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**Business models of luxury brands. A case study.**

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## Introduction

Luxury is a term coming from the Latin word “luxuria”, which means “excess”, or “extras of life” and it has always been associated with wealth and exclusivity. Despite that, the idea of luxury has changed over time, and it is now linked to a more conceptual and symbolic dimension.

In ancient Greek luxury was considered to threaten social stability, also Christianity looked at it more as a sin and a lascivious way to live. Moving on, since the XVII century, positive connotations started to rise and purchases of luxury goods were associated with social meaning, enhancing the symbolic and emotional components. As a consumerist society grows, the buying of exclusive and expensive products is considered an act of ostentation, beyond the intangible motifs. There is a sort of need for luxury from wealthy consumers (Luzzini & Ronchi, 2010).

Not only concepts of luxury developed in the course of time, but also consumers changed, and new markets arose. Differently from the past, United States customers are spending less on luxury products and nearly 75% of them expect to reduce their spending on non-essential goods by at least 6%. Contrary, Chinese consumers are the major driver of luxury sales. The excess savings accumulated over the last three years reached an estimated average of 33.5% in 2022, boosting the post-pandemic revenge spending. Luxury companies are projected to have a 35-40% sales growth in China in 2023 (J.P. Morgan website, 2023).

Lastly, also what consumers purchase could change. For example, there has been a rise in exports of the Swiss luxury watch industry, as items like watches and jewelry, which are hard luxury goods, can represent more attractive investments to purchase (J.P. Morgan website, 2023).

Many changes have occurred, and luxury brands must be prepared to adapt timely and efficiently to maintain customer trust and retain both consumers and the workforce.

This paper questions key elements, strategies, and business models to consider and pay attention to. The first chapter is a literature review of luxury-related articles, with a particular focus on luxury fashion brands' examples. Chapter two conducts an initial analysis

of trends in the luxury market, followed by an interview to a manager of a French luxury fashion house, to better comprehend the investigation of topics carried out previously.

The 23 papers identified and analyzed find results in terms of definitions and concepts of luxury, art as a mean for successful strategies, brand extensions and their perceptions, the internationalization phenomenon, the role of e-commerce and the “Internet dilemma”, successful business models and how sustainability has become relevant, especially for luxury, which provides non-essential goods.

Interestingly enough, the majority of the literature considered is written by academics and a vast percentage of studies is located in Europe or talks about European luxury brands’ case studies. The most recurrent examples examine French, Italian and English luxury fashion firms, such as Chanel, Gucci, Moncler, Burberry, and the LVMH group, which has been found to amount at 10.7% of the total share of the five best companies of retail revenue for the financial year 2021 (Deloitte Global, 2023).

Although European luxury brands are still highly valued and the main producers, the United States and China are the biggest contributors in revenues, and this is expected to grow even more (Statista Research Department, 2023). Furthermore, the fashion and apparel divisions generate the largest revenue share (Sabanoglu, 2022) and as reported by Statista (2023), the growth of the luxury fashion market is expected to be 3.39% per year (CAGR, the compound annual growth rate, 2023-2028).

Given the analysis of papers, the artification process (Masè et al., 2020) has been found to have positive effects. This result has been confirmed by the interview with the manager of a French luxury brand, who agreed on the importance of the use of art in luxury, which is able to confer prestige, exclusivity, symbolism, and sophistication.

Art is strictly linked to the culture of the country of origin and its history. Creative directors look for stories from the home country able to validate the originality of their luxury products, as in the case of the Italian fashion house Dolce and Gabbana. This is also associated with the reshoring techniques that many luxury firms underwent in the last years, as the “Made in” strategy enhancing the brand image, is having its biggest momentum (Guercini & Milanesi, 2017).

A particular attention to the home country has also been highlighted due to the tendency of extending brands. This is a much discussed topic and while some agree on the benefits produced such as reductions in costs and risks and transferred positive brand image (Albrecht et al., 2013), others are against this movement. The interviewee believes, like the last ones, that an extension of a luxury firm can damage its reputation, overexposing the brands and leading to a loss of its exclusivity, rarity, and uniqueness.

The “Internet dilemma” is another subject discussed in the paper as well as in the literature. As online stores work differently from physical ones, a particular focus on the service and experience provided to customers is vital. Controls of the digital platforms and the brand image conveyed are necessary (Mir-Bernal et al., 2018), as the interviewee agrees to. That said, the manager confirms the importance of the Internet in serving the brand in every field and translating as being reliable, valuable, and socially recognized. Moreover, the Internet permits the attraction and engagement with clients and the feeling of being part of a community.

It has been shown how successful luxury fashion houses have some elements in common: transparency, attention to customers’ experience, strong brand identity and good digital presence (Rollinson, 2023).

The interview with the manager underlines the importance of the following factors for luxury firms: acquisition, retention and engagement with clients, scarcity created with the aim of developing a sense of symbolism, exclusiveness and dream value, annual price increases and highly skilled professionals.

Sustainability, both discussed in the literature review and in the interview, is confirmed to be a hot topic. The big interest from customers, who changed their attitudes and sentiments towards purchases, led luxury firms to change their behavior too. Nowadays, luxury fashion houses are extremely mindful of corporate social responsibility (CSR) practices, and this is because the community moved from conspicuous consumption to conscientious consumption (Campos et al., 2020). Good examples of luxury fashion firms and their environmentally friendly behaviors are listed during the elaborate.







# **Chapter 1. The luxury market and its strategies and business models: a literature review.**

## **1.1 Methodology**

The first chapter of this paper consists of a literature review, which the Institute for Academic Development of the University of Edinburgh (2022) describes as “a piece of academic writing demonstrating knowledge and understanding of the academic literature on a specific topic placed in context. A literature review also includes a critical evaluation of the material; this is why it is called a literature review rather than a literature report. It is a process of reviewing the literature, as well as a form of writing”.

The method utilized is of the kind of a structured literature review (SLR). This process serves in examining several scholarly sources and developing insights, critical reflections, future research paths and research questions. The approaches are mainly quantitative but lined also with qualitative ones. Because of this method, insightful and impactful results are found and less bias and more transparency can be expected. Lastly, SLR permits to discover under-investigated topics and methods, advancing the development of new fields of research and approaches (Massaro et al., 2016).

The initial review leads to the second chapter, which comprehends an initial analysis of the luxury market and its main trends, followed by a case study conducted through an interview to a manager of a French luxury brand in the fashion industry.

## **1.2 Definition of the topic and literature research**

After a first meeting and due to personal interest, the topic identified was: business models in the luxury sector.

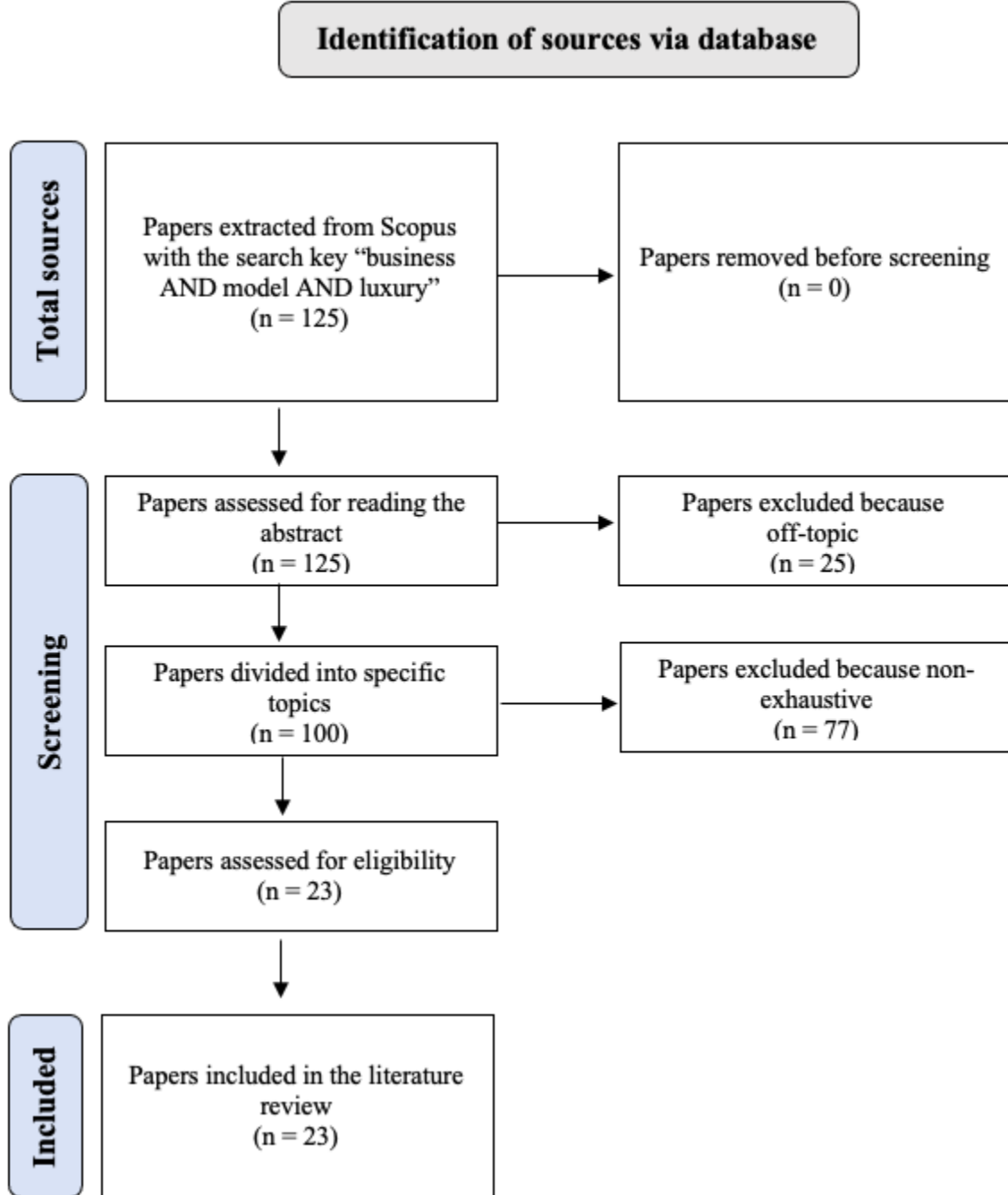
The usage of the database Scopus helped in the research process of relevant literature to be analyzed. The search key “business AND model AND luxury” in the title, abstract, or keywords, conducted on February 27th, 2023, led to a total of 125 contributions. Of those

125 articles, 23 have been considered eligible for the analysis while 102 have been recognized as non-exhaustive or off-topic.

All 23 papers have been coded using the software NVivo. The codification process led to the identification of five main topics in the papers: art, brand extension, internationalization, strategies and business models, and sustainability. Then, further investigations were conducted, and sub nodes created.

Figure 1.1 below portrays the selection process for papers' identification.

Fig. 1.1. Process of selection of papers.



Source: Personal elaboration (2023).

### 1.3 Results

The literature review consists of 23 papers, whose bibliographic details are reported in the following Table 1.1.

The oldest paper is dated back in 2001 while the earliest was published in 2023. The ratio between old and recent works is almost half and half: 12 published in the period 2001-2016 and 11 after 2017. This highlights the ongoing interest on the topic, into old and new business models and the attention paid to the changing environment of the luxury sector.

**Tab. 1.1. Bibliographic details of the identified papers.**

#	Author(s)	Title	Year	Source Title	Reference
<b>Topic: Art</b>					
1	Masè S., Cedrola E., Davino C., Cohen-Cheminet G.	Art as a means to recreate luxury brands' rarity and value	2018	Journal of Business Research	(Masè et al., 2018)
2	Masè S., Cedrola E., Davino C., Cohen-Cheminet G.	Multivariate statistical analysis of artification effect on customer-based brand equity in luxury brands	2020	International Journal of Arts Management	(Masè et al., 2020)
<b>Topic: Brand Extension</b>					
3	Riley F. D., Lomax W., Blunden A.	Dove vs. Dior: Extending the	2004	Australasian Marketing Journal	(Riley et al., 2004)

		brand extension decision-making process from mass to luxury			
4	Albrecht C. M., Backhaus C., Gurzki H., Woisetschläger D. M.	Drivers of brand extension success: What really matters for luxury brands	2013	Psychology and Marketing	(Albrecht et al., 2013)
<b>Topic: Internationalization</b>					
5	Guercini S., Milanesi M.	Extreme luxury fashion: business model and internationalizati on process	2017	International Marketing Review	(Guercini & Milanesi, 2017)
6	Mir-Bernal P., Guercini S., Sádaba T.	The role of e- commerce in the internationalizati on of Spanish luxury fashion multi-brand retailers	2018	Journal of Global Fashion Marketing	(Mir-Bernal et al., 2018)
<b>Topic: Strategies and Business Models</b>					
7	Horvath L.	Collaboration: The key to value creation in supply	2001	Supply Chain Management: An International Journal	(Horvath, 2001)

		chain management			
8	Moore C. M., Birtwistle G.	The Burberry business model: Creating an international luxury fashion brand	2004	International Journal of Retail & Distribution Management	(Moore & Birtwistle, 2004)
9	Moore C. M., Birtwistle G.	The nature of parenting advantage in luxury fashion retailing - The case of Gucci group NV	2005	International Journal of Retail and Distribution Management	(Moore & Birtwistle, 2005)
10	Kapferer J. N., Bastien V.	The specificity of luxury management: Turning marketing upside down	2009	Journal of Brand Management	(Kapferer & Bastien, 2009)
11	Luzzini D., Ronchi S.	Purchasing management in the luxury industry: Organization and practices	2010	Operations Management Research	(Luzzini & Ronchi, 2010)

12	Cirella S., Guerci M., Shani A. B.	A Process Model of Collaborative Management Research: The Study of Collective Creativity in the Luxury Industry	2012	Systemic Practice and Action Research	(Cirella et al., 2012)
13	Kapferer J. N.	Abundant rarity: The key to luxury growth	2012	Business Horizons	(Kapferer, 2012)
14	Mustonen M., Pal R., Mattila H., Mashkooor Y.	Success indicators in various fashion business models	2013	Journal of Global Fashion Marketing	(Mustonen et al., 2013)
15	Robinson P. K., Hsieh L.	Reshoring: a strategic renewal of luxury clothing supply chains	2016	Operations Management Research	(Robinson & Hsieh, 2016)
16	Watkins M. D.	Leading the Team You Inherit	2016	Harvard business review	(Watkins, 2016)
17	Sugimoto K., Nagasawa S.	Luxury branding: the case of Chanel	2017	International Journal of Quality and Service Sciences	(Sugimoto & Nagasawa, 2017)
18	Watanabe C., Akhtar W., Tou Y., Neittaanmäki P.	Amazon's New Supra- Omnichannel:	2021	Technology in Society	(Watanabe et al., 2021)

		Realizing Growing Seamless Switching for Apparel During COVID-19			
19	Watanabe C., Akhtar W., Tou Y., Neittaanmäki P.	A new perspective of innovation toward a non- contact society - Amazon's initiative in pioneering growing seamless switching	2022	Technology in Society	(Watanabe et al., 2022)
<b>Topic: Sustainability</b>					
20	Campos Franco J., Hussain D., McColl R.	Luxury fashion and sustainability: looking good together	2020	Journal of Business Strategy	(Campos et al., 2020)
21	Olatubosun P., Charles E., Omoyele T.	Rethinking luxury brands and sustainable fashion business models in a risk society	2021	Journal of Design, Business and Society	(Olatubosun et al., 2021)



22	Shashi, Centobelli P., Cerchione R., Mittal A.	Managing sustainability in luxury industry to pursue circular economy strategies	2021	Business Strategy and the Environment	(Shashi et al., 2021)
23	Broccardo L., Culasso F., Dhir A., Truant E.	Corporate social responsibility: Does it really matter in the luxury context?	2023	Corporate Social Responsibility and Environmental Management	(Broccardo et al., 2023)

*Source: Personal elaboration (2023).*

Several nodes were generated in NVivo. The first ones are generic and include: topic, authors, location of the study, and research method. The second category consists of more articulated nodes, which answer to specific fields of investigation and includes: concepts in luxury, differences of premium, expansion of the luxury sector, main firms mentioned, presence of literature review, art in luxury, brand extension, internationalization, strategies, business models, and sustainability. Lastly there is the conclusion node. Each node has sub nodes, which invest deeper questions that emerge during the reading of the documents.

The first node refers to the main topic of the paper. The second node identifies the type of authors, dividing them into academics, collaborations, and professionals. The third node concerns the location where the study was conducted. The fourth node refers to the research method and sources are divided between case studies, empirical analysis, literature reviews, surveys, and theoretical approaches. The fifth and sixth nodes are about concepts related to “luxury” in the first one and differences of “premium” in the second one. The seventh node concerns the matter of expansion of luxury firms, while the eighth node refers to the main companies mentioned and where they are located. The ninth node analyzes the presence of

literature review in the papers. The following nodes, from the tenth to the fifteenth, are about a deeper investigation of the first node concerning arisen topics. The last node, the sixteenth, refers to the conclusions of sources, whether the analysis is sufficient or insufficient, and if further research or managerial implications can be made.

Table 1.2 below portrays the results from the NVivo coding process, with nodes and sub nodes.

**Tab. 1.2. Framework of NVivo coding process.**

#	Nodes	Sub nodes	Results	Percentage
1	Topic		23	
		Art	2	9 %
		Brand extension	2	9 %
		Internationalization	2	9 %
		Strategies and business models	13	56 %
		Sustainability	4	17 %
2	Authors		23	
		Academics	20	87 %
		Collaborations	2	9 %
		Professionals	1	4 %
3	Location of the study		23	
		No	12	52 %

		Yes	11	48 %
		Europe	8	73 %
		Outside Europe	1	9 %
		Europe and Asia	2	18 %
<b>4</b>	<b>Research method</b>		23	
		Case study	13	57 %
		Empirical analysis	2	9 %
		Literature review	1	4 %
		Survey	4	17 %
		Theoretical approach	3	13 %
<b>5</b>	<b>Concepts in luxury</b>		23	
		No	9	39 %
		Yes	14	61 %
		● Definition of luxury	8	57 %
		- Old aspects	2	25 %
		- New aspects	6	75 %
		● Uniqueness	4	29 %
<b>6</b>	<b>Differences of premium</b>		23	
		No	20	87 %

		Yes	3	13 %
		● Differences from luxury	3	100 %
<b>7</b>	<b>Expansion of the luxury sector</b>		23	
		No	11	48 %
		Yes	12	52 %
		● It is expanding	10	83 %
		- Good perception	2	20 %
		- Bad perception	4	40 %
		- Perception not mentioned	4	40 %
		● It is not expanding	2	17 %
<b>8</b>	<b>Main firms mentioned</b>		23	
		No	9	39 %
		Yes	14	61 %
		European luxury brands	12	86 %
		Non-European luxury brands	2	14 %
<b>9</b>	<b>Presence of literature review</b>		23	
		No	7	30 %

		Yes	16	70 %
		● Sufficient knowledge	10	63 %
		● Insufficient knowledge	13	81 %
		● Disagreements	3	19 %
<b>10</b>	<b>Art in luxury</b>		23	
		No	18	78 %
		Yes	5	22 %
		● Art and luxury	4	80 %
		● Bad consumer perception	0	0 %
		● Good consumer perception	4	80 %
		● Null impact of art	1	20 %
<b>11</b>	<b>Brand extension</b>		23	
		No	16	70 %
		Yes	7	30 %
		● Drivers	2	29 %
		● Positive associations	4	57 %
		● Negative associations	5	71 %
		● Role of the parent	2	29 %

		brand		
<b>12</b>	<b>Internationalization</b>		23	
		No	15	65 %
		Yes	8	35 %
		● Positive associations	3	38 %
		● Negative associations	5	63 %
		● E-commerce	4	50 %
		- Bad examples	3	75 %
		- Good examples	4	100 %
		● Role of distance	2	25 %
		- Good examples	1	50 %
		- Bad examples	2	100 %
<b>13</b>	<b>Strategies</b>		23	
		No	5	22 %
		Yes	18	78 %
		● Successful	18	100 %
		- Examples	11	61 %
		● Unsuccessful	10	55 %
		- Examples	6	60 %

<b>14</b>	<b>Business models</b>		23	
		No	11	48 %
		Yes	12	52 %
		● Definition provided	3	25 %
		● Good examples	12	100 %
		● Bad examples	4	33 %
<b>15</b>	<b>Sustainability</b>		23	
		No	17	74 %
		Yes	6	26 %
		● Definition of sustainability	2	33 %
		● Challenges encountered	4	66 %
		● Positive associations	4	66 %
		● Negative associations	1	17 %
		● Good response from luxury brands	4	66 %
		● Bad response from luxury brands	4	66 %
<b>16</b>			23	
		● Sufficient conclusion	23	100 %

	<b>Conclusion<sup>1</sup></b>	- Managerial implications	15	65 %
		- Future research	16	70 %
		● Insufficient conclusion	0	0 %
		- Managerial implications	0	0 %
		- Future research	0	0 %

*Source: Personal elaboration (2023).*

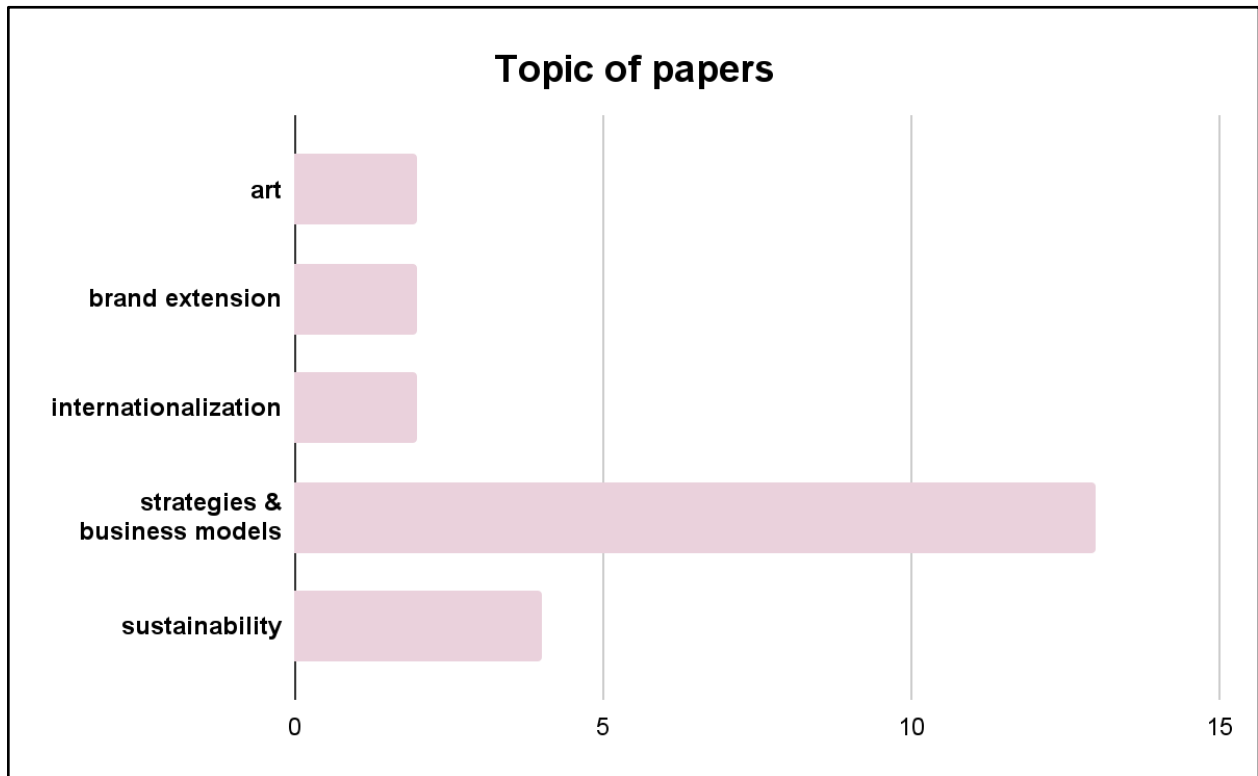
The first node “topic” has five subnodes: two papers talk about art in the luxury sector, two about the extension of brands, two about the internationalization process, thirteen about strategies and business models, which is the main topic of this elaborate, and the last four refer to sustainability matters. The following Figure 1.2 reports the recurrence with which each topic occurs in the sources included.

