

B. Basics

1. Explanations on the notion of the luxury brand

Since antiquity, myriad studies in economics, consumer research and sociology have been trying to define the notions of luxury, luxury good and luxury brand (Valtin, 2005, p. 19). Yet, to date, no universally valid, overarching definition exists (Vickers/Renand, 2003, p. 461). In the following, the goal is thus to provide a deeper understanding of both the etymological complexity and historic ambivalence of the concept of luxury, to discuss dominant approaches to defining the term of the luxury brand and to give a succinct overview on the latter's functions and effects on the consumer.

1.1 Notion, history and definition of the concept of luxury

Etymologically, the word luxury derives from the Latin word 'lux' and can be translated as light, luminosity or luminance, thereby referring to the outer radiance of luxury objects. This derivation does not only explain the common use of precious materials such as gold, gems and diamonds within the manufacturing process of luxury items, but also hints at the latter's characteristic conspicuousness and external visibility (Kapferer, 2001, p. 349). On the other hand, the word luxury stems from the Latin words 'luxus' and 'luxuria' whose meaning can be considered as roughly the same since both allude to the **deviation from the normal respectively the standard** (Grugel-Pannier, 1996, p. 17ff.; Mühlmann, 1975, p. 22). This derivation points to the latent judgement and subliminal critique that the concept of luxury is usually exposed to. The definition of what constitutes the standard appears to be **fundamentally normative** and might accordingly substantially differ among individuals depending on, amongst others, their particular value system or income situation (Jäckel/Kochhan, 2000, p. 75). Hence, while some consumers may consider luxury items as special products that clearly exceed their daily requirements, another set of consumers may take these same luxury products for granted by qualifying them as normal and constituent part of their everyday life (Kapferer, 2001, p. 347; Vigneron/Johnson 2004, p. 486). Likewise, while some consumers may regard luxury products as technically and/or aesthetically effective, superior and admirable, another set of consumers may condemn these same items as excessive, extravagant and useless (Kapferer, 2001, p. 347). Given that these perceptions are further impacted by personal attitudes, situational influences, politico-economical factors, temporal changes in society, cultural specificities or the product category (Büttner et al., 2006, p. 9; Jäckel/Kochhan, 2000, p. 75ff.; Lasslop, 2005, p. 473; Phau/Prendergast, 2000, p. 122ff.;

Valtin, 2005, p. 20; Vukelic, 2000, p. 41; Wiedmann/Hennigs/Siebels, 2007), they provide evidence for the both **relative and subjective dimension of the concept of luxury** as well as for the **high degree of contextuality** when it comes to the attempt to define its meaning.

The perceived ambiguity towards the concept of luxury is also reflected in the historic interpretation of the term. Irrespective of the concrete definition of what represents the commonly accepted standard of living, from Ancient Greece to the 19th century, one can distinguish **two conflicting appraisals** as to the question on whether consumption patterns that exceed the subsistence minimum cause benefits or, in contrast, damages to society (Jäckel/Kochhan, 2000, p. 78ff.; Kapferer/Bastien, 2012, p. 7ff.). On the one hand, proponents qualified luxury as a revolutionary, improving and hence **aspirational force in human civilisation**, arguing that the ambition to luxury would help fostering the formation of the economic society (Jäckel/Kochhan, 2000, p. 79; Mandeville, 1957, p. 100ff.; Pallach, 1987, p. 138). On the other hand, critics declared luxury as the **adversary of all virtues and considerateness** and equated luxury rather with the idea of blindness than with that of light (Jäckel/Kochhan, 2000, p. 78; Kapferer/Bastien, 2012, p. 8).

