



# The history facet of luxury brands

*Does it matter how the history of luxury brands are created?*

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## Abstract

The discourse about luxury brands is dominated by a few authors, such as Kapferer and Bastien, who clearly state that if a luxury brand doesn't have history, it has to invent one. Further, Kapferer and Bastien presents two different approaches to building the history facet of luxury brands. Although, no extensive research had yet been conducted in terms of how the two different approaches are perceived by consumers. Therefore, the main purpose of this thesis was to tap deeper into Kapferer and Bastien's two presented approaches of creating the history facet of luxury brands; the 'European approach to luxury' and the 'American approach to luxury'. This was done through answering the two research questions; RQ 1: 'How are consumers' perceiving the two different approaches of creating history for luxury brands?', and RQ 2: 'How are the two different approaches of creating history for luxury brands affecting consumers' preference for conspicuous consumption and signalling?'

In addition to secondary research, primary research was conducted in terms of a multiple method design. Firstly, an exploratory study in the sense of a focus group served as a way of gaining insights. Based on these insights, an explanatory study was adopted, as measured by two surveys collected from totally 74 respondents.

The findings for the underlying thesis indicates that there cannot be luxury without roots. Further, the 'European approach to luxury' is perceived as more authentic by consumers than the 'American approach to luxury'. Also, the two different approaches of building luxury brands are affecting consumers' preference for conspicuous consumption and signalling differently. Managerially, there are some straightforward implications. The results of the underlying thesis showed that, especially, authenticity is essential when creating the history facet of a luxury brand. Further, some dimensions of authenticity are more important than others, regarding their effect on consumers' attitudes. Such as, (I) reinforcing and building on long-hold traditions, and (II) that it is a brand with history. Consequently, managers of luxury brands should focus on these aspects when creating the history facet. In addition, managers should pay close attention when mixing fiction and reality, in order not to make the consumers feeling duped.

## **Preface**

This master thesis represents the final step towards my graduation as Master of Science in Economics and Business Administration, with specialization in Marketing and Brand Management. In addition to my master degree from NHH, I have also studied CEMS Master of Science in International Management. Due to parallel studies, the thesis has been written as an ongoing process of both degrees.

Furthermore, I would like to especially thank my supervisor Professor Leif Hem for his flexibility, constant supervision and cheerful spirit, during the process of writing this thesis.

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# 1. Introduction

## 1.1 Background

Luxury brands are one of the purest examples of branding, this since the brand and its image often are key competitive advantages that creates enormous value and wealth for organizations (Keller, 2009). According to Keller (2009) marketers of luxury brands are facing the same challenge as marketers of more ‘down-to-earth’ categories: guiding the brand in a constantly evolving and sometimes rapid changing marketing environment. Although, it should be clarified that when managing a luxury brand, it is necessary to forget a reasonable number of laws of marketing, which may well apply to traditional brands and premium brands, but not to luxury brands (Kapferer & Bastien, 2012). Moreover, luxury brands are an interesting phenomenon, even though we can’t afford them, most of us can at least mention a couple of brands which would classify as luxury brands (Twitchell, 2002). Additionally, luxury brands are by some authors described as a unique market niche, driven by a marketing phenomenon (Twitchell, 2002; Stanley, 1988).

Luxury brands consists of several important facets that all helps maintaining the notion of luxury, such as logos and brands, complexity and work, history, being made by hand, rarity and sustainability, being superlative and never comparative, tradition, and exclusivity (Kapferer & Bastien, 2012). One of the most central facets is the one of history and heritage (Beverland, 2004; Moore and Bristwistle, 2005; Christodoulides et al., 2009). Several authors also state that heritage and history is central to the success of luxury brands (Moore and Bristwistle, 2005; Fionda and Moore, 2009; Hudson, 2011). That is supported by Ipsos (2016) tracking of luxury. The report emphasises upon the importance of luxury brands reassuring on their fundamentals, such as history, rooting in the past, exceptional quality, know-how, and made-in in order to nurture an iconic brand posture. Additionally, Cooper et al. (2015) means that there is an explicit connection between brand recovery and ‘corporate heritage’. Kapferer and Bastien (2012) states that there can’t be a luxury brand without roots. Because, the history provides the brand with a non-commercial aspect. Although, it is important to emphasise that the importance is not simply history, but the myth that can be created around it, the source of the brand’s social idealisation (Kapferer & Bastien, 2012). Kapferer and Bastien (2012) also states that only writing ‘Established 1884’ is not enough to qualify as luxury, it only makes

you old. It is therefore important to signal additional qualities about both objects and people. An example of this is the story of Madame Clicquot (Veuve Clicquot) who could have remained an inconsolable widow after her husband's death, but despite the customs of the day, she assumed the reins of the company and continued delivering champagne to the tsar's court. This was the beginning of an epic saga, which shows that history must be related to the powerful (Kapferer & Bastien, 2012). To some extent outside of the luxury strategy discourse, Grayson and Martinec (2004) states that consumers may be happy to 'play along' with a brand's claims for authenticity, but they do not like to feel duped. However, the statement is relevant when discussing sagas and the creation of history.

Moreover, the symbolic power of luxury brands, and the basis for their price, is created through the education of consumers (Karpik & Scott, 2010). In order to do so, luxury brands have to remind consumers of their legendary roots and mythical history that sets them apart (Kapferer, 2014). Also, two other central themes in the discourse about luxury brands, is conspicuous consumption and signalling. Basically, the theory about conspicuous consumption ties luxury goods to the function of displaying wealth in order to indicate status (Veblen, 1899). Whereas the theory about signalling, demonstrate how different luxury consumers obtain different preferences for conspicuously or inconspicuously branded goods, in order to associate or dissociate themselves with members of their own and other groups (Han et al., 2010).

In conclusion, if the brand doesn't have a history, it has to invent one, which is what modern US and Italian brands do. Both Kapferer and Bastien (2012) and Beverland (2004) presents two different approaches to building the history facet of luxury brands. Kapferer and Bastien (2012) presents them as the 'European approach to luxury' and the 'American approach to luxury', which will be described more in the theory chapter. Although, no extensive research has yet been conducted in terms of how the two different approaches are perceived by consumers. Neither have any extensive research yet been conducted regarding how the two mentioned approaches are affecting consumers' preference for conspicuous consumption and signalling.

## 1.2 Research question

As suggested in the previous section the history dimension is essential for the success of luxury brands (Moore and Bristwistle, 2005; Fionda and Moore, 2009; Hudson, 2011; Kapferer & Bastien, 2012; Ipsos, 2016). It was also strongly emphasised that if a luxury brand doesn't have a history it has to invent one (Kapferer & Bastien, 2012). The subsequent chapters will address both Kapferer and Bastien's (2012) as well as Beverland's (2004) view on how to build the history dimension of luxury brands. Basically, the authors states that a luxury brand can be born with history or it can invent one, two different approaches. Interestingly in terms of inventing a history, Grayson and Martinec (2004) states that consumers may be happy to 'play along' with a brand's claim for authenticity, but they do not like to feel duped.

Therefore, the underlying thesis will address a relatively unexplored area of research and aim to give an insight into how consumers' perceive the two different approaches of creating the history for luxury brands. Also, since conspicuous consumption and signalling are two central themes in the luxury brand discourse a second research question will address how the two different approaches of creating history for luxury brands are affecting consumers' preference for conspicuous consumption and signalling.

Based on that, the following Research Questions (RQ) were drafted:

**RQ 1:** How are consumers' perceiving the two different approaches of creating history for luxury brands?

**RQ 2:** How are the two different approaches of creating history for luxury brands affecting consumers' preference for conspicuous consumption and signalling?

## 1.3 Structure

The underlying thesis will be constituted based on theories by the luxury strategy literature. The thesis will be structured as following: First, chapter 1 is intended to give a background about the research topic and cover the current situation within the field of research. Since, the field is lacking extensive research this was done briefly in the beginning of the thesis. Second, chapter 2 serves as an introduction about the luxury concept, the history of luxury, and the luxury market. This will give an overview about the topic and a solid foundation for subsequent chapters. In chapter 3, relevant theory will be explained, including the main underlying concepts. Further, how to build luxury brands will be described, more specifically how to create the history facet of luxury brands. Moreover, the differences between traditional branding and luxury branding will be elaborated upon forth going and concepts like brand equity, brand image, brand concept, conspicuous consumption, idealised users, self-congruity, different types of luxury clientele, and signalling will be explained. In chapter 4, a description of the methods used will be illustrated. The chosen objectives, research strategy and design will be explained and argued for. Then, in chapter 5 the result section will present the main results of the underlying study. In chapter 6 the discussion will combine the underlying results from chapter 5 with the presented theory from chapter 3. This will be followed by some recommendations, limitations, and suggestions for further research. Finally, in chapter 7, the conclusion will round off this paper with the main originated findings of this thesis.

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## 2. The history and development of luxury

### 2.1 The concept of luxury

Van Dijk (2009) defines luxury as something that is an indulgence rather than a necessity, although very subjective in itself. Nonetheless, Kapferer et al., (2014) states that there is still no consensus about the definition of luxury, even though it is possible to find luxury shops everywhere in our modern cities and online. Moreover, the term luxury comes from the Latin word *luxus* which means “excess, abundance, extravagant life” (Danziger, 2005, p. 17). *Luxus* do not have an equivalent expression in Japanese or Chinese, therefore Japanese people speak of ‘*lugujuri*’ (phonetic adaption of lu-xu-ry). They do not refer to the concept but to what they experience in the stores of prestige brands anywhere in the world (Kapferer et al., 2014). According to Tak and Pareek (2016) the general concept of luxury has been present in various appearances and at various levels since the beginning of civilisation.

Lipovetsky (1980) states that luxury refers to lying outside the pathways of the “trend”, following its own route, and imposing its own rules. Furthermore, Li et al. (2012) means that luxury objects are those that provide pleasure, and because of that, would be linked with desires, comfort, and individuality (Lawry et al., 2010). Kapferer et al. (2014) describes luxury as rare, hedonic objects and experiences beyond the necessities of life, hence affordable mostly to those who have surplus money. However, the perception of luxury changes from one society to the other (Kemp, 1998). Luxury is a relative and cultural concept, fluid and changing (Yeoman, 2011). On the other hand, luxury can be viewed as a subjective concept, and therefore, we can say that luxury corresponds best to the expression of desires and emotions (Allèrès, 2008).

Some authors argue that in order for a brand to be recognised as luxury there are a common core made of six criteria (Kapferer, 1998; De Barnier et al., 2012):

- A very qualitative hedonistic experience and product made to last
- Offered at a price that far exceeds what their bare functional value would command

- Bound to heritage, unique know-how and culture attached to the brand
- Accessible in purposefully restricted and controlled distribution
- Offered with personalised accompanying services
- Representing a social marker, making the owner or beneficiary feel special, with a sense of privilege

On the other hand, Chevalier and Mazzalovo (2008) states that a luxury product only has to fulfil three criteria: it must have a **strong artistic element**, it must be the **result of craftsmanship**, and it must have a **global brand reputation**. The great variation of definitions visualises that there are dissensions in terms of the definition of luxury within the literature.

## 2.2 The history of luxury

Luxury origins as a visual result of the hereditary social stratification between kings, priests and the nobility, versus the gentry and commoners. It was mandatory for Aristocrats to show their inherited rank to the crowds, since vainglorious spending was a social obligation for the aristocrats, even the once worse off. Although, social distance was preserved through not allowing the rich Bourgeois to dress like aristocrats (Berry, 1994; Castar è de, 2008).

During the eighteenth-centre to the present-day western society was shaped through rational thoughts and enlightenment philosophy, which contributed to the disappearance of the founding myths that legitimated the previous social structure. This led to a materialistic and fluid society in which any kind of transcendent social stratification disappeared. Each person in the new democratic world has the chance to fulfil his or her dreams: one makes one's own destiny through work. It is to some extent possible to talk about 'classless societies' (Kapferer & Bastien, 2012).

Although, what has not disappeared is Man's need for social stratification, with other words, knowing his place in society (Frank, 1999; 2007). Still today luxury has the fundamental function of recreating social stratification. This implies that in a democratic society, everyone can recreate (to some extent) his or her strata in accordance with ones dreams (Kapferer & Bastien, 2012).

## 2.3 The luxury market

The luxury sector is growing fast and captures much corporate and media attention. This due to the luxury microeconomic sector growth since the mid 1990s, slowly extending its customer base beyond the happy few to the happy many, the so called middle class (Kapferer, 2014). For example, in Britain, consumer expenditure on luxury goods increased by 50% between 1994 and 2004, while non-luxuries only increased by 7% during the same period (Keane & McMillan, 2004). Furthermore, in France the luxury fashion sector alone is the fourth largest revenue generator (Okonkwo, 2007).

Bain & Company (2015), a consulting company, estimated the personal luxury goods market at a value over €250 billion in 2015. This was a big increase from 2009, the personal luxury goods market was then estimated at a value of €153 billion. Although the luxury market had previously reached its (at that point) peak in 2007 at €170 billion, but due to the financial crisis it dropped in 2009 (Kapferer & Bastien, 2012).

However, several investors believe that the luxury sector's prospects for growth are huge (Tabatoni & Kapferer, 2010). According to Kapferer (2014) they are right, the future is bright, particularly in the BRIC countries (Brazil, Russia, India, and China) and soon in the CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa). GDP growth is high in all these countries, a fine prospect because Bernstein Research financial analysts showed that luxury market growth is strictly correlated with GDP growth. GDP growth creates a middle class and fosters optimism (Kapferer, 2014). Consumers in the BRIC and CIVETS countries generally doesn't save for their retirement (unlike consumers in Europe), instead they spend

money on the newly available best products, especially those that confer status and serve as a symbol of their own self-achievement (Kapferer, 2014).

## 2.4 The history of luxury brands – a strategic choice

The importance of the history dimension among luxury brands was briefly introduced in part 1.1. History and heritage was even described as central in the success of luxury brands (Moore and Bristwistle, 2005; Fionda and Moore, 2009; Hudson, 2011). History is seen as important since it provides the brand with a non-commercial aspect, in terms of the possibility to create a myth around it (Kapferer & Bastien, 2012). Although, the brand must work actively with singling additional qualities about both objects and people. The history facet is also considered as essential in the discussion about the symbolic power of luxury brands (Karpik & Scott, 2010; Kapferer, 2014).

However, the bottom line in the discussion about the history facet of luxury brands is that: if a brand doesn't have a history, it has to invent one (Kapferer & Bastien, 2014). There are basically three types of history that a luxury brand could use in the creation of its history. This implies that the luxury brand has to make a strategic choice in terms of which type to adapt. Three practical cases will be presented in order to shed light on the different types' and how companies have adapted to them.

The first one is true history, which is authentic as long as it is capable of engendering a modern myth (Kapferer & Bastien, 2012). Using true history is also what Kapferer and Bastien (2012) call the 'European approach to luxury'. In order to illustrate the 'European approach to luxury' Coco Chanel will be used as an example. Gabrielle Chanel started her business in 1910, which later developed to the brand 'Coco Chanel'. Everybody knows that Gabrielle Chanel was born in 1883, and that the perfume No 5 was born in 1921, but nobody really knows when the Coco Chanel brand was born. Gabrielle Chanel died in 1971, but the brand Coco Chanel is still living. (Kapferer & Bastien, 2012). The 'European approach to luxury' continuously comes back to the spiritual legacy of its founder. In the case of Coco Chanel, Gabrielle Chanel



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provides the brand with a symbolic level of history. Today, the spiritual legacy of Gabrielle Chanel, is embodied by Karl Lagerfeldt, who fully respects the 'Chanel spirit' and its semiotic grammar in his creations for the couture house. It is also possible to see that Chanel, today, is leveraging on its history and continuously educating its customers. For example, the Chanel website allows us to visit Gabrielle Chanel's private apartment, asking the question: who was 'Mademoiselle Chanel'? (Kapferer & Bastien, 2012). This is a clear example of how the luxury brand can revive the memory of its founder in the 'European approach to luxury'. It should also be emphasised that the brand was given the opportunity to do so by the spiritual legacy of Gabrielle Chanel.

The second type of history is the creation of a new, contemporary legend (Kapferer, 1990). Kapferer and Bastien (2012) also call this use of history the 'American approach to luxury'. In order to illustrate the 'American approach to luxury' Shanghai Tang will be used as an example. Just to clarify, this approach doesn't only apply to American brands, and will be described more in detail in the theory chapter. Moreover, according to Shanghai Tang's website it's "China's first luxury brand. It's a great example of illustrating that the history does not always need to be that of the brand itself. Instead, it could be the history of its universe of expression. Shanghai Tang was founded in 1994 but takes its inspiration from the 1920s and 1930s, an era where the demimonde and unheard-of refinement mixed together. This is also possible to find on the brand's website, hence its ripped dresses and its colourful Qi Pao (Kapferer & Bastien, 2012).

Nevertheless, there is a middle-way compromising the use of history from the 'European approach to luxury' and the 'American approach to luxury'. This type of history implies re-appropriation of true historical elements in the service of a recent brand. A great example of this is the character of Dom Pérignon which was invented recently (1950s), but through its name has been able to borrow from and enrich a true, myth-building history. More specifically, the history of the monk Pierre Pérignon, who 1665 accidentally created an effervescent straw wine, which became the wine of the Court at Versailles, and was said to make women more beautiful (Kapferer & Bastien, 2012).

These three cases show how brands have used history in different ways in order to create a myth around it. Brand managers must take a stand whether to only use the brand's true history (as in the case of Coco Chanel), or to create a completely new history/legend (as in the case of Shanghai Tang), or the last way which is a compromise of the two mentioned ones (as in the case of Dom Pérignon). Nevertheless, as emphasised by Kapferer and Bastien (2012) a decision must be taken, since there can't be a luxury brand without roots.

## **3. Theory**

### **3.1 Brand management**

#### **3.1.1 Introduction**

The theory chapter of this thesis starts with theory on brand management, including the concepts of brand equity, brand image, brand concept, and storytelling. The brand management section also contains more specific theory about the intangible perspectives of luxury brands. Kapferer and Bastien (2012) stresses the importance of the brand, since it is the central unit of analysis when thinking of luxury. Therefore, it is also justified to state that theory regarding brands and brand management is relevant to luxury.

