KAPFERER ON LUXURY

HOW **LUXURY BRANDS** CAN **GROW** YET REMAIN **RARE**

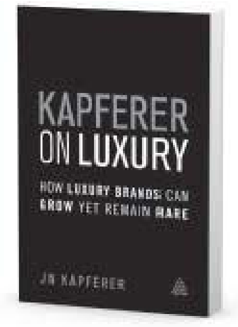
JN KAPFERER

KoganPage

Other books by
Jean-Noël Kapferer published by Kogan Page

The Luxury Strategy: Break the rules of marketing to build luxury brands, Second edition, by Jean-Noël Kapferer and Vincent Bastien
(isbn 978 0 7494 6491 2)

The New Strategic Brand Management: Advanced insights and strategic thinking, Fifth edition, by Jean-Noël Kapferer
(isbn 978 0 7494 6515 5)



Kapferer on Luxury

How luxury brands can grow yet remain rare

Jean-Noël Kapferer

Kogan Page
LONDON PHILADELPHIA NEW DELHI

Note on the Ebook Edition
For an optimal reading experience, please view large tables and figures in landscape mode.

This ebook published in 2015 by

Kogan Page Limited
2nd Floor, 45 Gee Street
London EC1V 3RS
United Kingdom

www.koganpage.com

E-ISBN 978 0 7494 7437 9

Full imprint details

CONTENTS

Introduction
Growth issues for luxury

Luxury is an industry like no other: it is the only one for which growth creates a problem. Is a lack of demand the source of the problem? No, the problem is just the opposite: excess of demand. For example, how many more Ferraris should the brand sell each year without endangering its dream value and profits? Should Hermès decide not to sell more Kelly bags this year than last year? When should Louis Vuitton decide to reduce its number of stores in a given country?

Yet, outside the doors of luxury stores, ordinary people want to access the ‘banquet’. They can now enter the websites and social networking pages of these stores. Luxury symbolizes their access to a life that is as happy as the celebrities’ they observe wearing such luxury dresses or watches, which they have long been coveting from watching Western movies, news and television series.

In the luxury market, clients not only buy an exceptional product – partly handmade, with the savoir faire of artisans – but also a legend: a great tradition made modern to fit one’s present life, a culture anchored in a country. In addition, they also buy exclusivity, though this does not mean buying the only copy in the world. Luxury products are not paintings. Exclusivity means that the brand is purposely limiting demand: the higher price reflects the price paid for gaining the right to be associated with selected, affluent co-consumers. To paraphrase Groucho Marx: ‘I would never want to be part of a club that would accept me.’ This exclusivity factor is what distinguishes luxury from premium brands and, all the more so, from masstige (mass prestige) brands. Mercedes-Benz now competes against Audi, BMW and Lexus in volume: with BMW leading the flock with 1.66 million cars sold in 2013. Should there be a limit to the sales objectives of Mercedes S-Class in the forthcoming years? Probably not. In contrast, Rolls-Royce will purposely sell one car less next year than this year, but each car will be tailor-made. The company makes more money by customizing each Rolls-Royce to the individual owner than by selling one more car. Doing so creates the image of more exclusivity and value. Managing a luxury brand does not mean running after the maximum number of customers but rather the right ones associated with their own status. Goods are chosen when one knows who else is selecting and wearing them – for example, fashion relies heavily on celebrities to sell its products. However, luxury is not fashion, as is discussed in *The Luxury Strategy* (2012), which I co-authored with Vincent Bastien.

Growth in luxury is a fragile concept and a mixed blessing. When does saturation occur? Too few clients prevent brands from covering the considerable fixed costs of luxury retail. Today, niche is out: an unknown luxury brand cannot accumulate the symbolic capital needed to endow its clients with status and respect. But too many clients endanger the exclusivity factor and the luxury experience of these clients. How many people are now wearing Chanel eyewear logos on the streets of Paris, bought in regular optician chain stores? Even in flagship stores the luxury in-store experience can become damaged because of the long queues and the lack of attention from minimal staff. What level of service is really delivered in the retail stores of luxury brands? At stake here are the brand value and its ability to command a high price premium without any form of justification.