Economic and social transformations as well as the Enlightenment Movement in the 18th century successively gave new meaning to the concept of luxury: Increased prosperity in the wake of the Industrial Revolution and the ongoing democratisation process made luxury both more accessible and acceptable to a broader public. Concurrently, leading English philosophers such as Adam Smith or David Hume stipulated the dissociation of luxury and morals, hitherto considered as mutually irreconcilable, if not even hostile ideologies in Christian Europe. Eventually, women's emancipation efforts throughout the 19th and 20th century further spurred the social legitimisation of luxury (Kapferer/Bastien, 2012, p. 9ff.). Yet, despite these societal upheavals, a uniform evaluation of the concept of luxury still did not become universally accepted at that stage. Criticism of the idea of luxury rather turned to be ever more differentiated (Valtin, 2005, p. 24). In this regard, the economic treatise "The Theory of the Leisure Class" by Thorstein Veblen has become a standard reference work and enjoys great popularity still today as one of the "most comprehensive" analyses of luxury in social sciences (Mortelmans, 2005, p. 497). Veblen (1934, p. 68ff.) argued that the ruling leisure class would use "conspicuous consumption" (defined as the publicly visible application of money and luxuries) to signal wealth and, by inference, power and status in deliberate demarcation from lower social strata.

Albeit being irreversible, the legitimisation process still does not appear to be finally completed in the industrial nations of the 21st century given that the concept of luxury interferes with three politically sensible topics: The persistence of social stratification, the idea of prodigality in an era of global resource shortages and the controversial issue of wealth distribution (Kapferer/Bastien, 2012, p. 8.).

Regardless of the persistently negative connotations of the idea of luxury, contemporary researchers usually take a more neutral approach and define the concept of luxury as a designation for **expenses that exceed the necessary**, that is, the commonly recognised and generally accepted minimum standard of living (Mühlmann, 1975, p. 69). Goods that are **dispensable to the satisfaction of one's basic needs** are accordingly considered as luxuries (Grugel-Pannier, 1996, p. 17; Sombart, 1967, p. 87).

1.2 Definition and conceptual demarcation of the luxury brand

The subjective quality of luxury has not only led to ambivalence among consumers, but has also entailed a large variety of heterogeneous approaches to defining the notion of the luxury brand⁴ (Kapferer, 2006, p. 67ff.). Yet, a fundamental distinction is commonly drawn between the supply- or object-oriented rationale on the one, and the demand- or effect-oriented rationale on the other hand (Chevalier/Mazzalovo, 2012, p. 6ff.). Hereinafter, a selected overview on existing definitions of the luxury brand will be provided, systematised according to their chosen perspective and primary focus.

(1) Supply-oriented approach: Under the supply-oriented terminology, focus is put on the mechanisms of production and the functioning of luxury (Chevalier/Mazzalovo, 2012, p. 8). Accordingly, in contrast to “necessities” of everyday use (Bearden/Etzel, 1982, p. 184), luxury goods are characterised by less automated manufacturing processes, smaller production volumes, a superior product quality and higher price levels (Lasslop, 2005, p. 472). These product group features eventually translate into selective distribution policies, low levels of diffusion, artificial situations of scarcity and shortage and, therefore, high levels of exclusivity (Bearden/Etzel, 1982, p. 184).

While the idea of the luxury good thus serves to vertically distinguish between different product categories, the luxury brand horizontally signals the prominent position of marked products within one and the same product category (Lasslop, 2005, p. 473). To give but one example, as a result of mass production and generally

4 For detailed explanations of the basic concept of the brand see e.g. Bruhn (2004).

increased income levels, men's suits, wristwatches and automobiles recently tend to be counted rather among commodities than among luxury goods (Bearden/Etzel, 1982, p. 185). *Armani*, *Rolex* and *Rolls-Royce* are nonetheless qualified as luxury brands (Lasslop, 2005, p. 473).

