18th Annual IMP Conference

September 5-7, 2002

Groupe ESC Dijon Bourgogne
Dijon, France

Cross-cultural exploration of Global Brands and the Internet

F.H.Rolf Seringhaus
School of Business and Economics
Wilfrid Laurier University
75 University Ave. West
Waterloo, Ontario
Canada N2L 3C5

Tel. (519) 884 - 0710 x 2471
Fax (519) 884 - 0201
e-mail rseringh@wlu.ca

C:\Data\MyFiles\IMP\ Sept02

Cross-cultural exploration of Global Brands and the Internet

Abstract

This paper attempts to: First, provide a conceptual background to the notion of luxury and luxury brand, reviewing the conceptual and empirical literature. Second, offer approaches to the definition and segmentation of markets appropriate to luxury goods, which considers issues such as of income, affluence, wealth as well as understanding the role of psychographic approaches. Third, explores the compatibility of luxury brands with an online retail environment by analysing the global online retailing situation with focus on luxury brands. Preliminary lessons and implications for global luxury brands, as well as the next research phase in this project are provided.

Introduction

This paper examines global luxury brands in relation to Internet. The expanding role of the Internet as a communications tool (and in some case providing direct market access) is changing the marketing landscape and forcing companies into new ways of competing. One critical issue is 'how to use the Internet' and how to translate such use into economic value (Porter 2001). First, the paper explores the concept of luxury and luxury brand, then a discussion of the market setting and affluence environment of luxury brands follows. This leads to a review of different approaches to market segmentation. An analysis of the online retail environment considers the question of compatibility of luxury brands with online retailing and resultant implications.

What is a luxury brand

Luxury brands are different from ordinary brands. Visit a luxury brand boutique, such as Christian Dior's on the Avenue Montaigne in Paris and witness

> "...exquisite handbags hang like modern art in classic, silvered rooms. The floors have been imported from a castle in Scotland. Elegant assistants talk lovingly about the handstitching and *les petit mains* that still work above the shop...they will show you a hidden

> brocaded room where duchesses and pop stars try the latest catwalk creations..." (Economist, 2000a).

In this section we discuss the ideas of luxury and luxury brands and see that these concepts are imbued with feelings and ambiguity (Dubois and Laurent, 1994).

<u>Luxury as a concept</u>

Dubois and Laurent (1994) show in their attempt to capture attitudinal components of luxury, that spontaneous word association (with terms such as *upscale*, *quality*, *good taste*, *class*, but also *flashiness* or *bad taste*) shows the ambivalence of respondents' feelings towards the term *luxury*. Thus, luxury is personal, relative and idiosyncratic and luxury goods involve hedonic, symbolic, cognition and variety needs (Hoyer and MacInnis 2001).

Dubois and Laurent (1994) developed a 34-item attitudinal scale, tested on a sample of French consumers, and generated a four-factor structure (explaining 61.3% of variance) based on 12 attitudinal statements of the luxury construct. Tidwell and Dubois (1996) replicated the study in Australia finding some similarity in loadings but overall little correspondence in the factor structure: four factors (explaining 72.7%) based on 8 attitudinal statements, 5 of which also showed in the French study. Drastic differences in responses suggests that cultural influences were reflected in the perception of luxury.

Perception of luxury is also influenced by demographics, lifestyle, habit, social environment, and of course, the purveyors of luxuries, the marketers. The phrase 'life's little luxuries' for instance refers to something quite ordinary but characterized by the consumption situation or occasion as extraordinary, that however, does not at all suggest a luxury product, something exclusive or expensive. Then there is the purely top vs. bottom line product point of view. Practically all product categories have a bottom line and a top-of-the line model or version. The more expensive product does not automatically assume a luxury identity. A top of the range battery-powered Seiko quartz watch is still a non-luxury watch (brand), while a bottom line Patek Philippe watch will always be a luxury watch (brand). What makes it so? Not functionality, since both tell the time. Rather, the exceptional workmanship and materials culminating in a design that is enveloped by the exclusivity of the brand name ascribe to the Patek Philippe watch the status of luxury.

It is a fact that for the concept of luxury to exist it must remain elitist, distinctive, exclusive and rare. In other words luxury evokes an aura of the extraordinary, the unattainable or dream for most who remain outside the target market segment.