#### **3.1.2 Brand equity**

During the last decade branding has emerged as a top management priority, because of the growing realisation that brands are one of the most valuable intangible assets firms have (Keller & Lehmann, 2006). Due to this, brands are now recognised as part of a company's capital. Brand equity is the underlying concept that can be measured (Kapferer, 2012b).

In general, brand equity can be defined as 'marketing effects uniquely attributable to the brand', such as when certain outcomes result from marketing only due to the brand names that would not have occurred without the brand name (Keller, 1993). Keller and Lehmann (2006) define brand equity from the customers' perspective as a part of the attraction to - or distaste from - a particular product from a particular company, brought forward by the 'non-objective' part of the product offering. Initially a brand might be synonymous with the product itself, but over time it can develop a series of attachments and associations that exist beyond the objective product itself (Keller & Lehmann, 2006). Furthermore, Keller (1993, p. 8) states that "a brand is said to have positive (negative) customer-based brand equity if consumers react more (less) favourably to the product, price, promotion, or distribution of the brand than they do to the same marketing mix element, when it is attributed to a fictitiously named or unnamed version

of the product or service". Because of this, brand equity contains three important concepts: differential effect, brand knowledge, and consumer response to marketing (Kapferer, 2012b).

### **3.1.3 Brand image**

The use of brands to identify and differentiate products and services has favoured both providers and consumers for a long time. Several researchers state that the communication of a brand image to a target segment is an important activity (Gardner & Levy 1955; Grubb & Grathwohl 1967; Moran 1973; Reynolds & Gutman 1984; White 1959). In traditional marketing, a well communicated image should help to establish a brand's position and differentiating it from competition (Swann, 1964), as well as enhancing the brand's market performance (Shocker & Srinivasan, 1979). The positioning in traditional marketing is to some extent in contradiction to Kapferer and Bastien's (2012, p. 66) statement about luxury brands: "being unique is what counts, not any comparison with a competitor". Nonetheless, Kapferer and Bastien (2012) emphasises on the importance of the brand, since it the central unit of analysis when thinking of luxury. Moreover, with the help of imagery, consumers tend to associate certain brands with certain types of people, in certain user situations, and to identify with or disengage themselves from them (Castaño & Eugenia Perez, 2014). This is in line with Kapferer's (1992) conceptualisation of brands as the essence and meaning of products defining their identity.

### **3.1.4 The brand concept**

The potential impact of positioning and differentiation is built on the fundament of managing the image over time (Park et al., 1986). Furthermore, Gardner and Levy (1955) states that the long-term success of a brand depends on marketers' abilities to select a brand meaning prior to market entry, operationalise the meaning in the form of an image, and maintaining the image over time. Park et al., (1986) defines a brand concept as a firm-selected meaning derived from basic consumer needs (functional, symbolic, and experiential). A concept that is chosen before market entry sets boundaries on the scope of positioning strategies, and therefore influence the perceived image/position (Park et al., 1986).

If analysing luxury brands with the help of the three brand concepts presented Park et al. (1986), it is possible to see luxury brands from different perspectives. The two most relevant concepts for luxury brands are most likely the symbolic concept and the experiential concept (the functional concept is regarded as not being in line with the fundamentals of luxury). A brand with a symbolic concept is designed to associate the individual with a desired group, self-image, or role (Park et al., 1986). Furthermore, symbolic needs are defined as desires for products that fulfil internally generated needs for group membership, self-enhancement, role position, or ego-identification (Park et al., 1986). Moreover, a brand with an experiential concept is designed to fulfil internally generated needs for stimulation and/or variety. Experiential needs are defined as desires for products that provide sensory pleasure, cognitive stimulation, and/or variety (Park et al., 1986). Research on symbolic consumer behaviour (Levy, 1959; Martineau, 1958; Sirgy 1982; Solomon, 1983) underline the important relationship between symbolic needs and consumption. In addition, research on variety seeking (McAlister 1979, 1982; McAlister & Pessemier, 1982), consumer aesthetics, and experiential consumption (Hirschman & Holbrook, 1982; Holbrook et al., 1984) underline the importance of experiential needs in consumption.

As mention in part 2.2, luxury has the fundamental function of recreating social stratification, which goes well in line with the symbolic concept. Whereas the experiential concept of fulfilling the needs of stimulation and variety to some extent goes in line with the overall concept of luxury - rare, hedonic objects and experiences, providing pleasure - as presented in part 2.1.

Although, Kapferer and Bastien (2012) argues that the discourse about positioning is extraneous in the case of luxury. The only thing that counts in luxury is being unique, not any comparison with a competitor. Kapferer and Bastien (2012) states that luxury is an expression of taste, creative identity, and the intrinsic passion of a creator. Moreover, luxury makes the head-on statement 'this is what I am', not 'that depends' - which is what positioning implies. Identity is important for luxury brands, and gives a brand that particularly powerful feeling of uniqueness, timelessness, and necessary authenticity that helps giving an impression of performance. For example, Chanel has an identity, but not a positioning. A luxury brand's

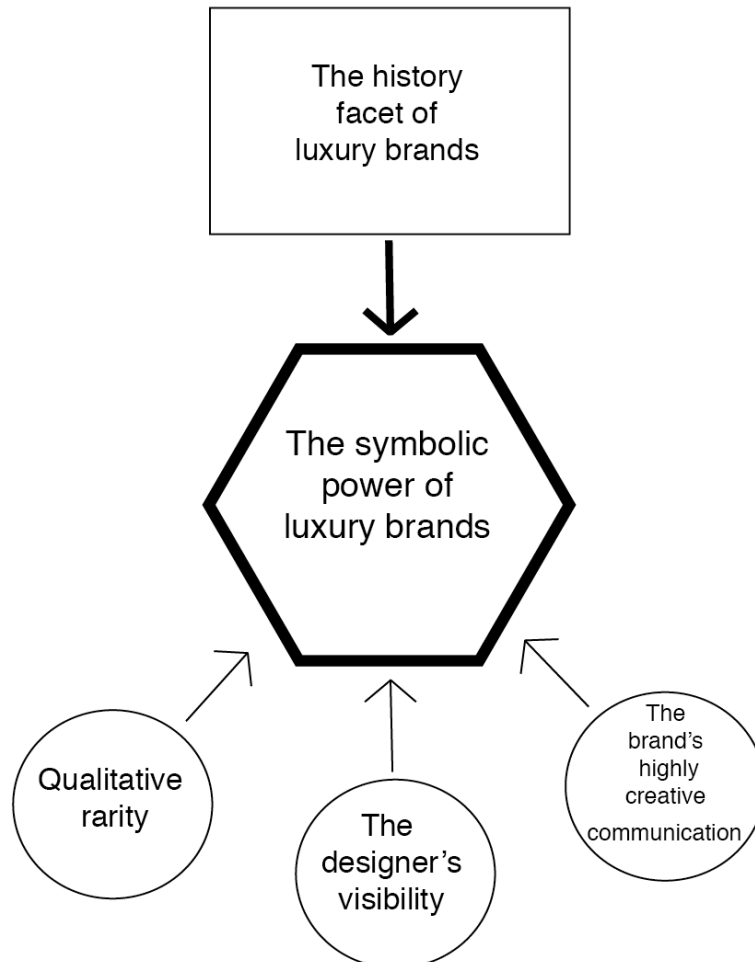
identity is not divisible, nor negotiable - it simply is. Luxury prefers to be faithful to an identity rather than always worrying about where it stands in relation to a competitor (Kapferer & Bastien, 2012).

### **3.1.5 The intangibles and symbolic power of luxury brands**

Unlike a premium strategy, the luxury difference is created by beliefs and not proofs. Proofs requires direct comparisons with competitors about the products, the tangible part of the brand, which would lead to the luxury brand stepping down from the pedestal to the same level as the premium brands' (Amaldoss & Jain, 2005). Consequently, luxury brands compete on their intangibles (Karpik & Scott, 2010) and a great part of the equity of luxury brands is intangible, and resides in its brand imagery (Keller, 2009). The basis of luxury brands' price is their undisputed symbolic authority, which is created through the education of consumers (Karpik & Scott, 2010). To do so, luxury brands must remind consumers of their legendary roots and mythical history that sets them apart (Kapferer, 2014). Therefore, it is possible to say that the history facet is essential for the creation and maintenance of luxury brands symbolic power.

Furthermore, according to Kapferer (2012) symbolic power is no longer fuelled by rarity, but by the theatrics of qualitative rarity. In the contrary to mainstream brands, which usually have a single logo (e.g. Nike's swoosh), luxury brands develop several symbols. For instance, Chanel has a magic number (that of Rue Cambon's first shop in Paris), the camellia flower, etc. Moreover, the designer's visibility as very singular and the brand's highly creative communication are also nurturing the symbolic power of the luxury brand (Kapferer, 2012). This is to some extent the explanation of the importance of fashion shows, those rituals of *défilés* held in capital cities, acting just like medieval horse houses once did to represent the bravest to the public. At each *défilés*, the luxury brands' designers agree to compete in front of the cameras of the world. In this way, their fame is maintained. This is also the case for Ferrari or Mercedes in the F1 circuits, within the automobile business. Based on this, mass-market names are being given to the racing teams instead of the automobile names, to not make F1 lose part of its mystique. No one hears about Mercedes anymore, but about the Red Bull team (Kapferer, 2012).

**Figure 1:** The creation and fuelling of luxury brands symbolic power (Based on Karpik & Scott, 2010; Kapferer 2012; 2014)



**Figure 1:** The model emphasises on the history facet as the fundamental part of luxury brands symbolic power. In the model, the symbolic power is also fuelled by qualitative rarity, the designer's visibility, and the brand's highly creative communication.

In the extreme case, presented by Holt (2004), the brands become iconic by combining all different types of associations (e.g. the history, the designer's visibility, the creative communication) into a myth, which is tapping into long-lasting consumer hopes and dreams. Kapferer and Bastien (2012, p. 148) asks the question "what do you say when you are not talking about products?" and then refers to the brand's communication. They emphasise that the luxury brand is an epic tale, carried by its stories.

### 3.1.6 Storytelling and narrative branding

A brand can position itself through telling a story or narrative, rather than outlining specific attributes and benefits (Grover, 2009). A story has a structure that keeps it together and engages the listener. Brand stories take after traditional fairy tales (Twitchell, 2004), and narratives, and answer questions like: who, what, why, where, when, how and with the help of what (Shankar et al., 2001). Stories have a beginning, middle and end, and events unfold in a chronological sequence, which, when causal, is referred to as a plot (Stern, 1994). Furthermore, stories often make a point that is valued, either positively or negatively by the audience, and include a message, a conflict, a role distribution, and action (Stern et al., 1998). Mossberg and Nissen Johansen (2006) emphasises that brand stories need to be credible and well executed to be successful. The audience should also be able to identify with its characters and the message should put the brand in a positive light (Mossberg & Nissen Johansen, 2006). In addition, each story should present only one single message (Fog et al., 2005), which is clearly focused, so that it can be summed up in only one or two sentences (Twitchell, 2004).

Moreover, Aaker and Singer (2011) presents several points that are important for storytelling to be successful. Firstly, the brand should tell a story that engage people on an emotional level. Secondly, they state that the brand should empathise with its audience, letting people engage with the brand in order to learn what is important to them and how it relates to the campaign/brand. Finally, the brand should emphasise authenticity, since true passion is contagious, and the more authenticity the brand conveys, them more easily people can connect with the brand (Aaker & Singer, 2011). Although, Mossberg and Nissen Johansen (2006) states that it does not need to be based on real events. In fact, people like made-up tales, as long as they can relate to the characters. Furthermore, it is usually enough that the relationship between the brand and the story appears authentic (Mossberg & Nissen Johansen, 2006). A story that is meant to entertain does not need to be true, although stories should never be perceived as delusive. Pretending that fiction is reality will at the end lead to loss of trust in the brand (Mossberg & Nissen Johansen, 2006). Whether fictional or real, stories give meaning to brands (Salzer-Mörling & Strannegård, 2004; Simmons, 2006). Stories can be thought of as frameworks in which brands can be embedded in (Kozinets et al., 2010), for example by coupling luxury brands with archetypal stories (Lundqvist et al., 2013).



Ringer and Thibodeau states that narrative branding is based on deep metaphors that connect to people's memories, associations, and stories. Furthermore, they identify five elements of narrative branding: (1) the brand story in terms of words and metaphors, (2) the consumer journey in terms of how consumers engage with the brand over time and touch points where they come into contact with it, (3) the visual language or expression for the brand, (4) the manner in which the narrative is expressed experientially in terms of how the brand engages the senses, and (5) the role/relationship the brand plays in the lives of consumers.

In addition, Chadha and Husband (2011) states that we live in storytelling societies. These days the stories are about people, just like us, who became celebrities and rich quite fast. Hence, proximity creates identification through many websites and blogs. These websites and blogs tell us how the people dress and what they eat, now when they are rich and famous.

## 3.2 Building luxury brands

### 3.2.1 Introduction

In part 1.1 the importance of the history facet within luxury brands was emphasised. It was also concluded that if a brand doesn't have a history, it has to invent one. The literature about how to build the history of a luxury brand is dominated by Kapferer and Bastien (2012), as well as Beverland (2004). In this section, the authors' models will be presented, but also some additional voices in the discourse about how to build luxury brands.

### 3.2.2 Building luxury brands according to Kapferer and Bastien

The building of a brand, is in fact the building of a unique and strong perception. In the case of luxury brands, it also have to be inspired and aspirational (Kapferer & Bastien, 2012). Furthermore, when examining luxury brand strategies, two main modes are revealed. Kapferer and Bastien (2012) refers to them as the 'European approach to luxury' and the 'American approach to luxury'. Basis for the classification of European versus American could most

likely be found in the following fact: the brand's temporal dimensions characterise European luxury more than US luxury (Kapferer & Bastien, 2012). Many Europeans, as well as many Chinese consider that, there is no authenticity without temporal compression. A brand that has a true history draws an absolute prestige from it, although this does not imply that it communicates only in an antiquated, traditional form. Nevertheless, most Americans and young people do not have the same relationship to time as Europeans and older people. For the former, authentic does not require vintage or historicity. For them, it is enough to tell stories, make them dream, and to give status through the people who testify to the brand's rank (Kapferer & Bastien, 2012). Telling stories and making people dream is in line with storytelling that was introduced in part 3.1.6

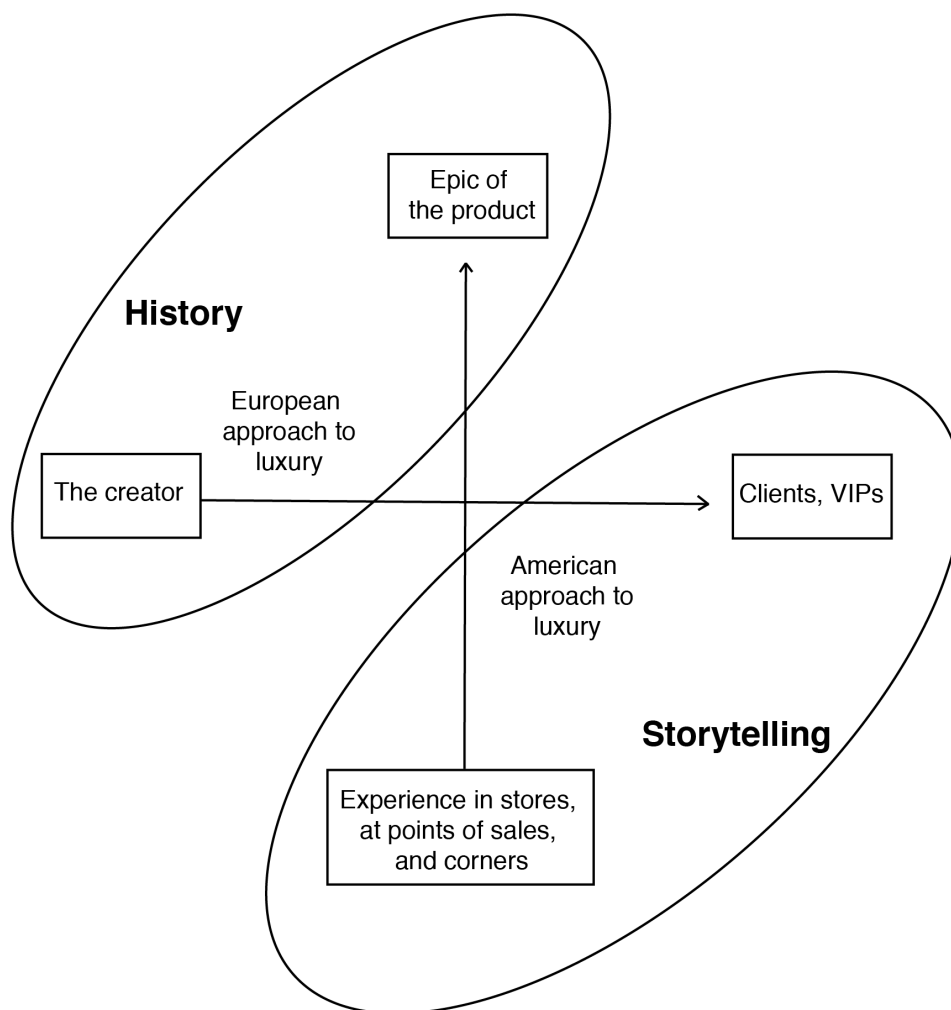
The first mode called the 'European approach to luxury', is based on product quality taken to the extreme, creation of value, and with the cult of the product and heritage. The whole mode is nurtured at a symbolic level by History with a capital H, which the model is a modern version of. The model comes back to the spiritual legacy of its founder, which is embodied by a new creator, who is also passing over its own personality, to finally reincarnate the original spirit of the brand (Kapferer & Bastien, 2012). Examples of this are Coco Chanel and René Lacoste, where the luxury brand tells a story, its own story (Kapferer & Bastien, 2012). Furthermore, the European brands that are born with history, draw great self-confidence from it, a great uniqueness and a cult of inherited values that translate into products that religiously respect these values (Kapferer & Bastien, 2012).