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<sup>1</sup> In this node is explored if sufficient or insufficient conclusions are found in the articles identified. All papers reached “sufficient conclusion”, which means that good results were obtained and managerial implications or future research can be done. Stating “insufficient conclusion” means that the article lacked in finding any results, which did not happen in the sources examined. This is why no insufficient conclusions were to be found.



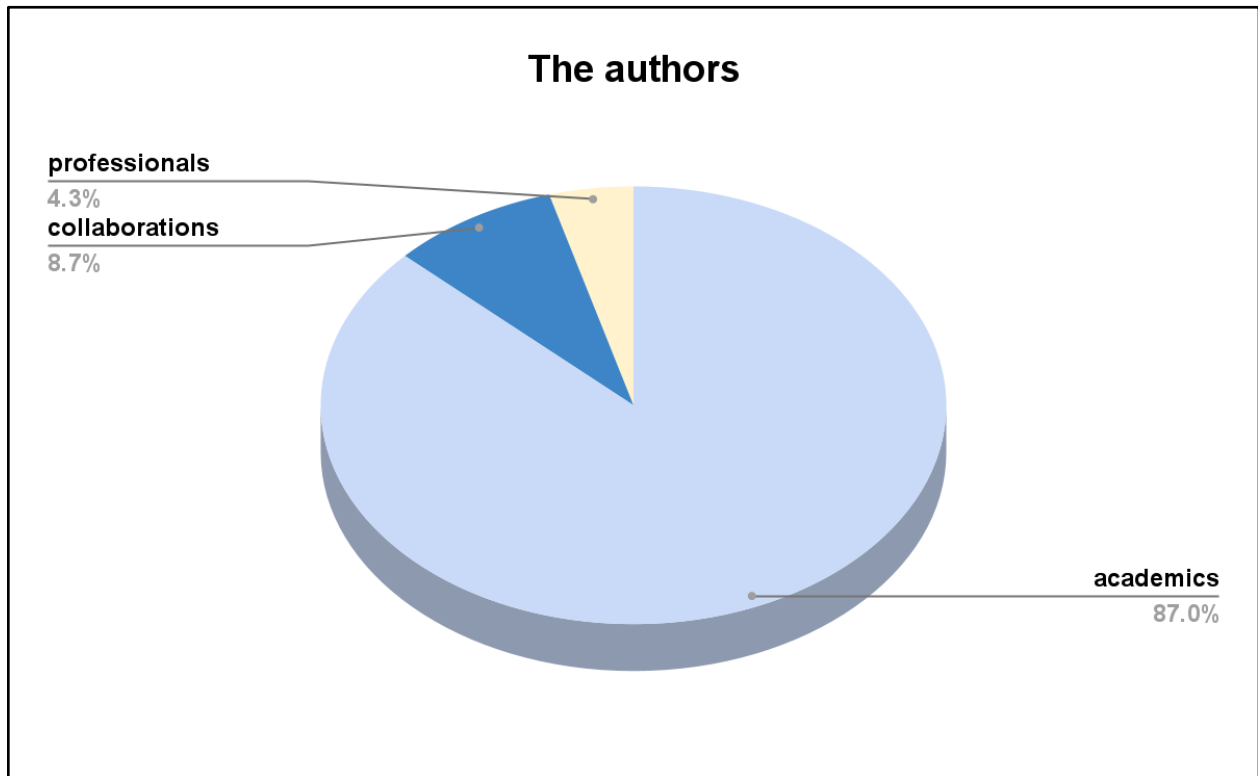
**Fig. 1.2. Topic of papers.**



*Source: Personal elaboration (2023).*

Concerning the node “authors”, Figure 1.3 below highlights how most of them are represented by academics, with twenty contributions. A minority, two and one contributions respectively, is formed by collaborations and professionals. The results underline the interest in research and changes on the topic from the academic world, rather than the job one. That said, professionals can gain competitive advantage by following new discoveries on strategies and business models conducted by academics.

**Fig. 1.3. The authors.**

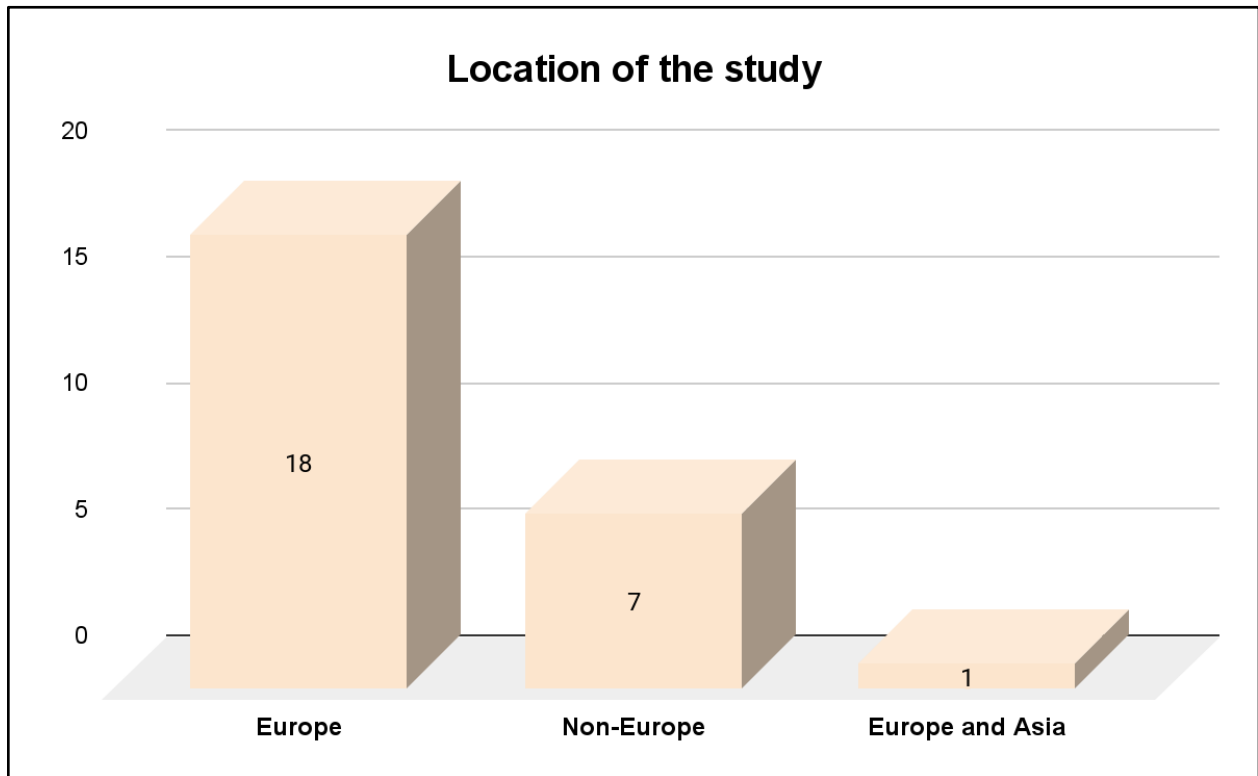


*Source: Personal elaboration (2023).*

Regarding the third node “location of the study”, eleven sources specify the location where the study was conducted, while twelve do not have a specific location. Eight papers take European luxury firms as examples, while one a non-European one. Two articles conduct studies considering the Western world on the one hand and Asia on the other hand. This highlights the big power in the hands of the European luxury houses, especially in Italy and France. That said, it can be concluded that there is a predominance of European luxury in this elaborate. The sample of articles considered does not have enough studies that are representative of the luxury industry outside Europe.

Figure 1.4 below portrays the results of the node “location of the study”.

**Fig. 1.4. Location of the study.**



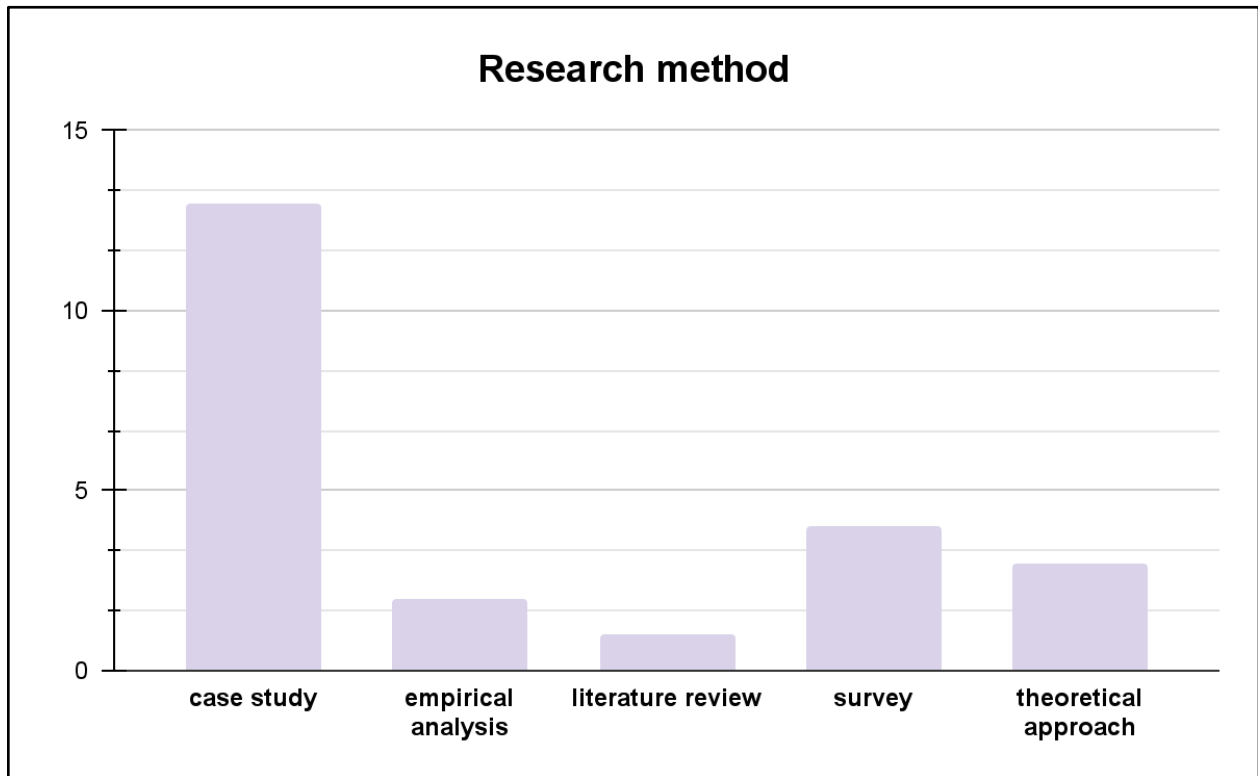
*Source: Personal elaboration (2023).*

Concerning the node “research method”, most of the sources (thirteen papers, which means 57% circa of the total sample) is in the form of case studies. The remaining papers are empirical analysis (two), literature reviews (one), surveys (four) and theoretical approaches (three).

Papers, which investigate the theoretical aspect of old and new, successful, and unsuccessful strategies and business models, are usually followed by an example in the form of a case study, to understand the former depicted model deeply and better. A practical application of the strategy or business model is preferred to observe results, so most papers have a research methodology in the form of case study, empirical analysis, and survey.

Node four “research method” is shown in Figure 1.5 below.

Fig. 1.5. Research methods.



*Source: Personal elaboration (2023).*

The fifth node “concepts in luxury” refers to the number of sources (fourteen out of twenty-three) where a definition or brief explanation of the luxury world and its main aspects is provided. Node five comprehends subnodes regarding definitions of luxury and the concept of “uniqueness”. It is interesting to note how new associations (75% compared to 25 % of old ones) have been developed and linked to luxury, which acquired new meanings in the last decades. The sub node “old aspects” is accompanied by new connotations related to luxury and gathered in sub node “new aspects”.

The following Figure 1.6 reports the subnodes from which conclusions can be drawn.

**Fig. 1.6. Node five: “Concepts in luxury” and subnodes.**

#	Nodes	Subnodes	Results	Percentage
5	Concepts in luxury		23	
		No	9	39 %
		Yes	14	61 %
		● Definition of luxury	8	57 %
		- Old aspects	2	25 %
		- New aspects	6	75 %
		● Uniqueness	4	29 %

*Source: Personal elaboration (2023).*

Past associations to luxury were more about a visible result of ostentation and social stratification capable of distinguishing kings, priests and the nobility from the gentry and commoners (Kapferer & Bastien, 2009). Although the former concept of luxury as sin was introduced by Christianity, since the XVII century positive connotations started to arise and the newly born middle class during the French Revolution (1789) became able to buy luxurious objects (Luzzini & Ronchi, 2010).

In most recent times luxury emphasizes the intangible, symbolic and emotional component of purchases (Luzzini & Ronchi, 2010). Moreover, the social stratification slowly becoming less evident, started to re-acquire importance for rich and powerful people, who like to stand out and differentiate from the democratization process experienced due to globalization (Kapferer & Bastien, 2009).

Luxury firms have a “dream value” that permits them to deliver hedonic value to consumers; it is more about symbolic benefits rather than functional ones (Albrecht et al., 2013). Luxury aims at timelessness (Kapferer & Bastien, 2009) and protecting the value proposition of

brands becomes a key factor in an increasingly competitive market (Robinson & Hsieh, 2016).

The idea of “uniqueness” regarding luxury products or experiences is particularly evident in high-fashion (Luzzini & Ronchi, 2010) and emphasizes something uncommon and exceptional (Luzzini & Ronchi, 2010). Today the concept of luxury is more frequently related to an intrinsically ethical or social idea of value (Watanabe et al., 2022).

Luxury fashion stores leverage on unique products, known as “iconic products”, which are highly recognizable. The “trench coat” of Burberry is an example (Moore & Birtwistle, 2004) as well as the Gucci Loafers (Moore & Birtwistle, 2005).

Node six “differences of premium” investigates distinctive aspects between “premium” and “luxury”. Major diverse characteristics are portrayed in Figure 1.7 below.

**Fig. 1.7. Differences between “luxury” and “premium”.**

<b>Luxury products and services</b>	<b>Premium products and services</b>
No comparisons are acceptable, uniqueness and objective rarity distinguish luxurious goods (Kapferer, 2012).	On the other hand, super-premium brands build their fame through comparisons, highlighting the superiority of their products (Kapferer, 2012).
Sustainable luxury is difficult to grow as some fabrics are considered luxurious and cannot be replaced (Kapferer, 2012).	On the contrary, the use of alternative fabrics considered less precious are implemented by premium brands, such as Stella McCartney, who refuses to use leather (Kapferer, 2012).
Luxury brands favor hedonism over functionality, which is not the aim. Products can have defects, which are known and a guarantee of authenticity,	While premium brands lack an identity and try hard to circumvent the competition. The focus is on functionality and defect-free products, creating a perfect product.

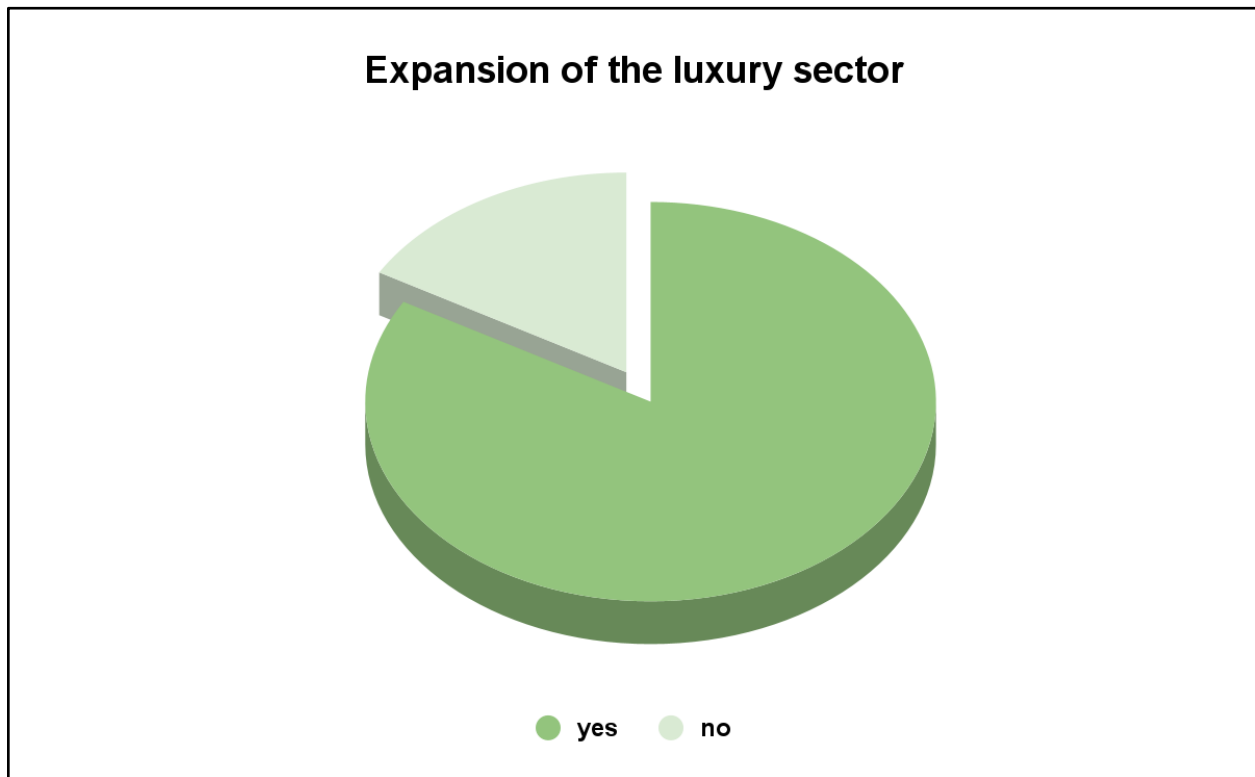
such as for Patek Philippe luxury watches. The quest of art is the distinctive aspect (Kapferer & Bastien, 2009).	Lexus is an example of a premium brand (Kapferer & Bastien, 2009).
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*Source: Personal elaboration (2023).*

Concerning node seven “expansion of the luxury sector”, the question is whether this market is expanding or not. Ten papers agree that the luxury industry is expanding, while two conclude the opposite.

The subnodes “good perception” and “bad perception” on expansion further explore the attitude towards the phenomenon. The following Figure 1.8, Table 1.3 and Table 1.4 summarize the results found in the sources considered.