The luxury brand concept

There are several attempts at defining the concept of luxury brand. Roux and Floch (1996) suggest that a luxury brand is a specific sensory world of an '...indissoluble interplay of ethics[*] and aesthetics[**]...'. This synthesis or consistency within all senses communicates and shares an emotion with the customer. Such communication and sharing takes place through the distribution network, the design, merchandising, advertising and quality of customer service in boutiques (Nyeck and Roux, 1997). It is clear that understanding this semantic, emotional and imaginary universe of brand perception of luxury brand customers must be understood and captured in communications about the brand. Brand image and personality require the correct balance among all elements that constitute communication of luxury. The definition is quite abstract, however, the ethics and aesthetics dimensions seem intuitively appropriate for luxury brands. As Tidwell and Dubois (1996), Dubois and Laurent (1993), and Wong and Zaichkowsky (1999) have shown, cultural and psychographic characteristics of the respondents shape such perceptions.

Wong and Zaichkowsky (1999) comment on the basic components and functions of a luxury brand, including brand identity, awareness, perceived quality and loyalty related to self-concept congruency,

---

[*] *ethics* – rejection of the economical approach
[**] *aesthetics* – creates fantasy and emotion

fragmented relationship, and consumption simplification. Thus, luxury brands interact with and fulfill the buyer's emotional needs. Marketers need to understand this relationship if they want to compete successfully. The competitive aspect of a luxury brand then suggests that an attribute-based comparative shopping approach generally does not apply which is due to a brand's macro dimensions of *ethics* and *aesthetics* proposed by Roux and Floch (1996).

Dubois and Paternault (1995) developed a *dream formula* linking awareness, purchase and dream value to explain luxury brands and applied it to a U.S. sample. Their notion is that luxury goods are bought for '…what they mean, beyond what they are.' The findings, on one hand support the intuitively obvious, that diffusion counteracts luxury appeal, on the other hand suggest, paradoxically, that purchase (acquisition, ownership) destroys the dream value, making the luxury object less desirable since it has become real. Shortcomings of the formula are, first, the choice of respondents, or market segment, second, the absence of a temporal perspective, third, cross-cultural incompatibility. While it may be correct to associate *dream* qualities to brands, it is inappropriate to conclude that dream attainment, i.e. a dream becoming reality, renders such reality undesirable and behaviour of true luxury segments attest to the fact that either the dream dimension is an incorrect metaphor.

Nueno and Quelch (1998) provide an interesting approach to defining luxury brands: '…those whose ratio of functional utility to price is low while the ratio of intangible and situational utility to price is high.' Moreover, luxury brands, beyond being premium-priced, ephemeral status symbols, or a smart investment, share a host of characteristics, which attempt to be all-encompassing and descriptive. In some measure, it is possible to translate intangible dimensions of luxury brands into attributes but there is a danger in overspecifying what a luxury brand is and the approach taken is the opposite of that used by Roux and Floch (1996).

Dubois and Laurent (1993) investigated the relationship of socio-demographic characteristics and luxury brand awareness and purchase in five European countries.
Income, education and occupation were most strongly and consistently associated with luxury brand purchase across the five countries. Age, gender, marital status, and location of residence (urban, rural etc.) showed no or only a weak relationship.

A final point concerns the hierarchy of effects concept. It has been shown that awareness and purchase are strongly correlated. That, however, does not mean that awareness of a brand in general must be as high as possible. Awareness for luxury brands is only relevant when it is target-market-specific. Comprehensive studies in Germany support this argument (Stern Bibliothek, 1996). (see Figure 1)

Figure 1 here*

Luxury Brands and Product Categories

Many long established luxury brands have not only broadened their product variety and product lines under the brand name, but also pushed the brand into new product types. There has been some consolidation in the luxury goods industry and as well as in their online presence. See figure 2 for some of the groups and community sites for luxury brands.

Luxlook.com, luxuryfinder.com, and Rubshoulders.com attempted to compete in the online luxury retail market. The former two have been absorbed by eLuxury and the latter is closed down. One North American online retailer, Ashford.com, offers a broad selection of brands across ten product categories. Few of its brands, however, are luxury brands and most fall into the premium brand or 'well-known' or 'respected' upmarket brand category (Ashford, 2001).

***Figure 2 here ***

The market for Luxury Brands

The global market for luxury brands in 2001 is around $70 billion. LVMH commands the largest market share of 15% compared with 6% of the next largest group, Richemont (Economist, 2000b). In line with the global scope of luxury brands, their sales mirror the geographic distribution of global wealth: approximately 40% of sales are made in Europe, 28% in North America and 24% in Asia, with the remaining 8% scattered amongst the remaining regions (Nueno and Quelch, 1998). Some individual brands also suggest how consumption patterns for luxury brands are changing. YSL Couture generates 60% of its revenue in Asia, as do 35% of Hermes, 40% of Christian Lacroix sales, more than 50% of Leica sales.

The other side of the coin – the market of those purchasing luxury – can be approached in several ways. The obvious market, the wealthy have been profiled as an exclusive worldwide club of *High Net Worth Individuals* (HNWI) and *Ultra High Net Worth Individuals* (U-HNWI). (see Figure 3) What we see in these two groups is an awesome concentration of luxury goods purchasing power.