Luxury as a sector is becoming consolidated as a result of the problems raised by growth. How fast should a firm grow? Where in the world should it do so? How much volume should it sell? According to Bain & Company data, Italian brands have the highest rate of sales growth in the world, even higher than French brands. However, many of the Italian icons have been bought by French groups (such as Moët Hennessy Louis Vuitton (LVMH) and Kering). Growth needs cash and know-how, and family companies may not have enough of either. Many formerly independent family companies have sold to luxury groups, even those that said they would never do so (such as Bulgari, Loro Piana and Gucci). By contrast, some family companies, such as Hermès and Chanel, are great cash machines and remarkably profitable.

Wall Street interest in luxury groups rests on two parameters: the ‘luxurious margins’ that this sector provides and the growth of the market. Therefore, because luxury groups are listed on the stock exchange, there will be continued pressure on growth objectives, something that the independent family companies will not have to bear. So far, Wall Street has been well served by the booming expansion of this industry since 1990:

- Horizontal expansion has occurred, due to the conquest of the BRIC countries (Brazil, Russia, India and China) and now the MINT countries (Mexico, Indonesia, Nigeria and Turkey). China is the most symbolic and powerful proof of this expansion. An example is the success of Louis Vuitton in China: the brand now symbolizes the economic success of the country itself, with stores opening in first-tier and now even second-tier cities.
- Luxury brands have also experienced vertical expansion, with the creation of second and third lines. The most typical example is Armani. Another sign of vertical expansion is the growth of accessories as a major source of profitability.
- Luxury brands have also engaged in diversification, abandoning their former single specialization to encompass a wider range of products. The goal of such brand extension is to profitably develop directly operated stores. Diversification is also an answer to the problem created by new clients of luxury – that is, the absence of loyalty. New clients choose brands by contagion of desire, not by adhesion to their values, nor by connoisseurship. Extension of luxury lines provides another reason for consumers to visit boutique stores or company websites.

But what comes next, after horizontal and vertical expansion and diversification? More of the same? How, then, will the luxury sector overcome the chasm between the images it promotes – continuously defining luxury as rare, noble, crafted, exclusive, spirited, elevating and servicing – and the realities of business growth?

This book aims to propose insights into possible growth issues for luxury, and maybe even foresight. We analyse the current 'artification' of luxury and the rise of 'abundant rarity' strategies that help to sustain the luxury dream with higher volumes. We also discuss the internet challenges in a renewed way and present sustainable development issues. Finally, we address the management itself of luxury companies and groups.

The book includes some of my recent articles (some co-authored) published in international journals, addressing the issues of growth and its many distinct facets. Each of them can be read on its own. In addition, it includes several original chapters pertaining to issues not covered in these published articles and new data from our latest international research on the levers of the 'luxury dream' in the minds of the customers in the luxury sector. This book serves as a companion book to *The Luxury Strategy*, which remains the international reference for managing luxury brands in a distinctive way, to sustain the gap between luxury and fashion or premium.

PART ONE
How luxury is changing

01
Sustaining the luxury dream
Challenges and insights

Luxury sells dreams. The more the luxury sector grows – as it has been doing since the mid 1990s – the more this threatens the levers of the luxury dream and the essence of what luxury evokes: the notion of rarity and of access to a privileged life, to products of exception – and to a life of exception. We review here the main facets of this market growth that challenge the luxury dream and its sustainability: the dominant weight of the Chinese consumers; the central role of the internet and social networks in consumers' behaviour; the blurring of frontiers between luxury, fashion, premium and masstige (mass prestige) brands; the new demands of sustainable development.

An industry like no other

Luxury sells dreams. Luxury magazines regularly feature articles citing dream places to visit, dream houses to purchase, dream yachts, dream cruises, dream cars, dream watches and so forth. Headed by CEO Bernard Arnault, the world's leading luxury group LVMH sells billions of dollars of items that promise to 'fulfill the hopes and dreams of consumers' (*Harvard Business Review*, October 2001). As Robert Polet, former CEO of the world's second-leading luxury group explained, 'We are in the business of selling dreams' (*Fortune*, 6 September 2007). Gian-Luigi Longinotti-Buitoni, president and CEO of Ferrari North America, co-authored the book *Selling Dreams* (1999). A recent article from the *Wall Street Journal* (11–13 July 2014) had the following headline: 'LaFerrari Is a Million-Dollar Dream Car'. Selling dreams is indeed the core mission of the luxury sector and its brands.