The second mode originates from America, and is named the 'American approach to luxury': when lacking a history of its own, it does not hesitate to invent one. For example, Mr Ralph Lifshitz created Ralph Lauren by taking on the traits and the character of Great Gatsby, a direct descendant of the ultra-chic Bostonian high society (Kapferer & Bastien, 2012). These 'new brands' emphasise the importance of the store in the creation of an atmosphere and a genuine impression, and in such a way making the brand's values obvious there. When entering any Ralph Lauren shop, the customer is struck by all the black-and-white photos outlining the US way of life in the 1950s. Although, Ralph Lifshitz was only a teenager at that time. The lifestyle, the characters, the cars, the houses and the pastimes the photos display, all symbolise

the mythology that creates the brand. Even though, this mythology is far removed from the original life of Ralph Lifschitz, but helps to change his own name (Kapferer & Bastien, 2012). This is a pure example of a brand adopting to the 'American approach to luxury' and at the same time fulfilling the elements stated in part 3.1.6 about storytelling.

The brands adopting to the 'American approach to luxury' have grasped the importance of the store in creating an atmosphere and a genuine impression, and the significance of making the brand's values apparent there (Kapferer & Bastien, 2012). In line with this, some authors states that a defining aspect of luxury fashion brand positioning is the delivering of luxury brand consumption experiences through branded flagship stores that reference the past in order to reinforce exclusivity and heritage (Moore and Birtwistle, 2005; Moore et al., 2010). An interesting finding in terms of consumers store experience, is that, consumers' satisfaction with a store type contributes more positively to shoppers' life satisfaction if the store type is congruent with the identity and lifestyle of the shopper than if it is not (Grzeskowiak et al., 2016). As mentioned, in this mode of a luxury, high brand priority is given to the experiential. Some further examples are the invention of Disney and Hollywood in the US - both producers of the imaginary (Kapferer & Bastien, 2012).

**Figure 2:** Two modes of building luxury brands according to Kapferer & Bastien (2012)



**Figure 2:** Those European brands that are born with history, draw useful self-confidence from it, a great uniqueness and a cult of inherited traits that translate into products that religiously respect these traits and values. Whereas the second mode originates from the US, when a brand is lacking a history of its own, it invents one. The core of the second mode is Storytelling as a communication tool (Kapferer & Bastien, 2012).

### 3.2.3 Building luxury according to Beverland

In his study of how to build luxury brand wines, Beverland (2004) stresses the importance of the history facet with luxury brands, as well as the different use of history in the building and communication of luxury brands. He found that old French and Portuguese firms used their ‘true history’ in marketing, such as a detailed description of when and how the house (wine house) was founded, the age of the house, and the back catalogues of products that they could

produce to the public. During the visits of several wine houses, the historical links became more and more obvious, for instance at firms in Burgundy having cellars going back to the fourteenth century, and Port houses using ports boats from the seventeenth-century to promote each house's flagship label. These wineries use of history is in line with the 'European approach to luxury' as presented by Kapferer and Bastien (2012).

In Australia and New Zealand, Beverland found that the use of history was different. This since there were quite a lot of young wineries here. In the case of young wineries, they all emphasised on their pioneering history, focusing on how they were the first to pioneer a regional style and/or varietal of wine. Furthermore, Beverland (2004) presents that the young wineries retained their links to their history via several ways, described as 'stories' and policies. The firms used stories of people, stories of the product, stories of associations and stories of events. In this way, together with supportive policies, it was possible to retain a link to the past, as well as inform the present culture. This use of history is in line with the 'American approach to luxury', storytelling, as presented by Kapferer and Bastien (2012). Once again, this use of stories is in line with the elements of storytelling that was presented in part 3.1.6.

### **3.2.4 Additional voices in the discourse of how to build luxury brands**

Keller (2009) states that luxury brands may have much history, heritage and experiences that long-time customers appreciate. Although, this may not be seen as so important to younger, prospective customers adopting to a more contemporary way of judging brands (Keller, 2009). This potential problem is described by Keller within the context of managing growth trade-offs with luxury brands, and more specific whether the brand should adopt to a *classic* or *contemporary image*. However, Urde et al. (2007) states that history and heritage can clarify and make the past relevant for contemporary contexts and purposes. With other words, using the history facet as a door-opener for future contemporary elaborations, to some extent linking past and present.

Furthermore, by emphasising on historical brand elements through language, storytelling, and symbols, it is possible to provide consumers with the stability and assurance of a romanticised past. Hence, heritage and history entails credibility, authenticity and legitimacy to consumers (Beverland, 2004; 2006; Leigh et al., 2006; Alexander, 2009). In line with this, Park (2014) states that key for new luxury brands is the creation of an identity, including personality, style and values.

## 3.3 Luxury consumers

### 3.3.1 Introduction

This section will focus on explaining the mechanisms around luxury, more or less from a consumer behaviour centred perspective. By doing this it is possible to get more depth in why consumers approach luxury as they do, or why they do not. The starting point is the theory of conspicuous consumption, then moving on to user profiles and self-congruity, after that a part clarifying the different types of luxury consumers, and finally a part describing how different consumers are signalling with luxury goods.

### 3.3.2 Conspicuous consumption

Veblen (1899) was the first to discuss luxury consumption patterns by the 'leisure class', which lead to the conclusion that consumers use luxury goods to signal status and wealth, when consumed conspicuously. Veblen identified two motives for the conspicuous consumption. The first is pecuniary emulation, which implies that consumers are aspiring to project the image that they belong to the classes above and within themselves. The second motivation is inequitable comparison, where consumers ambition is to distinguish themselves from those of classes below them (Veblen, 1899). This is also consistent with Leibenstein's (1950) research on the 'Veblen' effect, whereas demand for a good rise because its price is higher rather than lower. Clearly, the theory of conspicuously consumption ties luxury goods with the mere function of boastful display of wealth to indicate status (Mason, 1998). Although, status is today conveyed in more subtle and sophisticated ways (Canterbery, 1998), because of the shift from 'waste' to 'taste' (Shipman, 2004).

Furthermore, the theory of conspicuous consumption is related to social class, and is an attempt to compensate absences or a lack of esteem by devoting attention to consumption (Brooks, 1981). The importance for the owners of conspicuously consumed items lies in what the items tell others (O’cass & McEwen, 2004). Although, it is required that the items are visible for the message to be communicated. Research shows that uniqueness and conformity are playing roles in conspicuous consumption (Amaldoss & Jain, 2005). Ordabayeva and Chandon (2011) states that even in society with few distinctions between status levels, conspicuous consumption can prompt lower-status consumers to feel socially competitive.

Although, Rae (1905) states that conspicuous consumption behaviour is influenced by self-indulgence regardless of social and economic pressures. Instead the author claims that vanity and self-expression are perceived as the main motivations. In addition to this, Phau and Prendergast (1998) argues that self-indulgence is more apparent in collectivistic cultures, whereas vanity and self-expression is more evident in individualistic cultures.

A phenomenon called the ‘democratisation of luxury’ is to some extent changing the map for both luxury goods and conspicuous consumption. This started with the introduction of new luxury goods on the luxury market. Which according to Troung et al. (2008) differs from traditional luxury goods by being more affordable, more accessible, and by targeting new customers. These new consumers are ‘younger than clients of the old luxury used to be, they are far more numerous, they make their money far sooner, and they are far more flexible in financing and fickle in choice’ (Twitchell, 2002, p.272).

Moreover, while the rich and wealthy may consume luxury goods to claim status and membership to the upper class, the modest may consume the same goods to gain status but with an entirely conspicuous intention (Troung et al., 2008). O’cass and McEwen (2004) raises their voices that there are differences between the two terms ‘conspicuously consumption’ and ‘status consumption’. The authors states that the former relates to the desires of consumers to gain prestige by purchasing status laden products and brands of public or private display, while the later refers to the visual public display or overt usage of products. According to Troung et

al. (2008) the branding literature seems to intertwine status and conspicuousness into a single dimensional construct. While the consumer behaviour literature means that the two concepts are two different constructs (Troung et al., 2008). Troung et al. (2008) found in their own study that the two constructs often overlap, and that there often are occasions when they will be different in nature when measuring brand prestige.

### **3.3.3 Idealised users and self-congruity**

Keller (2009) states that 'user profiles' is an intangible category that can be linked to a brand. In his article the term 'user profile' refers to the type of person or organisation who uses the brand. The imagery could result in a profile or mental image held by customers of actual users or more aspirational, idealised users. Associations of a typical or idealised brand user could be based on either abstract psychographic factors or descriptive demographic factors. Psychographic factors could include attitude toward life, careers, possessions, social issues or political institutions. Demographic factors usually include gender, age, race, and income. Keller (2009) concludes that in the case of luxury brands, more idealised user images often come into play.

Kapferer and Bastien (2012) talks more about idealised users or 'idealised clients' as they name it, when describing the two facets related to the constructed recipient in the brand identity prism (Kapferer, 2012b). Through its communication, the brand does not describe its target, instead it offers a representation of idealised clients, among whom they may or may not belong. This does not necessarily imply that people are shown in the communication, rather that we think of them in the way that the brand expresses itself (Kapferer & Bastien, 2012).

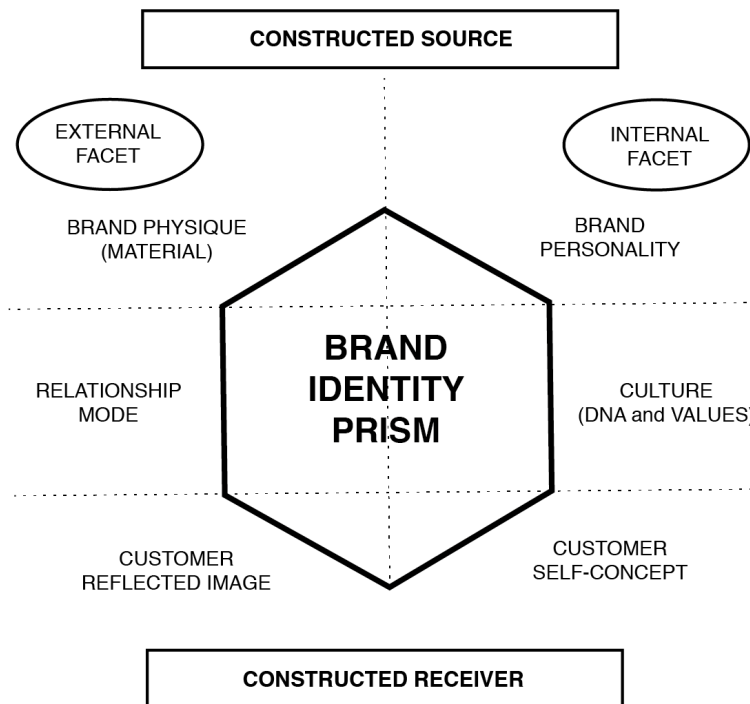
The first facet in the constructed receiver part of the brand identity prism (Kapferer, 2012b) is the 'customer reflected image'. This facet is based on that luxury brands creates value through building a reflection of self-offered to others. This is the reason for why everyone is able of describing a luxury brand through the image that they have of its clients (this is also called the 'external mirror' of the brand), even if we never see clients in luxury advertising. A great example of this is Porsche, the advertising never shows the driver (which is not the case with



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Volkswagen's premium brand, Audi). Kapferer and Bastien (2012, p.149) describes Porsches strategy as "Porsche wishes to leave the client to the imagination, to allow the establishment of a direct affective relationship between the client and the brand, and not to disrupt it with the interposition of a third person, however well known". A further example is the one of Chanel, who offers the reflection of an elegant woman, seductive, sophisticated, and yet who loves to attract attention (Kapferer & Bastien, 2012).

The second facet in the constructed receiver part of the brand identity prism (Kapferer, 2012b) is the 'customer self-concept' (the brand is a 'mentalization'). In this facet, it is more relevant to talk about the internal mirror, which may be different from the external mirror (the reflection). Kapferer and Bastien (2012, p. 149) ask the question "how do the typical clients construct themselves via the brand?". For instance, the mental picture created by the Black Centurion Card is to have reached, by your own efforts, a level where you don't have to deny yourself anything, and where you are in a position to access everything (Kapferer & Bastien, 2012). According to Kapferer and Bastien (2012) each luxury brand offers a self-concept to its followers, and it is not really a question of luxury in relation to others (the reflection), but a client's intimate relationship with luxury. The mentalization of Chanel would then be: 'I am exceptional because I wear Chanel, elegant, classic, and modern' (Kapferer & Bastien, 2012).

**Figure 3:** The Brand Identity Prism by Kapferer (2012b)

**Figure 3:** On one axis, the brand identity prism makes a distinction between the receiver and the sender. On the other axis, the level of internalisation or externalisation of activities can be found.

Aspirational and idealised user images is very common in the discussion about self-congruity (Sirgy, 1986) and self-concept (Sirgy, 1982). Self-congruity refers to the match between a perceived self-image outcome and a self-expectancy, where the information about the self is put into the cybernetic system, which is a comparator process where input signal is compared with reference value (Sirgy, 1986). Generally, self-evaluation involves a comparison between a perceived self-image outcome and a self-expectancy. More specifically, if the self-image outcome is better than expected, the outcome is said to have a self-enhancing effect. On the other hand, if the self-image outcome is worse than expected, the outcome has a self-debilitating effect (Sirgy, 1986). Therefore, if a consumer expects to adapt to the norms and standards of high society but finds that s/he has bought a car that has a working-class image, s/he may evaluate him/herself negatively for having purchased that car, because the self-image outcome of the purchase deviates from his/her upscale self-expectancy (Wright et al., 1992).

According to Sirgy (1982) consumers often choose and use brands with a brand personality that are consistent with their *actual self-concept* (how we view ourselves), but the match could also be based on the consumer's *ideal self-concept* (how we would like to view ourselves) or even on *others' self-concept* (how we think others see us). These effects may also be more remarkable for publicly consumed goods than for privately consumed goods (Graeff, 1997), which is to some extent related to the theory about conspicuous consumption presented in 3.3.2. On the contrary, consumers who are sensitive to how others see them, are more likely to choose brands whose personalities fit the consumption situation (Aaker, 1999).

Furthermore, Kressman et al. (2006) states that self-congruity plays a very important role in brand loyalty. Their study was first and foremost focussing on the automobile industry but could be relevant for other fields of business as well. Kressman et al. (2006) suggest that brand managers should identify the self-concept of their target consumers and build brand personality in order to match the self-concept of their consumers. Moreover, the authors suggest that the brand personality should be tailored to the actual or ideal self-concept of target consumers. In terms of retailing, Sirgy et al. (2000) states that retailers are more likely to succeed in attracting their target group of shoppers if they can position their stores in order to enhance the likelihood of self-congruity with target shoppers.

### **3.3.4 Four types of luxury clientele**

When going beyond sociodemographic and sociocultural variables it is possible to identify four concepts of luxury and which luxury consumers it appeals to. The analysis is based on responses from an international sample of young managers with high disposable income, asked about the characteristics that define luxury in their view. It is possible to discern the prototypes of each concept of luxury, and what luxury means to the interviewee, since each of them named the brand or brands most representative of luxury in their eyes (Kapferer, 1998; De Barnier et al., 2012):

The first type of luxury gives prominence to the beauty of the object and the excellence and uniqueness of the product, more so than all other types. The most representative brand of this

luxury is Rolls-Royce but the class also includes Cartier and Hermès. Finally, this category is a highly cultural bespoke luxury, with a cult of the object (Kapferer & Bastien, 2012).

The second vision of luxury aggrandise creativity, the sensuality of the products. The luxury prototypes of this is for example Jean-Paul Gaultier, Marc Jacobs, Issey Miyake. This clientele is fond of creativity audacity, although we are not talking about luxury brands now, rather fashion brands (Kapferer & Bastien, 2012).

The third concept of luxury values timelessness and international reputation more than any other aspects. Typical symbols for this category are Porsche, with its immutable design, Luis Vuitton and Dunhill. These brands could be seen as institutions of a safe choice, and as the certainty of not making a mistake. Clients buying these brands prefer well known references for a safe choice (Kapferer & Bastien, 2012).

The fourth type of luxury exalts the feeling of rarity attached to the possession and consumption of the brand. The typical prototype of the brand purchased by the select few is Chivas or Mercedes, which clearly signals that you have 'arrived'. The example of Mercedes clearly testifies to the brand's problems at particular times. Only a few years ago, the brand's only potential market was among those looking for luxury signalling status, not intimate and sensory pleasure. The importance relied within the badge that represented belonging to a wealthy class and reaping the benefits of this in terms of prestige, impression and attraction, even seduction. Purchasers of expensive and inaccessible cars like Mercedes S-, M- or E-Class models want to stand out, separate from those below (Kapferer & Bastien, 2012), which is in line with the concept of conspicuous consumption. This explains why they like what is excessive, to show of (Kapferer & Bastien, 2012). Although, Snyder and Fromkin's (1980) uniqueness theory is to some extent in contradiction to this. The authors' state that individuals try to maintain a moderate level of self-distinctiveness, since they perceive that extreme similarity or dissimilarity to the group is unpleasant. Furthermore, Snyder and Fromkin (1977) put forward that in similar situations, different individuals exhibit varying levels of need for uniqueness, which influences their purchase decision. However, the next part will in a deeper

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way describe how different luxury consumers use signalling and their preference for luxury goods.

### 3.3.5 Signalling status with luxury goods

Han et al. (2010) introduces the construct of ‘brand prominence’, a construct that reflects the conspicuousness of a brand’s mark or logo on a product. Han et al. (2010) purposes a taxonomy that assigns consumers to one of four groups in accordance to classify their wealth and needs for status, and they demonstrate how each group’s preference for conspicuously or inconspicuously branded luxury goods corresponds predictably with their desire to associate or dissociate with members of their own and other groups. The authors choose based on mnemonic reasons to label the four groups as the four Ps of luxury: patricians, parvenus, poseurs, and proletarians.