Pursuant to the supply-driven rationale, equating the notion of the luxury good with that of the luxury brand entails that the classification of a brand primarily depends on the product category (Lasslop, 2005, p. 473). International brands such as *Dior*, *Prada* or *Chanel* can consequently be categorised as “griffe” for some part of their market activities, as “luxury brand” for another part of their business and as “upper-range brand” for a third part of their activities⁵. Conclusions as to the respective brand level are to be drawn according to supply-related criteria such as the manufacturing method, price, product quality, commercialisation approach, distribution policy and degree of diffusion (Kapferer, 2001, p. 352). In this regard, McKinsey (1990) puts special emphasis on the price/functionality ratio and defines those brands as luxury brands that succeed in the long term (at least five years) in charging a premium price, with the latter being a price that is substantially higher than that of products with comparable tangible functions⁶. Nueno/Quelch (1998, p. 62) take a similar approach by attributing special importance to both price and quality features, but extend the luxury brand's territory by a socio-psychological dimension: “Luxury brands are those whose ratio of functional utility to price is low while the ratio of intangible and situational utility to price is high”. The latter definition paves the way for the demand-oriented perspective on the luxury brand.

(2) Demand-oriented approach: Under the demand-oriented terminology, the classification as a luxury brand is determined independently of the product category. Focus is rather put on the abstract brand core that serves as an overarching theme and is reflected in every product (Lasslop, 2005, p. 473). The latter idea refers to the concept of identity-oriented brand management (Burmman/Meffert, 2005) and has already been explicitly discussed in the area of luxury brand management by Dubois/Paternault (1995, p. 71): “Whatever their nature and price, all products sold under the same brand name share a symbolic identity and a core of values expressing the ‘quintessence’ of the brand. Whether they are automobiles, wristwatches, writing instruments or sunglasses, all *Porsche* items express the *Porsche* ‘legend’ and are clearly identified as such”. In this regard, Dubois/Laurent/Czellar (2001, p. 8ff.)

5 For a more detailed discussion on the originally quadripartite distinction between “griffe”, “luxury brand”, “upper-range brand” and “[generic] brand” see Kapferer (2001, p. 350ff.).

6 Tangible functions are defined as those product features that can be economically measured and contribute, along with the concrete product benefit, to the product quality (Kapferer, 2001, p. 348).

empirically identified six main facets that reflect the core of a luxury brand as subjectively perceived by the consumer and are today usually referred to as having imposed the prevailing definition of the luxury brand (de Barnier/Rodina/Vallette-Florence, 2006): **1. Excellent quality** (associated with the materials used, special diligence and high expertise within the manufacturing process), **2. Very high price** (referred to as absolute value of the price or by comparison with non-luxury alternatives within the same product category), **3. Scarcity and uniqueness** (reflected by restricted distribution channels and the categorical exclusion of mass-production), **4. Aesthetics and polysensuality** (entailing a profoundly hedonic shopping experience and multisensual consumption pleasure that is comparable to the study of a work of art), **5. Ancestral heritage and personal history** (mirrored in the luxury brand's anchoring in the past and reference to its founding legend on the one, and the consumer's individual experience with that brand on the other hand) and **6. Superfluosness** (equalling overabundance and translating into some kind of uselessness since luxury brands are not perceived as indispensable to one's physical survival).

Pursuant to a similar effect-oriented rationale, Vigneron/Johnson (1999) define the luxury brand as a function of the prestige criterion. Consumers would thus ascribe to "prestige brands" the capacity to satisfy their emotional desire for an outstanding aesthetic appeal, social recognition and a self-indulgent product experience. Interbrand (2008a, p. 3), in turn, bases its definition of the luxury brand exclusively on the latter's price positioning as perceived by the consumer. Accordingly, "a brand must 1. sit within a tier of a consumer-facing category that seemingly demonstrates price insensitivity; 2. show that being expensive is of neutral or even positive impact to their image; 3. demonstrate that perceived price has a low role among drivers of purchase". Since the modern understanding of the brand has shifted from a functional perspective to an identity- and thus primarily effect-oriented view (Meffert/Burmann, 2005), this thesis follows the demand-oriented approach to defining the luxury brand. Moreover, as the data collection required for the empirical purposes of this study will be based on the 'World Luxury Brand Directory' that was set up in 2011 by the expert for luxury brand marketing Heine (cf. D.2.1.2), the latter's effect-oriented definition will be adhered to under which

"Luxury brands are regarded as images in the minds of consumers that comprise associations about a high level of price, quality, aesthetics, rarity, extraordinariness and a high degree of non-functional associations" (Heine, 2011, p. 46).