**Fig. 1.8. Questioning the expansion of the luxury market.**



*Source: Personal elaboration (2023).*

**Tab. 1.3. The luxury market is expanding and its perceptions.**

The luxury market is expanding	
<p>After a crisis, as the financial one in 2008 or the pandemic started in 2020, people feel the urge of owning or experiencing all the “good things in life”, which have been lost due to difficult times (Guercini &amp; Milanesi, 2017).</p> <p>The rate of growth is especially high in BRIC (Brazil, Russia, India, and China) and CIVETS countries (Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa) (Kapferer, 2012).</p> <p>Also, advancements in online sales channels were made, with Amazon progressing in the offer of luxury items (Watanabe et al., 2021).</p> <p>In the period 2012-2019 the luxury market grew and now develops 85 % of luxury sales value in ten countries. Today the luxury industry is worth £820 billion annually and is expected to reach £1.16 trillion by 2025 (Olatubosun et al., 2021).</p>	
Good perception	Bad perception
<p>The expansion in Asia encountered a different society, whose culture differs from European consumers. In Asia people do not save for retirement, but rather spend money on products that can confer status and are symbols of self-achievement. Despite the increasing penetration rate, luxury status in Asia’s countries remains high (Kapferer, 2012).</p>	<p>As the number of buyers for luxury goods increase, the perceived value of the latter decreases because of the loss of exclusivity and rarity associations (Masè et al., 2018).</p>
<p>Regarding fashion, markets seem to</p>	<p>Globalization and the expansion of the</p>



<p>polarize. On the one hand the low-priced and mass market, on the other hand the high-end one. The luxury segment feels like a good opportunity to expand a brand considering an attractive and sustainable future business (Luzzini &amp; Ronchi, 2010).</p>	<p>luxury market in Asia contributed to an increase in sales volumes, again threatening the exclusivity, rarity, and uniqueness of the sector (Masè et al., 2020). The luxury status of a product is diluted when the penetration rate increases, because too many people own it. To quote former CEO of Hermès Patrick Thomas: “When one of our products gets too successful we stop [selling] it”. Despite the cultural and societal differences, the expansion in BRIC and CIVETS countries follows the Western rules of luxury brands (Kapferer, 2012).</p>
	<p>In recent years, the turnover of luxury businesses has been linked to new business models. Those are based on revenue growth driven by the sale of accessories and licensed products, which are far less expensive and are part of the so-called “luxury democratization” (Guercini &amp; Milanesi, 2017).</p>

*Source: Personal elaboration (2023).*

**Tab. 1.4. The luxury market is not expanding.**

<b>The luxury market is not expanding</b>
Today luxury brands face an economic crisis, the middle-class buyers are gone, and many wealthy consumers deal with difficulties or are changing their purchasing behaviors and look for cheaper options (Kapferer & Bastien, 2009).
The pandemic affected non-essential markets, with customers facing hard times. Due to lockdowns, remote working and travel restrictions, people did not have the urge to buy or show-off unique pieces of clothes. Figure 1.9 below shows the decrease in luxury demand in 2021 (Watanabe et al., 2021).

*Source: Personal elaboration (2023).*

**Fig. 1.9. The luxury demand after the pandemic.**



*Source: Watanabe et al. (2021).*

In regard to the eighth node “main firms mentioned”, a list of the most recurrent luxury brands in the papers can be found in Table 1.5 below. Those are divided into European realities (seventeen examples) and non-European ones (two examples) and highlights the evident predominance of European luxury businesses of which, five are French (seven including the country of origin of the two luxury groups) and six Italian (seven including the country of origin of the luxury group), respectively.

**Tab. 1.5. Most recurrent luxury firms.**

<b>Europe luxury brands</b>	<b>#</b>	<b>Non-Europe luxury brands</b>	<b>#</b>
France	7	Nigeria/Ghana	1
<ul style="list-style-type: none"> <li>- Comité Colbert Association</li> <li>- LVMH group</li> <li>- Chanel</li> <li>- Louis Vuitton</li> <li>- Hermès</li> <li>- Dior</li> <li>- Yves Saint Laurent</li> </ul>		<ul style="list-style-type: none"> <li>- Nigerian/Ghanaian Luxury Fashion Business</li> </ul>	
Italy	7	Japan	1
<ul style="list-style-type: none"> <li>- Altagamma Association</li> <li>- Italian Luxury Company</li> <li>- Gucci</li> <li>- Ferrari</li> <li>- Prada</li> <li>- Moncler</li> <li>- Dolce &amp; Gabbana</li> </ul>		<ul style="list-style-type: none"> <li>- Japanese Luxury Fashion Business</li> </ul>	
Spain	1		
<ul style="list-style-type: none"> <li>- 15 most important Spanish Fashion Multi-Brand Retailers</li> </ul>			
England	2		
<ul style="list-style-type: none"> <li>- Rolex</li> </ul>			

- Burberry			
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*Source: Personal elaboration (2023).*

Node nine “presence of literature review” refers to sources where a literature review is presented before conducting further analysis. In some papers, the literature review provided sufficient knowledge when it was written, while in other data were insufficient. Furthermore, three sources highlight the disagreement among authors on a specific topic. The following Table 1.6 summarizes findings.

**Tab. 1.6. Sufficient and Insufficient knowledge in papers.<sup>2</sup>**

<b>Sufficient knowledge</b>	<b>Insufficient knowledge</b>
First, there is sufficient knowledge about how luxury is perceived. On the one hand, this market portrays excellence, symbolism, and social stratification, which display superiority. On the other hand, democratization of luxury contributed to create an increasingly more accessible and trivialized mass luxury (Masè et al., 2018).	
Also, art seems to be a concept related to sophistication, luxury and prestige, which links art and luxury. Art infusion or “artification of luxury” produces positive	However, the role of art in the creation of scarcity value and uniqueness is almost never mentioned (Masè et al., 2018).

<sup>2</sup> In this table is explored if sufficient or insufficient knowledge is to be found regarding certain topics. It is questioned whether the literature review is satisfactory or deeper studies must be carried out. The table is divided into a left side, which corresponds to sufficient awareness, and a right one, which indicates the gaps that need future exploration.

<p>outcomes and generates a “halo effect” (Masè et al., 2020).</p>	
<p>As reported by Albrecht et al. (2013), luxury brands seem to be more extensible than non-luxury ones and analysis has been carried out on the attitudes of consumers towards brand extensions and the perceived equity on the parent brand (Riley et al., 2004). For example, an investigation of Russian consumers found that positive relations generate between the purchase of luxury goods and their associations to uniqueness, symbolism, social status, and identity (Guercini &amp; Milanese, 2017).</p>	<p>That said, while research have been made in regard to the extension of non-luxury brands, few studies focused on luxury ones and the decision process behind (Albrecht et al., 2013). Furthermore, little research has been carried out on the nature of “parenting advantage” in the luxury fashion sector (Moore &amp; Birtwistle, 2005).</p>
<p>Literature review highlights how luxury strategies and their uniqueness and strong brand identity differ from non-luxury ones. Luxury icons and luxury iconic products are relevant for a successful approach (Sugimoto &amp; Nagasawa, 2017). The best supply chain goes beyond traditional ones and is agile, adaptable, and aligned. Moreover, makes use of a strong brand image, is value-driven and enhances country of origin and possible reshoring (Robinson &amp; Hsieh, 2016).</p>	<p>Although the usual reshoring process in recent years, further analysis needs to be made (Robinson &amp; Hsieh, 2016). In addition, literature review still lacks good definitions of business models, especially for luxury firms, and even more about the relationship between business model and internationalization process (Guercini &amp; Milanese, 2017).</p>

<p>Lastly, researchers underline the positive attitude towards sustainable luxury goods (Broccardo et al., 2023).</p>	<p>Nevertheless, further investigation is needed as knowledge on the role of corporate social responsibility (CSR) in the luxury industry is currently lacking (Broccardo et al., 2023).</p>
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*Source: Personal elaboration (2023).*

Disagreements arose concerning the following matters.

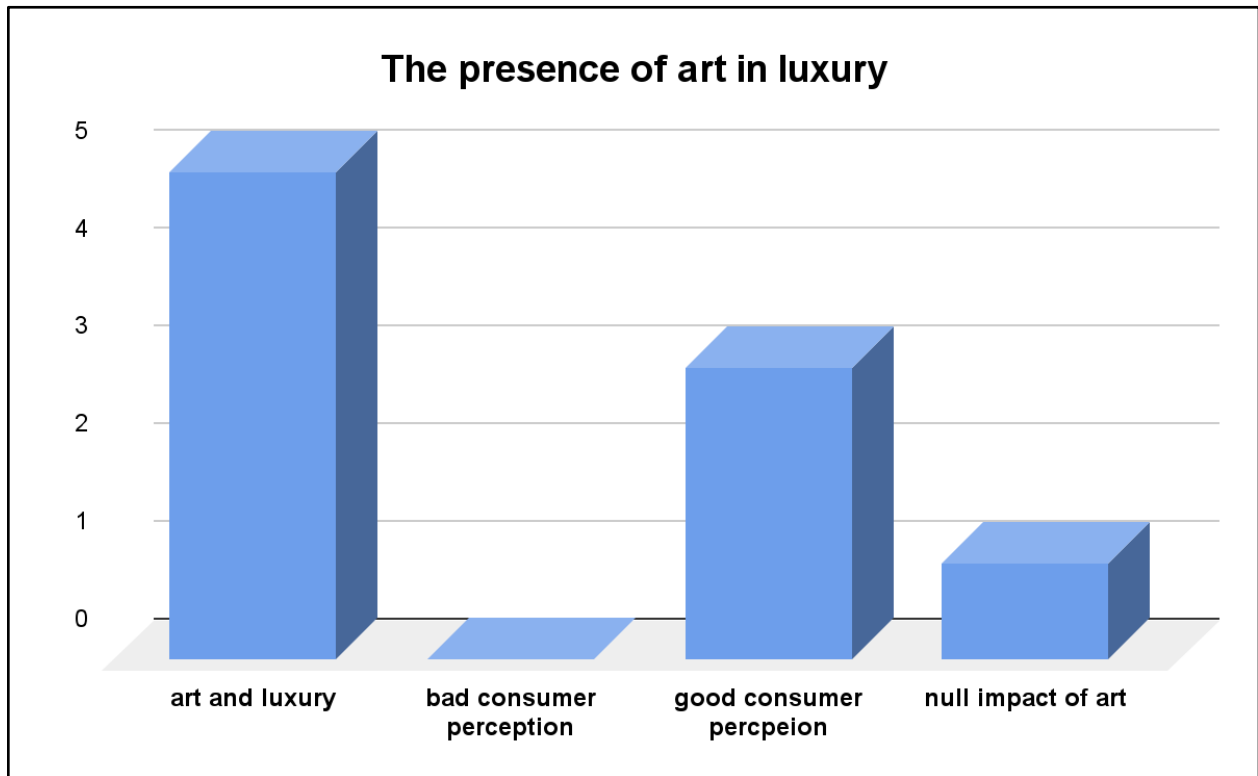
Online shopping is still a topic of discussion as some claim that luxury brands and the Internet are incompatible, while others assume that having an online presence is the best way to maximize profits (Mir-Bernal et al., 2018). Some luxury brands started to increment their offer online, also due to the pandemic and lockdown restrictions. Future research can analyze better data and results.

Also, sustainability and luxury are still topics of investigation. Evidence shows how a corporate social scandal can negatively impact financial performance and brand image. The disagreement is in the level of effects generated. Some argue that a strong brand is little impacted since consumers are not influenced by sustainable practices, while others debate the importance of corporate social responsibility (CSR) practices in customers' minds (Broccardo et al., 2023).

Concerning the tenth node "art", this is specific to the papers whose main topic or references were made to art in the luxury context. Five sources have been identified and subnodes were generated to provide a deeper investigation on particular aspects.

Figure 1.10 below further explores findings with a visual approach.

**Fig. 1.10. Findings on the presence of art in luxury.**



*Source: Personal elaboration (2023).*

*Art and Luxury.* Art is related to concepts such as sophistication, exclusivity, luxury, class, and prestige (Masè et al., 2020). Luxury is seen as elitist and in accordance with that, major luxury brands linked their name with the most en vogue artists and designers. To name a few: Jean-Luc Moerman revisited Longchamp bags, James Rosenquist, Philip Starck and Richard Prince designed scarves for Louis Vuitton, and Piet Mondrian's color blocks were the inspiration for Céline handbags (Chailan, 2018).

Art is the tool for the creation of uniqueness and distinctive features, which are fundamental aspects of luxury and build a sort of defense system from the other. The reason behind the will of luxury to be associated with art lies in the timeless aspect perceived (Kapferer, 2012). Furthermore, art contributes to the creation of multi-sensory experiences. The odor of a perfume matters, as well as the beauty of its bottle (Kapferer & Bastien, 2009).



*Consumer perception.* No negative associations to the relationship between art and luxury were found in the twenty-three sources identified, whereas good feelings were to be found. The use of art permits to project an exclusive dimension to luxury products and is associated with specific social and cultural codes. Luxury products have a non-functional pleasing aesthetic, which is favored by consumers' perception (Masè et al., 2018), and each one requires time and skills to be made (Kapferer, 2012).

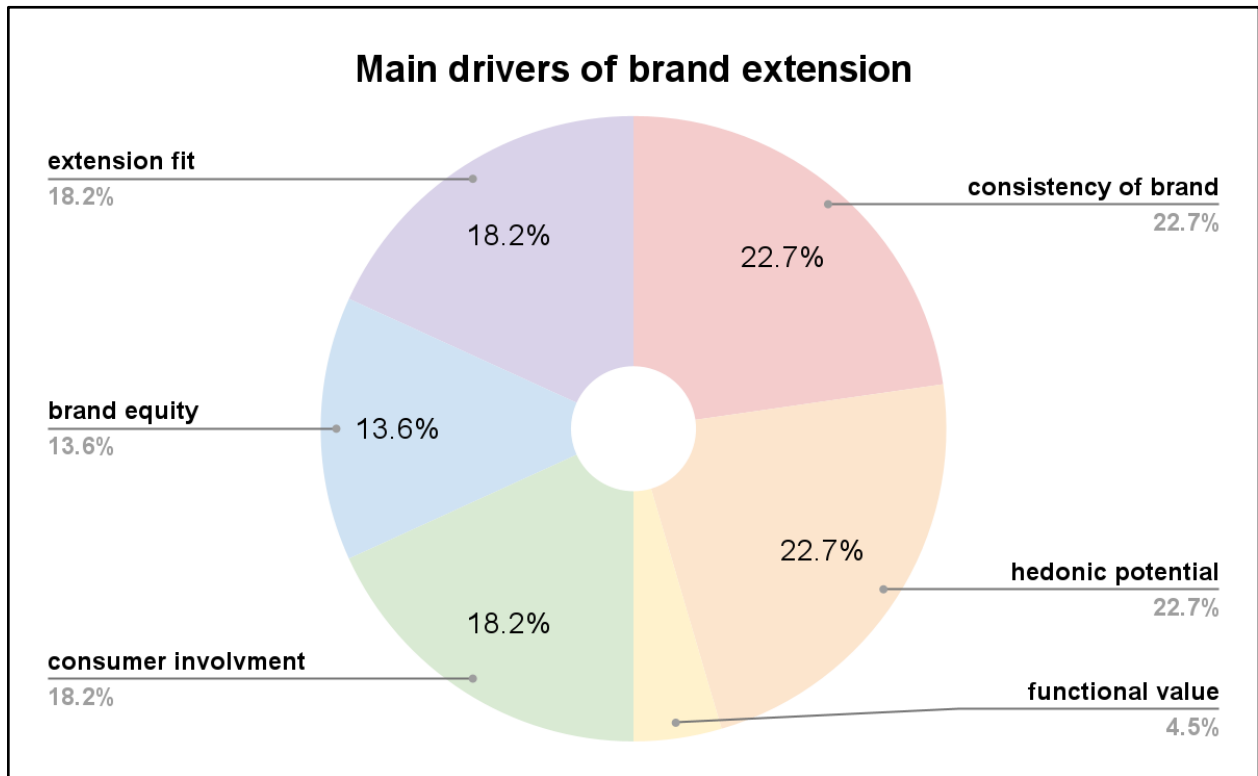
Art infusion can enhance brand extension and an art-based management can lead to beneficial effects, since rarity and exclusiveness are better maintained and perceived by customers. Moreover, a brand-art collaboration can benefit brand value, equity, awareness, quality, and loyalty. Buyers can be stimulated by artified products as they like to create collections (Masè et al., 2020).

Lastly, Masè et al. (2020) report a non-explicit artification effect in the case that a brand, a pattern, or a logo is modified by an artist, but the collaboration has not been openly communicated to customers.

In regard to the eleventh node "brand extension", seven sources talk about this phenomenon, its drivers, associations, and the role of the parent brand.

The following Figure 1.11 shows the main drivers of the luxury extension process, which differs from the non-luxury one.

**Fig. 1.11. Drivers of brand extension.**



*Source: Personal elaboration (2023).*

As portrayed in Figure 1.11 above, extension fit, consistency of brand, consumer involvement and hedonic potential are the four main drivers of brand extension, followed by brand equity, while the functional value is only marginal.

The extension of the brand leads to a double consumer perception. On the one hand, some value this process positively, on the other hand, others are uncertain on the results obtained and do not favor extension, especially for luxury brands. Further explanation is provided in Table 1.7 below.

**Tab. 1.7. The perception of luxury brand extensions.**

Positive associations	Negative associations
<p>By using an established brand name and introducing new products or services, brand extension is a driver for growth in luxury brands. Overall costs and risks are reduced, and synergistic effects can be generated from none or minimal marketing campaigns, for example. If the brand has a consistent concept and strong associations, extension is easier to happen. Extensions of luxury goods can provide intangible, thus additional, benefits to customers. The hedonic value is predominant (Albrecht et al., 2013).</p>	<p>The main risks to brand extensions are: a poor fit, overestimation of results and risk associated with the core brand, dilution, and inefficiencies (Riley et al., 2004). An extension to a completely diverse product category can result in an unsuccessful move and damage the brand image and parent brand. Overextension should be avoided (Albrecht et al., 2013) and the founder, chairman and CEO of LVMH, Bernard Arnault, stated: “Some brands (...) have slid off the map of prestigious goods to become a sort of mass market of luxury items” (Riley et al., 2004).</p>
<p>Brand equity seems to be a fundamental aspect and strictly related to brand extensions. Brands can leverage on that (Riley et al., 2004).</p>	<p>Since the existence of a reciprocal relationship between brand equity and extendibility, the core brand can be either positively or negatively affected (Riley et al., 2004).</p>
<p>Conceptual fit between the parent brand and the extension is argued to provoke positive attitudes from consumers. Also, sometimes can lead to an even more favorable evaluation of the core brand (Albrecht et al., 2013) and a “parent</p>	<p>A brand extension can lead to a trading down, which negatively impacts the luxury brand. The massification can dilute the status formerly perceived (Kapferer &amp; Bastien, 2009), as in the case of Gucci Group NV (Moore &amp; Birtwistle, 2005).</p>

advantage” can develop (Moore & Birtwistle, 2005).	
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*Source: Personal elaboration (2023).*

Concerning node number twelve “internationalization”, an investigation of the positive and negative associations that arise as results of the process is carried out. Furthermore, the concept “role of distance” and its influence is provided, and the e-commerce phenomenon is explored.

Although the internationalization process and the expansion of luxury brands around the world, uniqueness, which is a distinctive element of luxury goods, must be maintained (Mir-Bernal et al., 2018).

Globalization as a strategy should well be taught and benefits and risks evaluated before any decision is taken, due to the possible negative impact of this choice. The perceived “luxury democratization” is one example (Guercini & Milanese, 2017). Also, the growing middle class in emerging countries, who increasingly look for luxury goods, undermine rarity and prestige (Masè et al., 2018).

Burberry's strategy through international licensing agreements led to the loss of brand focus and damaged its image (Robinson & Hsieh, 2016).

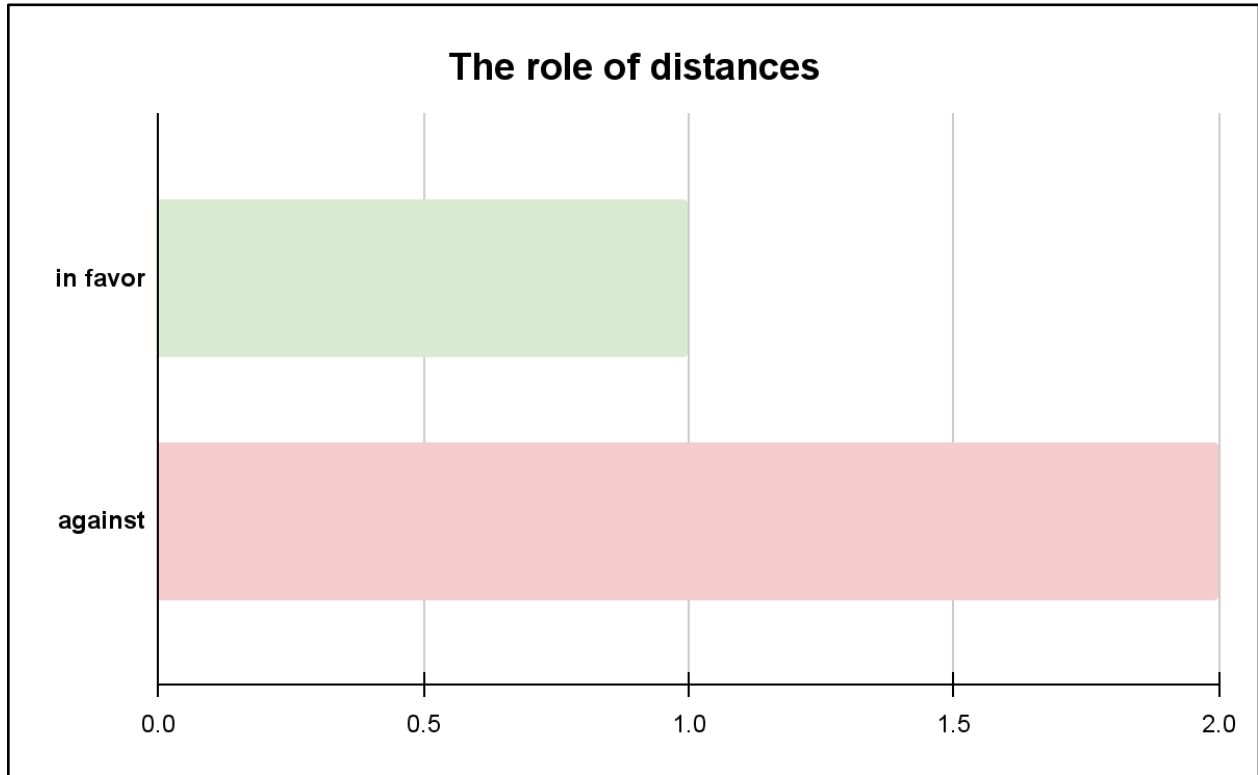
However, globalization and the internalization process can also lead to positive outcomes for luxury brands. The importance of home country in a “cosmopolitan organization” is an example of the appreciation of uniqueness and diversity.