The luxury industry has become a business of brands. Customers visit brands' websites and flagship stores. They click on and search for 'Prada' or 'Bottega Veneta', not 'leather bag'. The luxury market entails more than simply selling excellent products in excellent places with excellent service; it is the brand itself that activates and embodies the intangible element of the dream, the symbolic access to a specific universe of privilege and a measure of social stratification. Royal Salute is not simply a rare whisky that has been aged for a minimum of 21 years, unspoiled, waiting for maturity; it represents access to a highly symbolic moment and universe, the coronation day of Queen Elizabeth II, heir of a legendary dynasty. On 2 June 1953, 21 gunshots were fired by the Royal Navy and, on that day, this rare whisky was offered as a tribute to the new queen. By extension, the Royal Salute brand is a tribute to the new kings and queens of the modern day, namely, the successful entrepreneurs – particularly those from Asia – who have built new empires, companies and brands all over the world. Being a consumer of Royal Salute, then, is like being a member of an exclusive club. In short, the consumption of luxury products fulfils dreams and acts as a social stratifier. This dimension of dream fulfilment – that is, symbolic access to excellence and to a privileged life as a result of one's efforts and choices – is what separates luxury from premium.

There are many premium brands of cars, all of which claim to be the 'best car'. The essence of premium brand positioning is the ability to claim being the number-one brand in a given category and to furnish various offerings of proof to sustain this assertion. Premium brands need to justify their pretension of being best in class. For example, Lancôme advertisements often offer claims that a product is the *best* skincare cream because it has a unique feature or ingredient or creates a unique result that the competition cannot emulate. But luxury is not simply a matter of being best in class; it embodies class itself. This is why luxury brands seem able to command any price. Premium brands cannot do this; their price level is ultimately capped by the mere rationality of their proofs. Premium cars sell 'progress' and, therefore, obsolescence: one version of progress will ultimately be replaced by another. Dreams, however, last a very long time.

A striking feature of the luxury industry is its constant growth despite economic crises, downturns, revolutions and wars. Bain & Company estimates that the luxury business represented €800 billion in 2013, with €319 billion spent on cars, €138 billion spent on hotels and €217 billion spent on personal luxury items (such as leather goods, clothing, watches, jewellery and fragrances). By contrast, these personal luxury items represented only €80 billion in 1995.

The source of this significant growth in the luxury sector is the world's economic growth itself. Bernstein Research has demonstrated that luxury growth in a country is closely correlated to its gross domestic product (GDP) growth. This is to be expected because growth comes from companies creating value and distributing wages, and top managers enjoy harvesting the fruits of their efforts. Gone is the image of stingy or mean millionaires, who save money all their lives but never really enjoy their fortunes. This old type of 'rich', aptly described in the book *The Millionaire Next Door* (Stanley and Danko [1998] 2008) no longer represents the reality of consumption among the new rich, especially those from emerging countries, with China being a prominent example. In China, chief executive officers (CEOs) are younger, and there are numerous millionaires under the age of 40. They want to live as their Western counterparts do and enjoy similar expressions of wealth and happiness, such as the consumption of luxury products and brands. The luxury sector has also thrived among the upper middle class in China, who want to emulate the lifestyles of their country's rich and famous as well as celebrities in the West. A symbolic part of such behaviour – and one that can be easily imitated – is the consumption of luxury brands. When luxury brands began being distributed in emerging countries, the luxury industry took off. In China, it is said that the luxury market started when Plaza 66, China's first luxury shopping mall, opened on Nanjing Road in Shanghai. The dream became visible and accessible for all those ready and willing to pay the price.

