Luxury as the Opposite of Vulgarity: A Trio of Perspectives on Luxury Brands

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Luxury as the Opposite of Vulgarity:
A Trio of Perspectives on Luxury Brands

“Luxury is not the opposite of poverty. It is the opposite of vulgarity”
– Coco Chanel

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DEDICATION

This thesis is dedicated to my parents, Johan and Ingrid Reyneke, for giving me the two most important gifts you can give a child: roots and wings.
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May this just be the beginning.

Mignon Reyneke
ABSTRACT

This thesis, entitled “Luxury as the opposite of vulgarity: A trio of perspectives on luxury brands” considers luxury brands in a trio of contemporary contexts.

Despite the academic research surrounding luxury brands being limited, the existent research most often studies luxury brands in a traditional retail context. That is, luxury is viewed from a perspective where the products are sold in luxury retail stores. However, the landscape that these brands function within has changed significantly in the last decade as a result of the rise in Internet usage, the ever increasing effect of social media on consumer behaviour, and the influence of the recent global recession. This study considers how consumers behave and how luxury brand managers act in a trio of contemporary contexts regarding luxury brands; namely gift giving, economic downturns and social media.

Through this thesis, the researcher considers the behaviour of luxury consumers in these three contexts, and suggests ways for the managers of these luxury brands to successfully adjust to the changing environment in which these brands function.
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CHAPTER 1. INTRODUCTION TO LUXURY BRANDS - A TRIO OF PERSPECTIVES

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Coco Chanel

1.1. INTRODUCTION

Branding is an area in marketing that has been studied extensively by marketing scholars. There is, however, a noticeable lack of attention in the marketing literature to the study of luxury brands. This is surprising for a number of reasons. First, the international market for luxury goods and services is remarkably large (Cohen, 2007) and seems certain to grow significantly in the future when one considers the increasing numbers of affluent consumers in emerging markets such as India and China.

Second, while brand extensions have been studied quite widely (Balachander & Ghose, 2003; Czellar, 2003; Meyvis & Janiszewski, 2004; Völckner & Sattler, 2006) these publications seem limited to the practitioner-orientated journals (Reddy & Terblanche, 2005; Reddy, Terblanche, Pitt & Parent, 2009) rather than those of a more academic nature. Third, luxury brands provide prominent and controversial consumption symbols in society; viewed by some observers as the epitomes of excess (Sekora, 1977) and others as a tonic for one’s humdrum world (Twitchell, 2002).

Fourth, brands often follow opposing trajectories: mass-market brands repeatedly attempt to gain prestige, differentiation and margins by “trading up” (Almadoss & Jain, 2008; Berkowitz, 1987; Goldman, 1975), while luxury brands marketers frequently endeavour to grow by broadening their offering portfolios,
or “trading down”, sometimes with dire consequences (Reddy & Terblanche, 2005). Finally, sales of luxury goods are frequently seen as a bellwether of economic conditions (Browning & Crossley, 2000; Bils & Klenow, 1998; Brewer, 1998; Kiessling, Balekjian & Oehmichen, 2009).

Luxury producers have often had the ability to maintain a position for their brands at the top end of their particular markets for decades, and have successfully fended off the advances and effects of competitors, wars, scandals and economic recession (Koehn, 2000; Brook, 2001).

Luxury brands are also remarkably resilient (Bevelander, 2004). For example, a brand such as Gucci has, after some years of mismanagement or misguidance, made a quick and successful recovery by employing a more focused strategy (Moore et al., 2000). This may be an indication that luxury brands exist in a unique market niche and are impelled by unique marketing phenomena (Twitchell, 2002; Stanley, 1988).

According to Kapferer and Bastien (2009), everyone wants their product to be luxury one today and these products have become far more readily available in recent years. They note that there are columns in magazines about luxury, and programmes on television about luxury products and services and the business of luxury. It is true that even mass consumption brands name many of their models “deluxe” or qualify the experience of consuming them as “luxurious”. As a result, defining what constitutes a luxury product or service today has become somewhat of a challenge as the term “luxury” has not been clearly defined by marketers (Vigneron & Johnson, 1999).