According to Guercini & Milanese (2017), a strategic decision is to internationalize activities, contributing to the success and growth of a luxury firm. Again, internationalization is seen to innovate, and an example is provided through the analysis of the extreme luxury fashion business model (ELFBM). Globalization, together with a unique approach is the winning strategy, specific elements of the home country coexist with some of the foreign market and the concept of “Made in” is strong.

Distances between the local market and the foreign one is seen by some as an asset, while others argue the barriers due to physical distance, culture, politics, language, and education.

The following Figure 1.12 portrays the numbers of sources in favor of and against distances.

**Fig. 1.12. Authors in favor of and against distances in internationalization.**

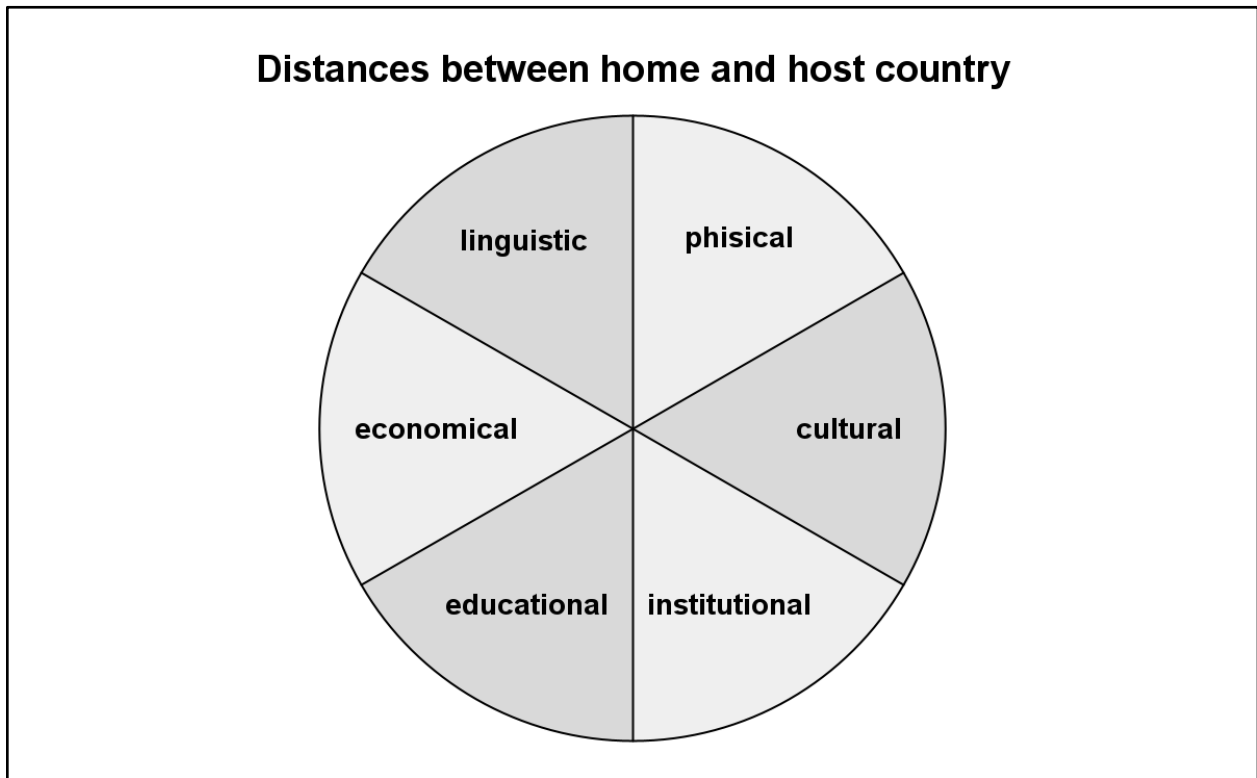


*Source: Personal elaboration (2023).*

First, lately foreignness has been seen as an asset and the country of origin as a value element of distinction from buyers of luxury goods. A possible successful approach is the utilization of actors or famous people in the country of destination to better relate to the foreign culture (Guercini & Milanesi, 2017).

Secondly, some examples are the fact of being outside the usual market and the lack of business networks, leading to a cost and competitive disadvantage (Guercini & Milanesi, 2017). The unawareness of the management towards host countries can underestimate costs of offshoring decisions. To name a few: difficulties in the chain, delivery delays, poor quality products, long response times and loss of flexibility (Robinson & Hsieh, 2016). Figure 1.13 below summarizes main distances between home and host country.

**Fig. 1.13. Distances between home and host country.**



*Source: Personal elaboration (2023).*

*The role of e-commerce.* The use of the Internet is part of a worldwide approach. The exclusive experience must be maintained, especially in online stores to better evaluate the quality of products, since aesthetic and functional aspects are only marginally observed. Moreover, the luxury concept of only one “specific target” disappears as goods are portrayed to a wider consumer segment. Also, the reputation of online websites can change the usual performance of the store, counterfeiting is a serious issue to face and brand image can be damaged. All the matters listed above are reasons why e-commerce is sometimes disregarded by buyers (Mir-Bernal et al., 2018).

To respond to them, trust must be built, and an efficient online customer service installed. Moreover, it has been found that people strongly evaluate social media of luxury brands and when they are satisfied the brand is preferred to others (Mir-Bernal et al., 2018). A good online positioning is needed, and customers favor brand-owned e-commerce sites as the perceived risks are reduced (Watanabe et al., 2021). An Internet presence can also benefit

by providing new and advanced kinds of virtual experiences. At the same time, for online stores it is equally important to meet requirements demanded, as in a physical one (Mir-Bernal et al., 2018).

The “Internet dilemma” was the reason why luxury brands were hesitant about their entrance in the online market, which was hit by a shift accelerated by the pandemic and online-based luxury stores gained momentum and joined the Internet (Watanabe et al., 2022). A new digital platform for luxury brands “Luxury Stores” was developed by Amazon in September 2020 and a series of advanced digital fashions (ADFs) were promoted (Watanabe et al., 2021).

As digital Millennials are an increasingly growing percentage of the workforce, thus of the consumer market, having a good online strategy seems to be a successful approach (Mir-Bernal et al., 2018). Moreover, as the online apparel industry is growing fast, brands must be ready to evolve depending on trend shifts, new technologies and emerging markets (Watanabe et al., 2021).

Regarding the thirteenth node “strategies”, eighteen articles were found to highlight different types of strategies and whether they are successful (eighteen) or a failure (ten). The fourteenth node “business models” explores successful (twelve) and unsuccessful (four) business models.

In Guercini & Milanesi (2017), several definitions of business model are provided and are reported next. First, a business model is defined as “how the firms deliver value to the customer and how they capture value from their innovation and organizational activities”. Value proposition, value creation, delivery system, and value capture system are considered major components of a business model. Also, three main business models are identified as follows: technology, network architecture and market offering. A business model is also described as “the structure, content and governance of transaction” between the firm and its partners. Moreover, new business models are an alteration of the value chain and are not only a sign of innovation, but drivers for strategic design.

Then, Broccardo et al. (2023) provides a vision on business models. Business models are seen as how companies conduct the firm, simplifying the complexities. Business model is the path to follow to create value for the firm itself, its partners, and customers.

Table 1.8 below visually displays results obtained from node thirteen and fourteen.

**Tab. 1.8. Examples of strategies and business models.**

<b>Successful strategies / business models</b>	<b>Unsuccessful strategies / business models</b>
<p><b>Art-to-Luxury Brand Strategy.</b>            Art is a long-term strategy for luxury brands, which can lead to competitive advantage since it is difficult to imitate due to company-specific history and know-how. Strategies based on intangible assets outperform those dependent on tangible ones (Masè et al., 2018).</p>	
<p><b>Arts-Business Relationship Model.</b>            It is a strategy to improve the brand image benefiting both the company internally (organization) and externally (aesthetic of products). This artification process advantages brand value perceived from customers. The strategy implemented by Louis Vuitton was tested by using the Customer-Based Brand Equity model (CBBE) (Masè et al., 2020).</p>	
<p><b>Brand Extension Strategy.</b>            Customers can better embrace new products and services if a strong core brand is behind. Some benefits are cost and risk reduction, as well as synergistic effects,</p>	<p><b>Challenges of Brand Extension.</b>            The brand equity reciprocal relation can either positively or negatively affect core and extended brands. Furthermore, by extending luxury brands, key elements</p>



<p>such as associations to the parent brand (Albrecht et al., 2013).</p>	<p>such as exclusivity, desirability and rarity can be lost (Riley et al., 2004). Over diffusion can put at risk the “dream value” (Albrecht et al., 2013).</p>
<p><b>A Managerial Process Model.</b></p> <p>The Ambler and Styles framework on the extension decision process for fast moving consumer goods is applicable also to the luxury sector, with some differences. The symbolic aspect should be the focus on brand extensions. The following elements are to be well evaluated before any decision is taken: competitor analysis, company experience, consumer demand, acceptable cannibalization, danger of brand dilution, fit of the extension, overestimation of benefits, risk to core brand (Riley et al., 2004).</p>	
<p><b>E-commerce in the Internationalization Process.</b></p> <p>The example of the most important luxury multi-brand fashion stores in Spain, which created websites or built e-commerce operations as strategies of internationalization. This approach is aligned with the attitude of consumers relying more on online sites. Some requisites for a successful website are: successful operation for at least twelve</p>	<p><b>The “Internet Dilemma”.</b></p> <p>Online stores work differently from physical ones and interactions must be installed. Sufficient resources to create an own online shop are required, instead of relying on general marketplaces. Depending on the platform’s provider can lead to a loss of control, impacting the brand image (Mir-Bernal et al., 2018).</p>

<p>months, authorized online retailer, compatibility of website and luxury brand image and the presence of only new collections. Investing in digital platforms is now a strategic choice to make (Mir-Bernal et al., 2018).</p>	
<p><b>Global Strategy and “Made In” Business Model.</b></p> <p>When undertaking a worldwide approach unique capabilities must be exploited and protected. Burberry and its defined model of internationalization of activities contributes to the success and growth of the luxury brand.</p> <p>An Italian luxury firm succeeded from leveraging the “Made in Italy” and diversification strategy. Also, the brand does not rely on a single supplier, being not overly dependent. Distribution channels are another key element with brand stores, flagship stores and department stores (Guercini &amp; Milanesi, 2017).</p>	<p><b>Over Licensing Threat.</b></p> <p>Burberry suffered from an over licensing and loss of control of distribution, which undermined the reputation of the brand. The luxury firm lost its exclusivity (Robinson &amp; Hsieh, 2016).</p>
<p><b>Turning Marketing Upside Down.</b></p> <p>Traditional marketing rules do not apply to luxury brands. Brand position loses relevance, since a luxury firm has no comparisons, it is unique and distinct from others. The brand should tell its own story and an aura of perfection should be</p>	<p><b>Traditional Marketing Failure.</b></p> <p>When marketing managers of luxury firms apply the classical marketing rules, problems start arising, as mechanisms in the luxury industry differ from the mass market ones. Creating desire is the aim, even to a broader target. In the case of</p>

<p>created. The accessibility of luxury goods should not be easy: the greater it is inaccessible, the greater is the desire. Prices are increasing continuously to boost demand. Lastly, advertising is made with the aim of creating the “dream” and not to sell.</p> <p>BMW is a good example of a brand that, despite the success, remained true to itself and resisted clients’ demands when not aligned with its vision (Kapferer &amp; Bastien, 2009).</p>	<p>Lexus, the middle class was increasingly targeted, which led Japanese to think of the firm as a non-luxury brand (Kapferer &amp; Bastien, 2009).</p>
<p><b>Supply Chain Management.</b></p> <p>Supply Chain Management (SCM) delivers economic benefits when implemented across the entire enterprise and between firms so that collaboration, which is the key, brings its advantages. Collaboration includes systems and channel integration. A strategic SCM lowers risks and costs, manages demand and supply, and improves customer satisfaction and retention (Horvath, 2001).</p>	
<p><b>Leading a Team Inherited.</b></p> <p>When building a new team or leading an inherited one, maintaining stability is key. In the second case, first is the assessing of the team, then reshaping the team depending on the needs identified and,</p>	<p><b>Challenges in a Team.</b></p> <p>When different individuals, all part of the same group, do not have goals, metrics and incentives aligned, it is a problem for the success of the entire team and later of the firm’s one (Watkins, 2016).</p>

<p>lastly, accelerating team development. Some essential elements are: confidence in capabilities of team’s members, transparency in information sharing, trust in commitment of duties and unity. Early one-on-one meetings are a good tool for assessing members (Watkins, 2016).</p>	
<p><b>The Iconic Product Model.</b>  One long-term successful strategy is the reliance on a strong and well recognized brand identity. Products should be recognizable even in the absence of the brand logo or name and their uniqueness is a competitive advantage. Iconic products and brand’s DNA should remain strong even after the founder or creator’s death. Consistency is key. Examples of good luxury brands in doing so are Burberry (trench coat), Chanel (suit) and Hermès (Birkin and Kelly bags) (Sugimoto &amp; Nagasawa, 2017).</p>	<p><b>Struggles in Brand Value.</b>  Companies must be ready to sudden changes and adapt to maintain brand value in the long-term. The preservation of a brand’s core value is key and can be difficult to pass to successors (Sugimoto &amp; Nagasawa, 2017).</p>
<p><b>Multi-brand Positioning Strategy.</b>  The case of Burberry, which improved its financial performance through a strategy of enhancement of internal control. The luxury firm adopted a re-positioning strategy where four interrelated dimensions were identified: products,</p>	<p><b>The Burberry Unsuccessful Performance.</b>  Burberry was undermined by a fading brand image and credibility. The business strategy adopted sacrificed management control and focused on an over licensing of agreements. In 1997 a strong repositioning strategy commenced and helped the luxury</p>

<p>manufacturing and sourcing, distribution channels and marketing communications. Successful factors considered were: market coverage, customer appeal, flexibility, market responsiveness, broad products' coverage, and different price positioning among brands (Moore &amp; Birtwistle, 2004).</p>	<p>brand in succeeding again (Moore &amp; Birtwistle, 2004). Before that, the British luxury brand over licensing approach in Asia led to an increase in counterfeiting, alongside the loss of control in the knowledge of its customer base (Robinson &amp; Hsieh, 2016).</p>
<p><b>Maximized Internal Control Business Model.</b></p> <p>As in the case of Burberry explained above, Gucci adopted a business model based on a maximization of internal control (Moore &amp; Birtwistle, 2004).</p>	
<p><b>Reshoring.</b></p> <p>This is a strategic approach to leverage the “country of origin” concept. Burberry’s reshoring strategy re-established brand authenticity and the concept of “Britishness”.</p> <p>Although, the importance in combining local and global sourcing and production grows also for cost saving and meeting consumers’ changes. The best supply chain is agile, adaptable, and aligned. Examples are the British luxury brand Burberry and the Italian luxury shoe firm Fratelli Rossetti (Robinson &amp; Hsieh, 2016).</p>	<p><b>Threats of Reshoring.</b></p> <p>This approach has some negative effects too. The return to local manufacturing increases costs of production and maintaining high profits can be challenging in the highly competitive luxury market. Sometimes, as in the case of Burberry, the decision of production in economies of scale failed (Robinson &amp; Hsieh, 2016).</p>

<p><b>The Parenting Advantage.</b></p> <p>Four leading luxury companies have a multi-brand status: Louis Vuitton-Moët Hennessy (LVMH), Gucci Group NV, Prada, and Richemont Group. First, the advantages from exploitation of expertise, resources, and cost synergies of conglomeration. Then, the “parenting advantage”, where a business unit benefits from a parent company and vice versa (Moore &amp; Birtwistle, 2005).</p>	
<p><b>Value-adding Activities.</b></p> <p>This is a successful approach, since the ones who add the most value relate to intangible aspects. The value chain must be flexible and transparent to succeed. The financial performance depends on the value-chain strategy (design, speed to market and branding) of the company (Mustonen et al., 2013).</p>	
<p><b>The Case of Amazon: Supra-omnichannel Approach.</b></p> <p>Amazon has a great R&amp;D model, which leads to improvements and collaborates with digital innovations and develops disruptive business models. Amazon started a supra-omnichannel approach, increasing its number of services and attractive assortment. This strategy</p>	<p><b>Initial Hesitation.</b></p> <p>Amazon was not seen as a trusted platform to buy apparel. Its first attempts to increase sales in the fashion industry were a failure. The reason behind was especially the e-commerce brand image (Watanabe et al., 2022).</p>

<p>depends on the switching across all available channels, which co-evolve with each other (it is a virtuous cycle). A continuous evolution of the business model is essential when implementing the omnichannel strategy (Watanabe et al., 2021). Amazon developed, despite the uncertainty of some, a new section called “Luxury Stores”. This is because of the highly digital, social, and mobile new consumers. The design-driven approach considers technology-push, market-pull innovation, and vision delivery (Watanabe et al., 2022).</p>	
<p><b>The Amazon Business Model.</b></p> <p>The unique Amazon business model is customer centric and AI-driven. Original Design Manufacturers (ODM) and its benefits increase as innovations are made in the digital field, especially in an increasingly non-contact society. ADFs, luxury brands, ODM and sales channels coexist all in one platform (Watanabe et al., 2022).</p> <p>Amazon’s omnichannel system is defined as: “a business model in which different channels are fully integrated to provide a seamless experience throughout a customer’s journey” (Watanabe et al.,</p>	<p><b>Changes in Online Sales.</b></p> <p>Despite the successful Amazon’s business model, sequentially to the pandemic, consumer purchases changed. Online sales comprehend essential and non-essential retail goods. The demand for the second ones, where luxury goods fell, decreased (Watanabe et al., 2022).</p>

<p>2021).</p>	
<p><b>Collaborative Management Research (CMR).</b></p> <p>CMR is a good approach for advancements in scientific knowledge and making changes in organizations. CMR involves the collaboration between practitioners and researchers.</p> <p>A successful example of collective creativity capability is explored in the case of an Italian fashion and design company. The collaborative strategy helped in restructuring the company (Cirella et al., 2012).</p>	
<p><b>Uniqueness and Non-Comparability Business Model.</b></p> <p>Major luxury brands, such as Louis Vuitton, Hermès, Chanel, Gucci, Ferrari, and Rolex adopt business models based on these two factors: uniqueness and non-comparability. Some elements are described below. First, production cannot be delocalized, advertising is not to sell but to communicate to a wide range of customers, also the non-target. Then, the value chain must be fully controlled, as well as the distribution. Furthermore, licenses should never be issued, prices must be increased all-time, and, lastly, relationships with</p>	