With growth from €80 billion in 1995 to €217 billion in 2013 the personal luxury market is clearly no longer the privilege of just a few. The *Webster's Dictionary* definition of luxury in 1828/1913 provides an interesting reminder of how the concept has changed: 'anything which pleases the senses … and is also costly, or difficult to obtain; an expensive rarity' (see http://www.webster-dictionary.org/definition/luxury). Granted, only 6,922 Ferraris were sold in 2013 and 3,630 Rolls-Royces, but the Audi brand '[pulled] ahead of BMW worldwide to grab the lead in luxury car sales with 1.6 million cars sold' (*Independent Ireland Journal*, 16 March 2014). Such statistics offer further proof that the luxury industry is no longer made up of small niche companies as it used to be. It represents a real macroeconomic sector, aiming at big numbers and under the direction of managers.

Unlike other economic sectors, however, growth creates problems for the luxury market because the luxury dream is partly based on the notion of rarity and of access to a privileged life, to products of exception and to a life of exception. These beliefs are at the core of what the luxury concept evokes among luxury consumers today. In one of our latest studies, 3,085 affluent consumers from six major countries (the United States, China, Japan, Brazil, Germany and France) were interviewed. Respondents were selected on the basis of their declared purchases of certain products above a given price and were asked to select the attributes that most defined their vision of 'luxury' from a list of 10 attributes. Table 1.1 shows both the convergence of clients' definitions of what the luxury concept evokes and also some notable idiosyncratic differences between countries.

There is a striking similarity between these findings and the old *Webster's Dictionary* definition, which emphasizes pleasure and costliness. Only the Chinese respondents explicitly reported that luxury evokes both the very expensive and exclusivity for a privileged minority of consumers so as to make these consumers stand out from the crowd. Among other nationalities, notions of rarity and being exclusive to a minority of the privileged few are present but not among the top four associations; instead, they are perceived as consequences or correlates of the high quality, high prestige and high cost of the luxury goods and brands.

TABLE 1.1 Meaning evoked by the word 'luxury' for consumers in six countries (n = 3,085)

	France	United States	China	Brazil	Germany	Japan
1	high quality	high quality	expensive	high quality	high quality	high quality
2	prestige	expensive	high quality	pleasure	expensive	prestige
3	expensive	prestige	fashion	dream	fashion	expensive
4	pleasure	pleasure	minority	expensive	dream	intemporal

The more the luxury sector grows – as it has been doing for nearly 20 years – the more this threatens the levers of the luxury dream and the essence of what luxury evokes (Thomas, 2008). Growth of sales means growth of customers, as is evident from the long lines of Chinese clients waiting to enter the Louis Vuitton store on the Champs-Élysées in Paris or the Gucci store in London in order to buy expensive handbags for themselves and their friends. Ferdinand Porsche, son of the founder of Porsche and designer of the iconic 911, once said that he did not like it when he saw two Porsches on the same street (visiting London today would give him a heart attack!). Thus, a primary consideration for all general managers of luxury brands is how to reconcile growth and luxury. How can such a company grow while remaining true to the model of scarcity of supply that prevents growth? Can a manager adhere to the tenets of a true 'luxury strategy' and yet still grow?

The Luxury Strategy (Kapferer and Bastien, 2012) reminds us that if luxury as a concept is subjective, and if the luxury sector is elastic in terms of the brands and companies that should be included, the luxury strategy is nevertheless a very precise notion and a demanding strategy – it is a unique mode of conducting brands and companies. The luxury strategy entails a certain obligation to break the rules of marketing in order to build luxury brands. We identified 24 'anti-laws' of marketing that should be followed to create a successful luxury brand. They have been developed and implemented by the most successful luxury brands over time. These anti-laws have become references among luxury companies and groups.

The present book is not intended to be a substitute for *The Luxury Strategy*. Rather, it focuses on the main challenge of the luxury industry and brands today – namely, the challenge of growth.

The future(s) of luxury

What is the future of luxury? This question is repeatedly raised in publications and international conferences on luxury. This future is partly known – not as a result of guessing but rather as a consequence of empirical or sociological laws. In addition, will there be one single future?

