. K., & Hyun, H. (2018). Luxury product to service brand extension and brand equity transfer. *Journal of Retailing and Consumer Services, 42*, 22–28.

Antoni, F., Burgelman, R. A., & Meza, P. (2004). *LVMH in 2004: The challenges of strategic integration*. Harvard: Harvard Business School Case.

Arnould, E. J., Price, L. L., & Otnes, C. (1999). Making (consumption) magic: A study of white water river rafting. *Journal of Contemporary Ethnography, 28*(1), 33–68.

Arvidsson, A., & Malossi, G. (2011). Customer co-production from social factory to brand: Learning from Italian fashion. In D. Zwick & J. Cayla (Eds.), *Inside marketing: Practices, ideologies, devices* (s. 212–233). New York: Oxford University Press.

Atwal, G., & Williams, A. (2008). Marketing in postmodern India: Bulgari meets bollywood. *Indian Journal of Marketing, 38*(1).

Atwal, G., & Williams, A. (2009). Luxury brand marketing—The experience is everything! *Journal of Brand Management, 16*(5–6), 338–346.

Bain. (2014). *Luxury goods worldwide market study fall-winter 2014: The rise of the borderless consumer*. https://www.bain.com/insights/luxury-goods-worldwide-market-study-december-2014/.

Bain. (2020). *Luxury after COVID 19, changed for (the) good?* https://www.bain.com/insights/luxury-after-coronavirus/.

Bain & Co. (2019). *Eight themes that are rewriting the future of luxury goods.*
Bain & Co. (2020). *Global personal luxury goods market set to contract between 20–35 percent in 2020*. https://www.bain.com/about/media-center/press-releas es/2020/spring-luxury-report/.

Bain & Company. (2016). https://www.bain.com/insights/luxury-goods-worldwide-market-study-fall-winter-2016/.

Bain & Company. (2018). https://www.bain.com/contentassets/8df501b9f8d6442eba00040246c6b4f9/bain_digest__luxury_goods_worldwide_market_study_fall_winter_2018.pdf.

Balabanis, G., & Diamantopoulos, A. (2008). Brand origin identification by consumers: A classification perspective. *Journal of International Marketing, 16*(1), 39–71.

Bastien, V., & Kapferer, J. N. (2013). More on luxury anti-laws of marketing. In *Luxury marketing* (pp. 19–34). Wiesbaden: Gabler Verlag.

Baudrillard, J. (2016). *The consumer society: Myths and structures*. Sage.

Berthon, P., Pitt, L., Parent, M., & Berthon, J. P. (2009). Aesthetics and ephemerality: Observing and preserving the luxury brand. *California Management Review, 52*(1), 45–66.

BMW Group. (2017). *Supplier management*. Pobrane z. https://www.bmw group.com.

Bourdieu, P. (2013). The forms of capital by Pierre Bourdieu 1986. *Marxists Internet Archive. Np.*

Brun, A., & Castelli, C. (2013). The nature of luxury: A consumer perspective. *International Journal of Retail & Distribution Management, 41*(11/12), 823–847.

Calori, R., Melin, L., Atamer, T., & Gustavsson, P. (2000). Innovative international strategies. *Journal of World Business, 35*(4), 333–354.

Caniato, F., Caridi, M., Castelli, C., & Golini, R. (2009). A contingency approach for SC strategy in the Italian luxury industry: Do consolidated models fit? *International Journal of Production Economics, 120*(1), 176–189.

Castelli, C. M., & Sianesi, A. (2015). Supply chain strategy for companies in the luxury-fashion market: Aligning the supply chain towards the critical success factors. *International Journal of Retail & Distribution Management, 43*(10/11), 940–966.

Chevalier, M., & Gutsatz, M. (2012). *Luxury retail management: How the world’s top brands provide quality product and service support*. Singapore: Wiley.

Chevalier, M., & Mazzalovo, G. (2008). *Luxury brand management: A world of privilege*. Singapore: Wiley.
Christodoulides, G., Michaelidou, N., & Li, C.-H. (2009). Measuring perceived brand luxury: An evaluation of the BLI scale. *Brand Management, 16*(5/6), 395–405.

Christopher, M., & Towill, D. R. (2002). Developing market specific SC strategies. *The International Journal of Logistics Management, 31*(1), 1–14.

