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Giada Mainolfi

Luxury in a global and digital age

Empirical evidence
from the Russian Federation and China





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*To my grandfather, Vitantonio,
who taught me the values
that inspire my life*

Let me be surrounded by
luxury, I can do without the
necessities!

Oscar Wilde

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Foreword

by Vittoria Marino¹

The luxury goods sector is receiving growing attention from public opinion and, consequently, from the Academic world due to its ability to stimulate desires and expectations regarding international demand. This genetic endowment has allowed the sector to react to the recent economic–financial crisis, recording a tremendous growth compared to all other industrial sectors. Current consumption trends seem to confirm that we live in a time of luxury consumerism, where consumers around the world are starving for exclusive products that can enrich and complete their social and personal identity. Even if classic prestige consumerism has lost some of its power, it still exerts a relevant role by creating new configurations with respect to the previous dimensions of luxury consumption.

The author proposes a fruitful analysis of the ongoing evolution of the luxury phenomenon, examining in–depth its multidimensional nature where tangible and intangible elements create a unique universe of values, meanings and symbols. The perspective adopted by the study highlights the current metamorphosis of the luxury brand, which takes up from its roots and heritage to project itself into the “digital” future. Luxury companies are obliged to rethink their strategies to respond to the recent slowdown threatening the optimistic forecasts that have always accompanied the luxury sector. An evident effect of this condition is that luxury players are definitively abandoning a cautious and frightened approach regarding digital and e–commerce, becoming more interested in discovering the real opportunities that can result from the digital channels. However, digitalisation not only

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represents a communication tactic but is redefining the concept of a distinctive luxury brand experience capable of following the new dynamics of consumer engagement.

This evolving scenario is made even more complex by the growing political–economic influences affecting the business environment. In fact, in the background of this digital revolution is a new geopolitical disruption that is affecting luxury markets in unpredictable ways that have never been experienced before. Following this perspective, the present study proposes two paths of investigation for the topic at hand: one is focused on the management of brand heritage, the other is aimed at examining two of the main emerging luxury markets: Russia and China.

Regarding the first aspect, the study proposes an original and innovative conceptualization of the brand heritage, thanks to a content analysis of the digital communication of the most powerful luxury brands. The results offer interesting guidelines for luxury brand management, which is in search of harmony between the traditional and digital world. With respect to Russia and China, the author's insights stigmatise the main issues impacting and changing luxury consumption behaviour. Can the embargo and the resurgence of patriotic feelings impact the attractive power of luxury goods? How has the role of conspicuous consumption for Chinese digital luxury purchases changed?

Thanks to a perfect balance between theoretical proposals and empirical assessments — and to significant teaching experience in graduate programs in luxury goods management — the study by Giada Mainolfi offers a contribution full of critical and innovative ideas capable of overcoming some interpretative limits concerning luxury consumption and, at the same time, presents managerial suggestions for the development of international marketing strategies, above all by small and medium enterprises.

Vittoria Marino
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Salerno, February 2018

Introduction

The notion of luxury has become very central to contemporary consumption and received great interest from both the academic and professional communities, motivated in part by a healthy growth over the years. The luxury industry as a whole grew by 5% in 2017, and forecasts announce it will continue growing at a 4%-5% annual rate over the next three years. The personal luxury goods market represents the core of this positive trend. However, although the global trading environments continue to record encouraging performances, the market and key luxury players face increasing risks, which do not result only from the digital disruption. The backlash against globalisation, rising populism, the political and geographic instability, and changing consumer preferences are threatening the traditional luxury business models. Within this scenario, luxury companies cling to the very heart of their business process while preserving the perfect bond between creation, innovation and excellence. The critical success factors are the result of a system of skills and competencies related to both creative and technical assets. Only the predisposition of such a network can support the superiority of the luxury brand by protecting it from potential feelings of animosity due to unstable relations between countries.

With luxury consumption becoming global and digital, the role of luxury companies and brands is shifting from products to services and experiences. The return to the origins of the brand and the discovery of its roots and heritage acquire a central role that is linked not only to the maintenance of the rarity allure but to a new configuration of exclusivity that encompasses the digital component, which for a long time had been snubbed or avoided.

Selling a dream, embodying a lifestyle and neglecting the power of digital media or the resurgence of nationalistic tendencies are no longer the keys to managing a successful luxury brand and its heritage. In order to draw up interpretative and managerial guidelines in relation to the abovementioned issues, the present study has been complemented by empirical research. With respect to the issue of brand heritage, a content analysis was carried out on the web communication of luxury brands owned by the top 10 luxury corporations. The aim of this analysis is to compare the conceptual categories and measurement scales of the brand heritage with the communicative codes used by luxury companies to express and transfer the symbolic value of their heritage. Only a deeper understanding of the role of brand heritage can help companies to construct and wear a real armour that is less sensitive to the political and digital changes and to the competitive threats of “*masstige*” and emerging markets. As regards the latter aspect, the second part of the book is devoted to the investigation of the two most challenging emerging markets for luxury: the Russian Federation and China. Specifically, thanks to a survey on Russian consumers, it has been possible to highlight the real impact of the recent tensions between Europe and Russia on luxury consumption behaviour.