In some studies, there is no differentiation between terms such as “luxury”, “status” or “prestige”, despite the fact that this is an important definition as exploratory studies show that consumers view these terms quite differently (Dubois & Czellar, 2002). The meaning of luxury to the consumer has also often been described in general terms such as “having more leisure time in a
day” (Dubois & Czellar, 2002) as opposed to marketing terminology where one has to differentiate what constitutes a luxury product from a high quality product (Vigneron & Johnson, 1999). Defining a luxury product or brand in terms of price also raises some questions as highly priced products are not necessarily always luxuries (Prendergast, Phau & Wong, 2000).

Therefore, for the purpose of this thesis, the researcher will use the definition of luxury brands as defined by Phau and Prendergast (2000). This definition identifies four characteristics of luxury brands:

- Luxury brands evoke exclusivity,
- They have a well known identity,
- They enjoy high brand awareness and perceived quality, and
- They retain sales levels and customer loyalty.

1.2. PROBLEM STATEMENT

Despite the academic research surrounding luxury brands being limited, the existent research most often comprises studies of luxury brands in a traditional retail context (Wong & Zaichkowsky, 1998; Prendergast & Wong, 2003; Moore et al, 2000; Chadha & Husband, 2006). That is, luxury is viewed from the perspective where the products are sold in luxury retail stores as would typically be found in places such as Bond Street, London and 5th Avenue, New York. Here, in these retail environments, one would find two of the hallmarks of a successful luxury store, viz. customer intimacy and elegant product presentation. Customers that enter these luxury stores would experience a great deal of face-to-face contact with representatives of the brand as they receive personalised service from attentive and knowledgeable sales people.
However, the landscape that these brands function within has changed significantly in the last decade. With the rise in Internet usage and the ever-increasing effect of social media on consumer behaviour and the management of brands, and the influence of the recent global recession, the market environment of luxury brands has also been affected. For this reason, this study will consider how consumers behave and how luxury brand managers act in three specific contemporary contexts.

The research question therefore is: How do consumers behave, and luxury brand managers act, in a trio of contemporary contexts regarding luxury brands; namely gift giving, economic downturns and social media?

The study will consider consumer behaviour and management actions with regard to luxury brands; firstly in social media, secondly when luxury products are purchased as gifts, and thirdly in times of economic downturn. These specific contexts that this study will consider, as opposed to the more traditional retail context in which luxury brands have most often been studied, are depicted in Figure 1.

![Figure 1 A trio of contemporary perspectives on luxury brands](image-url)
1.3. LUXURY BRANDS IN SOCIAL MEDIA

With the democratisation of luxury, luxury products are much more widely available from a traditional retail point of view today than in the past. This is also true for luxury products on the Internet. Balwani (2009) contends that there is a common belief among brand managers that the Internet is not a luxury market. This belief is, however, flawed as consumers are spending more money online than ever before which makes the Internet a place where luxury brands must build a presence.

A study by eMarketer (2010) shows that in the second quarter of 2010, consumers with a household annual income of more than $100 000 contributed 6% to ecommerce growth and held a 37% share of total online spending.