In the past, predictions about the future of luxury were based on intuition or some sort of sixth sense: this attitude is naive because it ignores the fact that luxury is not out there, waiting to be discovered in its new forms. Actually, luxury is a product of its time, epoch and the dynamics of class in specific countries: luxury fulfils social and economic goals and is more than a status or conspicuous consumption game. Luxury in the 17th century served the splendour of the Sun King, as luxury at the end of the 19th century served the splendour of the Rockefellers, the Vanderbilts and the Carnegies. Post-modern luxury is a euphoric hymn to the media power of the 'people'; that is, the celebrities. Today, luxury is more than a macroeconomic sector; it is at the centre of society, held as its most elaborate form of cultural production. This omnipresence of luxury in modern societies cannot be separated from the hyperindustrialization of the world, which leads to the saturation of consumption. Saturation can be overcome in two ways, as exemplified by Uniqlo and Louis Vuitton. Uniqlo proposes quality and style for all through a low-cost business model. In contrast, Louis Vuitton adopts a value strategy that encourages everyone to buy fewer objects, but ones that last and are highly cultured. To secure its own growth, luxury must manage its own image, the one that will legitimize it for years to come. Furthermore, because this sector has become more consolidated, in the hands of groups gone public (such as LVMH, Richemont, Kering and Prada), the stock exchange will play a role in the future of luxury. It has already contributed to the naming of all these companies under the same umbrella word ‘luxury’. Several years ago, each brand and each company was known by its own speciality (eg a saddler, a trunk maker, a shoemaker); now, they are all presented as ‘luxury brands’. Wall Street expects permanent growth from LVMH, which differs from how luxury was conceived by family-owned companies. They previously had no pressure to grow – they had time. The future of luxury will also need to satisfy the stock exchange by taking into account the political, sociological and ecological parameters of the epoch of today: is it time for euphoria? Where? To celebrate what? Isn’t it time to get back to the essence of luxury? The willingness of major luxury brands to be considered cultural productions is a signal that, in some countries, conspicuous waste is a dead-end street for the luxury industry: it now needs to promote conspicuous taste (Shipman, 2004) as a signal of consumers’ cultural ability to select green conspicuousness.

Where is the future of luxury? After the BRIC countries come the MINT countries. Because luxury sector growth is directly correlated with GDP growth, the future of the sector likely resides in China, where there is a vast untapped reservoir of potential new clients. Africa also shows great promise as a new market for luxury items. Many indicators suggest that this process is already under way in African countries with rare resources that are fuelling economic growth, such as Nigeria, Mozambique, Morocco and Angola. Brazil may also emerge as a prime luxury market, but this will not likely happen for a while yet. The wealth from Brazil has already settled in Miami, where the rich go shopping for luxury brands.

Luxury consumption is also deeply linked to urbanization, a movement that is luring people away from their original homes, villages, parents and clans. When they arrive in cities to find jobs, these people enter into a competition of sorts – and must build a new identity. Luxury brands represent an easy way to build such socially desirable identities. This can also be acquired at low cost due to counterfeit products whose logos are prominent. In emerging countries, such counterfeit brands paradoxically act as entry range of the well-known institutional brands. Research on counterfeit brands has explored the notion that such products might not be as detrimental to the brands as once thought; indeed, some argue that they even contribute to the diffusion of their fame (Nia and Zaichkowsky, 2000). Now, because brands are often made by their clients, the multiplication of these unexpected clients may be a mixed blessing from that standpoint. For example, Burberry experienced this when the brand was chosen by the ‘chav’ subculture (lower class, brash and often loutish) in Britain.

With regard to China, it is likely that the local HNWIs (high-net-worth individuals, or millionaires in cash) are sensitive to the fact that they belong to a minority. Through their success, they have distinguished themselves, and they want recognition for this. For them, the diffusion of a brand is not positive. For the mass of middle-class consumers, however, it is reassuring to buy the same Louis Vuitton bag as everyone else; it is a way to be certain of one’s choice and to become symbolically integrated into an 'upper class' by wearing this brand logo, which has today become the proud symbol of China's economic take-off (Rambourg, 2014).