The first category ‘patricians’ are named after the elites in ancient Roman times. Patricians holds significant wealth and pay a premium for inconspicuously branded products that serve as a horizontal signal to other patricians. In the model of Han et al. (2010) the patricians are specially concerned with associating with other patricians rather than dissociating themselves from other classes of consumers. This is to some extent in line with the symbolic needs presented by Park et al. (1986). Patricians uses signals that only other patricians can interpret. This is a result of that patricians avoids being misconstrued as someone who uses luxury brands to differentiate themselves from the masses.

The second category is named ‘parvenus’ based on the Latin word *pervenio*, meaning ‘arrive’ or ‘reach’. Parvenues also holds significant wealth but not the connoisseurship necessary to interpret subtle signals, an element that is referred by Bourdieu (1984) as the ‘cultural capital’ typically associated with their station. An example of this stated by Han et al. (2010) is the comparison between a Louis Vuitton bag and a Hermès bag. To parvenus the distinctive ‘LV’ monogram on Louis Vuitton’s popular Daimier canvas pattern is synonymous with luxury because these markings make it transparent that the handbag is beyond the reach of those below them. Although, the parvenus are very unlikely to recognise the subtle details of a

Hermès bag or Vecheron Constantin watch or know their respective prices. Parvenues are wealthy, it is not that they cannot afford quieter goods, but they crave status. This status craving behaviour is in line with the concept of conspicuous consumption. Parvenues are first and foremost concerned with separating or dissociating themselves from the have-nots, but also to associate themselves with other haves, both patricians and other parvenus. This is in line with the symbolic needs presented in part 3.2.2 as desires for products that fulfil internally generated needs for group membership, self-enhancement, role position, or ego-identification (Park et al., 1986).

The third category of consumers is named ‘poseurs’, based on the French word for a ‘person who pretends to be what he or she is not’. Similar to the parvenues, the poseurs are highly motivated to consume for the sake of status, which is also in line with the fulfilment of symbolic needs presented by Park et al. (1986) in part 3.1.4. In contrast to the previously mentioned categories, the poseurs do not possess the financial means to readily afford authentic luxury goods. Still they want to associate themselves with those they observe and recognise as having the financial means (the parvenus) separate themselves from the other less wealthy people. Once again, this behaviour is in line with the symbolic needs presented by Park et al. (1986), and to some extent in line with the concept of conspicuous consumption. Moreover, the poseurs are prone to buy counterfeit luxury goods. Wee et al. (1995) states that if brand status is important to a person - as it is with poseurs - but it is unattainable, the person is likely to buy counterfeit products such as cheap substitutes instead of the originals.

The fourth class of consumers in the model presented by Han et al. (2010) is ‘proletarians’, which is a term that commonly is used to identify those from a lower social or economic class. Although, the authors use it more narrowly to distinguish less affluent consumers who are all less status conscious. In the study proletarians are not driven to consume for the sake of status and either cannot or will not concern themselves with singling by using status goods. Proletarians seek neither to associate with the upper class nor to separate themselves from others of similarly humble means.

## 3.4 Hypotheses

Based upon the previously mentioned theory, the following hypotheses have been formulated.

The history facet as a fundamental part of luxury brands symbolic power is emphasised in section 3.1.5, where Kapferer and Bastien (2012) even state that there can't be a luxury brand without roots. Also, in section 3.1.5 Kapferer (2012) describes how the symbolic power of luxury brands' is fuelled. Although, there is more to add in the discourse, especially from the perspective of the consumer. There is a literature gap in terms of how consumers are perceiving the symbolic power of luxury brands. Therefore, I address the following hypothesis:

**H1:** The two different approaches of building luxury brands are affecting consumers' perceived symbolic value differently

Grayson and Martinec (2004) states that consumers may be happy to 'play along' with a brand's claims for authenticity, but they do not like to feel duped. In addition, Kapferer and Bastien (2012) states that many Europeans, as well as many Chinese consider that there is no authenticity without temporal compression (which is central in the 'European approach to luxury'). Due to these statements the following hypothesis have been formulated:

**H2:** The European approach of building luxury brands is perceived as more authentic by consumers

As mentioned in section 3.3.2, conspicuous consumption is central in the discourse about luxury. Basically, the theory about conspicuous consumption ties luxury goods to the function of displaying wealth in order to indicate status. Although, the literature has not examined how the history facet of luxury brands are affecting consumers' preference for conspicuous

consumption. For instance, if the 'European approach to luxury' is more common in conspicuous consumption. Hence, the following hypothesis have been formulated:

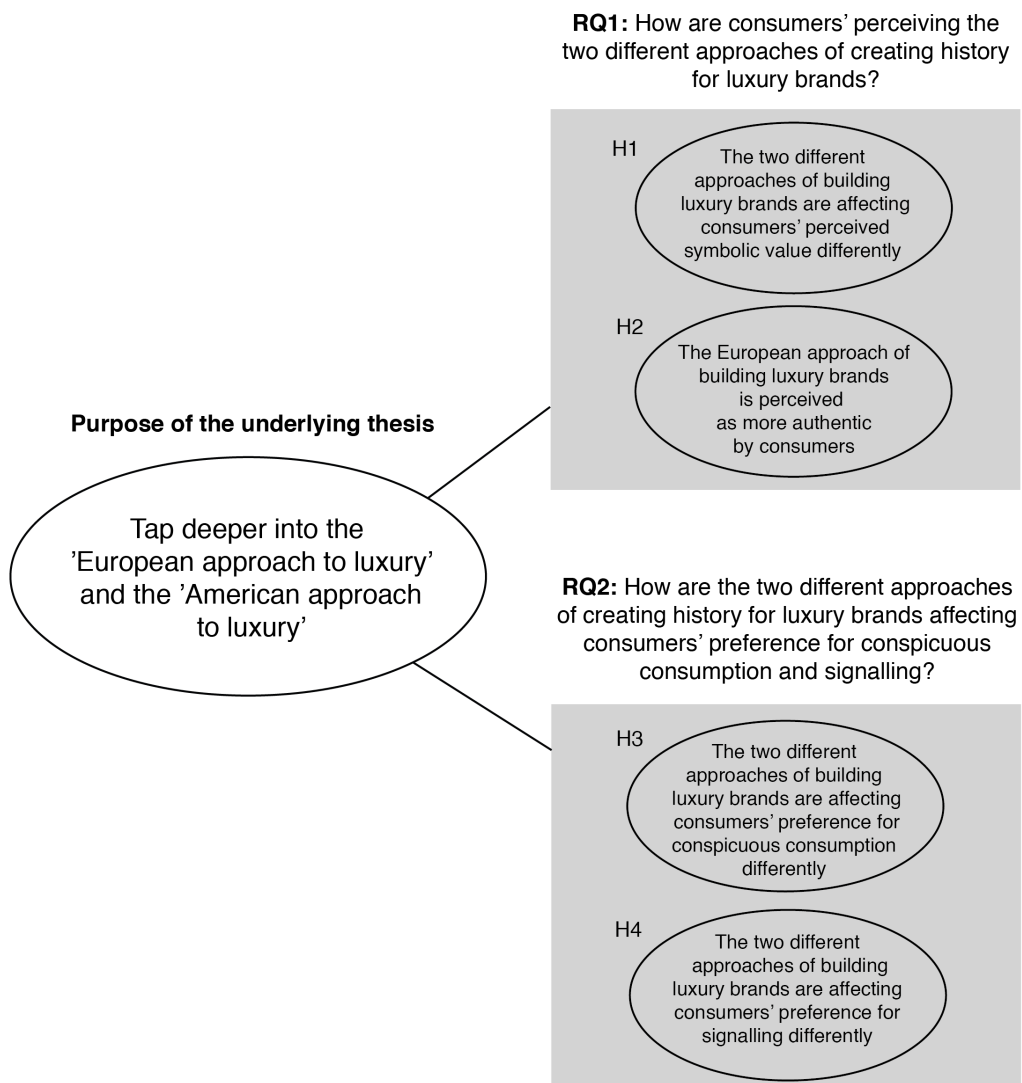
**H3:** The two different approaches of building luxury brands are affecting consumers' preference for conspicuous consumption differently

The taxonomy presented by Han et al. (2010) allow us to assign consumers to one of four groups in order to classify their wealth and needs for status. The constructs also demonstrate how each groups' preference for conspicuously or inconspicuously branded goods corresponds predictably with their desire to associate or dissociate with members of their own and other groups. The following hypothesis is formulated in order to tap deeper into consumers' preference for luxury goods, especially the history facet, and how they use it for signalling:

**H4:** The two different approaches of building luxury brands are affecting consumers' preference for signalling differently



**Figure 4:** Summary of the hypotheses for the underlying thesis



## 4. Method

The following chapter will explain the underlying method for this thesis. The theory for this chapter will be based on the research method books by McDaniel and Gates (2010) and Saunders et al. (2012).

### 4.1 Research design

The research design can be described as the general plan for how to answer the research questions. It usually contains what kind of information that will be collected, from whom and in what format (Saunders et al., 2012). According to Saunders et al. (2012) there are basically three different types of research design: quantitative, qualitative, or multiple methods.

A multiple method design (Saunders et al., 2012) was adopted for the underlying master thesis. Because, after the conducting of secondary research in form of a literature review, to get a clear overview of the underlying topic, a big literature-gap was found. Which led to the conclusion that there is no literature available about how consumers perceive the 'European approach to luxury' and the 'American approach to luxury'. Consequently, there was a need for primary research in order to answer the research questions. Moreover, at an initial starting point there was a need to gain more insights and understanding about the underlying topic, before it was possible to test the hypotheses. With multiple methods, it is possible to start with qualitative or quantitative research in order to test a theoretical proposition or propositions, then follow up with (more) quantitative research to develop a richer theoretical perspective (Saunders et al., 2012).

According to McDaniel and Gates (2010) qualitative research is the best way to understand the in-depth motivations and feelings of consumers. Therefore, a qualitative approach appeared as very reasonable in order to gain insights. Today, focus groups have become almost synonymous with qualitative research (McDaniel & Gates, 2010), which was also the approach that was chosen. Another option would have been to conduct in-depth-interviews.

However, there are several advantages of focus groups that appeared to be well serving for the underlying thesis. For instance, the group dynamic of focus groups can lead to findings that otherwise would not be obtained. It is also possible to get insights from several persons at the same time (McDaniel & Gates, 2010). Focus groups appeared to be the most efficient option when taking the time restrictions that are associated with a master thesis into account. Moreover, with qualitative research it is possible to improve the efficiency of quantitative research. As a result, it is becoming more common for marketing researchers to combine qualitative and quantitative research into a single study (McDaniel & Gates, 2010). In conclusion, the qualitative method - focus group - was necessary to conduct before moving on with the method of the underlying thesis.

Furthermore, the focus group consisted of 8 participants, in order to give every participant enough time to talk. McDaniels and Gates (2010) states that a typical focus group contains 8 participants. The basic goal of conducting a focus group is to understand what people have to say and why. As briefly mentioned one of the advantages of focus groups is the group dynamic. The idea is that a response from one person will become a stimulus for another person, thereby generate an interplay of responses that will yield more information than if the same number of people had contributed independently (McDaniel & Gates, 2010).

The first part of the chosen method classified as an exploratory study, which is a valuable mean in order to ask open questions to discover what is happening and gain insights about a topic of interest. It also seeks new insights and answers questions in a new light (Saunders et al., 2012). According to McDaniel and Gates (2010) an exploratory study can be a tool for obtaining greater understanding of a concept or to help crystallise the definition of a problem as well as identifying important variables to be studied.

As proposed by Saunders et al. (2012) a quantitative design is suitable for developing a richer theoretical perspective, after firstly conducting qualitative research. With quantitative data, it is possible to get precise and useful data from a large number of respondents (Saunders et al., 2012). As mentioned a multiple method design was adopted, which implies that the second

part of the method consisted of a quantitative research design. Furthermore, there are several different quantitative methods available for the purpose of collecting data, such as traditional survey research, observation research, experimentation and test markets. Since the hypotheses of the underlying thesis is formulated in a way that intends to explain the relationship between two variables, experimentation appeared to be suitable. Experimental research is often referred to as causal research, because it is the only type of research that has the potential to demonstrate that a change in one variable *causes* some predictable change in another variable (McDaniel & Gates, 2010). Causal research classifies as an explanatory study since it establishes causal relationships between two variables and gives a clear overview about those relationships (Saunders et al., 2012).

Moreover, for the causal research a survey strategy was adopted. Several factors were needed to take into consideration when deciding which survey to use, such as sampling precision, budget, quality of data, requirements for respondents' reactions, structure of the survey, and time available to complete the survey. McDaniel and Gates (2010) presents different types of surveys: door-to-door interviews, executive interviews, mall-intercept interviews, telephone interviews, self-administrated questionnaires, ad hoc mail surveys, and mail panels.

Main factors influencing the choice of survey was a low budget, respondents lack of time to complete the survey, the possibility to show, explain and probe, and the availability to control the test environment. This resulted in a modification of a self-administrated questionnaire, more specifically a paper-based drop-off survey at the Norwegian School of Economics. According to McDaniel & Gates (2010) a self-administrated questionnaire implies that the respondents are given general information on how to fill out the questionnaire and are expected to fill it out on their own. However, at the Norwegian School of Economics the author had the possibility to show and explain general points of the survey. Additionally, McDaniel & Gates (2010) states that people tends to give more honest answers in self-administrated questionnaires' than they would to a human interviewer.

The survey was conducted at the Norwegian School of Economics, since, the author had easy accessibility to the school. Students in the school cantina got to answer the survey, and were randomly divided into two equally big groups. Whereas one group had to answer a survey with the 'European approach to luxury' as independent variable and the other group had to answer a survey with the 'American approach to luxury' as an independent variable. The two different approaches of building the history facet of luxury brands was used as independent variables in order to observe the effect on the dependent variable (altered). However, the idea behind having two homogenous groups was to be able to make generalizable conclusions.

As emphasised throughout the whole section, a multiple method design was adopted. Which implied a two-step method. First the exploratory study had to be conducted, before moving on to the explanatory study. Therefore, the rest of this chapter is divided based on the two steps.

## 4.2 Exploratory study – the focus group

### 4.2.1 Conducting the focus group

The focus group was hosted on the 17th of October 2016. Furthermore, there are two very important keys in order to obtain a successful focus group: qualified respondents and a good focus group moderator (McDaniel & Gates, 2010).

As mentioned in section 4.1 the group consisted of 8 participants. Because, every participant should be given the possibility to talk extensively. If having a focus group with 10 participants, everyone will not get the possibility to talk more than a few minutes, due to the fact that a focus group commonly lasts for one and a half hour and a part of that is dedicated to introduction and explanation of procedures. On the other hand, there is a need for 'many' participants in order to generate stimuli and responses (McDaniel & Gates, 2010). However, the participants were recruited at the Norwegian School of Economics due to the authors accessibility there. A very basic screening was also conducted among the potential participants in order to avoid 'professional' respondents (Appendix 1). There is a risk that professional

respondents not are representative of many, if any, target markets. Since, they can be driven by motives such as loneliness or the need for money (McDaniel & Gates, 2010). Although, for the underlying thesis, the respondents participated for free.

According to McDaniel and Gates (2010) a focus group moderator needs two sets of skills. Firstly, the moderator needs to be able to conduct a focus group properly. Secondly, the moderator must have good business skills in order to effectively interact with the client. The author for the underlying thesis, took on the role as moderator for the focus group. This appeared to be a convenient option since the author have conducted several focus groups previously as well as having deep knowledge within the field of business and the topic for the underlying thesis.

A discussion guide was prepared before the focus group was conducted, which is a written outline of the topics that were intended to be covered during the session. This is a supporting tool for the moderator, because regardless of how well trained and personable the moderator is, a successful focus group requires a well-planned discussion guide (McDaniel & Gates, 2010). The discussion guide was generated by the author of the underlying thesis based on the research objectives (Appendix 2). Furthermore, McDaniel and Gates (2010) states that the discussion guide serves as a checklist to ensure that all salient topics are covered and in the proper sequence. The discussion guide started with a basic introduction of the setting, the rules and the topic. Then, moving on to general attitudes about luxury as a broad term. This was outlined in order to talk about a broad and not to personal topic in the beginning of the focus group. Then, followed by the participants' perception of luxury brands, which is a more specific and relevant topic for the underlying thesis. This part included an example of Coco Chanel and Ralph Lauren in order to guide the discussion in the right direction. Finally, the last topic of the discussion guide was the consumption of luxury goods. This is a far more personal and sensitive topic, therefore is was chosen to be at the very end of the focus group. Participants usually feel more comfortable about the setting and the topic then. For instance, questions for this part of the focus group covered whether the participants purchase luxury goods and why, as well as the use of luxury goods. The discussion guide ended with a short

summary and concluding remarks, where it was possible for the participants to add or change their opinions.

Moreover, the focus group was held at a group room at the Norwegian School of Economics, due to the authors accessibility of the facilities. Usually focus groups are held in a focus group facility and the setting is often a conference room (McDaniel & Gates, 2010).

#### **4.2.2 Insights gained by the focus group**

There were several interesting insights gained during the focus group. Firstly, everybody in the focus group agreed that consumers' preference for different types of luxury brands and signalling depends on the environment-, social and cultural setting. Furthermore, the participants in the focus group identified different motives for buying and using luxury goods. No one of the participant introduced the heritage dimension of luxury brands on their own, therefore the moderator described the example of Coco Chanel and Ralph Lauren. The respondents' reactions to the example was to some extent varied, although there was a consensus that Coco Chanel is more of 'the real deal' while Ralph Lauren is more of a marketing scheme.

The moderator introduced another example to the participants, the one about Louis Vuitton and Dom Pérignon. Once again, the participants were not very familiar with the real heritage of the brands. Nevertheless, several participants stated that trust and credibility is important, and that they felt betrayed by Dom Pérignon. To sum up, the majority of the respondents were initially not aware of the difference between luxury brands, in terms of history and heritage. Although, when examples of the 'European approach to luxury' and the 'American approach to luxury' were introduced, the respondents implicitly stated that Coco Chanel is more trustworthy than Ralph Lauren. Obviously, there is a need for digging deeper into this area.