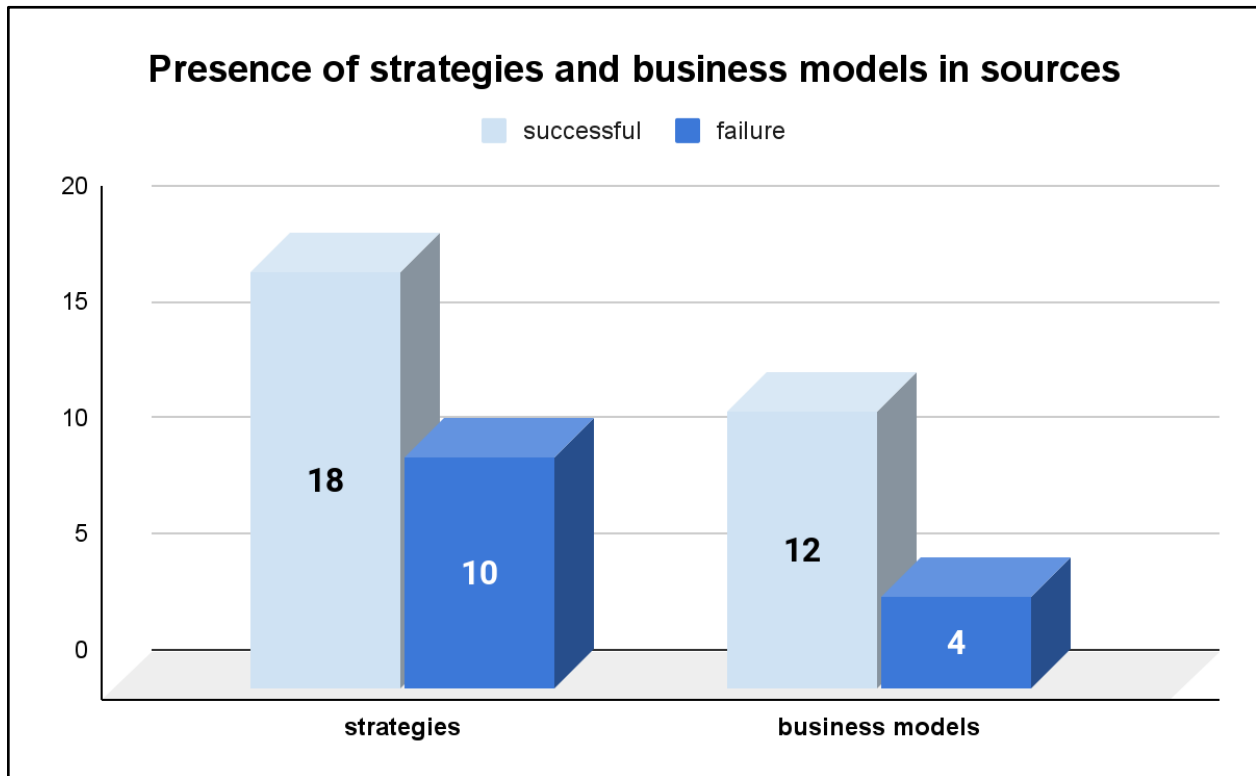
<p>clients are one-on-one direct ones (Kapferer, 2012).</p>	
<p><b>Purchasing Supply Management.</b> The alignment between business and purchasing strategy resulted in better business performances. A close interaction can be noted across purchasing, production and distribution activities. Suppliers are integrated into production and are required to have high competences due to the expected quality standards. They must also be fully dedicated to the luxury industry (Luzzini &amp; Ronchi, 2010).</p>	
<p><b>Beverland Luxury Model.</b> In regard to luxury fashion brands, some key factors are: flagship stores, highly recognizable iconic products, specific marketing activities (fashion shows twice a year, store window displays, carrier bags that are distinctive, being on the front page of fashion magazines) and premium pricing (Moore &amp; Birtwistle, 2005).</p>	
<p><b>Corporate Social Responsibility (CSR).</b> The response of Moncler to the social scandal was a change in organization to optimize sustainable practices. The firm installed the “Down Integrity System and Traceability (DIST) Protocol”. Moncler also</p>	<p><b>Moncler Social Scandal.</b> The luxury brand Moncler suffered from a corporate scandal in 2014-2015 due to its lack of attention to CSR issues. Its key activities were mainly focused on production, international positioning,</p>

<p>reduced the number of its suppliers to increase its own control. Moreover, the brand invested in managers and employees and provided training activities. Also, new objectives towards sustainability were developed and a closer look at the relationships with clients was taken. Lastly, changes in the distribution channel, developing an omnichannel approach, and digital advances were made (Broccardo et al., 2023). Triple bottom line (TBL) is a step further the concept of CSR and its responsibility to society. TBL lists three dimensions to look at: social (people), environmental (planet) and economic (profits) (Campos et al., 2020).</p>	<p>expansion of the distribution channel and an improvement of relationships with clients. Despite all these strategies, no big focus was put on CSR (Broccardo et al., 2023).</p>
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*Source: Personal elaboration (2023).*

A visual summary of successful strategies and business models, and failures, is displayed in Figure 1.14 below.

**Fig. 1.14. Presence of strategies and business models in the sources.**



*Source: Personal elaboration (2023).*

Concerning the fifteenth node “sustainability”, a closer look at the growing importance of this matter is explored. Six sources were found to have some contributions about the topic.

Around the last fifty-five years, definitions of CSR have been given. Some authors insisted on the need for managers to achieve sustainable goals while others defined it as the way to reply efficiently to laws and market rules (Broccardo et al., 2023).

The theory of “Risk Society” has been applied to environmental issues faced by the luxury fashion industry. The more it is known about the risks, the less the trust in luxury brands. Trust issues are faced also regarding the ownership of the company, when it is of property of a family or individuals, the perception is that it is more likely to have long-term sustainable approaches (Olatubosun et al., 2021).

Both governments and consumers ask for the adaptation of ecologically sustainable practices and the luxury industry is in the spotlight about this matter. Luxury brands do not

all have modest records in terms of sustainability and their products' consumption can be considered non-essential to daily life, leading to losses. Sustainability is seen in two ways: first as a limit to the continuous change and innovation of luxury fashion, then as something of quality that persists overtime.

The main challenges luxury fashion is facing are: social, environmental, and economical. First, unacceptably dangerous working conditions, low wages, and gender inequality. Second, the continuous usage of unique and rare resources, impacting their availability for future generations. Third and last, many strategies, such as the circular economy, must be taught to overcome sustainable challenges (Campos et al., 2020).

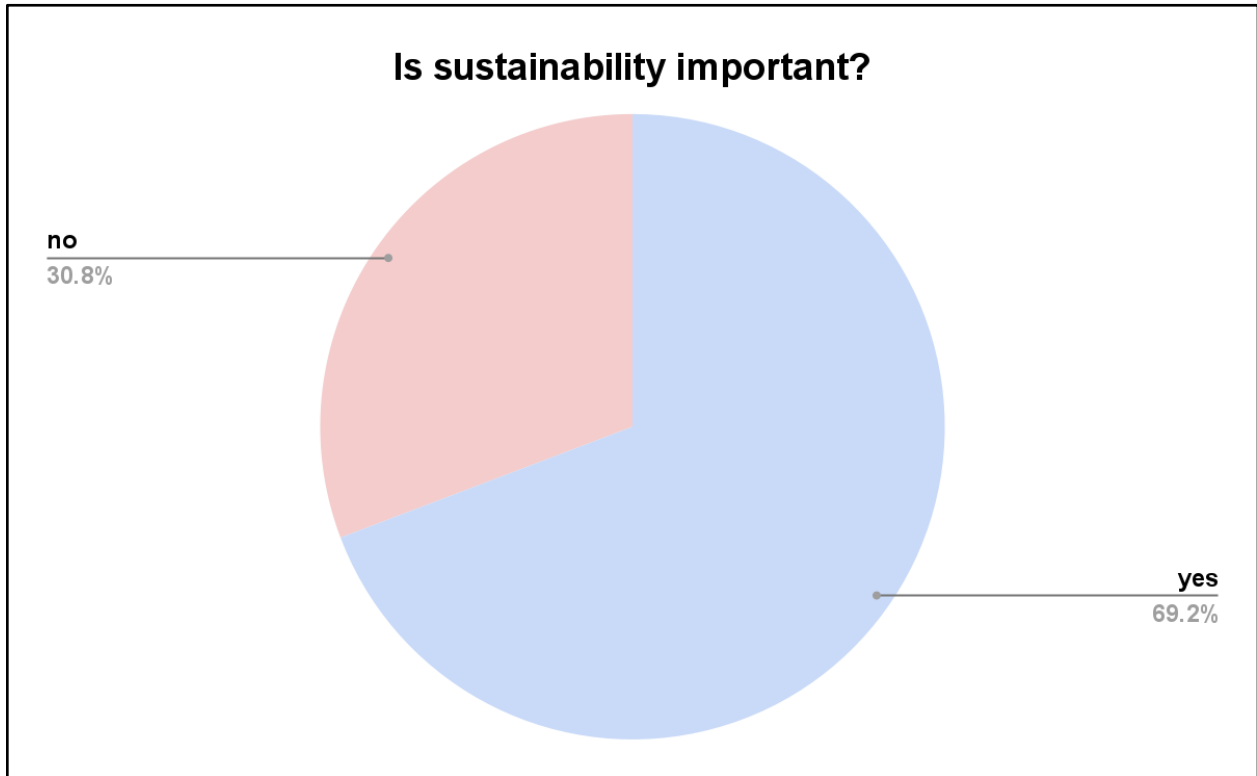
That is why, in recent years, companies aim to implement CSR. Especially luxury brands have been criticized for the lack of acceptable sustainable practices and sustainability and concerns of altruism and ethics contradicts the pursuit of ostentation. Results on the relation between sustainability and luxury seem contradictory: in some cases, the corporate performance is positively impacted, in others no significant effects are observed. One thing is that CSR scandals affect financial performance and firms must reply promptly (Broccardo et al., 2023).

In recent years consumers value the environmental and social impact of luxury brands more, with supply chain management, sustainability and consumer changes being the predominant areas of research, with nineteen, sixteen and fifteen future research directions respectively. Marketing and organization seem to be possible areas for future research too (Shashi et al., 2021).

Luxury firms changed their attitude and increased their awareness towards sustainable practices due to the impact of the loss of biodiversity, climate change and the pandemic. A shift from "quality product" to "quality sustainable product" can change the classification of luxury products in the future (Olatubosun et al., 2021).

The following Figure 1.15 visually reports the proportions between those who consider sustainability a key factor when making decisions and those who do not consider this as a fundamental element as customers do not care that much about it.

**Fig. 1.15. Is sustainability relevant?**



*Source: Personal elaboration (2023).*

As shown above, literature divides itself into authors, who perceive sustainability as a relevant element in the luxury world, and others, who do not consider sustainability as such an important factor for the survival and success of the firm. This is portrayed in Table 1.9 below.

**Tab. 1.9. How sustainability is perceived in the luxury world.**

Positive associations	Negative associations
Luxury brands are frequently criticized, having a good CSR approach can help in avoiding scandals, as customers have positive attitudes towards sustainable	On the other hand, recycled materials are sometimes perceived as to be less luxurious, and some researchers found that customers do not value sustainability in

<p>luxury goods. The motifs are found in environmental, animal, and moral rights and the firm's behavior affects its success (Broccardo et al., 2023).</p>	<p>purchase decisions. Authors highlighted little impact of sustainable behaviors on brand awareness and loyalty, CSR practices are only a minimum requirement (Broccardo et al., 2023).</p>
<p>Some studies highlight a relation between consumer demand and sustainable approaches, then impacting positively financial performance (Broccardo et al., 2023).</p>	<p>Contrary, some studies show a negative effect on the financial performance due to sustainability, since efficiency can decrease (Broccardo et al., 2023).</p>
<p>Luxury fashion and textiles have been found to be the second-highest responsible for global carbon emissions. Delays in responses led customers to boycotting such brands. Sustainability is also seen to differentiate and win over competitors (Shashi et al., 2021).</p>	
<p>The high footprint caused by the luxury sector and the change in consumers' preferences towards sustainable goods, led brands to integrate sustainability KPIs (Key Performance Indicators) (Olatubosun et al., 2021).</p>	
<p>Majority of the luxury clientele, Millennials and Generation Z, have been identified as having positive attitudes towards sustainability (Olatubosun et al., 2021). The</p>	<p>Despite all said, presenting products as a luxury brand is preferred over a sustainable brand, in terms of the unique value proposition (UVP). In fact, it can be</p>

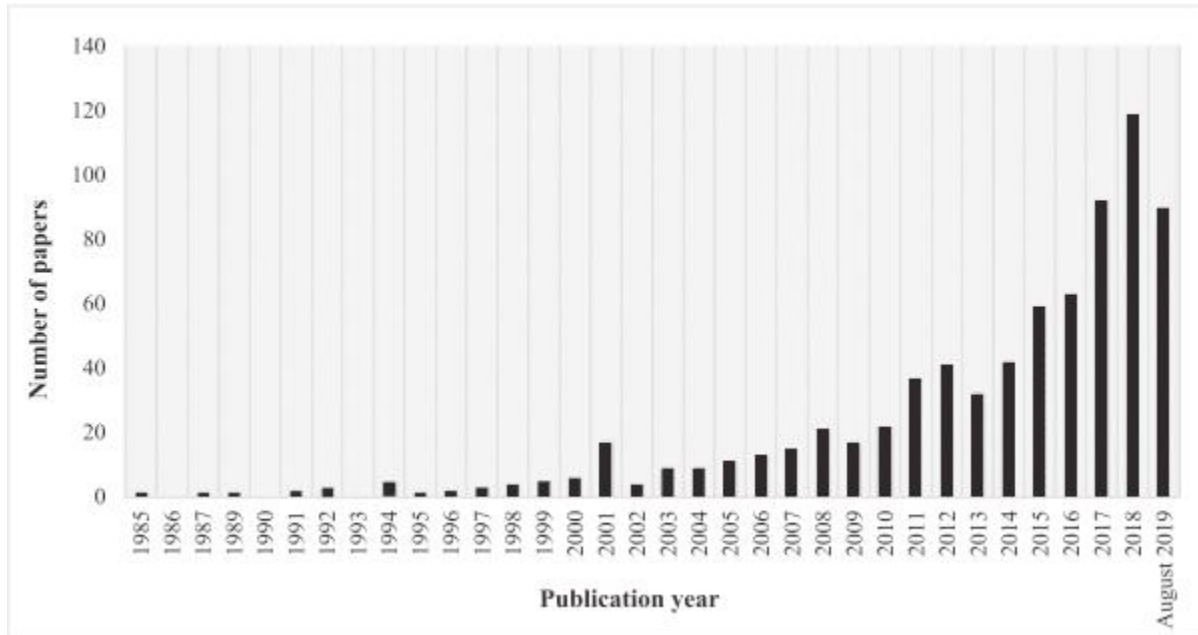
<p>focus shifted from self-indulgence to community concerns and from conspicuous consumption to conscientious consumption (Campos et al., 2020). The demand for sustainable clothes increased up to 78% and it is forecasted as a significant factor for luxury fashion consumers by 2025. Furthermore, investments in circular models started to be made. Lastly, sustainability seems to have a positive effect on brand value (Olatubosun et al., 2021).</p>	<p>difficult to justify a premium price (Olatubosun et al., 2021).</p>
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*Source: Personal elaboration (2023).*

Sources provide examples of brands, whose response to sustainable practices was good, and those that did not do much about it.

In the period 1985 to 2000, one to six articles about sustainability were published each year, for a total of 34. The increasing interest in the topic of sustainability led to publishing 290 articles from 2001 to 2014. Lastly, a total of 423 articles were published in the period 2015 to 2019 (Shashi et al., 2021). The progress of research publications between 1985 and August 2019 is shown in Figure 1.16 below.

**Fig. 1.16. Sustainability research progress.**

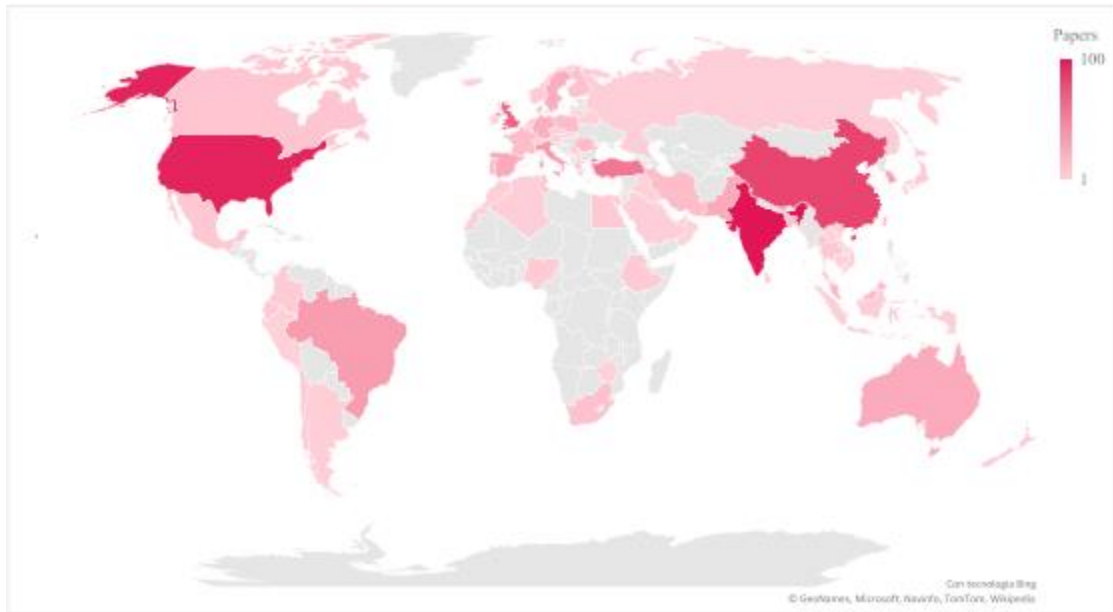


*Source: Shashi et al. (2021).*

The dominant regions in terms of publications of articles on the topic are: India, United States, China, United Kingdom, and Turkey. The remaining fifteen top-performing countries based on articles published are: Italy, Brazil, South Korea, Spain, Australia, Pakistan, Sweden, Germany, Malaysia, Portugal, Taiwan, Iran, France, Romania, and Poland (Shashi et al., 2021). Top-performing countries are portrayed in the following Figure 1.17.



**Fig. 1.17. Map of top-performing countries based on articles published.**



*Source: Shashi et al. (2021).*

The following Table 1.10 and Figure 1.18 summarize results on the implementation of sustainable practices from luxury firms.

**Tab. 1.10. Sustainable practices.**

<b>Brand</b>	<b>Year</b>	<b>Country of origin of the firm</b>	<b>Response to sustainability issues</b>
<b>Positive response to sustainability issues</b>			
LVMH	1992	France	A separate department monitoring the company’s environmental and social performances was established (Campos et al., 2020).

Ermenegildo Zegna	/	Italy	Investments in infrastructures for the welfare of the workforce were made since the beginning (Campos et al., 2020).
LVMH	2002	France	LVMH maisons implemented the usage of a new tool to measure CO <sub>2</sub> emissions (Olatubosun et al., 2021).
LVMH	2003	France	The firm joined the Global Compact, whose aim is to encourage the adoption of socially responsible practices (Olatubosun et al., 2021).
LVMH	2004	France	The luxury firm created “an environmental trend handbook” and “materials library” books in regard to environmentally friendly materials (Olatubosun et al., 2021).
LVMH	2008	France	A Code of Conduct for suppliers was published (Olatubosun et al., 2021).
Chanel	2013	France	Chanel acquired the tannery Bodin-Joyeux to protect the flexible lamb leather supply (Campos et al., 2020).
Hermès	/	France	The luxury firm owns suppliers and tanneries of leathers and

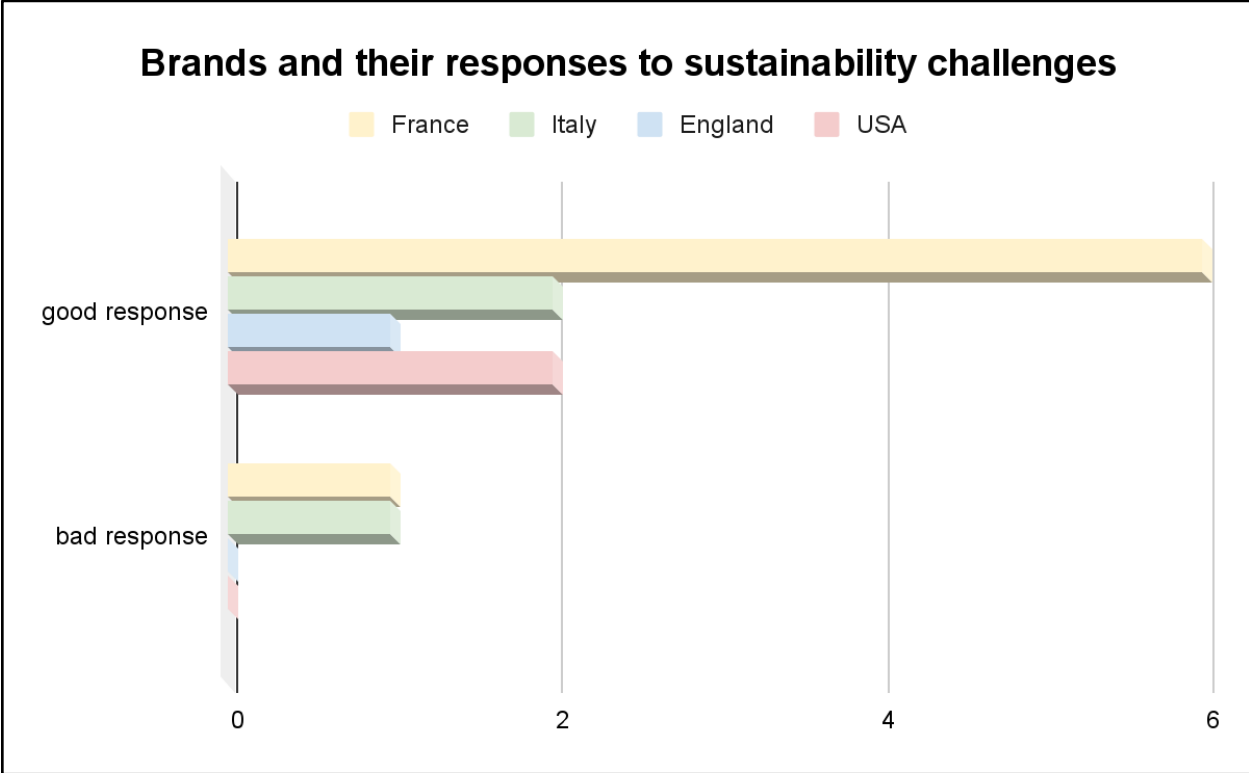
			exotic skins (Campos et al., 2020).
Moncler	2015	Italy	After the corporate scandal there has been an increase in words related to sustainability, environmental and social matters. The luxury firm began to publish the sustainability report. The logistic organization was rethought to optimize efficiency and sustainability impact and the “Down Integrity System and Traceability (DIST) Protocol” was imposed (Broccardo et al., 2023).
Kering and LVMH	2017	France	The luxury groups ensured good working conditions and the well-being of models used in promotions and fashion shows (Campos et al., 2020).
Balenciaga	2018	France	The brand collaborated with the World Food Programme to fight hunger (Campos et al., 2020).
Kering	/	France	A good practice is the shift to eco-friendly materials. Kering supports the “Sustainable Cashmere Program”, whose aim is to protect Mongolian grasslands, goats, and sheep (Campos et al., 2020).