Another forecast can be made about the future of luxury in emerging countries: after the discovery phase of luxury items is over, these consumers will begin to seek out experiential luxury. However, this will take time. In these countries, buyers still mentally live in a world of material shortage: they were poor only decades previously, or at least their parents were. As Chadha and Husband (2006) show, new luxury buyers emerging from a state of poverty and hardship enjoy spending time visiting luxury stores, where people address you with respect, extend VIP treatment, and purport to care about you as a person rather than just a number. In addition, these stores are like those made famous in New York or Milan, which enhances the magic of the place and offers the ability to 'travel without travelling'. In this luxury discovery phase, happiness is measured by the number of Louis Vuitton bags that one buys. Only later will the realization come that possessions do not equate to happiness. Such a mindset is more characteristic of mature countries, in which there is a society of material abundance but a shortage of happiness. Under such circumstances, so-called experiential luxury needs begin to emerge – that is, the opportunity to engage in unique, rare, emotional and meaningful experiences anywhere in the world. This is why so many new luxury resorts comply fully with the demands of sustainable development: through such efforts, their high prices offer a more meaningful experience.

In mature countries, as Jean Baudrillard (1998) predicted, elite consumers are competing on both wealth and taste. They move from a compulsive and contagious appropriation of objects to the demonstration of appreciation of these objects. This is why luxuries and luxury brands exist. As soon as a brand becomes preferred by the new rich, the old rich move to another, less visible, less coded brand, one with subtle indications of recognition that signal the owner's ability to 'understand' and be 'part of it'. Baudrillard also notes that the products signalling wealth, taste and social group are continuously changing. As these products become embraced and consumed as luxury symbols by the upper middle class, it is likely that they will no longer be held as such by the rich. Celebrities (eg new actors, new sports figures, new pop stars) are often characterized as the new rich: they are high in their need for status and buy brands they believe to be status symbols. However, the rich have less need for such displays of status (Han, Nunes and Drèze, 2010); they prefer bespoke, experiential luxury (such as a visit to an iconic château of the Bordeaux wines, having dinner with the owner and attending the harvest). They may also express their status through the acquisition of contemporary art (which, as a result, has become a speculative venture) or real estate and by adopting the latest sustainable and digital technologies for their homes, cars and boats.

Who will make the future of luxury brands? To date, large institutional brands have been good at identifying rising designer stars and often prompt them to manage an institution (eg Marc Jacobs, John Galliano). Through this practice, the large companies bring fresh perspectives to old brands, prevent decay and essentially avoid the entry of new competitors (if the designer had launched his or her own brand and devoted all his or her energy to it).

However, as is the case in any sector, competition often comes from where it is least expected. New technology is one avenue. The innovation of dosettes has created Nespresso, the ultimate experience in coffee, which has fully adopted a luxury strategy. Apple is another company that has pursued a luxury strategy (in contrast with Samsung, which has followed more of a premium brand strategy). Hybrid engines have allowed the newcomer Lexus to become the industry standard for clean luxury cars, and lithium batteries have made Tesla the 'it car' of all Hollywood celebrities, cautious to be no longer seen driving Ferraris or Lamborghinis (icons of yesterday's dream). Celebrities are in the business of self-branding to maximize their sustained relevance and financial value.

Emerging countries are likely to produce the future luxury brands for the world. This is why Hermès was clever enough to buy majority shares in Shang Xia (China). China has the potential to produce such brands: it has a long history, a tradition of excellence in craftsmanship and art, new designers who are able and willing to succeed, and the support of the state. The only thing missing is the belief that they can succeed. Innovativeness and creativity are essential to the development of luxury brands, yet these qualities are not facets historically embraced by the Asian culture, at least not yet. Finally, luxury entails more than just products; it is the culture of excellence all along the value chain, including all the subcontractors. Unfortunately, in China, in the wake of the cultural revolution, a lot of know-how has been destroyed, and many master craftspeople have disappeared. It will take time to rebuild these skills. The same holds true in France – a lot of precious knowledge essential for haute couture is no longer taught because there is a lack of both teachers and students. This is why Chanel decided to buy several niche companies that possess this idiosyncratic knowledge – when they were at risk of going bankrupt. Without this valuable know-how, where can the luxury dream go? Everything must be made in such a way as to prevent the relocation of production sites to foreign countries (see also Chapter 5).