***Figure 3 ***

Although, Stanley and Danko's (1996) study paints a frugal picture of the American millionaire, the global wealthy for the most part clearly indulge in a lifestyle out of the ordinary, hence, their acquisition and consumption of luxury goods is inter-woven into the fabric of their lifestyle.

Affluence, income and wealth

The affluent are the primary focus of luxury goods marketers. Definitions of affluence and its boundaries (where affluence begins) vary greatly and the notion of affluence is not easily sorted out. For example: a household earning $100,000 generated by two incomes is very different from a person earning $100,000 from a $2 million investment at 5%. The latter would be labeled affluent but the former not (Reese,1997).

Understanding the difference between income and wealth and how socio-economic aspects affect a person are important to understanding the affluent, and thus the luxury goods market. Spending income and accumulating wealth are opposites. Marketers aim at the disposable income, and those who spend it, as Stanley and Danko (1996) say, "...will never be truly wealthy". Income and net worth categories are used to label individuals as rich, affluent or wealthy (Stanley and Danko, 1996, Reese, 1997, Economist, 2001). The US Trust Survey of Affluent Americans monitors various aspects of the wealthy including the sources of their wealth, factors leading to their financial success, their backgrounds, advantages wealth brings and how they spend their money (US Trust, 1993). A slightly more focused study of affluent baby boomers echoes the importance of work ethic, although their values tend to differ (US Trust, 1999).

Two other groups, affluent business owners and affluent executives, are of interest as well. Business owners (including women business owners) and affluent corporate executives, who also mirror the work ethic of the general affluent American while also showing leapfrogging their poor or middle class origins for upper middle class/wealthy class membership (US Trust, 1997).

The following discussion shows that segmentation of the market into identifiable and reachable sub-groups is challenging.

Luxury Brand Market Segments

Mason (1993) summarized three main external effects that influence the consumer demand (the market) for status goods (luxury goods). First the Veblen effect occurs when individuals use product price to ostentatiously display wealth, the snob effect suggests an item is purchased because of its scarcity, and the bandwagon effect has consumers buy goods in order to be identified with a particular social group.

These effects are neither mutually exclusive nor sufficient in understanding the motivation for luxury goods consumption. The simple fact that an individual enjoys luxury goods for hedonistic reasons is not accounted for by the three effects. Cultural variables influence attitudes towards luxury goods as much as personal views. For example, personal affluence and its expression through consumption (wealth display) is central to American consumer culture, while European value systems and organizations have resulted in a much lesser Veblen effect in its cultures. European preoccupation with the environment engenders the view that wasteful expenditure diminishes the overall quality of life and is counterproductive. In the U.K. ascribed is given higher value rather than achieved status, while in France, emphasis in conspicuous consumption is on personal display (quality, style, taste, lifestyle) Leclerc et al (1994).

Traditional segments

Among the general segments discussed in the literature we find the *Excluded*, those for whom luxury brands are beyond reach and/or possibly beyond interest (Dubois & Laurent, 1995), the *Affluent*, which include a wide spectrum of individuals who have been further divided into *Old money* (Aldrich, 1988) and *Nouveaux Riches* (LaBarbera, 1988). The assumption being that the *Affluent* have the means (income, wealth) to purchase luxury brands. Dubois and Laurent (1995, 1996) recognized that the market for luxury brands was changing and posited that a market segment between the *Excluded* and the *Affluent* had become important, namely *Excursionists*.

Psychographic segmentation

Analysis of consumer behaviour has moved ever more into the realm of psychographics and life style analysis. SRI International's VALS framework, where six subsegments (Fulfilleds, Achievers, Experiencers, Believers, Strivers, Makers) are sandwiched between high-resource Actualizers and low-resource Strugglers (VALS, 2001a). In the VALS framework, Actualizers have the resources, success, sophistication, place importance on image as an expression of taste, thus fit with the notion of the affluent luxury goods consumer. The next three segments likely cross over into the realm of affluence, however, are more likely to fit with Dubois and Laurent's (1996) group of *Excursionists.* In the Japanese VALS, the top segment of Integrators corresponds to the *Affluent*, while four other segments, Self-innovators and -adapters, and Ryoshiki innovators and adapters seem to fit the cross-over or *Excursionist* category (VALS, 2001b). SRI developed a VALS framework for Internet users, however, found insufficient differentiation vis-a-vis its original framework.