## 4.3 Explanatory study – the causal research

### 4.3.1 How the insights from the focus group influenced the causal research

Before conducting the second step of the multi method design, causal research, the insight gained from the focus group were taken into account. As argument in section 4.1 there are several advantages of this design. Furthermore, the results from the focus group shows that there is a need for tapping deeper into the minds of consumers about the history and heritage dimension of luxury brands. Although, taking into account that the respondents initially did not have much knowledge about the history and heritage dimension. One way of doing this could be through the use of stimuli before the respondents answer the questions, telling them a story about either the 'European approach to luxury' or the 'American approach to luxury'. Furthermore, since trust was a central theme during the discussion in the focus group, questions regarding trustworthiness were included in the causal research.

### 4.3.2 The research process

The data was collected via a paper-based drop-off survey at the Norwegian School of Economics on the 3rd of November 2016.

Two surveys were created, since the idea was to test the 'European approach to luxury' as independent variable in one group and the 'American approach to luxury' as an independent variable in another group. The surveys consisted of 23 questions. To guarantee correct and valid results the surveys were pre-tested on the 1st of November, before the actual data collection, which made it possible to correct some problems and misinterpretations. The pre-test was conducted among 6+6 respondents. For the pre-test, Louis Vuitton was used for the 'European approach to luxury'- survey, and Ralph Lauren was used for the 'American approach to luxury' -survey. After conducting the pre-test and talking with the participants of it, it was possible to note that people already had very strong opinions about Ralph Lauren, which implied that the stimuli in the beginning of the survey not was of any use. Therefore, Ralph Lauren was replaced with Shanghai Tang, to overcome the problem. Two questions



were also misinterpreted which lead to them being replaced. According to McDaniel and Gates (2010) every survey should be pretested before conducting. In line with McDaniel and Gates (2010), the surveys were pretested in the same mode as the final survey.

The surveys began with an introduction about the topic and the author, giving the respondents the possibility to learn about the purpose of the study. Starting with some basic demographic questions, but before the survey moved on with the questions related to the underlying topic a question regarding the respondents attitude was asked. The same question was also asked at the end of the survey, in order to see if the respondents attitude had changed throughout the survey. After that a story of the brand was presented in order affect the respondent, in terms of a stimuli. Then questions inspired by Napoli et al. (2014), Morhart et al. (2015), and Wiedmann et al. (2011) regarding authenticity were asked. Moving on to questions regarding luxury brands symbolic value, which was inspired by Zhou and Hiu (2003) as well as Kapferer (2012). After that questions regarding trustworthiness were asked, which was inspired by Büttner and Göritz (2008). The third theme of questions were related to conspicuous consumption and signalling preferences. As stated the last question was related to the respondents' attitude towards the brand.

Furthermore, in order to get the most precise answers and to keep the respondents interested throughout the process, the surveys consisted of different types of questions (Saunders et al., 2012). The questions types used were dichotomous (yes/no), multiple choice and likert scales (level agreement). Zhou and Hiu (2003), Napoli et al. (2014), as well as Büttner and Göritz (2008) have previously used likert scales in order to successfully measure symbolic value, authenticity and trustworthiness. In addition, to make the surveys as accurate as possible and to avoid misinterpretations, the questions were easy to read (choice of grammar), short and precise as well as only containing one subject for each question. However, open-ended questions were not used, due to problems related to coding open-ended questions (McDaniel & Gates, 2010).

### **4.3.3 Data collection**

As mentioned a paper-based drop-off survey at the Norwegian School of Economics was used for the data collection. The surveys were conducted in the school cantina consisting of 74 students with mixed gender. This implies that a non-probability sampling was used. Furthermore, for a non-probability sample, the probability of selecting from the total population is not known and it is impossible to answer research questions or to address objectives that requires statistical inferences about the characteristics of the population (Saunders et al., 2012). Naturally, a probability sample is the opposite, and was not possible to conduct based on money and time restrictions that are associated with a master thesis.

Moreover, the paper-based drop-off survey conducted in the cantina is in line with homogeneous sampling. According to Saunders et al. (2012) homogeneous sampling is focusing on one particular subgroup in which all the sample members are similar, such as a particular occupation or level in an organisation's hierarchy. Furthermore, one survey with Shanghai Tang was handed out to every second person in the cantina, whereas the other persons got to answer the survey about Louis Vuitton. Since homogeneous sampling was used it was possible to make generalizable conclusions.

### **4.3.4 Data analysis**

The program SPSS was used for the data analysis, which is a data analysis tool provided by IBM. With the use of SPSS, it was possible to get an accurate view of the results and a big variety of different types of analyses.

Usually coding of a survey needs to be done before it is possible to analyse the data. However, experiments show that a large number of errors are introduced when questionnaire data are transmitted manually to coding sheets (McDaniel & Gates, 2010). According to McDaniel and Gates (2010) it is much more accurate and efficient to go directly from the questionnaire to the data entry device (SPSS). Therefore, coding was not adopted for the surveys.

Throughout the process of planning and executing the data collection, the data reliability and validity was continuously evaluated. This was adopted in order to reduce the likelihood of incorrect information (Saunders et al., 2012).

In order to answer the hypotheses, Independent Sample T-test were used to determine whether two sample means, in this case the 'European approach to luxury' and the 'American approach to luxury', are significantly different. SPSS was also used to get an overview of the descriptive statistics from the surveys.

#### *4.3.4.1 Reliability*

Reliability refers to the robustness of the questionnaire, particular, whether or not it will produce consistent findings at different times and under different conditions, for instance with different samples (Saunders et al., 2012). McDaniel and Gates (2010) describe reliability as the degree to which measures are free from random error and, therefore, provide consistent data. Furthermore, Mitchell (1996) presents three different approaches to assessing reliability. First, to test and re-test by correlating data collected with those from the same questionnaire collected under as near equivalent conditions as possible. Which implies that the questionnaire needs to be delivered and completed twice by respondents. Second, internal consistency involves correlating the responses to questions in the questionnaire with each other, this is commonly done with Cronbach's alpha. Finally, there is an approached that is outlined by Mitchell (1996) as a 'alternative form'. This implies that the same question is implemented twice, commonly referred to as a 'check question' in longer questionnaires. With this approach, it is possible to test whether respondents answer to the same question with the same answer as before. Moreover, due to longer and more complicated processes related to the two first options, the last option was adopted for the underlying thesis. The 'alternative form' appeared to be a manageable option for the underlying thesis. Respondents had to rate the statement "I believe people use this brand to show status" twice within the questionnaire. Additionally, scales that are well established, had been tested before, and considered as reliable, were used in order to guarantee a more scientific research.

#### 4.3.4.2 *Validity*

Validity indicates whether the research is valid and to which extent data collection methods accurately measure what they were intended to. Internal validity refers to the ability of the survey to measure that is intended, and whether it actually represents the reality of what it is measuring. Furthermore, there are several ways to assure this. For example, through making the questions as simple and easy as possible to understand, avoiding grammatically complex structures, and to avoid more than one subject within one question (Saunders et al., 2012). As mentioned in section 4.3.2 the surveys were pre-tested in order to find potential misinterpretations and problems.

During the whole research process, theory have been taken into account. Every step within the research process was considered and thought carefully. Therefore, the research is expected to measure the intended objective as well as being considered as internally valid.

External validity refers to the extent to which the causal relationships measured in an experiment can be generalised to outside persons, setting, and times (Lynch, 1982). The question is how representative subjects and the setting used in the experiment are of other populations and settings to which the research would like to project the results (McDaniel & Gates, 2010). Moreover, for the underlying thesis, mainly Norwegian university students were the respondents. Therefore, the results can be only generalised to this population. Unfortunately, the external validity is not given for the entire population under consideration, which is consumers in general. In order to provide such a wide population and generalizable results, further research will have to be conducted.

## 5. Results

In the subsequent chapter, the main results from the exploratory and the explanatory study will be presented. Firstly, the main results from the exploratory study will be presented, in the same order as the hypotheses were presented in part 3.4. Then, some descriptive statistics from the explanatory study will be presented, in a slightly different order than the hypotheses. Since trust was a central theme of discussion during the focus group, questions regarding trustworthiness were included in the surveys. The questions covering conspicuous consumption and signalling was grouped in the surveys due to their overlapping nature, and will therefore be presented in one section. At the end of the chapter the hypotheses will be tested for the explanatory study. Regarding the results for the exploratory study, the hypotheses will be commented throughout that part.

### 5.1 Results from the exploratory study – focus group

The focus group consisted of 8 respondents, all students at the Norwegian School of Economics, Bergen, Norway. The nationalities and ages varied between the respondents, and an overview of this can be found in Appendix 5.

#### 5.1.1 Consumers' perception of luxury brands symbolic value

The respondents in the focus group presented several different motives for buying and using luxury goods. These mainly focused around rarity, exclusivity, quality, and the link to reputation and trust. Although, they did not specifically touch upon differences between the 'European approach to luxury' and the 'American approach to luxury', in terms of symbolic value. Nevertheless, one respondent stated that the heritage of luxury brands makes the brand unique. Below, relevant quotes will follow.

*When you buy luxury brands you buy something that others don't have.*

- Man, 25 years, Norway

*I think you buy a luxury brand because of the quality. You think it will last for a longer time. It might not be true, but you still believe so.*

- Woman, 22 years, Norway

*I would buy a luxury brand in order to treat myself.*

- Women, 24 years, Germany

*The reputation of the maker is important for luxury brands, that's why you buy it. You know that they make products with good quality. Therefore, you trust it.*

- Man, 25 years, Norway

*I solely buy luxury brands because of its high quality and in some cases for its age-less design.*

- Women, 28 years, Finland

*For me the heritage of luxury brands is the thing that makes the brand unique.*

- Women, 26 years, Germany

### **5.1.2 Consumers' perception of authenticity**

As introduced in part 4.2.2 the moderator for the focus group introduced two examples of the 'European approach to luxury' and the 'American approach to luxury' to the respondents. Firstly, Coco Chanel and Ralph Lauren, and then Louis Vuitton and Dom Pérignon. This since the conversation naturally did not touch upon the history and heritage dimension of luxury brands. Furthermore, the respondents' reactions to the examples varied. Generally, there was a consensus that the examples of the 'European approach to luxury' were more authentic and trustworthy than the examples of the 'American approach to luxury'. The most relevant quotes are presented below.

---

*I think Coco Chanel is way more luxury than Ralph Lauren, and one contributing factor to this is its heritage.*

- Man, 25 years, Norway

*Now when I heard the story of Dom Pérignon I feel a bit betrayed, since it is not the 'real thing'. I think trust and credibility is important.*

- Man, 21, The Netherlands

*I didn't know the story, but now when I've heard it, it reduces the trust I had for Ralph Lauren. For instance it makes me trust the quality less, and it feels like a marketing scheme. Whereas Coco Chanel feels like an established producer.*

- Woman, 22 years, Norway

*Heritage provides the luxury brand with a certain image and character.*

- Man, 25 years, Norway

These results indicate that there are differences in terms of consumers' perception of authenticity between the 'European approach to luxury' and the 'American approach to luxury'.

### **5.1.3 Consumers' preference for conspicuous consumption**

The respondents also discussed conspicuous consumption as a motive for buying luxury brands. The discussion focused on the fact that luxury brands are connected to status and that consumers buy luxury brands in order to display status. Although, the respondents did not implicitly discuss differences between the 'European approach to luxury' and the 'American approach to luxury', in terms of conspicuous consumption.

*Luxury brands are strongly connected to status. However, the status aspect of luxury brands are different for different generations.*

- Women, 26 years, Germany

*I think you don't buy them (luxury brands) just for yourself, you also buy them because they make you feel special and you want people to see that you have it. You don't buy a luxury brand without displaying it.*

- Women, 24 years, Germany

#### **5.1.4 Consumers' preference for signalling with luxury goods**

As briefly introduced in part 4.2.2 regarding insights gained by the focus group, there was a consensus among the respondents that consumers' preference for different types of luxury brands and signalling depends on the environment-, social and cultural setting. Some quotes from the focus group illustrates this perception.

*The status connected to luxury depends on the cultural setting.*

- Man, 25 years, Norway

*People buy luxury brands in order to signal your position or where you want to position yourself in society, among friends, or in school.*

- Woman, 28 years, Finland

*Your preference for luxury brands is strongly affected by the environment you are in.*

- Woman, 24 years, Norway

Although, these results do not specifically shed light on the 'European approach to luxury' and the 'American approach to luxury' in terms of how they affect consumers' preference for luxury goods.

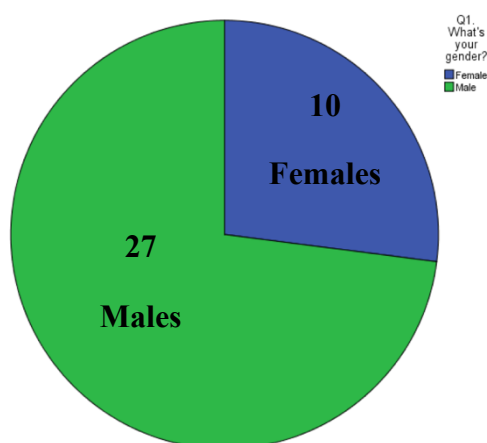


## 5.2 Results from the explanatory study – causal research

The explanatory study consists of samples from 74 respondents in total. As mentioned, the results will be presented in a slightly different order than the hypotheses in part 3.4. Since trust was a central theme of discussion during the focus group, questions regarding trustworthiness were included in the surveys. The questions covering conspicuous consumption and signalling was grouped in the surveys due to their overlapping nature, and will therefore be presented in one section.

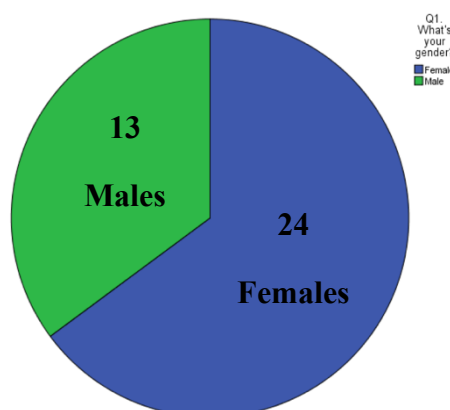
### 5.2.1 Demographics

**Figure 5:** Gender distribution for the survey covering Shanghai Tang



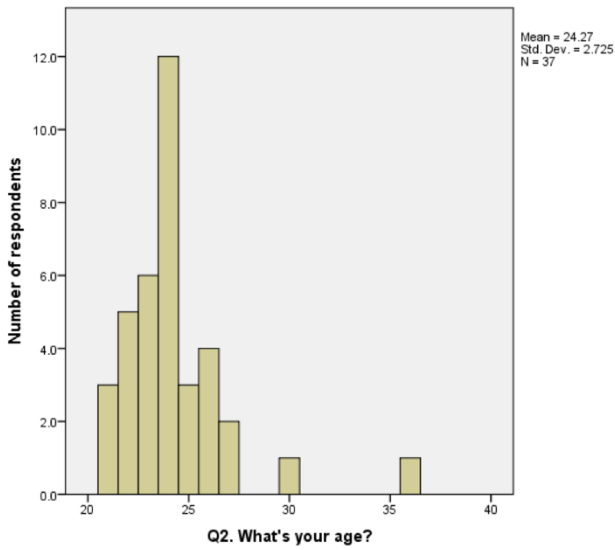
As clearly illustrated there was a majority of male respondents in the survey covering Shanghai Tang and the 'American approach to luxury'. In the sample 72.97% were males, whereas only 27.03% were females.

**Figure 6:** Gender distribution for the survey covering Louis Vuitton

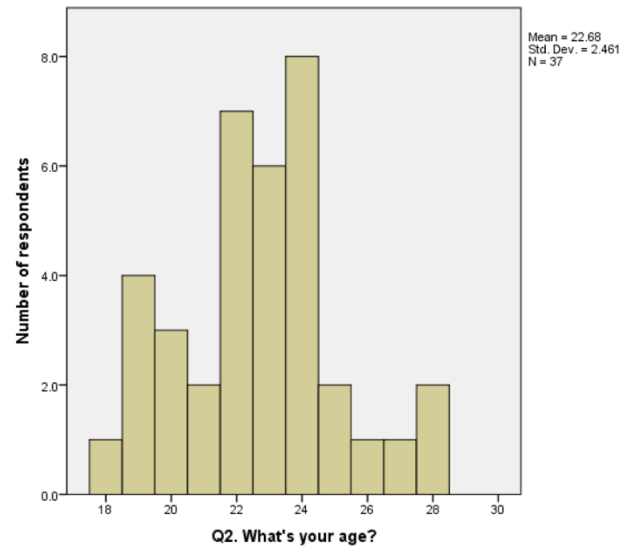


For the survey covering Louis Vuitton and the 'European approach to luxury' there was a slightly higher percentage of female respondents than male respondents in the sample. More specifically, 64.86% were females, whereas 35.14% were males.

**Figure 7:** Age distribution for the survey covering Shanghai Tang



**Figure 8:** Age distribution for the survey covering Louis Vuitton



As illustrated in both figure 7 and 8, the majority of the total sample are in the age between 20-25. Furthermore, there are high values in terms of skewness and kurtosis for the age of the respondents in the survey covering Shanghai Tang. These values are useful when investigating the robustness of the standard normal theory procedures (Mardia, 1970). Skewness has a value of 2.451 and kurtosis a value of 9.025 (Appendix 6). These values are not within the  $[-2,2]$  interval, which is not in favour for the robustness of normal distribution of the answers. However, these are natural results due to the relatively small sample size (Joanes & Gill, 1998).

## 5.2.2 Consumers' perception of luxury brands symbolic value

The following table will present those questions that are related to luxury brands symbolic value. The sample from both surveys are included in the table.