Finally, for some specific targets, will tomorrow's luxury brands be non-material? What will be rare tomorrow? Silence, air, harmony, peace … these are public goods and are difficult to privatize, but some places in the world might be uniquely endowed with such rarities.

We now turn to a panorama of major challenges that potentially threaten the luxury dream, in both the present and the future. In one sense, these challenges are the result of the luxury industry's incredible growth worldwide. However, they also result from deep changes in the environment: technological (the internet), socio-economic, political, ecological and so forth. Each of these issues is covered in greater detail elsewhere in the book.

The rise of fashion: from dream to contagion of desires

Do the Chinese tourists who patiently line up outside the Gucci flagship store in London know why they do this? Or do they simply imitate the behaviour of others like them? This is indeed more fashion than luxury. What sells fashion? Being fashionable – a very transient and fragile state that needs to be continuously revisited and reimagined. Luxury, however, is about long-term value. Being a fashionable item is excellent for sales in the short term, but this also moves the brand away from a luxury positioning and towards more of a fashion strategy. In emerging countries and among new consumers, there is a quid pro quo, a misunderstanding: in China, for example, luxury is now bought in order to be fashionable. Table 1.1 illustrates this phenomenon: Chinese respondents defined luxury as expensive, high quality, *fashion* and only for a minority. As the anthropologist René Girard (2005) has demonstrated, the fashion desire rests on a mechanism he calls the 'triangulation of desire'. Consumers do not desire the product or brand per se, but rather the desire of another person. It is similar to a child who wants a toy just because another child has or wants the toy. However, once bought or possessed, that toy loses its value. The notion of luxury is tied to the selling of dreams, not wants or desires. It takes time to build an exceptional product (eg a Patek Philippe watch) and there is no rush to buy it. The dreams that a luxury brand embodies are ideals that might come true. One dreams of buying a Porsche 911 Carrera; time will tell if and when this purchase will ever be realized. The completion of these dreams depends on many factors, but the dreams alone are pleasant to covet. They give rise to goals. Desire is consumption – that is, consummation (fire) – leading to endless replacement.

Because the new rich in emerging countries often come from poor backgrounds, they do not yet have the same advanced cultural sensibilities as the 'old rich' (no one has taught them what good champagne is, for example). They make many of their decisions on the basis of price and popularity, on what is fashionable today. The enactment and consumption of luxury in mature countries are very different. As Patrick Thomas, former CEO of Hermès, bluntly used to say: 'When a product sells too much, we discontinue it immediately.' His reasoning is simple: after-fashion comes out of fashion. Luxury does not aim to become a bestseller but rather a long seller. Certainly Louis Vuitton hired Marc Jacobs for the launch of a ready-to-wear line and its *défilés*, but the business model of Louis Vuitton has not changed. It is a paragon of the luxury strategy.

One of our recent studies validates this managerial intuition. We measured consumers' perceptions of 60 luxury brands (belonging to Comité Colbert, Fondazione Altagamma and similar professional syndicates in the United States, Germany and the United Kingdom) on six structural variables: brand dream potential, brand luxury, brand tradition, brand fashionability, brand prior purchase and brand awareness. Respondents were luxury buyers in China, the United States, Brazil, Japan, France and Germany (n = 3,085). Pooling all the results for the 60 brands, we were able to map the relative position of these six structural variables. This map appears in Figure 1.1. In interpreting this figure, note that when two variables are close to each other on the map, they are correlated and thus work together. The dream value of a brand is nurtured by its perceived luxuriousness and its tradition, legend and historical heritage. Luxury represents the future of tradition. As the mapping in Figure 1.1 reveals, the dream value is also nurtured by the number of people who have heard of the brand (awareness) yet do not purchase it. Notably, fashion goes in the opposite direction, meaning that it does not create value with regard to luxury-related dreams. Fashion and luxury are opposing concepts. It may be fashionable to wear luxury brands, but if a luxury company starts behaving as a fashion house, unless there is a purposeful desire to leave the luxury sector and enter the fashion sector this move will be a source of value loss.