Stella McCartney	/	England	The use of vegan materials, such as fruit and vegetable fibers and leaves. Examples of sustainable materials employed are Mylo and ECONYL (Campos et al., 2020).
Jennifer Fisher and Barneys New York	/	United States	These brands make use of diamonds, which usually are non-renewable raw materials, created in laboratories (Campos et al., 2020).
Galleries Lafayette and Stella McCartney	2017	France and England	Another way is the “re-commerce” of luxury goods, following the idea of circular business models.
Moncler	2018	Italy	Moncler made a non-financial declaration report complying with the directive 014/95 EU (Broccardo et al., 2023).
<b>Negative response to sustainability issues</b>			
Moncler	2014	Italy	Moncler's business model in pre-scandal years reorganized the strategy but focused only on the supply chain and did not prioritize CSR issues (Broccardo et al., 2023).
LVMH	2019	France	The group, which is present in all five major luxury sectors, did not sign the Fashion Pact, whose aim is

			to reduce the environmental impact of luxury firms through a series of sustainable practices (Olatubosun et al., 2021).
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Source: Personal elaboration (2023).

Fig. 1.18. Proportion between sustainable practices and unsustainable ones.



Source: Personal elaboration (2023).

Concerning the last node “conclusion”, the following Table 1.11 shows articles and their conclusions, and whether further academic research is needed, or results can be applied by managers.

**Tab. 1.11. Conclusions.**

Article	Conclusion	Future research		Managerial implication	
		Yes	No	Yes	No
(Masè et al., 2018)	Implementing art is a good strategy as it is linked to exclusivity, rarity, and symbolism. Art in luxury is an organized and systematic brand policy, which can be a source of competitive advantage.	✓		✓	
(Masè et al., 2020)	The artification strategy seems to enhance high quality and brand equity.	✓		✓	
(Riley et al., 2004)	An extension of the model designed by Ambler and Style is developed for luxury goods, adding knowledge in terms of drivers and decision criteria that managers consider for an extension strategy.	✓		✓	
(Albrecht et al., 2013)	A deeper understanding of the extension process for luxury brands is carried out. The reciprocal relationship between the parent brand and the extension is investigated.	✓			✓

(Guercini & Milanesi, 2017)	Internationalization is seen as a constitutive element of a business model.	✓		✓	
(Mir-Bernal et al., 2018)	Online sales are becoming increasingly important, but luxury brands divide themselves. Having its own website means a better control of it, but the brand image could be negatively impacted.	✓			✓
(Horvath, 2001)	Competitive advantage is now gained through leveraging the SCM network and modifying business processes. Collaboration, with the aid of intelligent e-business networks, will provide the advantage.		✓		✓
(Moore & Birtwistle, 2004)	The study of the re-positioning strategy undergone by Burberry provides insights into key factors to consider succeeding.	✓		✓	
(Moore & Birtwistle, 2005)	The role of brand management is analyzed when talking about the parental advantage of luxury fashion conglomerates.	✓			✓
(Kapferer & Bastien,	Luxury brands follow rules of marketing which are different		✓	✓	

2009)	from the traditional and famous ones of non-luxury firms. The paper explores major differences.				
(Luzzini & Ronchi, 2010)	Most relevant factors to purchasing and supply management are identified.	✓		✓	
(Cirella et al., 2012)	Despite the benefits from collaborative management research in organizations, difficulties make it difficult to be implemented.		✓		✓
(Kapferer, 2012)	The luxury market is expanding, and brands must pay attention to core and distinctive elements, such as rarity, exclusiveness, and uniqueness. Differences of cultures should be addressed.		✓	✓	
(Mustonen et al., 2013)	All four business models (brand retailers, brand marketers, luxury brands and multi-brand retailers) identified are analyzed and results show that each one is different and has its own strengths and weaknesses.	✓			✓
(Robinson & Hsieh, 2016)	The paper concludes that a revision of the supply chain	✓		✓	



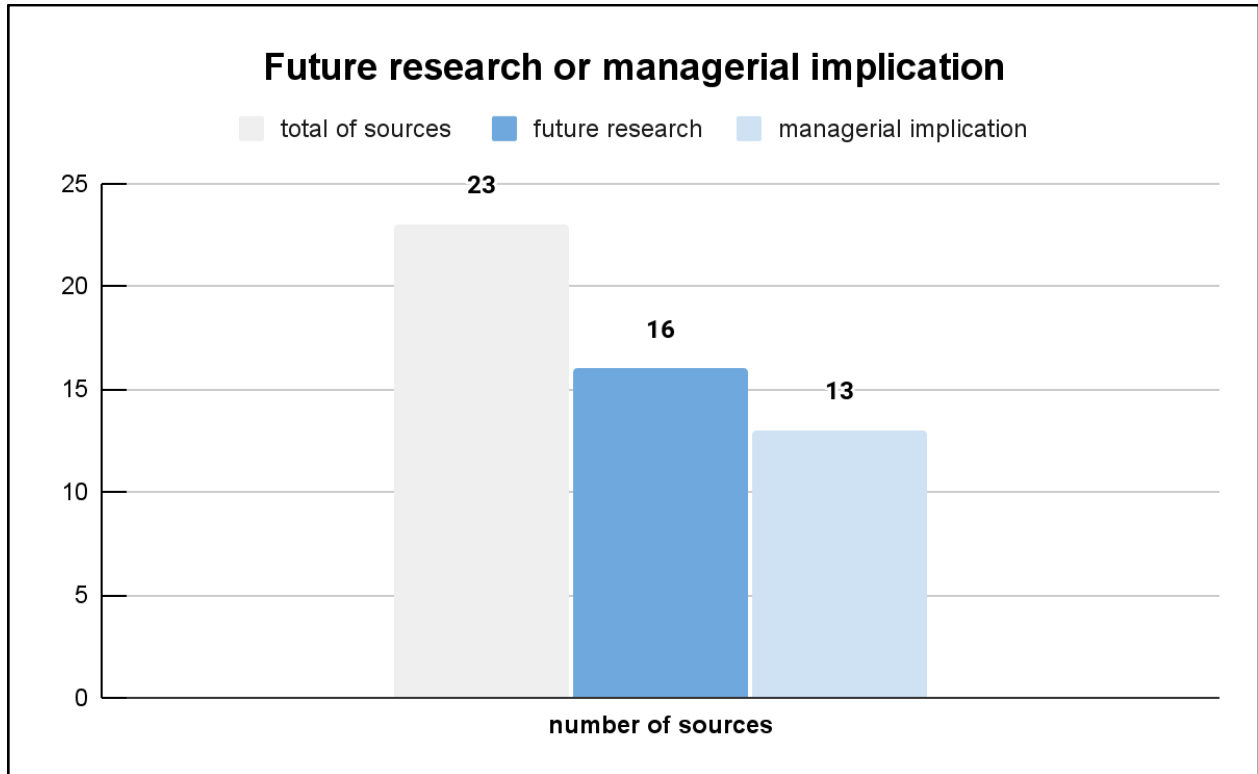
	strategy through reshoring can enhance brand value.				
(Watkins, 2016)	A real case study is taken as an example to show how to manage a new team or an inherited one. The attention should be put on some aspects so that team members can be efficient from the beginning and throughout the whole time. Some insights on how to best behave as a leader are provided.		✓	✓	
(Sugimoto & Nagasawa, 2017)	Results highlight the importance for long-term success based on focusing on brand core value and iconic products.	✓		✓	
(Watanabe et al., 2021)	The article investigates Amazon's attempts on the online luxury fashion world and how the digital platform "Luxury Stores" born in September 2020 saw an increase of brands participating.	✓			✓
(Watanabe et al., 2022)	There has been a drop in apparel demand and an increase in online-based luxury brands. The paper analyzes the successful response of Amazon and its	✓			✓

	unique business model, highly focused on R&D, innovativeness, and customer centric.				
(Campos et al., 2020)	Luxury fashion and sustainability are compatible concepts, and many examples are provided on how firms responded to challenges.		✓	✓	
(Olatubosun et al., 2021)	The article talks about multidisciplinary and multifaceted approaches when using technology. Moreover, the realization that the supply chain of luxury brands is impacted also by external factors to which firms must pay attention.		✓	✓	
(Shashi et al., 2021)	A deep study of the research field has been carried out, identifying countries where sustainability matters are addressed mostly and how it is changed over time.	✓		✓	
(Broccardo et al., 2023)	The paper analyzes the before and after corporate scandal of Moncler, providing theoretical and managerial implications.	✓		✓	

*Source: Personal elaboration (2023).*

Figure 1.19 below summarizes articles asking for future academic research and those, whose results have a managerial implication.

**Fig. 1.19. Further research and managerial implications.**



*Source: Personal elaboration (2023).*

## 1.4 Discussion

As already explained in the introduction, the aim of this study is to examine and better understand the luxury market with a focus on the fashion industry. Chapter one explores factors, trends, strategies, and business models relevant in the luxury fashion sector, especially highlighting advantages, disadvantages, agreements, and disagreements.

The results underlined a high number of papers written by academics (20 out of 23) and a small presence of articles written by professionals and collaborations between academics

and professionals. Such a finding suggests that this topic represents a field where research is relevant. At the same time, theory is connected to practical applications and managerial advice resulting from what has been discovered.

Another interesting result comes from the locations where the studies were conducted. Most studies consider European luxury firms, which are the leading ones, but underlining the importance of Chinese and American as main consumers. This only gives a partial overview of the market and provides little insights into different approaches to luxury in different geographies around the world.

The research methods adopted underline how case studies play a vital role in the literature. Thirteen articles, which represent 57% of the total sample, provides a case study, exploring strategies undertaken by the luxury brand and whether they were successful or not. The luxury industry often lacks knowledge, which is usually well known for the mass market instead. Fewer studies were conducted on luxury and new ones need to be done to better explore and discuss luxury brands and how general knowledge differs.

Regarding the definitions of luxury, old and well-defined concepts of luxury recur multiple times in the papers. Some examples are: uniqueness, rarity, exclusivity, social status, timelessness, and dream value. Alongside these, many new concepts have been associated with luxury in recent years and new elements emerged, such as symbolism, intangibility, and emotional aspects. All of these contribute to the way a luxury brand is perceived by customers and whether it is preferred over others because connections are stronger. The role of experience continues to be critical and luxury firms are exploring new ways of delivering it in the online and tech world.

Authors largely agree on the idea that the luxury market is expanding, and fast. After a slowdown due to the pandemic and luxury items seen as non-strictly essential, the industry recovered and is growing even faster than pre-pandemic years. The rate of growth is especially high in BRIC and CIVETS countries (Kapferer, 2012). What the authors do not agree on is the perception of the expansion. On the one hand, new customers in emerging

countries are found, which can lead sales to increase (Luzzini & Ronchi, 2010). On the other hand, an over expansion can damage the luxury brand image, being over diffused can threaten the ideas of uniqueness and rarity associated with luxury (Masè et al., 2020). It seems like a “luxury democratization” phenomenon is happening, which does not contribute positively (Guercini & Milanese, 2017).

Interestingly enough, good results were obtained from studies, but knowledge gaps are still encountered, and many papers highlight the need for further research to confirm or alter conclusions made. For example, deeper exploration concerns the role of art in luxury. Art seems to enhance excellence and symbolism and relates to sophistication, luxury, and prestige. The so-called “artification of luxury” is found to generate positive effects (Masè et al., 2020). Collaborations with big artists, such as the scarves designed for Louis Vuitton by Philip Starck and Richard Prince, and Céline handbags inspired by Piet Mondrian's color blocks (Chailan, 2018). However, further research is needed to better understand who to involve, how to carry out the process and what is the perception.

Also, the theme “brand extension” sees authors in favor and against this phenomenon. Despite the still argued subject on the effects of a brand extension, papers agree on the main drivers: consistency of the brand, hedonic potential, consumer involvement, brand equity and extension fit. The functional value plays a non-dominant role. Effects of the extension have an impact on consumers' perceptions, which can either be positive or negative. On the one side positive associations arise and the extension seems to advantage both the parent and the extended brand. Furthermore, overall costs and risks are usually reduced (Albrecht et al., 2013). On the other side, this relationship between the two brands can be negatively impactful and damage the image of the luxury firm. Decisions on such a topic must be highly evaluated.

Similarly to brand extension, the internationalization process is another debatable theme. The wider target segment across the world should not undermine the uniqueness of the luxury brand. Many can be aware of luxury goods, but few must be able to be actual customers, so that rarity is maintained (Mir-Bernal et al., 2018). Over licensing must be

avoided at any time and the unsuccessful case of Burberry taken as an example not to follow (Robinson & Hsieh, 2016). A good response could be the enhancing of the “Made in” strategy, reconnecting to the country of origin and core values of the luxury firm, values that instead of being lost are strengthened (Guercini & Milanesi, 2017). Reshoring is an approach valuing where products are manufactured, positively valuing the country, and reinforcing the image of luxury goods and their authenticity. Lastly, distances can lead to several difficulties, which do not help the gap between the home and host country (Robinson & Hsieh, 2016).

Findings on the “Internet Dilemma” and the role of e-commerce found them to be highly controversial themes. Consistency of the brand image must be maintained also in online platforms and new forms of experience and communication of the firm’s message needs to develop and adapt to the changing environment and consumer sentiment (Mir-Bernal et al., 2018). Despite an initial hesitation about the entrance of luxury brands online, a shift happened, accelerated by the pandemic, and firms that joined the Internet gained momentum (Watanabe et al., 2022). Amazon was first in line as the change was occurring and launched a new digital platform for luxury brands “Luxury Stores” in September 2020 (Watanabe et al., 2021). The adaptation seems now as inevitable. Despite the discussion is still open, good digital performances are shown to be a good factor for the success of the firm and luxury brands that are in the top rankings are all sharing this common element (Rollinson, 2023). The metaverse is gaining momentum and is expected to amount to 10% of the luxury goods market by 2030 (Alkhalifa, 2022). Luxury brands must be ready to adapt now and, in the future, to rising trends and succeed. Authors disagree on the presence on the Internet or not of luxury firms. The worry is about the possible damaged brand image and inconsistent message and values delivered (Rollinson, 2023).

The last theme that sees discord is sustainability. Although most authors agree on the fact that this is a relevant matter and customers increasingly value this aspect when making decisions whether to buy or not a luxury good, others believe that sustainability is not that important in the luxury world, as other elements are considered before and as more relevant in purchase decisions. When consumers have positive attitudes towards sustainability, a good CSR approach can help in avoiding scandals. Some studies also highlight the resulting

good financial performance (Broccardo et al., 2023). Sustainability is then seen to differentiate the luxury brand from competitors that are not acting efficiently, so is an element of competitive advantage (Shashi et al., 2021). The actual and projected customer base is the most aware and devoted to sustainable processes and products, this is why firms must promptly reply (Olatubosun et al., 2021). The quality of material, a fundamental aspect of luxury items, must not be distorted even though different and sustainable materials are used (Broccardo et al., 2023). LVMH and Kering are good examples of luxury brands which took to heart the implementation of sustainability strategies. Ermenegildo Zegna, Moncler and Stella McCartney are good examples too (Campos et al., 2020).

Last, but not least, a brief overview on the main strategies and business models discussed in the articles selected and analyzed, as follows.

The artification of luxury brands is seen as a successful strategy. The use of art enhances luxury elements, such as: exclusivity, symbolism, and prestige (Masè et al., 2020), favoring the use of intangible assets, increasingly critical and outperforming those dependent on tangible ones (Masè et al., 2018).

A brand extension strategy is seen in two ways. On the one hand, a strong luxury brand equity advantages new products or services and benefits can arise from an extension (Albrecht et al., 2013). On the other hand, the challenge is in the possible outcomes on the core brands, whose image can be negatively impacted. Also, over diffusion leads to a loss of the “dream value” (Albrecht et al., 2013) and elements such as exclusivity, desirability, and rarity. The Ambler and Styles framework has been applied to the extension decision process of luxury goods (Riley et al., 2004).

Internationalization is an inevitable approach as of today. Some agree on the importance of the “Made in” strategy to enhance the brand image and its country of origin (Guercini & Milanesi, 2017). Reshoring is another approach to give back value to where the luxury firm is originally from and where products are made, enlarging the perception of them (Robinson & Hsieh, 2016).

Moreover, the use of Internet and online stores seems unavoidable. Customers are changing and their preferences in online sales are growing. Luxury brands must adapt while maintaining as much as possible the high standards of physical shops (Mir-Bernal et al., 2018). Amazon and its supra-omnichannel strategy, and the developed “Luxury Stores”, are good examples of an innovative, AI-driven and customer centric approach (Watanabe et al., 2022).

Collaboration is key for a successful supply chain management, and includes systems and channel integration, lowering risks and costs and managing better customer demands and satisfaction (Horvath, 2001). A close interaction across purchasing, production and distribution activities is part of a good supply chain, as well as suppliers integrated in the production and highly qualified, to deliver the same quality of the luxury brand (Luzzini & Ronchi, 2010). Especially in luxury firms, the maintenance and resilience of iconic products as brand identity is essential. The uniqueness transmitted by these luxury goods and consistency with the brand image advantage brands. An example is the Birkin bag of Hermès (Sugimoto & Nagasawa, 2017).

Some suggestions on how to better manage a team inherited or a new one is provided in Watkins (2016). Goals and incentives should be aligned across all team members. This is the way to succeed.

A particular focus on the internal control has been proven to be successful, as in the case of Burberry. The fruitful factors are: market coverage, customer appeal, flexibility, market responsiveness, broad products’ coverage, and different price positioning among brands (Moore & Birtwistle, 2004). On the other hand, over licensing can damage the luxury brand image, lead to counterfeiting, and lose the good knowledge of the customer base (Robinson & Hsieh, 2016). Successful examples of luxury groups such as LVMH, Gucci Group NV and Kering prove the “parenting advantage”, where a business unit benefits from a parent company and vice versa (Moore & Birtwistle, 2005).



Two factors are essential in luxury businesses: uniqueness and non-compatibility. Some indispensable elements are: no delocalization of production, selling is not the aim of advertisement, value chain and distribution must be fully controlled, prices rise continuously, and customer service must be excellent (Kapferer, 2012).

The Beverland luxury model lists a series of key elements for a successful luxury fashion brand: flagship stores, highly recognizable iconic products, specific marketing activities and premium pricing (Moore & Birtwistle, 2005).

Regarding CSR approaches, Moncler's social scandal is a good example of how an optimization of sustainable practices as a response is the way to go. Moncler installed the "Down Integrity System and Traceability (DIST) Protocol", decreased the number of suppliers and invested in employees, managers and in digital. Lastly, the luxury firm developed new objectives towards sustainability enhancing its position, brand image and relationships with customers. TBL is a step further than CSR and comprehends: social, environment and economic dimensions (Campos et al., 2020).

## **1.5 Conclusion**

The literature review conducted highlighted the importance in considering some elements when planning for a successful luxury brand's strategy. Alongside the description of trends due to the current environment, such as the artificialization process, expansion, digitalization and sustainability, models have been examined and tested. The majority of those were thought and tested in low segment brands, these papers consider their application to luxury firms instead.

Still, literature and practice are in progress. A high number of articles concludes suggesting further academic research, as the luxury field has been far less examined compared to the mass market one. New fields of investigation have, therefore, been suggested: from the role of art in luxury strategies, the dimension of e-commerce and the perception of the luxury brand image, the attention to sustainable practices, the difference in luxury rules, the

influence of the culture or country of origin, to the changes in consumer attitudes and sentiments.

Also, most models have not been tested, or not enough, for luxury firms. An increasing collaboration between academics and professionals could lead to better results and to an improvement of managerial and organizational procedures.

As with all studies, also this paper has limitations. The sample of sources analyzed is limited and common locations of examination of luxury brands in Europe gives only a partial and confined overview of the topic. Lastly, too few models and theories have been sufficiently tested in management to be able to ascertain their validity.

That said, the paper provides satisfactory results for a general overview of what is happening in the luxury sector and how to best behave to succeed.