In quarter 3, this segment’s contribution to ecommerce growth had increased by 28% over quarter 2 and their share of total online spend had increased by 17% over the same period (see Table 1).
Table 1 US Retail ecommerce spending metrics, by household income, Q2 2010

<table>
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<tr>
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<th>Contribution to total ecommerce growth</th>
<th>Share of total online spending</th>
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<tr>
<td>&lt;$50K</td>
<td>5%</td>
<td>22%</td>
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<tr>
<td>$50K - $100K</td>
<td>-1%</td>
<td>41%</td>
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<td>$100K +</td>
<td>6%</td>
<td>37%</td>
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<td>Total</td>
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<th>% change Q2 2010 vs. Q2 2008</th>
<th>%change Q2 2010 vs. Q2 2009</th>
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<tr>
<td>&lt;$50K</td>
<td>14%</td>
<td>22%</td>
</tr>
<tr>
<td>$50K - $100K</td>
<td>-8%</td>
<td>-2%</td>
</tr>
<tr>
<td>$100K +</td>
<td>28%</td>
<td>17%</td>
</tr>
<tr>
<td>Total</td>
<td>8%</td>
<td>9%</td>
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Note: read as saying that those making <$50K contributed 5% to the total of 9% growth.


A similar study by eMarketer in 2007 projected that the number of affluent Internet users in this same household income segment would increase from 43.7 million in 2006 to 57.1 million in 2011. This clearly indicates that it is in this luxury-seeking affluent consumer segment where online growth is taking place.
Social media are now as influential, if not more so, than conventional media. As could be witnessed in recent times by the Unilever Dove “Real Beauty” campaign (Deighton, 2007), this has a significant impact on brands. This leads one to the first sub-question that this study aims to answer: How visible are luxury brands in social media?

As a result of the ever-increasing popularity of social media among consumers, managers of luxury brands may be interested to know how visible their brands are in social media in comparison with their competitors.

1.3.1 Article 1: Luxury wine brand visibility in social media (introduced in Chapter 1 and fully stated in Chapter 2)


Managers of luxury brands may be aware that tracking the visibility of their brands and what is being said about their brands in a social medium is a difficult task as it requires regular tracking and constant monitoring, for example following tweets or spending a significant amount of time on Facebook. This task becomes even more daunting when one considers that there is a plethora of social media out there which may all be communicating about brands and those of their competitors.

This paper attempts to address these issues. First, it provides a brief general overview of the social media phenomenon, and distinguishes between the various types of social media. Second, it describes a tool for simultaneously collecting brand visibility information, called “How Sociable”. The paper then briefly describes a study of the relative positioning of luxury wine brands (the researchers chose the classic Bordeaux Premier Cru, or “first growth”) based on
data from How Sociable. It explains the use of correspondence analysis to simultaneously portray the various luxury wine brands in multi-dimensional space so that they can be contrasted with each other in terms of their visibility in social media. The article also comments on the current state of positioning of these brands in social media.

Establishing this brand presence in social media, and being able to ascertain the brand’s visibility in comparison with competitors is very important. However, monitoring the success and performance of this online brand presence may be of even greater importance.

This gives rise to the second sub-question this thesis attempts to answer: How can the performance of luxury brands in social media be assessed and then compared with one another?

1.3.2 Article 2: The positioning of luxury brands in social media: an exploratory study (introduced in Chapter 1 and fully stated in Chapter 3)


The luxury brand manager will want to know how well the brand is performing in social media, and of course, whether the objectives set for it are being met or exceeded. However, the luxury executive will likely also be using other brands as benchmarks, and will want to compare the performance of their own brand against similar, or competitive brands. Once this is done against a number of other brands and on a range of criteria, the analysis and comparison can be quite complex.
This exploratory article shows how the performance of luxury brands in social media platforms can be assessed, and then compared with one another. The paper begins by briefly recapping the notion of brand positioning, and then provides a very brief description of social media. The paper then describes how data were gathered regarding the performance of five luxury brands in social media from a publicly available source, “Social Mention”. Next the article shows how these data can be analysed and portrayed using correspondence analysis, a common statistical tool that permits the mapping of brands and criteria in multi-dimensional space, and finally comments on the results of this analysis.

Once managers are aware of how visible their brands are in social media and how well their brands are performing in comparison with other brands, they may be interested in what is being said by consumers about their brands in social media. This leads to the third sub-question this thesis addresses: How can managers of luxury brands monitor and analyse consumer conversations around their brands in social media?