Cisse, C. (2020). In the new age of rentable luxury, consumers are less concerned with ownership than ever. https://www.luxurysociety.com/en/articles/2020/02/rise-sharing-economy/.

CPCStrategy. (2018). *The 2018 influencer marketing report, The rise of micro-influencers & how consumer trust drives sales.* https://learn.cpcstrategy.com/rs/006-GWW-889/images/2018%20Influencer%20Marketing%20v3.pdf.

Daimler. (2018). https://media.daimler.com/marsMediaSite/en/instance/ko/China.xhtml?oid=9265718.

Dall’Olmo Riley, F., Pina, J. M., & Bravo, R. (2015). The role of perceived value in vertical brand extensions of luxury and premium brands. *Journal of Marketing Management, 31*(7–8), 881–913.

Danziger, P. (2019). 6 global consumer trends for 2019, and the brands that are out in front of them, in Forbes. https://www.forbes.com/sites/pamdanziger/2019/01/13/6-global-consumer-trends-and-brands-that-are-out-in-front-of-them-in-2019/#4d8d21404fe4.

Delloite. (2018). *Global powers of luxury goods 2018.* From z. https://www2.deloitte.com/content/dam/Deloitte/at/Documents/consumer-business/deloitte-global-powers-of-luxury-goods-2018.pdf.

Delloite. (2019). *Global powers of luxury goods.* https://www2.deloitte.com/global/en/pages/consumer-business/articles/gx-cb-global-powers-of-luxury-goods.html.

Dion, D., & Arnould, E. (2011). Retail luxury strategy: Assembling charisma through art and magic. *Journal of Retailing, 87*(4), 502–520.

Dion, D., & Borraz, S. (2017). Managing status: How luxury brands shape class subjectivities in the service encounter. *Journal of Marketing, 81*(5), 67–85.

Economist. (2014). *Exclusively for everybody.* From z. https://www.economist.com/special-report/2014/12/11/exclusively-for-everybody.

Featherstone, M. (2016). The object and art of luxury consumption. *Critical luxury studies: Art, design, media,* 108–127.

Fiionda, A. M., & Moore, C. M. (2009). The anatomy of the luxury fashion brand. *Journal of Brand Management, 16*(5–6), 347–363.

Fromm, E. (1947). (Man for Himself, Chinese), Shanghai (Shanghai Translation Publishing House) 2013.
Kapferer, J.-N., & Bastien, V. (2017). The specificity of luxury management: Turning marketing upside down. In Advances in luxury brand management (pp. 65–84). Cham: Palgrave Macmillan.

Kernstock, J., Brexendorf, T. O., & Powell, S. M. (2017). Introduction: Luxury brand management insights and opportunities. In Advances in luxury brand management (pp. 1–24). Cham: Palgrave Macmillan.

Ko, E., Costello, J. P., & Taylor, C. R. (2019). What is a luxury brand? A new definition and review of the literature. Journal of Business Research, 99, 405–413.

KPMG. (2018). China’s connected consumers, the rise of the millennials. From https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2017/12/chinas-connected-consumers-the-rise-of-the-millennials.pdf.

Lamming, R. C., Johnsen, T., Zheng, J., & Harland, C. M. (2000). An initial classification of supply networks. International Journal of Operations & Production Management, 20(6), 675–691.

Lee, J. E., & Watkins, B. (2016). YouTube vloggers’ influence on consumer luxury brand perceptions and intentions. Journal of Business Research, 69(12), 5753–5760. http://dx.doi.org/10.1016/j.jbusres.2016.04.171.

LuxeDigital. (2020). The future of luxury: Trends to stay ahead in 2020. https://luxe.digital/business/digital-luxury-trends/luxury-future-trends/.

Luxury Daily Raport. (2018). Armani predicts 2 more years of losses before 2020 recovery. From https://www.luxurydaily.com/armani-predicts-2-more-years-of-losses-before-2020-recovery/.

Macquarie Research. (2016). Diamonds & gemstones cautious on jewellers, bullish on miners flat prices? No problem, volume takes over. www.macquarie.com/research.

Mason, R. (1993). Cross cultural influences on the demand for status goods. In W. F. Van Raaij & G. J. Bamossy (Eds.), European advances in consumer research, 1 (s. 46–51). Provo, UT: Association for Consumer Research.

Matter of Form. (2020). The luxury report: The state of the industry in 2020 and beyond. https://matterofform.com/the-luxury-report/.