Conde Nast, whose magazines target the upscale and affluent developed five personality-driven segments: Luxury Lovers, Savvy Affluents, Trail Blazers, Contented Affluents, and Strained Affluents (Reese, 1997). Other segmentation methodologies with a broader, cross-cultural fit have been developed and are well documented, including Young and Rubicom's, Global Scan developed by Bates Worldwide, D'Arcy Masius Benton and Bowles, and Bernard Cathelat's socio-lifestyles (Cathelat, 1993). The assumption is that certain basic, culture-free psychological processes in human behaviour that are found all over the world. While these approaches have been used to predict product and category purchase behaviour across countries, in conjunction with other data, one needs to be acutely sensitive to cultural differences at the executional level. There is little doubt, however, that understanding people's shared common values across cultures is beneficial (Piirto, 1991).

Changing segment behavior

Characteristics that affect consumption mentioned by Dubois and Laurent (1993) showed income to feature prominently. Pinning down a luxury consumer group's tastes and buying behaviour is difficult and Reese (1997) acknowledged that there is a "...tremendous lifestyle/life stage aspect..." involved in reaching affluent consumers. The traditional image of the affluent is being altered by those becoming rich through the stockmarket, software and internet-related innovations, the entertainment business, astronomical executive pay packages etc. A large number of individuals have become wealthy and luxury goods hae become accessible for many more. This phenomenon has been called "sudden wealth syndrome" or "affluenza" and has its own problems: a sudden leap in social class, however, without expectation of wealth, nor history of knowing how to live with it (Economist, 2001).

The implications of these changes for the luxury goods market are profound. First, the ability to acquire luxury goods is new to these individuals. That means their awareness, appreciation, knowledge and perception of luxury brands is limited and newly acquired. Second, Their purchase behaviour and decision-making will reflect 'ordinary' characteristics, including comparison shopping (price, functionality, quality), lesser or certainly different expectations of service. Third, their socio-demographic background in terms of upbringing, background, lifestyle, education level is certainly different from the 'old' affluent and brings different expectations and atmosphere to the luxury brand marketing environment.

Retailing and the Internet

Internet use by retailers has attracted considerable attention. PC ownership and Internet connections are increasing rapidly so is online shopping and purchasing. As the online population is expected to grow so will their aggregate online purchasing power. Part of the shopping power will come from an increase in the ratio of online shoppers willing to buy online, which is approaching 50 percent in the USA, about 40 percent in Asia-Pacific and one-third in Europe (Deloitte Consulting, 2000).

According to industry experts, the luxury goods market, which is expected to reach $73 billion by 2005, will generate about 10% of sales revenue through online commerce (Ernst and Young, 2000). While online shopping is primarily male-dominated, and the majority of shoppers in the 30 to 49 age bracket (with few in the 50 or over bracket), there is clear evidence that the affluent are shopping online (see figure 4).

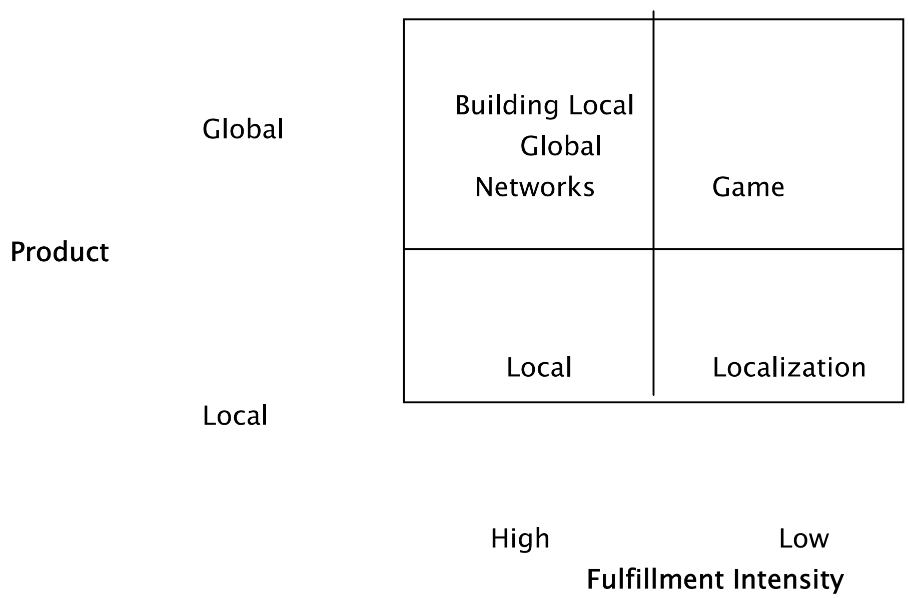
*** figure 4 ***

<u>Europe</u>

Boston Consulting Group's study on e-retailing in Europe highlighted differences between Europe and North America. The online market in Europe not only lags North America by about two years, but the cultural diversity of the market situation renders it more complex (BCG, 2000b). The latter, of course, gives a home advantage to the European players who are more familiar with such diversity of the local consumer profiles, preferences, cultures, languages. As many luxury brands are European, those brands can prepare their online approach as consumers take to this medium. However, a pan-European strategy is complex and brand building and fulfillment infrastructure evolve along different lines, as shown in the exhibit on Internationalization Plays:

Internationalization Plays[1]

Four Internationalization Plays Evolving



In broad contrast with North America, Europe is a collection of diverse markets that vary on strategic dimensions such as Internet penetration, online retail penetration, growth rates, category splits, multi-channel share and payment methods. Among the reasons for the difference are mainly that retailers are weary of going online for fear of creating channel conflict and cannibalization, and less online experience of Europeans.

[1] ***Source:The Boston Consulting Group, The Race for Online Riches - E-retailing in Europe, February 2000***

Asia

Asian online retail marketsare burgeoning, although still highly concentrated. The "clicks and mortar" multi-channel approach, already dominant in the region, will therefore play a more important role in Asia-Pacific than in North America. Consumer demand for both online and physical retail outlets aggressively drives online retailing strategies.

The Asian consumer is brand-conscious and likes luxury goods and the region has been a gold mine as western prestige brands are sought after. Asian values are highly compatible with luxury brands: trust and relationship are very important across Asian culture and luxury brand names offer those. Online market development, however, faces serious obstacles as credit card usage is low, banks mistrust online transactions, and the online fulfillment infrastructure is lacking (Economist, 1999).

Latin America

In another study, BCG reports on online retailing in Latin America and found the market expanding rapidly, led by Brazil. A high level of concentration is found in the industry (Retail Industry, 2000). Consumer experience is in dramatic need of improvement in all areas of fulfillment. Two symptoms of the 'unfulfillment' iceberg are, the extreme lack of contact response and inability of call centres to provide requested information.

It appears that market segmentation is emerging where online retailers, using multi-channels, are targeting middle- and upper-class consumers within local markets as opposed to across the region due to concentration of online operators, the disparity in access costs across the region, and the difficulty of implementing pan-regional operations, all of which adversely impact the scalability.

Luxury brands are highly compatible with the emerging segmentation approach. Moreover, if the segmentation strategy in general is successful, the upscale Internet user will be receptive to luxury online appeals. Of considerable concern to luxury online retail are the payment infrastructure and customer relationship marketing (BCG, 2000d). Because of the considerable lag behind the U.S., Latin American e-commerce strategy has valuable lessons to learn.

Three other issues of concern are shopping cart abandonement, customer acquisition costs, and fulfillment (BCG, 2000e).

Are luxury brands compatible with the Internet

Luxury goods marketers are thinking hard about the Internet and how the realm of e-retailing and the changes in customer segments is affecting their business. One principle question is "...how to use the web to maintain a sense of drama and exclusivity for the products..." (Udell, 2001) and at the same time safeguard the brand. A sample survey of luxury brand websites showed varying levels of commitment to online with sites ranging from merely informational to fully interactive purchase and service-based formats.

Hesitancy and perhaps apprehension about the compatibility of luxury goods and e-commerce is very real. The new 'mass' affluent, the pervasiveness of the Internet, and the adoption of technology force rethinking of traditional luxury goods marketing approaches. Where the atmospherics of the store and the focused and often customized customer service are key contact and interaction characteristics. While the Internet has broadened brand recognition, i.e. expanded its demographic reach, into younger and older groups, sales have been strongest in existing markets. There are indicators that the 'new' consumer is overcoming inhibitions to buy on the web: 71% of web users expressed their willingness to spend $1000 on a single item (over the 2000 Christmas purchase season). Web shoppers bring e-savvy. Saks' notes the average purchase price at many designer fashion sites is approaching $1000. They do their homework - whether researching $4000 cruises or a $200,000 Bentley - they bring comparison shopping to the luxury goods market. Their information-intensity is changing information, service levels and customer offerings in a luxury web environment (Business Wire, 2001).

The Internet has virtually ended what has been referred to as 'the ivory tower insulation' of some luxury brands. Channel conflict as an issue in distribution will require careful attention. Multi-channel approaches are essential, however, this will pose challenges if a brand is to retain its luxury status. Seamless integration of on/off-line into a complementary experience will be par for the course. Deloitte Consulting's (2000) study showed that retailers are struggling with cross-channel integration.

Recognized and trusted brands, with their the advantage to attract customers to their sites creating high levels of confidence, have an important role to play for multi-channel retailers (BCG, 2000c). After all, onsumers want to reduce risks associated with transactions (Cheskin, 2000).