With respect to the Chinese market, on the other hand, the study aims at verifying the influences on online luxury consumption behaviour exerted by perceived social values and cultural issues related to ethnocentrism and materialism. This analysis provides useful insights on China, which is experiencing a complex period due to the slowdown in economic growth, the depreciating currency, and a reconfiguration of customer purchasing priorities.

The theoretical insights combined with empirical evidence from the most challenging luxury markets have contributed meaningfully to the knowledge of the sector and its dynamic nature. Moreover, the in-depth analysis of the digital challenges together with the socio-cultural developments of new luxury consumers may provide useful managerial implications and suggestions, above all for small and medium enterprises. In contrast with luxury global brands, SMEs operating in the luxury sector

do not yet have full awareness of their potential in international markets and, at the same time, cannot easily cope with the challenges from the evolution of the new luxury consumers.

I would like to express my gratitude to all those who, in different ways, have been close to me and encouraged me during the preparation of this book. A special thanks to Professor Riccardo Resciniti and Professor Maria Rosaria Napolitano for having guided me with their precious suggestions during the course of my career. I would like to thank in a special way Professor Vittoria Marino for having supported my professional growth, not only as a scientific guide, but also as a friend with whom to share the satisfactions obtained during my academic activities.

Heartfelt thanks also go out to Giovanni Bisogni, President of the Board of Directors at UNINT, for the stimulating discussions on the topic of internationalization, which have enriched my knowledge.

Finally, I would like to thank my colleagues, Antonio Magliulo and Alessandro De Nisco, with whom I share the daily passions, ambitions and challenges of university life, and Arianna Sassi for her contribution to the research on brand heritage.

A final thought goes to my mother and my father, who have always encouraged me, helping me to believe in myself and to face difficulties with serenity and tenacity.

G.M.

Rome, February 2018

The universe of luxury: meanings, industry, strategies

1.1. The meanings of luxury

The concept of luxury has its roots in human nature and goes far back in history. In the past, civilizations associated it with wealth, exclusivity and power and the satisfaction of non-necessary needs. In ancient Greece, the habit of indulging in luxury was negatively judged and regarded as a threat to society: excessive pleasure would have shifted citizens' attention from the *polis* to private life. Subsequently, the word *λοξός* (*loxos*) was used with the meaning of oblique, warped, “growing in a twisted way”, by attributing to the term a negative connotation of blame. The Romans assigned an ambiguous and negative meaning to the word. Luxury comes from the Latin “luxus”, whose meaning is “soft or extravagant living, sumptuousness, opulence” (Brun & Castelli, 2013: 827). *Luxus*, in turn, finds its roots in an old Indo-European word meaning “twist” (Chevalier & Mazzalovo, 2012: 3). Latin had two similar words with overlapping meanings: *luxus*, meaning excess, and *luxuria*, which meant “rankness”. These terms became *luxe* and *luxure* in French, preserving the distinctions of the original Latin. The French word *luxe* can be considered the source of the meanings we universally associate with luxury, which are wealth and indulgence. The French *luxe* be-

came the English word *deluxe* and was initially used as a synonym of lasciviousness or wantonness. The Oxford English Dictionary records that Chaucer refers to “O foule lust of luxuries”.

By Elizabethan times, luxury was associated with adultery (Merriam–Webster, 2017):

Away! Thy voice is hateful; thou dost buzz, and beat my ears with intimations that Mellida is light and stained with adulterous luxury. John Marston, *Antonio’s revenge*, 1602.

Would you not swear, all you that see her, that she were a maid by these exterior shows? But she is none. She knows the heat of a luxurious bed. Her blush is guiltiness, not modesty. William Shakespeare, *Much Ado About Nothing*, 1600.

In the following centuries, there was an attempt to rehabilitate the concept of luxury, which tended to associate it with the Latin root of “lux” (light) and to use it in reference to precious objects such as garments, jewels and gems that adorned kings, princes or church dignitaries (Brun & Castelli, 2013). With King Louis IV of France, luxury came to be conceived as a symbol of the ostentation and grandeur of the French court (Corbellini & Saviolo, 2009); luxury was France’s new deal capable of relaunching the domestic industry. Luxurious objects signalled someone worthy to be noticed and endowed with some form of power (Sicard, 2013), and soon luxury was associated not only with something unnecessary but also with conspicuousness and opulence. However, the concept maintained its negative connotations among common people, a feature that changed only with the emergence of the bourgeoisie as a social class. In this context, luxury was associated with a “sumptuous surrounding” that made life more comfortable. The European royal courts turned luxury into precious objects and lavish living, a transformation that was necessary “to open the real of luxury to any social class” (Brun & Castelli, 2013: 827).