Yet, except for Kapferer's (2012, p. 70) quadripartite classification into "**griffe**", "**luxury brand**", "**upper-range brand**" and "**brand**", the above approaches tend to dichotomically distinguish between luxury brands and non-luxury brands (de Barnier/Rodina/Vallette-Florence, 2006), thereby taking a quite simplistic view on the concept of the brand. In order to adopt a more differentiated perspective, in this thesis, Heine's definition of the luxury brand will thus be complemented by Kapferer's four-stage brand pyramid.

In light of the above, it appears especially important to demarcate the luxury brand from the "upper-range" or **premium brand** (Kapferer, 2012, p. 66). That is to say, unlike luxury brands, premium brands cannot lose sight of the "value-for-money ratio" and therefore primarily focus on their functional features (Heine, 2011, p. 53). Also, compared to luxury brands, premium brands emphasise to a lesser extent the notions of heritage, storytelling and customer relationship management (Kapferer/Bastien, 2009, p. 315ff.).

In further remarks, Kapferer (2012, p. 67) differentiates between the idea of luxury and that of **fashion**, asserting that luxury would run diametrically contrary to fashion in that "luxury is enduring" owing to its worship of such explicitly timeless values as history, tradition and heritage whereas fashion "is obsessed with being out of fashion" and hence innately "ephemeral". With reference to the much-quoted McKinsey report (1990) that identified 35 product categories within the luxury industry among whose the most cited are fashion, cars, leather goods, perfumes, shoes, watches, jewellery and spirits (The Economist, 1993, p. 91), this distinction, however, will not be adhered to. Instead of opposing luxury and fashion on equal conceptual terms, one can rather assume a kind of hierarchy between both ideas. Luxury can thus be understood as overarching industry in which fashion represents one possible product subcategory. Yet, as the fashion territory is not confined to luxury but is also exploited in sectors being fundamentally different from that of luxury⁷, only those fashion brands will be considered in this thesis that are first and foremost categorised as luxury brands in line with Heine's definition as provided above⁸.

7 For instance, the mass retailer *H&M* is referred to as "big player in 'fast-fashion'" (Siegle, 2012).

8 In earlier works, Kapferer/Bastien (2009, p. 315) seem to follow the author's rationale and say that as regards the link between luxury and fashion, "success relies on a tandem arrangement, where you have a brand (which covers the luxury side) and a creator (who covers the fashion side)".

1.3 Functions and effects of the luxury brand on the consumer

Brands offer different functions to the consumer. From a behavioural perspective, they provide general guidance, increase market transparency and reduce the consumer's research efforts by facilitating both the identification of labelled products and/or services and the subsequent purchase decision (orientation and information function). Also, the consumer can substantially decrease his transaction costs within the buying process and compensate for his unilateral information deficit thanks to the reputation that trusted brands have successfully established in the marketplace (safety and confidence-building function). Finally, brands may fulfil the consumer's desire for self-expression, recognition within his reference group and demarcation from members of lower social strata (prestige and image-forming function) (Burmans/Meffert/Koers, 2005, p. 10ff.).