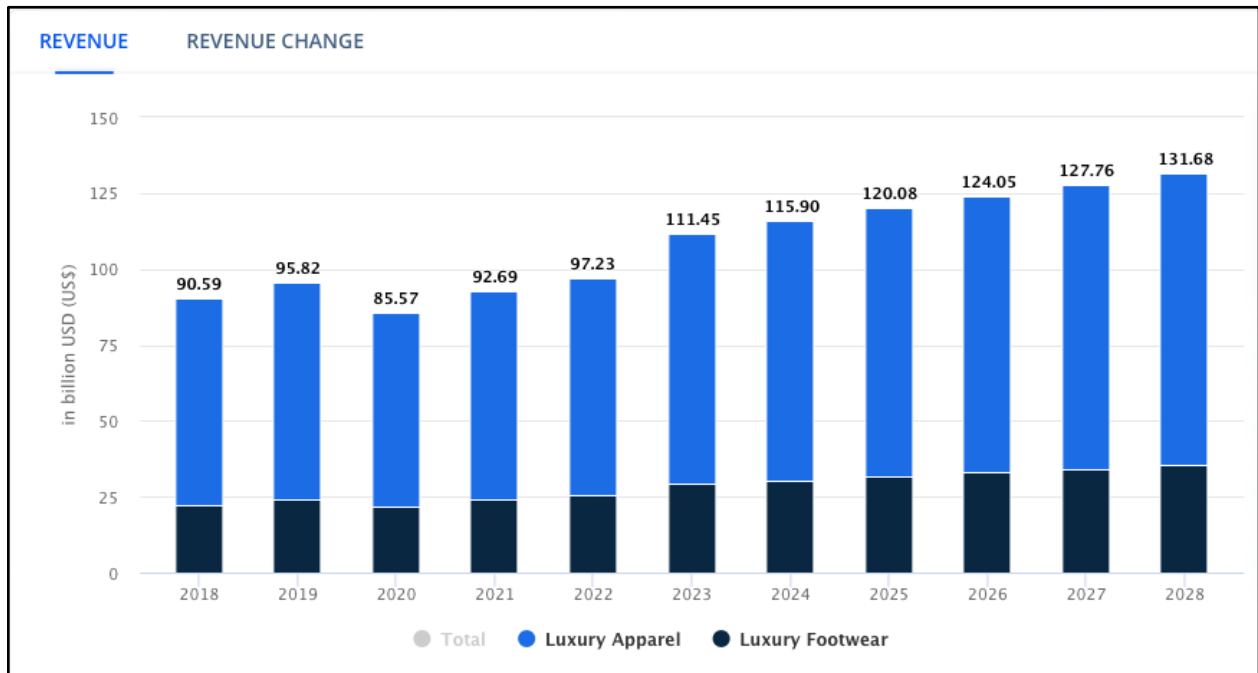
## **Chapter 2. Trends of the luxury market. A French luxury fashion house case study.**

### **2.1 The luxury fashion industry**

In the first phase of this elaborate, 23 papers were selected out of 125. Along with the other selection criteria, articles that provide examples in the luxury fashion were chosen. After a first analysis of the sector in chapter one, this chapter further explores results found by conducting an interview to a manager of a luxury fashion company. Due to reasons of convenience this firm will remain anonymous throughout the paper.

As reported by Statista (2023), revenues in the luxury fashion division amounts to US\$111.50 billion in 2023 and the growth of the market is expected to be 3.39% per year (CAGR 2023-2028). Most of the revenue, as of today, is generated in the United States (US\$27.150 million in 2023). As shown in Figure 2.1 below, after the drop in sales due to the pandemic in 2020, the luxury market is flourishing again and is expected to continuously grow.

**Fig. 2.1. Revenues of the luxury fashion market.**



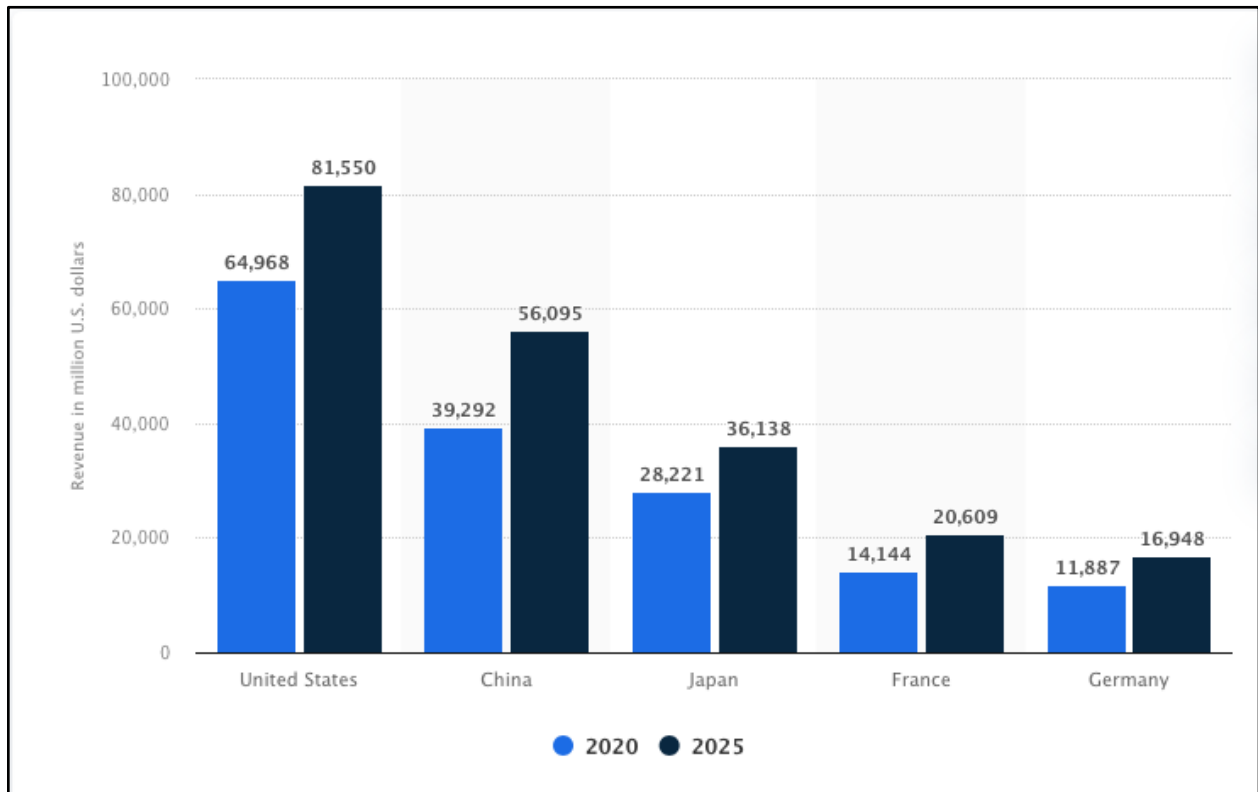
*Source: Statista (2023).*

The personal luxury goods business comprehends luxury apparel, accessories, watches, jewelry, and eyewear and, after the luxury car sector, it is the second-largest segment of the luxury industry. This market, similarly, to the general trend of the luxury world, is steadily growing.

The fashion and apparel divisions generate the largest revenue share, and the fashion segment (apparel and footwear) is expected to account for over US\$130 billion by 2025 (Sabanoglu, 2022).

Leading countries in terms of revenue are: United States, China, Japan, France, and Germany, which are displayed in Figure 2.2 below.

**Fig. 2.2. Leading countries for revenue in luxury.**

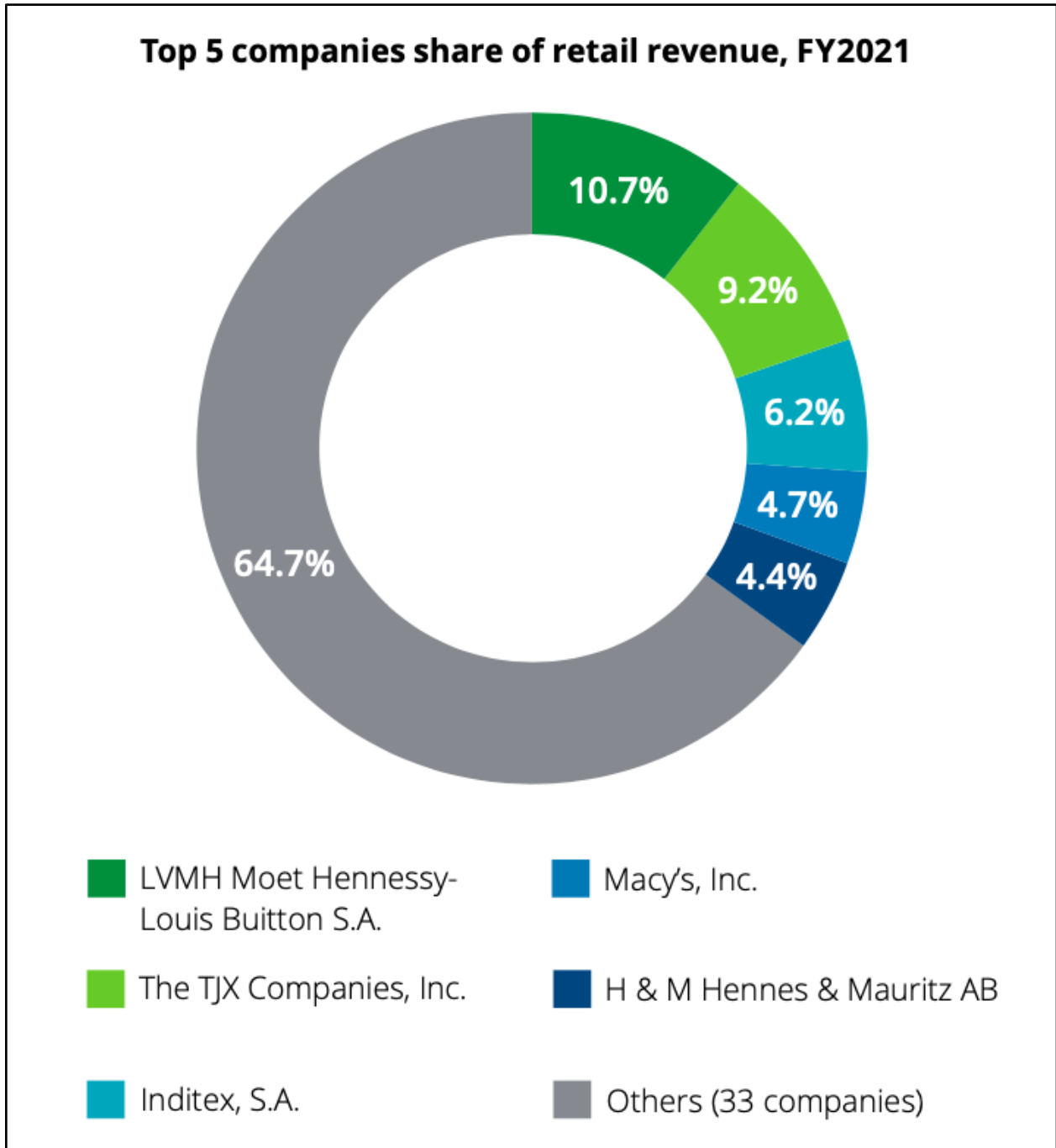


*Source: Statista Research Department (2023).*

Five luxury brands were identified among the 50 companies with the highest compound annual growth rates (CAGR) in retail revenue (FY2016 to FY2021). Furthermore, the first four fastest-growing European retailers are luxury fashion brands, with the high-end fashion retailer LVMH on top. High net profit margins have been observed in luxury brands and groups such as Hermès, LVMH and Kering (Deloitte Global, 2023).

In the apparel and accessories sector, the top five companies of retail revenue include LVMH (10.7%) as shown in Figure 2.3 below.

Fig. 2.3. Top 5 companies share of retail revenue, FY2021.



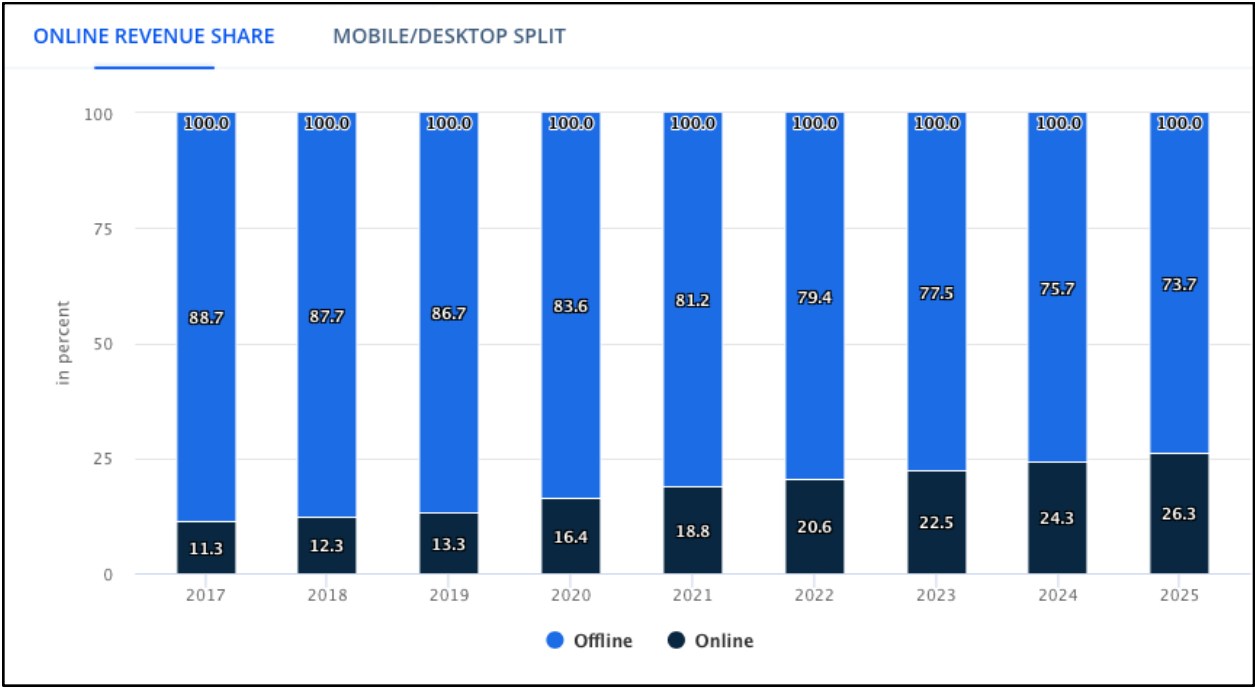
Source: Deloitte Global (2023).



## 2.2 Online sales

Some changes are occurring in sales channels, with the growing power of the Internet and e-commerce. Despite some initial doubts, the luxury sector has also started to sell its products online and the following Figure 2.4 displays this trend.

Fig. 2.4. Comparison between offline and online sales.



Source: Statista (2023).

Sabanoglu (2022) explores online sales and draws the following conclusions. On the one hand, personalization and in-store experience have been key factors of luxury, on the other hand, while this is still the largest share of market value, alternative sales channels are developing, such as online stores. An example is the Kering Group, whose online sales grew from 7% to 15% in the period 2019-2022. Also, online distributors of the Richemont Group see positive results with over €2 billion in 2021.

Luxe Digital released the ranking of “The 15 Most Popular Luxury Brands Online” regarding luxury fashion, beauty and “hard luxury” (jewelry and watches). As a result, the first three

companies are: Christian Dior, Gucci, and Chanel. This report is important as an indicator of the future performance of luxury brands, as 33% of global luxury sales will take place online by 2030. As of today, traffic of websites of luxury brands grew by 31% in 2023, which indicates the increasing interest of consumers to buy online (Beauloye, 2023).

Embracing the digital is critical with the rising of new consumers close to the online world. Millennials and Generation Z accounted for the entire growth of the global luxury market in 2022 and Generations Z and Alpha's luxury spending is projected to grow three times faster than previous generations (Beauloye, 2023).

## **2.3 Trends**

According to Pillai (2023), successful luxury brands must keep a close eye to emerging trends. An example is Generation Z, the growing consumer share, which is reshaping the luxury market based on its own preferences, values, and habits. The revolution is in terms of sustainability, digital savviness, personalization, and accessibility. Luxury brands that engage in these new trends and explore innovative business models to respond are also the ones that can succeed.

First, consumers value sustainability as a key factor in their purchasing decision; environmentally friendly practices are the ones succeeding in new business models. According to Evan Sheehan, Global Retail, Wholesale & Distribution Leader at Deloitte, sustainability remains important on the agenda and successful retailers make use of technology and human factors to provide the best customer experience (Deloitte Global, 2023).

Second, the online presence has an immense power and investments in digital marketing is the way. Digital platforms and social media channels can help in discovering new trends, expressing individuality, and engaging with brands.

Third, authenticity and personalization. Generation Z favors brands that are transparent in terms of business practices, have unique identities and provide tailored experiences (Pillai, 2023). According to Deloitte Global (2023), traceability is a key issue in the fashion industry.

For example, the luxury brand Burberry aims to have 100% traceable key raw materials by FY 2025/26.

Finally, the material possession of a luxury good is not the goal anymore. Sharing economy is a growing trend and young consumers promote rental services, exclusive memberships, and limited-time collaborations (Pillai, 2023). For example, luxury brands such as Gucci and Balenciaga collaborated with the third-party resale platform The RealReal (Deloitte Global, 2023).

Another trend is investments in fashion NFTs (non-fungible tokens), luxury brands are interested in that, as metaverse economy and NFTs could amount to 10% of the luxury goods market by 2030. Through capitalization on the fast-paced tech world, luxury fashion brands connect closer with Millennials and Generation Z, projected to be 70% of the global luxury market by 2025 (Alkhalifa, 2022). The NFT market offers advantages such as the discovery of the latest trends and a more comfortable online buying experience. Boundaries set by the pandemic favor the decision of luxury brands to launch collections on social media platforms, quickly adapting to NFTs (Bahmad, 2022).

The leading brands are the following ones. Gucci released a fashion film as an NFT and inspired by its “Aria collection”. Moreover, the luxury brand collaborated with the global entertainment brand “Superplastic” and its virtual artists. The Karl Lagerfeld brand collaborated with the digital fashion marketplace “The Dematerialized” and released “777 NFTs”. Adidas and Prada cooperated to create a user generated NFT project. The Italian luxury firm Dolce & Gabbana launched “Collezione Genesi”, a nine-piece digital collection of NFTs together with physical couture items. Lastly, the American luxury brand Jacob & Co., released the first luxury watch NFT (Alkhalifa, 2022).

Table 2.5 below summarizes main trends in the luxury fashion market.

**Tab. 2.5. Main trends in the luxury fashion industry.**

<b>Trends in luxury fashion</b>	Sustainability
	Digital presence
	Authenticity
	Personalization
	Re-selling
	Investing in fashion NFTs

*Source: Personal elaboration (2023).*

## **2.4 Major players and positioning**

Seven companies appear on the list of the “100 Best Global Brands” of 2022. In descending order: Louis Vuitton (14th), Chanel (22nd), Hermès (23rd), Gucci (30th), Cartier (74th), Dior (77th), Tiffany & Co. (88th), Prada (89th) and Burberry (96th) (Interbrand, 2023).

As reported by Rollinson (2023), indexes for the spring/summer 2023 see Louis Vuitton, Dior, and Gucci in the top three. The first two brands are part of the LVMH group, while the last one is part of the Kering corporation. High-quality and how firms are producing is what consumers look for and these luxury brands are achieving that. Furthermore, a closer look must be taken at trends: young US consumers seem to step back and give space to the larger demand from China.

On the list of Vogue Business Index, the following ten luxury brands have been identified as the leading ones. First, Louis Vuitton, Dior, and Gucci, followed by Yves Saint Laurent, Chanel, Burberry, Hermès, Prada, Ralph Lauren and Fendi. Louis Vuitton maintains good performances in terms of customers, financial and digital and has become the first luxury brand to exceed €20 billion in sales. Dior is the best in terms of digital, highly value its

craftsmanship and did a good job in the selection of the right celebrity ambassadors. Gucci key factors of success are: innovation, omnichannel, and ESG (environmental, social, and corporate governance). Yves Saint Laurent is now being seen as iconic as Louis Vuitton or Dior and reached €3 billion in revenue in 2022. Chanel is currently the luxury brand leading in consumer sentiment, the lack of transparency in ESG and limited omnichannel led it to be in fifth place. Alongside a good digital performance, Burberry's new creative director is renovating the brand, highly considering its heritage, identity and britishness. Hermès scores good in consumer sentiment due to the high-quality of its products and the iconic luxury bags. The good performances in digital and Chinese platforms were elements of success. Prada's sales increased and popular designs of Raf Simons and Miuccia Prada helped in succeeding. In ninth position, Ralph Lauren, which ranked down due to non-totally efficient digital and omnichannel performances. That said, its consumer sentiment is still high, and it is currently the highest-ranked US luxury brand. Lastly, Fendi, which entered the ranking due to its good performances, but it is tenth in position because it does not excel in any of them (Rollinson, 2023).

## **2.5 Methodology**

The case study applies a qualitative methodology based on a structured interview to a manager of a French luxury fashion brand. Through the discussion major trends and themes analyzed in the literature review of chapter one are explored: the role of art in luxury, brand extension and internationalization, old and new strategies and business models, e-commerce and Internet, the world of luxury and its changes, issues arising in sustainability and how luxury firms address them.

The collection process of data conducted during the case study to generate results is reported in the following Table 2.1.

**Tab. 2.1. Data collection process.**

<b>Methodology</b>	<b>Object</b>
Structured interview and some additions at a later date.	Manager at a French luxury fashion brand.

*Source: Personal elaboration (2023).*

The following Table 2.2 illustrates the ten structured interview questions asked to the manager of a French luxury brand. Some additions to reach satisfactory answers were made at a later stage. The interview to the manager took place remotely via the file hosting service Google Drive, which helped in the sharing of the pre-elaborated table of questions. The additional discussions were carried out remotely by directly contacting the manager on her mobile phone. All the responses were transcribed, and their main findings coded.

Table 2.2 also provides expected responses and references from the literature.