**Table 1:** Overview of questions testing consumers' perception of luxury brands symbolic value

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Q10. I associate this brand (Shanghai Tang) with the concept of luxury	37	1	5	3.05	1.177
Q10. I associate this brand (Louis Vuitton) with the concept of luxury	37	1	5	1.62	.924
Q11. I have a positive opinion of this brands (Shanghai Tang) popularity	37	1	5	2.92	.924
Q11. I have a positive opinion of this brands (Louis Vuitton) popularity	37	1	5	2.89	1.173
Q12. I associate this brand (Shanghai Tang) with novelty	37	2	5	3.00	.850
Q12. I associate this brand (Louis Vuitton) with novelty	37	1	5	3.46	1.169
Q13. I associate this brand (Shanghai Tang) with quality	37	2	5	2.73	.962
Q13. I associate this brand (Louis Vuitton) with quality	37	1	4	2.49	.961
Valid N (listwise)	37				

**Table 1:** For the questions presented in Table 1 a likert scale was used, where 1=strongly agree, and 5=strongly disagree.

Generally, the mean values are quite similar for both the 'European approach to luxury' and the 'American approach to luxury' regarding consumers' perception of luxury brands symbolic value. Although, it is possible to see a difference in the mean values in question 10

(I associate this brand with the concept of luxury), where the 'American approach to luxury' gets 3.05 in mean value, and 'European approach to luxury' gets 1.62. A value close to 3 is equal to neutral, and a value between 1 and 2, is equal to strongly agree or agree. Furthermore, the skewness and kurtosis values for almost all the presented questions in table 1 are within the interval of  $[-2,2]$ , strengthening the robustness of the normal distribution of the answers. For question 10 (I associate this brand with the concept of luxury) in the survey covering Louis Vuitton the kurtosis value is 4.533 (Appendix 7).

### 5.2.3 Consumers' perception of authenticity

The following table will present those questions that are related to consumers' perception of authenticity. The sample from both surveys are included in the table.

**Table 2:** Overview of questions testing consumers' perception of authenticity

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Q5. The brand (Shanghai Tang) reinforces and builds on long-held traditions	37	1	5	3.54	1.325
Q5. The brand (Louis Vuitton) reinforces and builds on long-held traditions	37	1	3	1.78	.712
Q6. The brand (Shanghai Tang) builds on traditions that began with its founder	37	1	5	3.68	1.292
Q6. The brand (Louis Vuitton) builds on traditions that began with its founder	37	1	3	1.73	.732
Q7. It feels like artisan skills and customised manufacturing processes have been retained in the production of this brand (Shanghai Tang)	37	1	5	3.00	1.155
Q7. It feels like artisan skills and customised manufacturing processes have been retained in the production of this brand (Louis Vuitton)	37	1	4	2.62	.924
Q8. This is a brand (Shanghai Tang) with history	37	1	5	3.68	1.334
Q8. This is a brand (Louis Vuitton) with history	37	1	5	1.81	.845
Q9. This brand (Shanghai Tang) has a strong cultural meaning	37	1	5	2.89	1.242
Q9. This brand (Louis Vuitton) has a strong cultural meaning	37	1	5	2.81	1.221
Valid N (listwise)	37				

**Table 2:** For the questions presented in Table 2 a likert scale was used, where 1=strongly agree, and 5=strongly disagree.

From table 2 it is possible to see that there are some differences in the mean values between the questions covering 'European approach to luxury' and the 'American approach to luxury'. For instance, question 5 (The brand reinforces and builds on long-held traditions) where Shanghai Tang gets a mean value of 3.54, and Louis Vuitton 1.78. In question 6 (The brand builds on traditions that began with its founder) Shanghai Tang gets a mean value of 3.68, and Louis Vuitton 1.73. It is also possible to see that Shanghai Tang got answers from the whole likert scale, 1-5, and Louis Vuitton only 1-3. Further, it is possible to see a difference in the mean values between Shanghai Tang and Louis Vuitton in question 8 (This is a brand with history), where Shanghai Tang gets 3.68, and Louis Vuitton 1.81. Moreover, skewness and kurtosis values for almost all the presented questions in table 2 are within the interval of [-2,2]. The only value that is outside the interval is 4.315 for question 8 (This is a brand with history), in the survey covering Louis Vuitton (Appendix 7).

## 5.2.4 Consumers' perception of trustworthiness

The following table will present those questions that are related to consumers' perception of trustworthiness. The sample from both surveys are included in the table.

**Table 3:** Overview of questions testing consumers' perception of trustworthiness

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Q14. This brand (Shanghai Tang) is able to fully satisfy its customers	37	2	5	2.95	.848
Q14. This brand (Louis Vuitton) is able to fully satisfy its customers	37	1	5	2.54	.931
Q15. This brand (Shanghai Tang) is genuinely interested in its customers welfare	37	1	5	3.22	.886
Q15. This brand (Louis Vuitton) is genuinely interested in its customers welfare	37	1	5	3.30	.909
Q16. If problem arise, one can expect to be treated fairly by this brand (Shanghai Tang)	37	2	5	2.92	.722
Q16. If problem arise, one can expect to be treated fairly by this brand (Louis Vuitton)	37	1	4	2.43	.929
Q17. You can believe the statements of this brand (Shanghai Tang)	37	2	5	3.05	.780
Q17. You can believe the statements of this brand (Louis Vuitton)	37	1	4	2.68	.944
Q18. This brand (Shanghai Tang) keeps its promises	37	2	5	3.08	.682
Q18. This brand (Louis Vuitton) keeps its promises	37	1	4	2.70	.740
Valid N (listwise)	37				

**Table 3:** For the questions presented in Table 3 a likert scale was used, where 1=strongly agree, and 5=strongly disagree.

From the result presented in table 3 it is possible to see that there are not any major differences between the mean values of the 'American approach to luxury' and the 'European approach to luxury', regarding questions testing consumers' perception of trustworthiness. The presented mean values in table 3 range between 2.43 to 3.30, with no major differences between the individual questions. Therefore, it is possible to say that there not are any major differences between the 'American approach to luxury' and the 'European approach to luxury' regarding trustworthiness. Furthermore, for the questions presented in table 3, two values of kurtosis are outside of the  $[-2,2]$  interval. More specifically, question 16 (If problems arise, one can expect to be treated fairly by this brand) and question 18 (The brand keeps its promises) for the survey covering Shanghai Tang. Question 16 got a kurtosis value of 2.374 and question 18 a kurtosis value of 2.307 (Appendix 6). All the other questions got a skewness and kurtosis value within the interval.



### 5.2.5 Consumers' preference for conspicuous consumption and signalling with luxury goods

The following table will present those questions that are related to consumers' preference for signalling with luxury goods and conspicuous consumption. The sample from both surveys are included in the table in order to get an overview.

**Table 4:** Overview of questions testing consumers' preference for conspicuous consumption and signalling with luxury goods

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Q19. I believe the opinion of others matter when people use this brand (Shanghai Tang)	37	1	5	2.62	1.114
Q19. I believe the opinion of others matter when people use this brand (Louis Vuitton)	37	1	5	1.76	1.090
Q20. I believe people use this brand (Shanghai Tang) to show status	37	1	5	2.43	1.259
Q20. I believe people use this brand (Louis Vuitton) to show status	37	1	4	1.19	.569
Q21. I would use this brand (Shanghai Tang) in order to associate myself with a special group	37	1	5	3.22	1.134
Q21. I would use this brand (Louis Vuitton) in order to associate myself with a special group	37	1	5	2.76	1.606
Q22. I believe people use this brand (Shanghai Tang) to show status	37	1	5	2.59	1.343
Q22. I believe people use this brand (Louis Vuitton) to show status	37	1	4	1.24	.641
Valid N (listwise)	37				

**Table 4:** For the questions presented in Table 4 a likert scale was used, where 1=strongly agree, and 5=strongly disagree.

From the results presented in table 4 it is possible to see some differences between the mean values when comparing the 'American approach to luxury' and the 'European approach to luxury'. Although, these are not any major differences, for instance in question 20 (I believe people use this brand to show status), where Shanghai Tang gets a mean value of 2.43, and Louis Vuitton 1.19. 1 is equivalent to strongly agree, 2 to agree, and 3 to neutral. So, Louis Vuitton is close to strongly agree and Shanghai Tang is between agree and neutral. Moreover, some of the skewness and kurtosis values for the questions presented in table 4 are outside of the [-2,2] interval. These are the once of the 'check questions' in the survey covering the Louis Vuitton survey, question 20 and question 22. Question 20 got a skewness value of 3.835 and kurtosis value of 16.761. Question 23 got a skewness value of 3.078 and kurtosis value of 10.054 (Appendix 7).

### 5.2.6 Consumers' attitude change throughout the surveys

**Table 5:** Overview of questions testing consumers' attitude towards Shanghai Tang and Louis Vuitton

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Q3. I have a positive perception of Shanghai Tang	37	1	5	3.22	.712
Q23. I have a positive perception of Shanghai Tang	37	1	5	3.00	1.054
Q3. I have a positive perception of Louis Vuitton	37	1	5	3.11	.966
Q23. I have a positive perception of Louis Vuitton	37	1	5	3.16	1.143
Valid N (listwise)	37				

**Table 5:** For the questions presented in Table 5 a likert scale was used, where 1=strongly agree, and 5=strongly disagree.

As presented in part 4.3.2 two questions were included in the surveys in order to test whether the respondents' attitudes towards Shanghai Tang and Louis Vuitton changed throughout the

surveys. Naturally, one question was placed at the beginning of the survey, question 3 (before the stimuli), and one at the end of the survey, question 23. From table 5 it is possible to see that there, overall, were no major changes in the mean values between question 3 and question 23, neither for the 'European approach to luxury' or the 'American approach to luxury'. Although, it is possible to see that the standard deviation goes up in both surveys. This implies that there are greater differences between respondents' attitudes at the end of the surveys than in the beginning, which is natural due to the use of stimuli.

### 5.2.7 Reliability

The reliability of the surveys was tested with a reliability analysis of the two identical 'check questions' regarding the agreement of the following statement "I believe people use this brand to show status", which was asked twice throughout the surveys. This was done for both the survey covering the 'American approach to luxury' (Shanghai Tang) and the survey covering the 'European approach to luxury' (Louis Vuitton). The reliability analysis resulted in a Cronbach's alpha value of 0.934, which means that 93% is attributable to true scores, for the survey covering the 'American approach to luxury'. The reliability analysis for the survey covering the 'European approach to luxury', resulted in a Cronbach's alpha value of 0.875, which means that 87.5% is attributable to true scores. Generally, a Cronbach's alpha value above 0.7 assures internal reliability, which implies that the underlying results for both surveys fulfil this criterion (Saunders et al., 2012).

**Table 6:** Cronbach's Alpha for the survey covering the 'American approach to luxury' (Shanghai Tang)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.934	.935	2

**Table 7:** Cronbach's Alpha for the survey covering the 'European approach to luxury' (Louis Vuitton)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.875	.878	2

### **5.2.8 Hypotheses testing**

As discussed in part 4.3.4, Independent Sample T-tests were initiated to determine whether two sample means, in this case the 'European approach to luxury' and the 'American approach to luxury', are significantly different. Table 8 summarises the results from the Independent Samples T-tests. Six of the questions in table 8 have a value that is lower than 0.05 in the Levene's test of equality of variances. Hence, equal variances are not assumed for question 5, 6, 16, 20, 21, and 22. All the other questions have a value greater than 0.005 in the Levene's test of equality of variances, therefore, equal variances are assumed for all the other questions. Furthermore, due to the fact that several skewness and kurtosis values were outside of the [-2,2] interval in the descriptive statistics that were presented, bootstrapping (1000 bootstrap samples, and 95% confidence interval) was used for the Independent Sample T-tests. This since the bootstrap method exhibit a general tendency for greater accuracy with increasing sample size and decreasing differences in skewness (Zhou et al., 1997).

**Table 8:** Overview of questions and relevant values for the hypotheses testing

Question	Mean value for Shanghai Tang	Mean value for Louis Vuitton	T-value	P-value (Sig. 2-tailed)
Q1	-	-	-	-
Q2	24.27	22.68	2.641	0.010
Q3	3.22	3.11	0.548	0.585
Q4	-	-	-	-
Q5	3.54	1.78	7.104	0.000
Q6	3.68	1.73	7.970	0.000
Q7	3.00	2.62	1.557	0.124
Q8	3.68	1.81	7.183	0.000
Q9	2.89	2.81	0.283	0.778
Q10	3.05	1.62	5.823	0.000
Q11	2.92	2.89	0.110	0.913
Q12	3.00	3.46	-1.934	0.057
Q13	2.73	2.49	1.088	0.280
Q14	2.95	2.54	1.958	0.054
Q15	3.22	3.30	-0.389	0.699
Q16	2.92	2.43	2.515	0.014
Q17	3.05	2.68	1.879	0.064
Q18	3.08	2.70	2.286	0.025
Q19	2.62	1.76	3.374	0.001
Q20	2.43	1.19	5.472	0.000
Q21	3.22	2.76	1.422	0.160
Q22	2.59	1.24	5.523	0.000
Q23	3.00	3.16	-0.634	0.528

**Table 8:** Due to the character of question 1 and 4 it was not possible to conduct a t-test for these questions. The variables in the question 1 and 4 are of string-type, whereas the rest are numeric.

With the values presented in table 8 it is possible to test the hypotheses for the underlying thesis. Question 10, 11, 12 and 13 are testing **H1**: *The two different approaches of building luxury brands are affecting consumers' perceived symbolic value differently*. As presented in table 8, it is only question 10 that has a high t-value, 5.823. In order for the test to be strong the t-value should be higher than 1.96. Also, it is only question 10 that has a low p-value, 0.000, consequently  $P < 0.001$ . When  $P < 0.001$ , it is only 0.1% of the results that bears the risk of being produced by randomness. The other questions testing H1, have low t-values and high p-values. Consequently, it is assumed that there are no significant differences between the 'European approach to luxury' and the 'American approach to luxury' regarding how they affect consumers' perceived symbolic value.

Furthermore, question 5, 6, 7, 8, and 9 are testing **H2**: *The European approach of building luxury brands is perceived as more authentic by consumers*. Question 5, 6, and 8, all have a t-value between 7.104 and 7.970, and a p-value of 0.000. Whereas, question 7 and 9, have lower t-values, 1.557 and 0.283, and higher p-values, 0.124 and 0.778. This implies that, three out of five questions testing authenticity suggests that there are significant differences between the 'European approach to luxury' and the 'American approach to luxury'. Therefore, it is possible to say that the 'European approach of building luxury brands' is perceived as more authentic by consumers.

Moreover, question 14, 15, 16, 17, and 18 are testing whether there are any differences in consumers' perception of the 'European approach to luxury' and the 'American approach to luxury' in terms of trustworthiness. These questions were included in the survey due to the fact that trust was a central theme during the discussion in the focus group. All of them, except question 15 has a t-value higher than 1.96, which is good, but, they are overall not higher than 2.515. Moreover, the p-values are relatively high. Only question 16 and 18 have values equivalent to  $P \leq 0.05$ , 0.014 and 0.025. These are not as good as some of the p-values presented in the previous paragraph, when  $P = 0.000$ . Yet better than the p-values of question 14 and 17, which have values equivalent to  $P < 0.10$ . Question 15 has a p-value, of 0.699, which is very high. Consequently, the values derived from some of the questions - question 16 and 18 - suggest that there are significant differences between the 'European

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approach to luxury' and the 'American approach to luxury' in terms of trustworthiness. Although, these values are still weaker than the ones presented in regard to H2.

Lastly, question 19, 20, 21, and 22, are testing **H3**: *The two different approaches of building luxury brands are affecting consumers' preference for conspicuous consumption differently* and **H4**: *The two different approaches of building luxury brands are affecting consumers' preference for signalling differently*. These were grouped due to their overlapping nature, please find more details about this in the theory chapter. Question 19, 20 and 22, have t-values greater than 1.76, which is good. More exactly, 3.374, 5.472, and 5.525. However, it is important to emphasise that question 20 and 22 are the same, since these are the 'check questions' for the reliability of the surveys. Moreover, question 20 and 22 both have p-values of  $P = 0.000$ , and question 19 has a p-value of 0.001, equivalent to  $P \leq 0.05$ . Question 21 has a t-value lower than 1.96, more specifically 1.422, and a high p-value, 0.160. As a result, the values derived from some of the questions - question 19, 20, and 22 - suggests that there are significant differences between the 'European approach to luxury' and the 'American approach to luxury' in terms of consumers' preference for conspicuous consumption and signalling.

The results from the Independent Sample T-tests' suggest that there are significant differences in some questions between the 'European approach to luxury' and the 'American approach to luxury'. In addition to this, it was also possible to see that the standard deviation increased in part 5.2.6, regarding how the respondents attitude changed towards the 'European approach to luxury' and the 'American approach to luxury' throughout the surveys. Due to this background, the author decided to conduct a regression analysis between the variables with the strongest and most significant values (question 5, 6, 8, 19, 20, and 22) from the Independent Sample T-tests' and question 23 (I have a positive perception of Louis Vuitton/Shanghai Tang). This was conducted in order to test the relationship between authenticity and the respondents' attitudes towards the 'European approach to luxury' and the 'American approach to luxury'. As well as, testing the relationship between conspicuous consumption & signalling and the respondents attitudes towards the two different modes of building luxury brands.

### 5.2.9 Correlations and regression analyses

To start with, before the regression analyses were conducted, the correlations between all variables were compared through a correlation matrix (Appendix 8). Furthermore, when the R value is between 0 and 1 there is a positive correlation between the variables. A value closer to 1 indicates a stronger positive correlation. When the value is between -1 and 0, then there is a negative correlation between the variables. A value closer to -1 indicates a stronger negative correlation.

When reviewing the correlation matrix (Appendix 8), it is possible to identify some strong correlations. For the variables testing authenticity, there is one correlation that is stronger than the others. That is the one between question 5 (The brand reinforces and builds on long-held traditions) and question 8 (This is a brand with history), with a correlation value of 0.770. Also, the correlation is statistically significant at the level of 0.01 (Appendix 8). Consequently, question 5 and question 8 correlates to 77%. Further, there is one correlation that is noticeable among the variables testing trustworthiness. That is the one between question 17 (You can believe the statement of this brand) and question 18 (This brand keeps its promises). They have a correlation value of 0.742, and is statistically significant at the level of 0.01 (Appendix 8). Consequently, question 17 and question 18 correlates to 74.2%.