These functions also hold true for luxury brands. Yet, whereas generic and upper-range brands are meant to primarily perform the elementary orientation and safety functions, as to luxury brands, emphasis is put on the symbolic function (Lasslop, 2005, p. 475): "More than other products, luxury items are bought for what they mean, beyond [for] what they are" (Dubois/Paternault, 1995, p. 71). The main benefit of luxury brands is hence expressed in the opportunity to publicly demonstrate one's values, moral concepts and belonging to a particular social stratum (**demarcation function**) and to conspicuously communicate affluence and the attainment of a certain social position (**status function**) through the purchase and possession of luxury items (Meffert/Lasslop, 2004, p. 932). In line with the ultimate *raison d'être* of luxury that appears to be rooted rather in the possession of a luxury good than in the latter's consumption (Jäckel/Kochhan, 2000, p. 75), "luxury brands [accordingly] are to civilians the equivalent of what medals are for military officers. They are a personal reward, a deep pleasure and a message about where the person stands in the social hierarchy" (Kapferer, 2012, p. 66). Luxury brands thus generate major **non-functional benefits** that can be directed either **outwardly** (e.g. social prestige or self-distinction) or **inwardly** (e.g. self-actualisation or hedonic shopping experience) (Valtin, 2005, p. 10). In this connection, Leibenstein (1950, p. 188ff.) argues that both the demarcation and status functions of luxury brands would be reflected in the consumer's demand behaviour vis-à-vis these brands and distinguishes between the bandwagon, the snob and the Veblen effect. The **bandwagon effect** describes the extent to which the demand for a luxury brand augments as the number of people buying it increases and thus translates the consumer's desire for social conformity and acceptance within his reference group. The **snob effect** in contrast indicates the extent to which the demand for a luxury brand decreases as the number of people buying it

increases and is hence an expression for the consumer's aspiration for clear demarcation and social elevation. The **Veblen effect** finally shows how the consumer's propensity to buy a luxury brand augments as the latter's price is raised. Here, the consumer aims at demonstrating material affluence and financial power in *order to impress his relevant social environment*.

2. Explanations on the notion of art

Whereas there seems to be a broad consensus within the scientific community on the idea that the perception of art substantially differs from the perception of other objects (Joy/Sherry, 2003), eventually turning the specific views on, and appreciations of art into a distinct field of inquiry (Berlyne, 1974; Funch, 1997), there is substantial disagreement about the concrete definition of the notion of art (Hagtvedt/Patrick, 2008, p. 380).

Although the ongoing philosophical debate on how to determine the essence of art clearly goes beyond the scope of this thesis, it is, however, necessary to specify this term in the particular context of LBACs. Instead of drawing up a definition that claims to fully grasp the elusive quality of art or to keep its absolute validity outside of this thesis, it will thus rather be about developing a kind of working definition that best suits the purposes of this thesis by allowing both differentiating the notion of LBACs from related concepts and empirically capturing the occurrence of art within the scope of luxury branding. To this end, hereinafter, the aim will hence be to provide a brief overview of selected perspectives on art, to discuss dominating approaches to the operationalisation of the abstract nature of art and to briefly present the different art forms that may be relevant in order to organise the manifold manifestations of LBACs into distinct types.

2.1 Different perspectives on art

With the objective of approximating as closely as possible the intangible concept of art, in the following, three different perspectives will be provisionally adopted and evaluated in terms of their practicability for the empirical purposes of this thesis.

(1) Etymological perspective on art: Etymologically, the word art derives from the Latin term 'ars', the latter being equivalent to the Greek word 'techne', and can be translated as skill, craft or craftsmanship. In this regard, the respective skill is considered as the result of technical learning, repeated practice and assiduous work (Parry, 2008). 'Artes', the plural of the word 'ars', thus refers to craftsmen's

mechanical skills that are based on clearly specified systems of rules, which always need to be strictly observed, and aim at producing solely useful objects (Fuchs, 2011, p. 44). Taking the etymological meaning of art as a starting point for the discussion on its different possible interpretations, there is no distinction between the artist and the artisan. Rather, the notion of art is perceived as purely functional and only applies to those objects that unmistakably represent mainstays of human existence (Scott, 2010, p. 74; similar: Osborne/Sturgis/Turner, 2012, p. 15).

Yet, the etymological perspective on art has no longer much relevance today. While it is true that, in the Middle Ages, the artist was still primarily considered as artisan “covering the walls of churches, public buildings and the houses of the wealthy”, with the artistic focus being put on the idealised expression and submissive promotion of religious truths (Shiner, 2003, p. 28ff.; similar: Koller, 2007, p. 114; Osborne/Sturgis/Turner, 2012, p. 30), the artist’s social role radically changed in the wake of the transition to a civil society in the early Modern Age. By liberating himself from the medieval guild system, the artist became emancipated, discovered himself as a confident and self-determinedly acting subject, started to personally sign his artworks and began to create works whose ultimate purpose was no longer the artistic mediation of the Christian faith or the endorsement of a certain prince’s power, but the subjective expression of his particular sensations and experiences in his living environment (Krieger, 2007, p. 16ff.).