The high confidence and trust factor luxury brands have carefully crafted and nurtured manifests itself in the confidence a buyer shows not only in the product but also in the purchase decision, expectation of satisfaction, and level of service (Aaker, 1991). This positive attitude and brand loyalty makes luxury brands well-poised to build on this core value: trust. The Internet, by contrast, has a broadly perceived low trust factor. Research by Cheskin and others shows a perceived overall sense of risk posed by the Internet. Mistrust in the Internet appears universal (Europe, U.S, Latin America) (Business 2.0, 2000) and form a shady backdrop to marketing luxury brands online. On the positive side, attitudes towards the Internet should not be equated with attitudes towards individual companies' websites and there is evidence that the most trusted websites are those with a strong online brand presence (Business 2.0, 2000).

Porter's analysis of strategic use of the Internet cautions that differentiation from competitors online is much more difficult as critical points of distinction, such as showrooms and store displays, personal selling and service, and the experiential touch and feel are lacking

(Porter, 2001). There is a real danger that the absence of potential points of distinction shifts the basis for competition towards price. This is precisely what luxury brands do not want and cannot afford.

Implications for Luxury Brands

The new affluent bring challenges for luxury goods marketers. Because they are 'recently arrived', they lack the 'history' of a luxury lifestyle, the knowledge and the consumption behaviour that comes with it. Typically they ask different questions: what makes (this brand, product) so special? What are the latest trends? Why does it cost $$$? An implication is that luxury brands can reach out in more educational ways, such as in-store information kiosks, advertising in upscale (Neelakantan, 1999).

Clientele is pressed for time, this makes the Internet an ideal brand venue and a strong brand provide the credibility and trust essential for a customer relationship management online. The online presence frees luxury brands from location but place them into a comparison shopping scenario that is alien to a traditional luxury goods marketing environment.

Luxury goods buyers - the affluent - are loath to provide information and personal details. The brands they buy and purchases they make are based on a mutual trust relationship and do not require 'personal' information to be revealed. While this may not be an issue for the tech-savvy new-affluent and young-affluent, all other luxury buyer segments might not be willing to sacrifice their online privacy.

It is especially important to expand on *brand*, as this is the essence to a luxury good's core value. Protection, enhancement and further development of the luxury brand must all benefit from going online.

The next research stage

A list of 174 global luxury brands has been created, which will serve as the basis for further research on their online strategy and marketing activities. A broad range of research avenues present themselves. The next stage in this research, which is currently in progress, focuses on the analysis of luxury brand websites for coverage of hierarchy of effects (awareness, interest, comprehension, desire, purchase), interactivity, product range, ancillary features and services. This included determining differences between products and services. A conceptual schema for luxury brands and the role of the Internet will be developed. This will provide first, information on the extent of commitment luxury goods producers show towards the online retail environment and second, how luxury brand marketers face this competitive challenge. A subsequent stage of this research involves the traditional retail distribution channels of luxury goods which will be surveyed to determine retail management's perception of the role, importance and implications of the online channel operations.

Bibliography

Aaker, David A. (1991), *Managing Brand Equity*, New York: The Free Press

Aldrich jr., Nelson W. (1988), *Old Money: The Mythology of America's Upper Class*, New York: Alfred A. Knopf

Ashford (2001), www.Ashford.com

Boston Consulting Group (2000b), "BCG and the new economy", www.bcg.com/new_ideas/europe_summary.asp

Boston Consulting Group (2000c), *The race for online riches – e-retailing in Europe*, February

Boston Consulting Group (2000d), *Online retailing in Latin America – beyond the storefront*, October

Boston Consulting Group (2000e), "Online retailing in North America reached $33.1 billion in 1999 and is projected to top $61 billion in 2000", April 17, www.bcg.com/new_ideas

Business 2.0 (2000), *Gaining on Trust*, July 25

Business Wire (2001), "Luxury goods marketers gather at national retail federation to discuss web's role in brand building", January 17

Cathelat, Bernard (1993), *Socio-Lifestyles Marketing*, Chicago: Probus Publishing

Cheskin Research (2000), *Trust in the wired Americas*, Redwood Shores, July

Deloitte Consulting and Deloitte & Touche (2000), *Serving the networked consumer - strategies for multi-channel marketing and commerce*, Deloitte Research

Dubois, Bernard and Gilles Laurent (1993), "Is there a Euro consumer for luxury goods?", European Advances in Consumer Research, Vol. 1, 58-69

Dubois, Bernard and Gilles Laurent (1994), "Attitudes towards the concept of luxury: an exploratory analysis", Asia Pacific Advances in Consumer Research, Vol. 1, 273-8