McCracken, G. D. (2005). Culture and consumption II: Markets, meaning, and brand management (Vol. 2). Indiana University Press.

McKinsey. (2014). A multifaceted future: The jewelry industry in 2020. McKinsey & Company. From http://www.mckinsey.com/industries/retail/our-insights/a-multifaceted-future-the-jewelry-industry-in-2020.

McKinsey. (2020). A perspective for the luxury-goods industry during—and after—coronavirus. https://www.mckinsey.com/industries/retail/our-ins
Miller, D. (1998). *A theory of shopping*. Cornell University Press.

Mintel. (2020). *Global consumer trends, 2030*. https://www.mintel.com/global-consumer-trends.

Młody, M., & Stępień, B. (2020). Premises of reshoring development in luxury goods sector. *Journal of Management and Financial Sciences, 1*.

Money, R. B., & Colton, D. (2008). The response of the ‘new consumer’ to promotion in the transition economies of the former Soviet bloc. *Journal of World Business, 35*(2), 189–205.

Moore, C. M., & Doherty, A. M. (2007). The international flagship stores of luxury fashion retailers. In *Fashion marketing* (pp. 301–320). Routledge.

Moore, C. M., Doherty, A. M., & Doyle, S. A. (2010). Flagship stores as a market entry method: The perspective of luxury fashion retailing. *European Journal of Marketing*.

Moore, C. M., Fernie, J., & Burt, S. (2000). Brands without boundaries: The internationalisation of the designer retailer’s brand. *European Journal of Marketing, 34*(8), 919–937.

Oetzel, J., & Doh, J. P. (2009). MNEs and development: A review and reconceptualization. *Journal of World Business, 44*(2), 108–120.

Okonkwo, U. (2007). *Luxury fashion branding*. Basingstoke: Palgrave Macmillan.

Osterwalder, A., & Pigneur, Y. (2010). *Business model generation: A handbook for visionaries, game changers, and challengers*. Wiley.

Parisi, D. (2017). *ThredUP enters luxury resale world with dedicated platform*. From z. https://www.luxurydaily.com/thredup-enters-luxury-resale-world-with-thredup-luxe/.

Parisi, D. (2018). *Donald Trump’s proposed tariffs on imported cars would have major impact on luxury auto*. From z. https://www.luxurydaily.com/Donald-trumps-proposed-tariffs-on-imported-cars-would-have-major-impact-on-luxury-auto/.

Paul, J. (2019). Masstige model and measure for brand management. *European Management Journal, 37*(3), 299–312.

Peng, F., Delamore, P., & Sweeney, D. (2012). Digital innovation in fashion—How to ‘capture’ the user experience in 3D body scanning. *International Journal of Industrial Engineering and Management, 3*(4), 233–240.

Phan, M., Thomas, R., & Heine, K. (2011). Social media and luxury brand management: The case of Burberry. *Journal of Global Fashion Marketing, 2*(4), 213–222.
Pine, J., & Gilmore, J. (1999). *The experience economy*. Boston: Harvard Business School Press.

Rambourg, E. (2014). *The bling dynasty: Why the reign of Chinese luxury shoppers has only just begun*. Wiley.

Ramirez, S. (2018). *Influencer marketing shows no signs of slowing: Shareablee*. From z. [https://www.luxurydaily.com/influencer-marketing-shows-no-signs-of-slowing-shareablee/](https://www.luxurydaily.com/influencer-marketing-shows-no-signs-of-slowing-shareablee/).

Reddy, M., Terblanche, N., Pitt, L., & Parent, M. (2009). How far can luxury brands travel? Avoiding the pitfalls of luxury brand extension. *Business Horizons, 52*(2), 187–197.

RJC. (2017). *Responsible jewellery council*. From z. [http://www.responsiblejewellery.com/](http://www.responsiblejewellery.com/).

Samuely, A. (2016). *Touchscreen fitting rooms revamp retail experiences*. Pobrno z. [https://www.luxurydaily.com/oak-labs-exec-touchscreen-fitting-rooms-revamp-retail-experiences/](https://www.luxurydaily.com/oak-labs-exec-touchscreen-fitting-rooms-revamp-retail-experiences/).

Shukla, P. (2011). Impact of interpersonal influences, brand origin and brand image on luxury purchase intentions: Measuring interfunctional interactions and a cross-national comparison. *Journal of World Business, 46*(2), 242–252.