Moreover, all the values that suggested significant differences between the 'European approach to luxury' and the 'American approach to luxury' in part 5.2.8 have positive correlations with question 23 (I have a positive perception of Louis Vuitton/Shanghai Tang). All correlations have R values between 0 and 1, and they are summarized on the next page. Although, the correlations are not as strong as the ones presented in the previous paragraph. Also, two of them are not significant at the 0.05 level, only four are. The correlation between question 6 (The brand builds on traditions that begun with its founder) and question 23 (I have a positive perception of Louis Vuitton/Shanghai Tang) is the weakest one presented in table 9. Furthermore, the correlation between question 19 (I believe the opinion of others matter when people use this brand) and question 23 (I have a positive perception of Louis Vuitton/Shanghai Tang) is the second weakest in table 9. Also, neither of these two correlations are statistically significant. However, the other four correlations are ranging from



0.237 to 0.291, which equals to 23.7% and 29.1%. These are stronger than the correlation between question 6 and question 23, as well as the correlation between question 19 and question 23. The strongest correlation among the variables that suggested significant differences between the 'European approach to luxury' and the 'American approach to luxury' is the one between question 5 (The brand reinforces and builds on long-held traditions) and question 23 (I have a positive perception of Louis Vuitton/Shanghai Tang), with a value of 0.291, which equals to 29.1%.

**Table 9:** Correlations of the variables that suggested significant differences between the 'European approach to luxury' and the 'American approach to luxury'

		Dependent variable
		<b>Q23</b>
	Question	
Independent variables	<b>Q5</b>	0.291*
	<b>Q6</b>	0.103
	<b>Q8</b>	0.237*
	<b>Q19</b>	0.168
	<b>Q20</b>	0.283*
	<b>Q22</b>	0.286*

\*Correlation is significant at the 0.05 level (2-tailed).

According to McDaniel and Gates (2010) a regression analysis is conducted in order to describe the nature of the relationship between an independent and a dependent variable. In addition to this, the regression analysis also show whether an increase in the independent variable leads to an increase or decrease in the dependent variable (McDaniel & Gates, 2010). Furthermore, for the underlying thesis question 5, 6, 8, 19, 20, and 22 were altered as independent variables in the regression analysis in order to test how the variation in consumers' perception of authenticity, preference for conspicuous consumption and signalling effected the variation in consumers' attitudes. These questions were chosen due to the fact that they suggested significant differences between the 'European approach to luxury' and the 'American approach to luxury' in part 5.2.8.

**Table 10:** Overview of regression analysis for question 5 and 23**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.291 <sup>a</sup>	.085	.072	1.055

a. Predictors: (Constant), Q5. The brand reinforces and builds on long-held traditions

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.466	.268		9.193	.000
	Q5. The brand reinforces and builds on long-held traditions	.231	.090	.291	2.579	.012

a. Dependent Variable: Q23. I have a positive perception of Louis Vuitton/Shanghai Tang

The regression analysis of question 5 (independent variable) and question 23 (dependent variable) shows that the coefficient of determination, denoted by Adjusted  $R^2$ , is 0.072, with other words 7.2%. The coefficient of determination is the percentage of the total variation in the dependent variable explained by the independent variable (McDaniel & Gates, 2010). Consequently, 7.2% of the variation in consumers' attitudes, can be explained by the variation authenticity (as it is formulated in question 5). Furthermore, the B-coefficient is 0.231, which implies that one step up in the independent variable, would lead to an increase with 23.1% in the dependent variable. As also seen in table 10, the level of significance is 0.012, which is lower than 0.050, and implies that it is possible to assume with 95% certitude that the B-coefficient not is equivalent to zero. Lower level of significance makes the B-coefficient more reliable.

**Table 11:** Overview of regression analysis for question 6 and 23**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.103 <sup>a</sup>	.011	-.003	1.097

a. Predictors: (Constant), Q6. The brand builds on traditions that began with its founder

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.868	.274		10.471	.000
	Q6. The brand builds on traditions that began with its founder	.079	.090	.103	.879	.382

a. Dependent Variable: Q23. I have a positive perception of Louis Vuitton/Shanghai Tang

From the regression analysis between question 6 (independent variable) and question 23 (dependent variable) it is possible to see that the Adjusted  $R^2$  value is - 0.003, which could imply that the model does not fit the data. The B-coefficient is rather low, 7.9%, and the level of significance is very high. Since the level of significance is far beyond 0.050, it is not possible to be sure about the value of the B-coefficient.

**Table 12:** Overview of regression analysis for question 8 and 23**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.237 <sup>a</sup>	.056	.043	1.071

a. Predictors: (Constant), Q8. This is a brand with history

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.591	.267		9.689	.000
	Q8. This is a brand with history	.179	.086	.237	2.071	.042

a. Dependent Variable: Q23. I have a positive perception of Louis Vuitton/Shanghai Tang

The regression analysis for question 8 (independent variable) and 23 (dependent variable) shows an Adjusted R<sup>2</sup> value of 0.043. Consequently, 4.3% of the variation in consumers' attitudes can be explained by the variation in authenticity (as it is formulated in question 8). The B-coefficient is relatively high, 17.9% and the level of significance is below 0.050.

**Table 13:** Overview of regression analysis for question 19 and 23**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.168 <sup>a</sup>	.028	.015	1.087

a. Predictors: (Constant), Q19. I believe the opinion of others matter when people use this brand

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.738	.268		10.219	.000
	Q19. I believe the opinion of others matter when people use this brand	.157	.108	.168	1.450	.151

a. Dependent Variable: Q23. I have a positive perception of Louis Vuitton/Shanghai Tang

Table 13 shows that the regression analysis of question 19 (independent variable) and 23 (dependent variable) has an Adjusted  $R^2$  value of 0.015. This implies that 1.5% of the variation in consumers' attitudes can be explained by the variation in consumers' preference for signalling (as formulated in question 19). The table presents a B-coefficient of 15.7%. Although, the level of significance is far too high in order to assume that the B-coefficient is higher than 0.

**Table 14:** Overview of regression analysis for question 20 and 23

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.283 <sup>a</sup>	.080	.067	1.057

a. Predictors: (Constant), Q20. I believe people use this brand to show status

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.595	.230		11.297	.000
	Q20. I believe people use this brand to show status	.268	.107	.283	2.505	.015

a. Dependent Variable: Q23. I have a positive perception of Louis Vuitton/Shanghai Tang

The regression analysis for question 20 (independent variable) and 23 (dependent variable) shows an Adjusted  $R^2$  value of 0.067. Consequently, 6.7% of the variation in consumers' attitudes can be explained by the variation in consumers' preference for conspicuous consumption (as formulated in question 20). The B-coefficient for the analysis is 26.8%. The level of significance is at a satisfying level, since it is lower than 0.050.

**Table 15:** Overview of regression analysis for question 22 and 23**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.286 <sup>a</sup>	.082	.069	1.056

a. Predictors: (Constant), Q22. I believe people use this brand to show status

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.600	.226		11.478	.000
	Q22. I believe people use this brand to show status	.251	.099	.286	2.531	.014

a. Dependent Variable: Q23. I have a positive perception of Louis Vuitton/Shanghai Tang

From table 15 it is possible to see that the presented values are very similar to the ones presented in table 13. This is natural since question 20 and 22 are the same questions, the 'check questions'. The regression analysis for question 22 (independent variable) and 23 (dependent variable) shows an Adjusted  $R^2$  value of 6.9%, the B-coefficient is 25.1%, and the level of significance is lower than 0.050.

Since the regression analysis of both question 5 and 8 showed a positive correlation between the independent and dependent variables, as well as comparably high values for Adjusted R<sup>2</sup>, the two questions were used in the same regression analysis. This was done in order to elaborate further on the data received from the underlying thesis. Interestingly, the correlation between question 5 and 8 showed that the variables are correlated to 77%, which also is a good reason for conducting a regression analysis of both variables together.

**Table 16:** Overview of regression analysis for question 5&8 and 23

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.292 <sup>a</sup>	.085	.059	1.062

a. Predictors: (Constant), Q8. This is a brand with history, Q5. The brand reinforces and builds on long-held traditions

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.452	.281		8.723	.000
	Q5. The brand reinforces and builds on long-held traditions	.211	.142	.266	1.494	.140
	Q8. This is a brand with history	.024	.134	.032	.181	.857

a. Dependent Variable: Q23. I have a positive perception of Louis Vuitton/Shanghai Tang

From the regression analysis in table 16 it is possible to see that 5.9% of the variation in consumers' attitudes, can be explained by the variation authenticity (as it is formulated in question 5 and 8 together). Furthermore, the B-coefficients are 0.211 and 0.024, for question 5 and 8. Consequently, one step up in the independent variable, would lead to an increase with 21.1% in the dependent variable for question 5. For question 8 the value is lower: 2.4%. Although, for this regression analysis, the level of significance for both question 5 and 8, are far too high in order to assume that the B-coefficients are higher than 0.

## 6. Discussion

The purpose of the underlying thesis was to address a relatively unexplored area of research and aimed to give an insight into how consumers perceive the two different approaches of creating the history facet of luxury brands. This was addressed in the two research questions RQ 1: 'How are consumers' perceiving the two different approaches of creating history for luxury brands?', and RQ 2: 'How are the two different approaches of creating history for luxury brands affecting consumers' preference for conspicuous consumption and signalling?'. In the subsequent section the research questions will be discussed and elaborated based on the theory and results of the underlying thesis. H1 (The two different approaches of building luxury brands are affecting consumers' perceived symbolic value differently) and H2 (The European approach of building luxury brands is perceived as more authentic by consumers) will be used to support the answer to RQ1, while H3 (The two different approaches of building luxury brands are affecting consumers' preference for conspicuous consumption differently) and H4 (The two different approaches of building luxury brands are affecting consumers' preference for signalling differently) will be used to support the answer to RQ2.

### 6.1 How are consumers' perceiving the two different approaches of creating history for luxury brands?

First, it was found that the respondents had several different motives for buying luxury goods. These motives were presented in detail in part 5.1.1. Furthermore, the motives were to some extent in line with the theory presented in part 3.1.5, regarding factors that influence the symbolic power of luxury brands. According to Kapferer (2012) the symbolic power of luxury brands is fuelled by qualitative rarity, the designer's visibility, and the brand's highly creative communication. The results for the underlying thesis presented several motives for buying and using luxury goods. These focused mainly on rarity, reputation, and trust the of luxury brands, as well as the quality of luxury goods. Moreover, based on, Karpik and Scott (2010) and Kapferer (2014), it is possible to say that the history facet is essential for the creation and maintenance of luxury brands symbolic power. Some of the results from the underlying thesis was in line with this, for instance one statement in the focus group:



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*For me the heritage of luxury brands is the thing that makes the brand unique.*

- Women, 26 years, Germany

The quote confirms the importance of the history facet for the symbolic power of luxury brands. However, no significant differences were found in terms of how the 'European approach to luxury' and the 'American approach to luxury' affect consumers' perceived symbolic value (H1). This was tested for the underlying thesis through Independent Sample T-tests. Therefore, the results suggest that the 'European approach to luxury' and the 'American approach to luxury' does not affect consumers' perceived symbolic value differently.

Moreover, there are several interesting findings regarding how consumers are perceiving the 'European approach to luxury' and the 'American approach to luxury' in terms of authenticity. Start with, there was a consensus among the participants in the focus group that the examples of the 'European approach to luxury' were more authentic and trustworthy than the examples of the 'American approach to luxury.' This finding was also supported by the results from the explanatory study. In the explanatory study three out of five questions testing authenticity suggested that there are significant differences between the 'European approach to luxury' and the 'American approach to luxury'. The hypotheses testing in part 5.2.8 suggested that the 'European approach of building luxury brands' is perceived as more authentic by consumers. This finding is in line with Grayson and Martinec's (2004) statement that consumers may be happy to 'play along' with a brand's claims for authenticity, but they do not like to feel duped. This justifies a deeper dive into authenticity and to what extent luxury brands can invent a history without the consumers feeling duped.

Furthermore, Aaker and Singer (2011) states that luxury brands should emphasise authenticity, since true passion is contagious, and the more authenticity the brand convey, the more easily people can connect with the brand. In addition to this, Mossberg and Nissen Johansen (2006) emphasises that the stories of brands' need to be credible and well executed in order to be successful, but they do not need to be based on real events. According to Mossberg and Nissen Johansen (2006) people like made-up tales, if they can relate to the characters. However, pretending that fiction is reality will at the end lead to loss of trust in the brand (Mossberg &

Nissen Johansen, 2006). This seems to be fair points, since, the ‘European approach to luxury’ was found to be perceived as more authentic by consumers in the underlying results. Therefore, it could be argued that using true history in order to create the history facet of luxury brands, is more beneficial, in terms of consumers’ perception of authenticity. This will also be taped deeper into when discussing the regression analysis of question 5, 6 and 8. Further, the following quote is supporting the statement from Mossberg and Nissen Johansen (2006), pretending that fiction is reality will at the end backfire.

*Now when I heard the story of Dom Pérignon I feel a bit betrayed, since it is not the 'real thing'. I think trust and credibility is important.*

- Man, 21, The Netherlands

As presented from both Grayson and Martinec (2004) and Mossberg and Nissen Johansen (2006) it is risky for brands to pretend that fiction is reality. These statements in combination with the finding that the ‘European approach to luxury’ is perceived as more authentic than the ‘American approach to luxury’ does provide some guidance for companies when creating the history facet of luxury brands. Although, specifying where the line should be drawn between fiction and reality is beyond the findings of the underlying thesis.

Moreover, three of the questions (question 5, 6, and 8) covering authenticity got very strong and interesting values, therefore they were later used in the regression analysis. The regression analysis of question 5 (The brand reinforces and builds on long-held traditions) showed that 7.2% of the variation in attitudes among the respondents (question 23) can be explained by authenticity (as it is formulated in question 5). Compared with the other values that will be presented for the regression analyses, 7.2% is a high value. Therefore, it is possible to say that it is important for a luxury brand to reinforce and build on long-held traditions, in order to positively affect consumers’ perception about the brand. This is in line with how Kapferer and Bastien’s (2012) describes the ‘European approach to luxury’, more specifically, using true history in order to engender a modern myth. Furthermore, an increase in authenticity (question 5) would lead to an increase in the attitudes among the respondents with 23.1%. This indicates the importance of luxury brands reinforcing and building on long-held traditions.

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The regression analysis of question 6 (The brand builds on traditions that began with its founder) showed a negative value for Adjusted  $R^2$ , which could be because there is a bad fit between the model and the data. Commonly, a negative value for Adjusted  $R^2$  is assumed to be the same as 0. Of course, this is a low value compared to the results from the regression analysis of question 5. Therefore, it could be possible to say that it is not as important for a brand to build on traditions that began with its founder as it is to reinforce and build on long-held traditions. Or at least the effect on consumers' attitudes is stronger when reinforcing and building on long-held traditions. Although, it might be difficult to draw a line between 'building on traditions that began with its founder' and 'reinforcing and building on long-held traditions', since the founder could be a part of a brand's long-held traditions. For instance, Kapferer and Bastien (2012) is clearly illustrating how Coco Chanel is leveraging the legacy of Gabrielle Chanel today. However, the level of significance was far too high in order to be sure about the value of the B-coefficient for the regression analysis of question 6.

Further, the regression analysis of question 8 (This is a brand with history) showed that 4.3% of the variation in respondents' attitudes can be explained by the variation in authenticity (as it is formulated in question 8). This is a better result than for question 6 but not completely as good as for question 5. Although, it is still reasonable to say that having a history is important for a brand's authenticity. As emphasised by several authors, heritage and history entails credibility, authenticity and legitimacy in the eyes of consumers (Beverland, 2004; 2006; Leigh et al., 2006; Alexander, 2009). The finding is also in line with the previously discussed theory of Grayson and Martinec (2004) as well as Mossberg and Nissen Johansen (2006). Further, an increase in authenticity (question 8) would lead to an increase in the attitudes among respondents with 17.9%. This increase also indicates the importance of luxury brands' having a history. Furthermore, the regression analysis of question 5 and 8 as independent variables and question 23 as dependent variable, showed that 5.9% of the variation in consumers' attitudes, can be explained by the variation authenticity (as it is formulated in question 5 and 8 together). Although, the level of significance in the regression analysis was far too high, in order to assume that the B-coefficient is higher than 0. However, the correlation matrix (Appendix 8) shows that question 5 and question 8 are correlated to 77%. This indicates that both variables strongly influence each other. Consequently, both variables play an important part for a brand's authenticity.

Moreover, as introduced in part 2.4, a decision must be taken regarding how a luxury brand will use history in order to create a myth around it, since there can't be a luxury brand without roots (Kapferer & Bastien, 2012). So far, the results and the discussion for the underlying thesis gives some guidance for how the decision should be made. This will concretely be presented in the recommendations.

As presented in the Method, trust was a central theme during the focus group and therefore included in the explanatory study. In the explanatory study five questions covered trustworthiness (question 14, 15, 16, 17, and 18). Only two of these five questions suggested that there are significant differences between the 'European approach to luxury' and the 'American approach to luxury' in terms of trustworthiness. It should also be added that these values were not as strong as the ones covering authenticity. However, it is challenging to draw any generalizable conclusions from these results. Although, since it was an important topic for the respondents in the focus group it is most likely of relevance for luxury brands.

*I didn't know the story, but now when I've heard it, it reduces the trust I had for Ralph Lauren. For instance it makes me trust the quality less, and it feels like a marketing scheme. Whereas Coco Chanel feels like an established producer.*

- Woman, 22 years, Norway

This quote is also in line with the statement from Mossberg and Nissen Johansen (2006) that if a brand is pretending that fiction is reality, it will at the end lead to loss of trust in the brand. Mossberg and Nissen Johansen (2006) also states that the story a brand communicates should never be perceived as delusive. Although, in the results, it was difficult to find any significant and strong differences between the 'European approach to luxury' and the 'American approach to luxury' in terms of trustworthiness. Nevertheless, the illustrated quote is in favour for the 'European approach to luxury'.

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## 6.2 How are the two different approaches of creating history for luxury brands affecting consumers' preference for conspicuous consumption and signalling?