As the notion of art has thus been distancing itself from its etymological roots over time (Ullrich, 2006, p. 189ff.), approaching the former via its original meaning does no longer correspond to the manifold and oftentimes also purposeless forms of creative expression that the arts may take on today. What can, however, be retained from the etymological perspective is that **art is usually produced by human beings through the technical arrangement of form, material and colour** (Osborne/Sturgis/Turner, 2012, p. 9).

Since taking the etymological perspective on art does not, due to its both outdated and too narrow understanding of the term, offer sufficiently valuable clues to the characteristics of those artefacts that are today commonly qualified as art, a more abstract and hence potentially more revealing perspective will subsequently be taken.

(2) Aesthetical-philosophical perspective on art: As a response to the etymological definition of art having become obsolete, various philosophers have subsequently tried to identify fundamental properties by which the universal essence of art could be captured and explained as an indispensable element of human culture, thereby

establishing the discipline of aesthetics (Gethmann-Siefert, 1995, p. 17ff.). Originally deriving from the Greek word ‘aisthesis’, the term aesthetics can be translated as sensation or perception and was eventually coined by the German philosopher Alexander Gottlieb Baumgarten as a label for the study of artistic experience and sensual perception (Freeland, 2003, p. 23). The concepts of **art as beauty**, **hedonistic pleasure** or **a matter of taste** have long been key issues in this regard (Cothey, 1990, p. 152ff.; Gethmann-Siefert, 1995, p. 54ff.; Schmücker, 1998, p. 19). As the different aesthetical-philosophical perspectives on art are, though, as manifold as the number of philosophers having mused about this question, it would be beyond the scope of this thesis to provide a comprehensive discussion on these myriad positions⁹. Yet, such a synoptic overview can be considered as being superfluous anyhow since all attempts to conclusively ascertain the particular nature of art appear to have finally failed (Torres/Kamhi, 2000, p. 95) in times where a major part of art is no longer appealing nor beautiful, but oftentimes explicitly refuses to be described by such terms and deliberately uses forms of creative expression that can rather be referred to as displeasing, repugnant or even downright shocking (Figal, 2012, p. 70; Osborne/Sturgis/Turner, 2012, p. 2).

The placelessness of art within the field of philosophy can eventually be ascribed to the concept’s inherent sensuousness and **visual nature** on the one, and its futility and **purposelessness**¹⁰ on the other hand. While the former has led to the impossibility of fully comprehending the emotional value of art through language or the intellect, thereby effectively preventing the aesthetics from evolving into a discrete philosophical discipline (Schmücker, 1998, p. 33ff.), the latter has entailed the questioning of the importance of art for human action and culture (Gethmann-Siefert, 1995, p. 7).

Even if the discipline of aesthetics has successfully broadened the concept of art beyond its original meaning by regarding art as **embodied human expression that is not driven by any “contrived function”** or utility (Hagtvedt/Patrick, 2008, p. 380), it does not substantially contribute to a better understanding of the elusive nature of art.

9 For an overview of the different perspectives on art in aesthetics see e.g. Hauskeller (2000).

10 As one’s behaviour is generally explained teleologically, that is, “by describing how it helps [...] to satisfy [...] [one’s] wants and needs [...], all human behaviour [...] can ultimately be understood in terms of its survival value”. Yet, providing that art has no end in itself, it does not contribute to any other aim. From the teleological perspective, the existence of art can thus be considered as being “anomalous” (Cothey, 1990, p. 1ff.). This self-referential philosophy, under which art neither has a social function nor can be categorised by subject matter, style or any other distinctive exterior feature, traces back to the French slogan ‘L’art pour l’art’ and was initially coined by the French philosopher Victor Cousin in the early 19th century (Osborne/Sturgis/Turner, 2012, p. 89).

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