Silverstein, M. J., & Fiske, N. (2003a). *Trading up: The new American luxury*. New York: Portfolio/Penguin Group.

Silverstein, M. J., & Fiske, N. (2003b). Luxury for the masses. *Harvard Business Review, 81*(4), 48–57.

Solca, L. (2015). *The ‘made in’ dilemma: To label, or not to label*. From z. [https://www.businessoffashion.com/community/voices/discussions/does-made-in-matter/the-made-in-dilemma-to-label-or-not-to-label](https://www.businessoffashion.com/community/voices/discussions/does-made-in-matter/the-made-in-dilemma-to-label-or-not-to-label).

Solca, L., Grippo, M., Lucarelli, G., Pozzi, M., & Borgonovo, F. (2016). *Who buys where: Decrypting cross-border luxury demand flows*. Milan: Exane BNP Paribas Research & ContactLab.

Soopramanien, D., & Robertson, A. (2007). Adoption and usage of online shopping: An empirical analysis of the characteristics of ‘buyers’, ‘browsers’, and ‘non-Internet shoppers.’ *Journal of Retailing and Consumer Services, 14*(1), 73–82.

Stępień, B. (2016). Oblicza pluralizmu metodologicznego w naukach o zarządzaniu—z perspektywy instytucjonalnej. *Studia Oeconomica Posnaniensia, 4*(1), 48–62.

Swarovski Sustainability Report. (2015). *Supply chain collaborating with suppliers for continuous improvement*. From z. [https://www.swarovskigroup.com/S/aboutus/CSR-Responsible-Supply-Chain.pdf](https://www.swarovskigroup.com/S/aboutus/CSR-Responsible-Supply-Chain.pdf).
Szymura-Tyc, M. (2006). Marketing we współczesnych procesach tworzenia wartości dla klienta i przedsiębiorstwa. *Prace Naukowe/Akademia Ekonomiczna w Katowicach*. Katowice: Wydawnictwo Akademii Ekonomicznej w Katowicach.

Teece, D. J. (2010). Business models, business strategy and innovation. *Long Range Planning, 43*(2–3), 172–194.

*The China Report: Innovation in Luxury*. (2018). From z. https://www.luxurydaily.com/the-china-report-innovation-in-luxury-101/.

Truong, Y., McColl, R., & Kitchen, P. J. (2009). New luxury brand positioning and the emergence of masstige brands. *Journal of Brand Management, 16*(5–6), 375–382.

Tynan, C., McKechnie, S., & Chhuon, C. (2010). Co-creating value for luxury brands. *Journal of Business Research, 63*(11), 1156–1163.

Unity Marketing. (2020). *The state of luxury*. https://unitymarketingonline.com/shop/luxury/luxury-reports/state-of-luxury-2020-the-insider-view-report/.

Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic for marketing. *The Journal of Marketing, 68*, 1–17.

Vargo, S. L., & Lusch, R. F. (2008). Service-dominant logic: Continuing the evolution. *Journal of the Academy of Marketing Science, 36*(1), 1–10.

Vecchi, A., Peng, F., & Al-Sayegh, M. (2014). Assessing the applicability of a sizing framework into online fashion retail. *International Journal of Advanced Information Science and Technology, 29*(29), 102–110.

Vigneron, F., & Johnson, L. W. (1999). A review and a conceptual framework of prestige-seeking consumer behavior. *Academy of Marketing Science Review, 1*, 1–15.

Wahba, P. (2018). *Ralph Lauren is discovering how hard it is to fix a brand*. From z. http://fortune.com/2018/02/01/ralph-lauren-earnings/.

Wealth, X. (2015). State of ultra high net worth value market, luxury insight summit, prepared by L. Raynault.

Whitehead, A. N. (1978). *Process and reality* (Corrected ed.). New York, NY: The Free Press.

Wiktor, J. W. (2013). *Komunikacja marketingowa: Modele, struktury, formy przekazu*. Warszawa: PWN.

Wooding, C. (2016, June 27). *Cannes Lions: Virtual reality is the new luxury game-changer*. Retrieved from https://www.luxurydaily.com/cannes-lions-virtual-reality-is-the-new-luxury-game-changer/.

Yeoman, I., & McMahon-Beattie, U. (2006). Luxury markets and premium pricing. *Journal of Revenue and Pricing Management, 4*, 319–328.