**Tab. 2.2. Research Protocol and structured interview questions.**

<b>Interview question</b>	<b>Expected response</b>	<b>Reference (s)</b>
1. Which is the biggest trend(s) you have seen in the luxury fashion market so far? Which ones are impacting companies the most?	<ul style="list-style-type: none"> <li>- Environmental-friendly luxury goods</li> <li>- Online presence and digital services</li> <li>- Personalization and authenticity</li> <li>- NFTs</li> </ul>	(Alkhalifa, 2022) (Bahmad, 2022) (Pillai, 2023) (Deloitte Global, 2023)
2. Which are the most influential factors for luxury fashion firms?	<ul style="list-style-type: none"> <li>- Consumer sentiment</li> <li>- In-store and digital experience</li> </ul>	(Deloitte Global, 2023) (Pillai, 2023)

<p>3. Is your company considering art as an element that can benefit the brand image and popularity of the luxury brand?</p>	<ul style="list-style-type: none"> <li>- They are aware of the potential of art and use it as other luxury fashion brands, relying on the elegance, uniqueness, and prestige that this confers</li> </ul>	<p>(Masè et al., 2020)</p>
<p>4. How would you evaluate brand extension for luxury firms? Is it mostly beneficial or unfavorable?</p>	<ul style="list-style-type: none"> <li>- Better to not over diffuse to not lose rarity and uniqueness factors</li> <li>- Fewer shops are better than too many</li> <li>- Trying to avoid “luxury democratization”</li> </ul>	<p>(Guercini &amp; Milanese, 2017)</p>
<p>5. How is the luxury world seeing phenomena such as globalization and internationalization of brands? Are brand images negatively affected as uniqueness and rarity are lost? Are they seen mostly in a good or bad way?</p>	<ul style="list-style-type: none"> <li>- Debatable. It has some merits (luxury brands largely known) and some flaws (luxury democratization, over diffusion)</li> </ul>	<p>(Guercini &amp; Milanese, 2017) (Robinson &amp; Hsieh, 2016)</p>
<p>6. Which are the strategies or business models more recurrent and successful in the luxury industry? What to avoid?</p>	<ul style="list-style-type: none"> <li>- The artification process</li> <li>- Ambler and Styles framework</li> <li>- Reshoring and Made-in</li> </ul>	<p>(Guercini &amp; Milanese, 2017) (Horvath, 2001) (Luzzini &amp; Ronchi, 2010)</p>

	<ul style="list-style-type: none"> <li>- Digital presence and online luxury stores</li> <li>- Supply chain management and collaboration</li> <li>- Iconic luxury goods</li> <li>- Beverland luxury model</li> <li>- CSR approaches</li> </ul>	<p>(Masè et al., 2020)</p> <p>(Mir-Bernal et al., 2018)</p> <p>(Moore &amp; Birtwistle, 2005)</p> <p>(Riley et al., 2004)</p> <p>(Robinson &amp; Hsieh, 2016)</p> <p>(Sugimoto &amp; Nagasawa, 2017)</p> <p>(Watanabe et al., 2022)</p> <p>(Campos et al., 2020)</p>
7. How much is sustainability important for luxury fashion brands? How to better address it?	<ul style="list-style-type: none"> <li>- Sustainability is becoming a key factor to evaluate when making purchase decisions and it is now seen more as a competitive advantage due to the change in consumer sentiment</li> </ul>	<p>(Broccardo et al., 2023)</p> <p>(Shashi et al., 2021)</p> <p>(Campos et al., 2020)</p>
8. Do you find big differences between European and non-European consumers? How do consumer sentiment change?	<ul style="list-style-type: none"> <li>- Cultures are different and different is also how luxury is perceived in European and Asian countries for example</li> <li>- Adjustment in relation to the customer attitude in the host country is essential to succeed,</li> </ul>	<p>(Guercini &amp; Milanesi, 2017)</p> <p>(Kapferer, 2012)</p>



	maintaining the originality of the home country	
9. Which is the biggest market for you and for luxury brands? Is this changing? How are consumers changing? Is the Internet favoring the extension of luxury brands? Which is the role of online websites and stores?	<ul style="list-style-type: none"> <li>- Asia is now the biggest one</li> <li>- United States</li> <li>- Growing importance and power from BRIC and CIVETS countries</li> </ul>	(Kapferer, 2012) Rollinson (2023)
10. Do you think the concept of luxury changed over time? Which elements remained and which changed? Which are the strongest aspects as of now?	<ul style="list-style-type: none"> <li>- Concepts such as: exclusivity, prestige, rarity, and uniqueness remained, but have undergone some changes due to globalization</li> <li>- Firms must be prepared to maintain the aspects listed above, while adjusting in accordance with modern trends</li> </ul>	(Beauloye, 2023) (Mir-Bernal et al., 2018) (Sabanoglu, 2022)

*Source: Personal elaboration (2023).*

## 2.6 Findings

Table 2.3 reports the answers provided while answering the questions to the interviewed manager of a French luxury brand.

**Tab. 2.3. Table of responses from the interviewee.**

Interview question	Response
<p>1. Which is the biggest trend(s) you have seen in the luxury fashion market so far? Which ones are impacting companies the most?</p>	<p>“Lately the biggest trends that I have seen are micro bags, dad sandals and massive use of neon colors, in particular pink, especially on RTW (ready-to-wear). I believe that recently the Barbie movie has hugely impacted the industry. In fact, we can experience saturation in collaborations between brands and Mattel and even top tier fashion houses like Chanel took a big part in it with big fashion moments on the screen.”</p>
<p>2. Which are the most influential factors for luxury fashion firms?</p>	<p>“We cannot deny that nowadays the impact of influencers is huge on consumers and therefore fashion houses have to adapt to this, I can say with no doubt that art and local cultures have a big impact as well, for example we can mention Dolce and Gabbana being inspired from their native Italian culture and celebrating heritage and history of their country and each region of it (their recent Alta moda show that took place in Apulia is just an example) or I</p>

	<p>could mention the latest Dior cruise collection that was inspired by Mexican culture. Creative directors travel a lot to find inspirations around the world and often this inspiration comes from people and places. Consequently, consumers are buying luxury pieces because they are bound with the brand and they appreciate craftsmanship, savoir-faire, history, and the exclusivity that comes with it.”</p>
<p>3. Is your company considering art as an element that can benefit the brand image and popularity of the luxury brand?</p>	<p>“Surely art is a major factor when it comes to elevating brand status and engaging audience, I can mention the relevance that art installations have in the Dior Milan flagship store or the partnership that Chanel has with the Australian National Ballet company in Australia, the bound with art (in every form) is also highlighted by the fact that usually loyal clients are pampered with tickets to the Opera or similar related experiences.</p> <p>This is due to the fact that often clients buying luxury are also interested in art as luxury too is considered an investment.”</p>
<p>4. How would you evaluate brand extension for luxury firms? Is it mostly beneficial or unfavorable?</p>	<p>“I think that brand extension could be beneficial for lower segment brands as I have noticed that top segment luxury houses like Chanel and Hermès tend not to partner with anyone for collaborations</p>

	<p>instead, they acquire smaller companies specialized in different areas for example Chanel owns Roveda (shoes manufacturer) Maison Michel (hat makers) and many others that are their direct suppliers. Dior did many collaborations for example the ERL collab, I personally believe that a well-established luxury house should maintain their essence and keep doing what they know best, in my personal opinion one must keep the value high and often those collaborations mean opening up to the mass too much and as a consequence lowering the value for certain customers.”</p>
<p>5. How is the luxury world seeing phenomena such as globalization and internationalization of brands? Are brand images negatively affected as uniqueness and rarity are lost? Are they seen mostly in a good or bad way?</p>	<p>“Clearly with increased demand the world of luxury had to adapt, also due to the fact that luxury brands do not like resellers, in order to accommodate clients increased demand houses have to expand their horizons and open up to different countries and areas of the world. Clearly when opening up a new corner or boutique company has to look for strategic positioning and alignment with competitors, having too many points of sales in the same city might negatively affect uniqueness and exclusivity. I personally believe that is always a matter</p>

	<p>of keeping standards high and giving the same best client experience in every boutique or point of sale globally and for this reason HQ (headquarter) needs to control and periodically check that staff is well trained on products and manners, that the culture of the company is kept the same everywhere across the globe and more generally that the brand's reputation is kept equally elevated everywhere.”</p>
<p>6. Which are the strategies or business models more recurrent and successful in the luxury industry? What to avoid?</p>	<p>“Client acquisition.  Client retention and engagement.  Scarcity is perceived as an increased desire and symbol of exclusivity.  Creating dreams and high expectations.  Price adjustments (increase) once or twice a year.  Internal:  - Trainings to staff  - Elevated expectations  - Hiring the best professionals in the industry, usually from direct competitors  - Staff engagement and retention  Key points to avoid are:  - Availability of the products at all times  - Being overexposed with advertisement  - Being available to everyone  - Decreasing prices  - High staff turnover”</p>

<p>7. How much is sustainability important for luxury fashion brands? How to better address it?</p>	<p>“Sustainability is extremely important for luxury and especially because nowadays CSR has become a big topic in almost every field, there are many people specialized in this and it has become a real profession. The topic of sustainability is relevant for the environment but also for costs, during the pandemic many houses have adjusted to this new way of doing business as many collections were not sold so they came up with recycling and upcycling as a consequence they have avoided waste and saved a lot on costs.</p> <p>People are well aware of consequences of irresponsible production cycles and general disrespectful behaviors against the planet and now that we are directly experiencing consequences due to climate change (floods, bushfires, pollution...) there is no need to better address the topic, it’s just a matter of putting into action what we already know.”</p>
<p>8. Do you find big differences between European and non-European consumers? How do consumer sentiment change?</p>	<p>“In my opinion, after I have been living overseas for many years I can say that I can easily notice a big difference in consumer behaviors. For example, I can tell that Asian and Australian consumers have heavier and regular access to luxury than Europeans. I remember a big amount of money being</p>

	<p>spent each week on a regular basis (talking about 20-50K AUD) in luxury when I was working and living in Sydney.</p> <p>Europeans usually do less big purchases a year and usually they are well planned and saved for. On the other hand Asians, Russians, Americans, Australians consumers tend to do impulse purchases as more likely those countries have more favorable economic conditions and job stability.”</p>
<p>9. Which is the biggest market for you and for luxury brands? Is this changing? How are consumers changing? Is the Internet favoring the extension of luxury brands? Which is the role of online websites and stores?</p>	<p>“Asia is the biggest market at the moment. Russia used to be a huge market too but not anymore due to recent events.</p> <p>In my opinion the Internet is serving every brand in every field these days, in fact, overall we tend to be attracted more to a good website or a good Instagram page as it’s synonymous with being reliable, valuable and socially recognized.</p> <p>I believe that the Internet has played a key role in every business development as it helps to attract, retain and engage clients all over the planet.</p> <p>With regards to the luxury market there isn’t a big need of being seen through the Internet in order to establish a presence on the market, however, clients want to feel part of a community when creating</p>

	<p>relationships with brands therefore websites and Instagram pages are essential to keep them engaged and involved in the development of every collection and every news that is related to the company.</p> <p>It is so important to keep up with technology that every company has an IT, marketing and CRM department that is specialized in this field.</p> <p>In terms of e-commerce I have to say that luxury brands act differently, for example Chanel does not have an e-commerce website when it comes to fashion and leather goods but they only limit this type of business to the makeup and skincare section, this is a company decision as the brand believes that is best to have a face to face interaction between the client and the SA this interaction is almost perceived as familiar, Chanel believes in human interactions and customer loyalty and I personally agree to this way of doing luxury business as I think that people still want to feel the store environment and taste the real brand experience that only well trained and affectionate employees can give.”</p>
<p>10. Do you think the concept of luxury changed over time? Which elements</p>	<p>“I think the concept changed a little over the time as it is crucial to keep in mind</p>



<p>remained and which changed? Which are the strongest aspects as of now?</p>	<p>different elements these days, for example some brands do not produce exotics anymore (Chanel) as a symbol of respect for the environment.</p> <p>When creating collections, brands must keep in mind the topic of inclusivity and gender diversity in order not to be offensive towards anyone.</p> <p>Also, some brands have completely changed their identity with the aim of becoming more appealing to younger generations (Gucci, Prada, Miu Miu, Bottega Veneta).</p> <p>Strongest aspects as of now: exclusivity, brand experience, elevated standards and creating desire are still key aspects.”</p>
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*Source: Personal elaboration (2023).*

Question one examines arising and recent trends in the luxury fashion market and those that are impacting companies the most. The respondent provides some examples of luxury items and features in vogue. Furthermore, highlights the impact of the newly released Barbie movie, indicating how luxury fashion firms, for example the fashion house Chanel, collaborate with brands such as Mattel (an American multinational toy manufacturing and entertainment company).

In the second question it is said that among the biggest influential factors there are influencers and the role of art and local cultures for creative directors. An example is the luxury fashion firm Dolce and Gabbana which is inspired by the native Italian culture and celebrates its history and heritage.

Question three deepens the bond between art and luxury fashion brands. The interviewee says that usually clients are both interested in luxury items and art is seen as the tool to evaluate brand status and engage with the audience.

Question four looks at the debated theme of brand extensions. The respondent says that top segment luxury houses, for example Chanel and Hermès, tend not to partner but prefer to acquire smaller and specialized companies that become their direct suppliers. The interviewee confirms the possible lowered value perceived by customers consequently.

Question five, similarly to the previous one, argues the globalization and internationalization processes affecting luxury firms. In the eye of the respondent and her experience, the key is to keep standards high and give the same best client experience in every boutique. Periodic controls help in monitoring the brand around the world.

In question six the most successful strategies and business models are discussed. The respondent underlines the importance of client acquisition, engagement and retention, scarcity seen as exclusivity, the creation of a “dream”. Also, staff acquisition, engagement, and retention, hire of the best professionals and increases in prices once or twice a year.

Question seven debates the controversial theme of sustainability. The interviewee confirms the growing importance of CSR practices in luxury, from a consumer point of view and from a cost perspective.

In question eight the topic of discussion is the difference between European and overseas consumers. The respondent argues a big difference between the two, while Europeans usually do less big purchases a year, on the other hand Asians, Russians, Americans, Australians tend to do impulse purchases.

In question nine Asia is confirmed to be the biggest market now and Russia has stepped down due to recent events. A good digital presence is found to be a successful factor.

Lastly, in the last and tenth question, concepts related to luxury are examined and how they have changed over time. The manager argues that alongside aspects which are still key elements such as exclusivity, brand experience, elevated standards and creating desire, changes happened. Concerns arose in terms of environment, inclusivity, and gender diversity. Some brands have also completely changed their identity to become appealing to younger generations (Gucci, Prada, Miu Miu, Bottega Veneta).

## 2.7 Discussion

The interview's results confirm findings highlighted in the literature review in chapter one and the trends underlined in chapter two.

According to the manager interviewed, art is confirmed to be an influential factor for luxury fashion brands, the culture related is a distinctive element indicating origin and history of the firm. Art is said to elevate the brand status and engage with the audience. Usually, people interested in purchasing luxury items are also interested in art and this last one is used both by creative designers for collections and to create the best in-store appearance.

The interviewee agrees on the fact that artification of luxury brands is a successful strategy, enhancing elements such as exclusivity, symbolism, and prestige (Masè et al., 2020). Art contributes to multi-sensory experiences (Kapferer & Bastien, 2009) and none of the articles analyzed found it to have negative associations.

Brand extension is found to be a dangerous choice. The interviewee acknowledges the difference between the same phenomenon for lower segments brands and high-hand luxury fashion firms. While for the first ones extensions can be beneficial, for the second ones it is better to maintain their true essence and keep doing what they know best, avoiding collaborations that could open up too much to the masses and lower the perceived luxury value.

Even though brand extension is seen as a driver for growth and a reduction of overall costs and risks (Albrecht et al., 2013), brand equity and image must be maintained and sometimes an excessive massification can negatively impact and dilute the status formerly perceived (Kapferer & Bastien, 2009). Luxury firms are attentive to the reciprocal relationships between the parent and extended brands and the quality, value, and image of the first one must be transferred to the second one and vice versa.

Similarly, internationalization is another phenomenon that expanded the knowledge of luxury fashion brands around the world. Strategies must be well evaluated before any decision is made. Benefits can result as the luxury firm is widely known and the consumer

segment bigger, but the perceived “luxury democratization” (Guercini & Milanesi, 2017) can damage the brand image and undermine the rarity and prestige of its goods (Masè et al., 2018). One must think about the distances among countries, cultures, politics, languages, and education. Lately, the role of foreignness has been seen more as an asset and the country of origin and “Made in” as successful elements of distinction (Guercini & Milanesi, 2017).

The manager interviewed recognizes the importance of opening new boutiques as the demand increases, at the same time avoiding the existence of too many points of sales in the same city to prevent negative effects on uniqueness and exclusivity. Standards must be maintained high in every store and the experience provided the best possible. Brand’s reputation and culture must be the same in every boutique and periodical controls must be made.

Regarding the most common and successful strategies and business models, the interviewee highlights the following elements. The manager underlines the importance of client acquisition, engagement, and retention, as well as the rarity and scarcity perceived as increased desire. Also, the price increases once or twice a year as a symbol of exclusiveness. High-fashion houses emphasize the uncommon and exceptional (Luzzini & Ronchi, 2010). Again, the interviewee talks about how luxury fashion houses need to be able to create a dream value through their products and services, so that expectations and satisfaction are high. It is more about symbolic benefits rather than functional ones (Albrecht et al., 2013). The manager also highlights how internal control is fundamental to have trained and skilled staff, whose retention rate is high. Professionals hired must be well evaluated and selected. Common rules of low segment brands must be avoided at all costs, such as: over availability of products always and to everyone, overexposure with advertisement, decreases in prices and high staff turnovers.

The next theme discussed by the manager is the sustainability trend. New generations of customers are reshaping the luxury market and do now value sustainability as a key factor of purchasing decisions; environmentally friendly practices are the ones succeeding in new business models (Deloitte Global, 2023).

The manager insists on the extreme importance of CSR practices, especially for luxury brands. Environmentally friendly approaches are well perceived by consumers, as well by companies in terms of cost and waste reductions. Once customers are aware of the pollution caused by factories, further examine where their purchases come from before buying luxury items.

Along the course of the elaborate, sustainable practices have been evaluated as the best ones to retain customers and respond to governments and their actions against irresponsible behaviors.

As found in the literature, differences between European and non-European customers have been found in the interview. The manager, who lived overseas for many years, noticed disparities in consumer behaviors. While Americans, Asians, Australians, and Russians regularly purchase luxury items and spend big amounts of money, Europeans do less buying and save more.

Due to recent events things changed, but now the luxury market is growing again. Leading countries in terms of revenue are: United States, China, Japan, France and Germany and their sales are expected to grow even more by 2025 (Statista Research Department, 2023). Asia has been said to be the biggest luxury market by the interviewed manager, with Russia backstepped due to the war.

The first four fastest-growing European retailers are luxury fashion brands and high net profit margins have been observed in luxury groups such as LVMH and Kering. LVMH is also in the top five companies of retail revenue, contributing at 10.7% (Deloitte Global, 2023).

The interview undergoes another trend, which is the use of the Internet for luxury brands and the perception from consumers of online stores. Influencers are said to have a huge impact on consumers; therefore, fashion houses must adapt. Apart from this, the “Internet dilemma” is another topic of discussion (Watanabe et al., 2022) as 33% of global luxury sales are expected to take place online by 2030 (Beauloye, 2023). On the one hand, some agree on the need to adapt to an increasing online presence of luxury brands, due to the changes in consumers’ attitudes and segments. A good online strategy seems to be a successful approach as Millennials and Generation Z are an increasingly growing percentage of the

consumer market (Mir-Bernal et al., 2018). Others, instead, believe that the implementation of digital can harm the brand image if not well managed. The manager interviewed agrees on the importance of having a good website and social media pages as a point of attraction and engagement with clients, at the same time believes that luxury brands are different, and that in-store environment and real brand experience are still the way to follow.

Finally, the interview examines the concepts of luxury, those that are still the same as in the past and those that have changed. The manager highlights change due to current trends, such as sustainability and the implementation of better practices to maintain a good luxury brand image aligned with customer sentiments. Luxury fashion houses must be appealing to younger generations and modify their identity in accordance with their new preferences. Current and strongest aspects, which are still key elements, have been said to be: exclusivity, brand experience, elevated standards, and creation of desire.

## **2.8 Conclusion**

This chapter first analyzes the current trends in the luxury market. This section is followed by a case study conducted with the help of the manager of a French luxury fashion house and confirms what was found before.

The interviewee agrees on the changes that are happening and how to better respond to them in a successful way.

The manager confirms the importance of art as a tool for a good strategy and how the culture that inspires the artistic director has a positive impact in the eye of the consumer. Reshoring, which has been found to be a common recent approach, focuses on highlighting the history and manufacture of the country of origin and has a good consumer perception.

Given the limited testing of approaches to the luxury world, the case study underlies key points and provides confirmations to results examined by academics.

As with all studies, also the second chapter has limitations. Even if the methodology can be considered rigorous, the analysis on only one company located in France, for this reason country-specific, is not satisfactory and might affect the findings.

The case study is a good starting point and further investigations should be carried out. New research should examine deeper topics such as the role of Internet and e-commerce in luxury, the importance of art for a successful strategy, the relevance of sustainable practices and how markets, consumer attitudes and sentiments are changing. Luxury brands must be able to promptly reply to the new demand.

Such limitations may lead to future research opportunities and periodic reviews due to the rapid changes occurring.





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