To start with, conspicuous consumption is a central theme for luxury brands, as presented in the theory chapter. Veblen (1899) states that consumers use luxury goods to signal status and wealth, when consumed conspicuously. This was also what the respondents stated during the focus group for the underlying thesis. The following quote illustrates this well.

*I think you don't buy them (luxury brands) just for yourself, you also buy them because they make you feel special and you want people to see that you have it. You don't buy a luxury brand without displaying it.*

- Women, 24 years, Germany

Moreover, the respondents only discussed conspicuous consumption as a motive for buying luxury brands at a more general level, not comparing differences between the 'European approach to luxury' and the 'American approach to luxury'. This was also the case for consumers' preference for signalling with different types of luxury brands. However, the respondents did reach more general conclusions within the topic. Such as, that consumers' preference for different types of luxury brands and signalling depends on the environment-, social and cultural setting. Below, two quotes are presented that illustrates this well.

*The status connected to luxury depends on the cultural setting.*

- Man, 25 years, Norway

*Your preference for luxury brands is strongly affected by the environment you are in.*

- Woman, 24 years, Norway

These findings are in line with the theory presented in part 3.3.4 and 3.3.5, such as Kapferer and Bastien (2012) who presents four types of luxury clientele. The fact that four different types of luxury clientele are presented in the literature, goes well in line with the finding that consumers' preference for luxury brands differ. The findings are also related to the theory presented by Troung et al. (2008) who states that the intention behind pursuing status differs, since rich and wealthy may consume luxury goods to claim status and membership to the upper

class, while the modest may consume the same goods to gain status but with an entirely conspicuous intention. Moreover, the respondents stated that consumers' preference depend on the environment-, social and cultural setting. This can be explained by the taxonomy presented by Han et al. (2010) which assigns consumers to one of four groups in accordance to their wealth and need for status. Also, Han et al. (2010) demonstrate how each groups preference for conspicuously or inconspicuously branded luxury goods corresponds predictably with their desire to associate or dissociate with members of their own and other groups. The following quote is in line with the theory presented by Han et al. (2010):

*People buy luxury brands in order to signal your position or where you want to position yourself in society, among friends, or in school.*

- Woman, 28 years, Finland

Regarding the explanatory study and the questions covering consumers' preference for conspicuous consumption (H3) and consumers' preference for signalling with luxury goods (H4), these were grouped in the survey and in the hypotheses testing due to their overlapping nature. Question 19, 20, 21, and 22 were covering H3 and H4. Three out of four questions suggested that there are significant differences between the 'European approach to luxury' and the 'American approach to luxury' in terms of consumers' preference for conspicuous consumption and preference for signalling. However, question 20 and 22 are the same, since these are the 'check question' for the reliability of the surveys.

Three questions (19, 20, and 22) suggested that that there are significant differences between the 'European approach to luxury' and the 'American approach to luxury' in terms of consumers' preference for conspicuous consumption and signalling. These three questions were used in part 5.2.9 for regression analyses with question 23 (I have a positive perception of the brand). The regression analysis of question 19 (I believe the opinion of others matter when people use this brand) showed that 1.5% of the variation in respondents' attitudes can be explained by the variation in consumers' preference for signalling (as formulated in question 19). This value is relatively low compared to the other coefficients of determination, Adjusted  $R^2$ , received in the regression analyses. Variation in consumers' preference for signalling could therefore be argued to have a small impact on the variation in consumers' attitudes. For question 20 and 22 the results are very similar to each other. The regression

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analyses for question 20 and 22 showed that 6.7% and 6.9% of the variation in respondents' attitudes can be explained by the variation in consumers' preference for conspicuous consumption. These values are relatively high. Consequently, it is possible to say that consumers' preference for luxury brands in terms of conspicuous consumption affects their attitude towards the same brands. Moreover, an increase in conspicuous consumption (question 20 and 22) would lead to an increase in the attitudes among respondents with 26.8% and 25.1%. Improving consumers' preference for the brand, in terms of conspicuous consumption, would have quite big effects on consumers' attitudes.

### 6.3 Recommendations

As presented in part 2.4 luxury brands need to make a strategic decision regarding how the history facet of the brand should be created. Since, there can't be a luxury brand without roots (Kapferer & Bastien, 2012). Also, Kapferer and Bastien (2012) presents two different modes for creating the history facet of luxury brands; the 'European approach to luxury' and the 'American approach to luxury'. In the following part, some recommendations will be presented based on the findings from the underlying thesis, which may be helpful for the strategic decision regarding the history facet.

The results showed that the history facet is essential for the creation and maintenance of luxury brands symbolic power. Also, the results showed that the European approach of building luxury brands is perceived as more authentic by consumers. Furthermore, the 'European approach to luxury' is emphasising on the use of true history (Kapferer & Bastien, 2012). Therefore, it is possible to provide a straightforward recommendation regarding authenticity, luxury brands should emphasise upon it. However, some dimensions within authenticity was found to affect consumers' attitudes to a larger extent than others. Such as, (I) reinforcing and building on long-held traditions, and (II) that it is a brand with history. Also, both dimensions strongly correlated in the underlying research. Consequently, luxury brands should emphasise more on these two dimensions when creating the history facet.

Moreover, Grayson and Martinec (2004) states that consumers may be happy to 'play along' with a brand's claims for authenticity, but they do not like to feel duped. Also, pretending that fiction is reality will at the end lead to loss of trust in the brand (Mossberg & Nissen Johansen, 2006). These statements are both in line with several of the findings from the focus group. Therefore, it is possible to say that, luxury brands should pay attention to the mix of fiction and reality when creating the history facet. If doing so, it may avoid that consumers feel duped.

Furthermore, the results from the underlying thesis suggested that there are significant differences between the 'European approach to luxury' and the 'American approach to luxury' in terms of consumers' preference for conspicuous consumption and signalling. Also, it was found that, an increase in consumers' preference for a brand, in terms of conspicuous consumption, would have positive effects on consumers' attitudes towards the brand.

## 6.4 Limitations

This paper was written as a master thesis and naturally this is associated with limitations in terms of resources and time. Because of this, a few limitations emerged that will be highlighted in the following part.

Considering that the exploratory study only consisted of one focus group with 8 participants, and that the explanatory study only consisted of 74 responses, there would have been more potential to get a bigger sample without the limitation in time. Furthermore, the survey was conducted in the cantina at the Norwegian School of Economics, and the respondents consisted of students which normally not is considered as luxury brands first target. Also, the majority of respondents are assumed to be from Norway, which does not make the sample representative for providing a global picture of consumers' perception and preference.



## 6.5 Further research

In order to generate valid results that can be generalized to a broader population, further research is highly recommended. Also, this is of relevance for luxury marketers.

Furthermore, there is still room for a clearer guide to how luxury brands should create the history facet. Some rough guidelines were summarized in the recommendations of the underlying thesis. However, a need is still existing for clearer definitions. Moreover, the ‘European approach to luxury’ was found to be more authentic than the ‘American approach to luxury’. One of the recommendations related to this, is to pay close attention to the mix of fiction and reality. Although, more research is needed in order to define where the line should be drawn. Generally, more research is needed to dig deeper into the authenticity of luxury brands and what dimensions of it that is of importance.

Further research could also benefit from making a clearer distinction between conspicuous consumption and signalling.

## 7. Conclusion

Taking all previous aspects into consideration, it can be concluded that the underlying thesis provides new insights into how consumers perceive the two different approaches of creating the history facet of luxury brands. As such, the main purpose of this thesis was to tap deeper into Kapferer and Bastien's (2012) two presented modes of creating the history facet of luxury brands; the 'European approach to luxury' and the 'American approach to luxury'. This was done through answering the two research questions regarding how consumers are perceiving the two different approaches of creating the history facet of luxury brands, and how the two different approaches of creating history for luxury brands are affecting consumers' preference for conspicuous consumption and signalling.

The following can be concluded from a theoretical perspective. Firstly, all the findings for the underlying thesis is in line with the statement from Kapferer and Bastien (2012) that there cannot be luxury without roots. Secondly, the 'European approach to luxury' is perceived as more authentic by consumers than the 'American approach to luxury'. Further, the two different approaches of building luxury brands are affecting consumers' preference for conspicuous consumption and signalling differently.

Managerially, there are some straightforward implications. The results of the underlying thesis showed that, especially, authenticity is essential when creating the history facet of a luxury brand. Further, some dimensions of authenticity are more important than others, in terms of their effect on consumers' attitudes. Such as, (I) reinforcing and building on long-held traditions, and (II) that it is a brand with history. Consequently, managers of luxury brands should focus on these aspects when creating the history facet. Moreover, in line with both theory (Mossberg & Nissen Johansen, 2006; Grayson and Martinec, 2004) and the results of the underlying thesis is the fact that managers should pay close attention when mixing fiction and reality.

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## Appendices

### Appendix 1: Screening for professional focus group participants

What type of opinion studies, if any, have you every participated in?

	<u>CIRCLE</u>
One-on-one in-person depth interview	1
Group interview with two or more participants	2
Product placements test with a follow-up interview	3
Mall interview	4
Internet survey	5
Phone survey	6
None	7

**1A.** When was the last time you participated in a  
\_\_\_\_ Group interview with two or more participants

**1B.** What were the topics of all of the group interviews in which you have participated?

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**1C.** Are you currently scheduled to participate in any type of market research study?

	<u>CIRCLE</u>
Yes	1
No	2

## Appendix 2: Discussion guide

### I. Introduction

- A. Tape recording
- B. Casual, relaxed, informal
- C. No right or wrong answers
- D. Be honest. Tell the truth.
- E. Discussion rules
  - Talk one at a time
  - Don't dominate the discussion
  - Talk in any order
  - Listen to others

### II. General attitudes towards luxury

- A. What is luxury?
  - What does luxury mean to you?
- A. Who is luxury for?
- B. Words/mental images associated with luxury?

### III. Perception of luxury brands

- A. What is special about luxury brands?
- B. What attributes should a luxury brand possess?
  - Logo?
  - Quality?
  - Design?
  - Communication?
- A. What are the most prominent luxury brands? Why?
- B. Are all luxury brands the same to you? Why/why not?
- C. Do you find luxury brands as trustworthy?
- D. CASE: Ralph Lauren and Coco Chanel
  - Do you perceive any differences between these two brands? Why?
  - Does it matter to you that Coco Chanel is based on a real story?
  - Did you know that Ralph Lauren is a made-up story?

### IV. Consumption of luxury goods

- A. Do you consume luxury goods? Why?
- B. What's your experience of luxury goods?
- C. What is the role of luxury goods in society?
- D. Why are people buying luxury goods?
- E. How do you think people use luxury goods? Or, how do you use luxury goods?

### V. Summary and conclusion

- A. Possibility for the participants to add or re-formulate what was previously mentioned

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## Appendix 3: Survey - Louis Vuitton

### Introduction

I'm currently writing my master thesis within the topic of luxury brand management. I really appreciate that you are taking the time to answer my survey. The survey consists of 23 questions related to luxury brands, and will take approximately 5 minutes to answer. The survey will focus on Louis Vuitton and your perception of the brand. Please keep this in mind when answering the questions. You will be provided with information about the brand, and your answers should be based on this information.

**Q1.** Gender (Circle the right one)

Male

Female

**Q2.** What is your age? (Write the right answer)

**Q3.** I have a positive perception of Louis Vuitton (1-5, 1=strongly agree, 5=strongly disagree)

1

2

3

4

5

Q4. I have seen this brand before - Louis Vuitton (circle one answer)

Yes

No

Maybe



A journey brings us face to face with ourselves. Mikhail Gorbachev. Berlin Wall. Returning from a conference.

LOUIS VUITTON

Please read the following information about the brand **carefully**:

**The story of Louis Vuitton:** The brand was founded by Louis Vuitton in Paris, in 1854. Then, in 1858 Louis Vuitton introduced the iconic flat-bottom trunk (at that point in time, rounded top-trunks were commonly used). In 1888 the distinctive Daimier Canvas pattern (which can be found on all of the brand's products today) was created by Louis Vuitton. Furthermore, what is important to emphasise in the case of Louis Vuitton, is that the brand is based on a real story and has a long history. The brand is influenced by the spiritual legacy of the founder (Louis Vuitton) and the cult among the products. Some people like to say that Louis Vuitton has a genuine history.

**Please keep this information in mind when answering the questions!**

Q5. The brand reinforces and builds on long-held traditions (1-5, 1=strongly agree, 5=strongly disagree)

1

2

3

4

5

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**Q6.** The brand builds on traditions that began with its founder (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q7.** It feels like artisan skills and customised manufacturing processes have been retained in the production of this brand (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q8.** This is a brand with history (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q9.** This brand has a strong cultural meaning (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q10.** I associate this brand with the concept of luxury (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q11.** I have a positive opinion of this brands popularity (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q12.** I associate this brand with novelty (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q13.** I associate this brand with quality (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q14.** This brand is able to fully satisfy its customers (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q15.** This brand is genuinely interested in its customers welfare (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q16.** If problem arise, one can expect to be treated fairly by this brand (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q17.** You can believe the statements of this brand (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q18.** This brand keeps its promises (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q19.** I believe the opinion of others matter when people use this brand (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5



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**Q20.** I believe people use this brand to show status (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q21.** I would use this brand in order to associate myself with a special group (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q22.** I believe people use this brand to show status (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q23.** I have a positive perception of Louis Vuitton (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

## Appendix 4: Survey - Shanghai Tang

### Introduction

I'm currently writing my master thesis within the topic of luxury brand management. I really appreciate that you are taking the time to answer my survey. The survey consists of 23 questions related to luxury brands, and will take approximately 5 minutes to answer. The survey will focus on Shanghai Tang and your perception of the brand. Please keep this in mind when answering the questions. You will be provided with information about the brand, and your answers should be based on this information.

**Q1.** Gender (Circle the right one)

Male

Female

**Q2.** What is your age? (Write the right answer)

**Q3.** I have a positive perception of Shanghai Tang (1-5, 1=strongly agree, 5=strongly disagree)

1

2

3

4

5

**Q4.** I have seen this brand before - Shanghai Tang (circle one answer)

Yes

No

Maybe



Please read the following information about the brand **carefully**:

**The story of Shanghai Tang:** Shanghai Tang is according to itself "China's first luxury brand". It was founded in 1994, in Shanghai and takes inspiration from the 1920s and 1930s in the same city. The 1920s and 1930s in Shanghai was an era where demimonde (gold diggers) and unheard-of refinement mixed together. One example of this is the brand's ripped dresses and its colourful Qi Pao (Chinese one piece dress for women).

**Please keep this information in mind when answering the questions!**

**Q5.** The brand reinforces and builds on long-held traditions (1-5, 1=strongly agree, 5=strongly disagree)

1

2

3

4

5

**Q6.** The brand builds on traditions that began with its founder (1-5, 1=strongly agree, 5=strongly disagree)

1

2

3

4

5

**Q7.** It feels like artisan skills and customised manufacturing processes have been retained in the production of this brand (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q8.** This is a brand with history (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q9.** This brand has a strong cultural meaning (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q10.** I associate this brand with the concept of luxury (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q11.** I have a positive opinion of this brands popularity (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q12.** I associate this brand with novelty (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q13.** I associate this brand with quality (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

---

**Q14.** This brand is able to fully satisfy its customers (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q15.** This brand is genuinely interested in its customers welfare (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q16.** If problem arise, one can expect to be treated fairly by this brand (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q17.** You can believe the statements of this brand (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q18.** This brand keeps its promises (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q19.** I believe the opinion of others matter when people use this brand (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q20.** I believe people use this brand to show status (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q21.** I would use this brand in order to associate myself with a special group (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q22.** I believe people use this brand to show status (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

**Q23.** I have a positive perception of Shanghai Tang (1-5, 1=strongly agree, 5=strongly disagree)

1                      2                      3                      4                      5

## Appendix 5: Overview of the focus group participants

Participant 1 - Man, 25 years, Norway

Participant 2 - Woman, 22 years, Norway

Participant 3 - Women, 24 years, Germany

Participant 4 - Man, 21, The Netherlands

Participant 5 - Women, 26 years, Germany

Participant 6 - Woman, 28 years, Finland

Participant 7 - Man, 24 years, Belgium

Participant 8 - Woman, 24 years, Norway







# Appendix 8: Correlation matrix of all variables

	O1: What's your age?	O2: I have a problem of vision	O3: The brand name has been highlighted on the label	O4: I have a problem of vision	O5: I have a problem of vision	O6: I have a problem of vision	O7: I have a problem of vision	O8: I have a problem of vision	O9: I have a problem of vision	O10: I have a problem of vision	O11: I have a problem of vision	O12: I have a problem of vision	O13: I have a problem of vision	O14: I have a problem of vision	O15: I have a problem of vision	O16: I have a problem of vision	O17: I have a problem of vision	O18: I have a problem of vision	O19: I have a problem of vision	O20: I have a problem of vision	O21: I have a problem of vision	O22: I have a problem of vision	O23: I have a problem of vision				
O1: What's your age?	1																										
O2: I have a problem of vision	-0.18	1																									
O3: The brand name has been highlighted on the label	0.02	0.02	1																								
O4: I have a problem of vision	0.03	0.03	0.03	1																							
O5: I have a problem of vision	0.04	0.04	0.04	0.04	1																						
O6: I have a problem of vision	0.05	0.05	0.05	0.05	0.05	1																					
O7: I have a problem of vision	0.06	0.06	0.06	0.06	0.06	0.06	1																				
O8: I have a problem of vision	0.07	0.07	0.07	0.07	0.07	0.07	0.07	1																			
O9: I have a problem of vision	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	1																		
O10: I have a problem of vision	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	1																	
O11: I have a problem of vision	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	1																
O12: I have a problem of vision	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	1															
O13: I have a problem of vision	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	1														
O14: I have a problem of vision	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	1													
O15: I have a problem of vision	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	1												
O16: I have a problem of vision	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	1											
O17: I have a problem of vision	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	1										
O18: I have a problem of vision	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	1									
O19: I have a problem of vision	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	1								
O20: I have a problem of vision	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	1							
O21: I have a problem of vision	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	1						
O22: I have a problem of vision	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	1					
O23: I have a problem of vision	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	1			

Correlation is significant at the 0.01 level (2-tailed).