Table 1.1 shows the evolution of the concept across two centuries, from 1600 to 1800, with definitions taken from the French dictionary *Le Trésor de la langue française*. Little by little the

notion of guilty excess disappeared and, finally, during the second industrial revolution in the nineteenth century, luxury acquired its modern meaning of the “habit of indulgence in what is costly” or “something enjoyable or comfortable beyond the necessities of life” (Chevalier & Mazzalovo, 2012: 3–4).

Year	Definition
1607	Way of life characterised by large expenditures to make shows of elegance and refinement
1661	Character of which is expensive, refined, luxury clothing
1797	Expensive and superfluous object, pleasure
1801	Excessive quantity, a luxury of vegetation
1802	That which is superfluous, unnecessary

Table 1.1. Two centuries of use of luxury

SOURCE: Chevalier, M., & Mazzalovo, G. (2012), *op. cit.*, p. 4.

Consequently, luxury goods became less scarce and were more available to the general population. By the end of the nineteenth century, improvements in the standard of living led to the redefinition of the concept of luxury, which was interpreted as a symbol of wealth and associated with sophisticated and well-made products. Advancements arising from the industrial revolution resulted in companies having the willingness and the competency to generate excellent products which symbolise an elitist way of life (Brun et al., 2008). Before this period, luxury goods were only manufactured by craftsmen and sold in local markets. Modern industry applied the logic of higher volumes to be aimed at a larger customer base, thus laying the foundations for the development of the current luxury industry. The twentieth century confirmed the growth of the luxury business and the rise of the brand, which was previously completely absent from the market. This was made possible by the increasing relevance of features such as superior quality, durability, performance and design. Changes have become evident in recent decades, when a wide variety of luxury goods have become available in a growing number of areas to the point there emerged a “massification” trend (Brun & Castelli, 2013).

However, what is interesting to emphasise is that the contemporary definitions seem not to have completely overcome the historical negative connotations. Definitions across cultures show many commonalities, above all concerning the non-necessary nature of luxury, defined as a wasteful abundance (Tab. 1.2).

Countries	Definitions
UK (Collins)	Indulgence in rich and sumptuous living.
USA (American Heritage)	Something inessential but provides pleasure and comfort. Expensive and hard to obtain.
France (Larousse)	Caractère de ce qui est coûteux, raffiné, somptueux. Plaisir coûteux qu'on s'offre sans vraie nécessité.
Italy (Treccani)	Sfoggio di ricchezza, di sfarzo, di magnificenza. Tendenza a spese superflue, incontrollate, per l'acquisto e l'uso di oggetti che, o per la qualità o per l'ornamentazione, non hanno una utilità corrispondente al loro prezzo, e sono volti a soddisfare l'ambizione e la vanità più che un reale bisogno.
	Blur of richness, opulence, magnificence. Tendency at unnecessary, uncontrolled expense for the purchase and use of objects that, either for quality or for ornamentation, do not have a value corresponding to their price, and are aimed at satisfying ambition and vanity more than a real need.
Germany (Duden)	Kostspieliger. Verschwendischer. Den normalen Rahmen übersteigender. Nicht notwendiger. Nur zum Vergnügen betriebener Aufwand. Pracht. Verschwenderische Fülle.
	Costly. Wasteful. Above the normal frame. Not necessary. Costs incurred only for pleasure. Splendour. Wasteful abundance.
Russia (Explanatory Dictionary of Ushakov)	Внешнее великолепие, пышность чего-нибудь. Излишество в комфорте, в жизненных удобствах и удовольствиях, связанное с затратами, превышающими средний уровень жизни. Жить в роскоши. Изобилие, природное богатство.
	Exterior splendor, splendor of something. Excess in comfort, in living facilities and pleasures, associated with costs exceeding the average standard of living. Abundance, wealth of nature.
China (Ci Hai)	奢侈, 不节俭; 过分, 过多; 阔, 夸大
	Luxury, not frugal; excessive; exaggerated.
Lebanon (Al-Munjid fi'l-lughah wa'l-a'lām)	al-ni'mah wa raghad al-'aysh : ترفة
	Turfah: plentifulness and easiness of life

Table 1.2. Contemporary definitions of luxury across cultures

SOURCE: Our elaboration.