Dubois, Bernard and Claire Paternault (1995), "Observations: understanding the world of international luxury brands: the 'dream formula', *Journal of Advertising Research*, July/August, 69-76

Dubois, Bernard and Gilles Laurent (1995), "Luxury Possessions and Practices: An Empirical Scale", European Advances in Consumer Research, Volume 2, 69-77

Dubois, Bernard and Gilles Laurent (1996), "The functions of luxury: a situational approach to excursionism", Advances in Consumer Research, Volume 23, 470-477

Economist (1999), *E-commerce: Asia online*, April 17

Economist (2000a), *'Net Wealth'*, June 15

Economist (2000b), *'The cashmere revolutionary'*, July 13

Economist (2001), *'A survey of the rich: The new wealth of nations'*, June 16

ELuxury (2001, www.eLuxury.com

Ernst & Young (2000), *Global online retailing - and Ernst & Young special report*, January

Hoyer, Wayne D. and Deborah J. MacInnis (2001), *Consumer Behavior*, 2nd edition, Boston: Houghton Mifflin Company

LaBarbera, Priscilla A. (1988), "The Nouveaux Riches: Conspicuous consumption and the issue of self-fulfilment", in Elisabeth C. Hirschman, Ed.,Research in Consumer Behavior, Vol. 3,, Greenwhich CT:JAI Press, 179-210

Leclerc, France, Bernd H. Schmitt and Laurette Dube (1994), "Foreign branding and its effects on product perceptions and attitudes", *Journal of Market Research*, Vol. XXXI, May, 263-270

Mason, Roger (1993), "Cross-cultural influences on the demand for status goods", European Advances in Consumer Research, Vol.1, 46-51

Merril Lynch/Cap Gemini Ernst & Young (2000), *World Wealth Report*

Merril Lynch/Cap Gemini Ernst & Young (2001), *World Wealth Report*

Nueno, Jose Luis and John A. Quelch (1998), 'The mass marketing of luxury", *Business Horizons*, November/December, 61-68

Nyeck Simon and Elyette Roux (1997), “WWW as a communication tool for luxury brands: Compared perceptions of consumers and managers”, in Eds. W. Fred van Raij, Arch G.

Piirto, Rebecca (1991), Beyond Mind Games: The Marketing Power of Psychographics, Ithaca, New York: American Demographics Books

Porter, Michael E. (2001), 'Strategy and the Internet', *Harvard Business Review*, March, 63-78

Reese, Shelly (1997), "Many faces of affluence", *American Demographics*, November/December, www.demographics.com

Retail Industry (2000), *Newstudy from the Boston Consulting Group and Visa International forecasts growth of online retailing in Latin America to reach $580 million in 2000*, October 10

Roux, Elyette and J-M Floch (1996), “Gerer l’ingerable: la contradiction interne de toute Maison de luxe”, *Decision Marketing*, 9, sept-dec., 15-23

Stanley, Thomas J. and William D. Danko (1996), The Millionaire next door, Pocket Books

Stern Bibliothek (1996), Marken Profile No. 6: Mode und Kosmetik, Hamburg: Gruner & Jahr AG & Co.

Tidwell, Paula and Bernard Dubois (1996), “A cross-cultural comparison of attitudes toward the luxury concept in Australia and France”, Asia Pacific Advances in Consumer Research, Vol. 2, 31-35

Udell, Rochelle, President Internet Division, of Fairchild Publications (2001), quoted in Business Wire, "Luxury goods marketers gather at National Retail Federation to discuss web's role in brand building", January 17

U.S. Trust Survey of Affluent American (1993), *The Roots of the Affluent*, www.ustrust.com

U.S. Trust Survey of Affluent American (1994), *Affluent Business Owners*, www.ustrust.com

U.S. Trust Survey of Affluent American (1997), *Affluent Corporate Executives*, www.ustrust.com

U.S. Trust Survey of Affluent American (1999), *Affluent Baby Boomers*, www.ustrust.com

VALS: Consumer Motivations, http://future.sri.com, June 26, 2001

VALS: Consumer Motivations: Japan Vals, http://future.sri.com, June 26, 2001

Wong, Angela Chung Yan and Judith Zaichkowsky (1999), "Understanding luxury brands in Hong Kong", European Advances in Consumer Research, Vol.4, 310-316

Figure 1

Luxury Brands: Percentage of Awareness, Purchase Intent, Possession
Example of German Trendsetters for Luxury Watches and Writing Instruments[2]

Brand	Awareness		Purchase Intent		Possession	
	men	women	men	women	men	women
Watches						
Baume & Mercier	12	11	2	1	0	0
Blancpain	4	3	0	0	0	0
Breguet	7	4	0	0	0	0
Chopard	11	12	1	1	0	0
Girard-Perregaux	4	2	0	0	0	0
IWC	8	5	1	1	0	0
Jaeger LeCoultre	4	3	0	0	0	0
Patek Philippe	9	7	1	1	0	0
Omega	61	55	15	11	4	4
Rolex	84	80	17	12	3	2
Tag Heuer	7	3	2	1	0	0
Writing Instruments						
Cartier	43	44	8	8	1	1
Dunhill	33	32	5	5	2	1
S.T.Dupont	36	32	7	7	2	2

[2] *Source: Stern Bibliothek (1994), Zielgruppenprofil: Trendsetter, Hamburg: Gruner & Jahr AG & Co., 151-3*

Montblanc	65	61	30	27	16	12
Waterman	15	15	5	4	2	2

Figure 2

Consolidation and concentration of Luxury brands

Multi-channel:

LVMH[3]

Region:	number of stores (2000)	Sales by Region (2000)
- Europe	607	34%
- North America	266	26
- Asia-Pacific	388	32
- Latin America and other	25	8
- Total	1,286	100

Product Groups:	number of brands[4]	% of revenue	% of income
- wines & spirits	16	20%	37%
- fasion & leather goods	12	28	60
- perfumes & cosmetics	10	18	9
- watches & jewellery	7	5	3
- selective retailing	7	28	0

Pure Play:

eLuxury[5]

Product categories:	number of brands	other website offerings
- women's fashion	20	- travel, restaurant, spas,
- men's fashion	11	hotels, cruises, resorts
- home	11	- gift finder with recipient
- gourmet	7	profile, occasion, price range
- beauty	16	- trends, interviews, fashion
		file, must haves

Ashford.com[6]

Product categories:	number of brands	other website offerings
- watches	64	- men's and women's categories
- vintage watches	24	offer variety of other items
- jewellery	30	- home and décor articles
- men's shop (ties, leather)	19	- diamonds and bridal

---

[3] Source: www.lvmh.com/group and finance, July 11, 2001
[4] some brands offer goods in several product groups
[5] Source: www.eluxury.com
[6] www.Ashford.com

- women's shop (scarves) 8 - art and craft items
- fragrances 26 - gift suggestions
- sunglasses 44 - product finder by brand,

price

- handbags 29 range, attribute
- writing instruments 28

Figure 3

Global Profile of High Net Worth Individuals[7] [8] - 2000

Region_____ $ Wealth	# Individuals (million)	% of Total	$ Wealth[9] (trillion)	% of Total	# Billionaires	# U-HNWI (trillion)
North America	*2.5*	*35.2*	*8.8 (13.0)*	*32.7*	*270*	
Europe	2.3	32.0	7.2 (10.6)	26.8	*115*	*no* *no*
Asia	1.7	23.7	4.9 (7.3)	18.2	*77*	*break-* *break-*
Latin America	0.2	3.0	3.3 (4.8)	12.3	*38*	

[7] Source: **Merrill Lynch/Cap Gemini Ernst & Young,** ***World Wealth Report 2001*****,** Figures 1, 2, 3
Note: HNWI refers to individuals holding liquid financial assets of over $1 million in the year 2000

[8] Source: **Merrill Lynch/Cap Gemini Ernst & Young,** ***World Wealth Report 2000*****,** Figures 5,8
Note: U-HNWI refers to individuals holding liquid financial assets of over $30 million in the year 1999

[9] In brackets wealth projected in 2005

Rest of World	0.5	6.1	2.8 (4.1)	10.0	*14*[10]	*down*	*down*
Total	7.2	100.0	27.0 (39.7)	100.0	*514*	*55,400*	*7.9*

Figure 4

Etailing by numbers: Online shopper profile[11]

		USA	Canada	U.K.	France	Italy	Australia
Gender of shopper:	male	50%	62%	69%	76%	85%	59%
	Female	50	38	31	24	15	41
Age of shopper:	under 30	19	14	32	34	26	27
	30-49	57	62	54	56	62	56
	50 or over	24	24	14	10	12[12]	17

[10] Middle East only
[11] **Source: Ernst & Young (2000), *Global Online Retailing*, January**
[12] category covers age to 59 only

Annual household income of shopper–								
Income categories:[13]	Second–highest	17	4	12	8	4	23
	Highest	8	0	6	3	1	46

[13] Income categories: USA - $70,000-99,000, $100,000 or more, Canada - C$150,000-299,000, C$300,00 or more, U.K. - Pound Sterling 60,000-99,000, 100,000 or more, France - Ffr 500,000-699,000, Ffr 700,000 or more, Italy - Lira 150-299 million, Lira 300 million or more, Australia - A$70,000-99,000, A$100,000 or more