1.3.3 Article 3: Consumer conversation concerning online advertisement of luxury brands (introduced in Chapter 1 and fully stated in Chapter 4)


The Internet has evolved from an information retrieval source to a place of interactivity, and a place for dialogue on the basis of one-to-one, one-to-many and many-to-many. Many observers term the Internet today as “Web 2.0” which according to Berthon, Pitt and Campbell (2008), is more to do with how people are using the technology than the technology itself. As a result of the popularity and interactivity of this medium, many companies have placed their
advertisements on video sharing sites such as YouTube in order to create brand awareness and to stimulate conversation among consumers regarding their brand. Video is gaining ever-increasing popularity among Internet users where more than three quarters of broadband users are regularly watching or downloading video content (Madden, 2007). According to ComScore (2009), in 2009 100.9 million Internet users viewed 6.3 billion videos on YouTube, which amounts to 62.2 views per user. This increasing popularity of video hosting sites like YouTube, is changing the advertising landscape.

While advertisers have relatively powerful measuring tools to ascertain the effect of their own more traditional messages which include surveys (Leavitt, 1970; Schlinger, 1979; Shimp, 1981), ratings services and viewer response profiles, these tools may not be as effective in measuring conversation and responses to their advertisements on the Internet.

According to Campbell, Pitt, Parent & Berthon (2010) these traditional measuring devices “may not be able to capture the nuances in an environment where consumer feedback to advertising is networked rather than one-way, a dialogue rather than responses to a scale, and possibly assumes more dimensions than might be captured in a standard survey”.

While these consumer dialogues and market conversations are difficult to interpret through traditional advertising research methods, there may be an opportunity for brand managers to gain some valuable insight into the way consumers interact with their brands.

This exploratory article makes use of the content analysis software Leximancer to comprehend the consumer feedback around conversations about luxury brand advertisements. The researchers study consumer comments posted on YouTube (where the three advertisements used in this study appear) and analyse these comments in order to find meaning among the large volume of consumer discussion.
First, the paper discusses the advertisements for well-known luxury brands that were chosen for this study and the subsequent reactions to them. It then goes on to discuss a powerful tool that can be used for deciphering and interpreting the consumer conversations surrounding these advertisements and the results of the analysis.

1.4. LUXURY BRANDS AS GIFTS

Humans have practiced the art of gift giving throughout history. Archaeologists have identified the practice of gift giving in history as ancient as that of the Babylonians. The Romans practiced gift giving as a way of seeking favour with their emperors by presenting gifts of gold and silver. This ancient practice has spread to modern day society in the giving of gifts to family and friends.

The nature of gift giving has received considerable attention from consumer researchers (Giesler, 2006). Somewhat surprisingly, however, this work has given little attention to luxury brands as gifts. Consumer behaviour researchers have, however, provided some interesting insights into gift giving in general terms.

For example, Wooten (2000) contends that a gift giver may experience considerable anxiety when selecting an appropriate gift for a recipient. This feeling of anxiety may also be experienced by a giver of a luxury gift as the giver may become quite disconcerted about whether they are selecting the “right” luxury item for a particular recipient.

The ubiquitous nature of Christmas gift giving has been studied by Otnes, Lowrey and Kim (1993). They identified six social roles that gift givers express towards recipients through the exchange of gifts. They contend that these six social roles could be seen as target markets for gift purchasers from a marketing point of view.
The roles they describe are as follows:

- **Pleasers**: These givers carefully choose appropriate gifts based on knowledge of the tastes and interests of recipients in order to select a gift they believe the recipient would enjoy.

- **Socialisers**: Gifts are chosen by these givers as a means of socialising and presenting the recipient with a gift or knowledge the giver would like the receiver to have.

- **Acknowledgers**: Gifts in this case are given in order to acknowledge that a relationship between the giver and receiver exists.

- **Providers**: These givers bestow a gift upon the receiver that they believe the recipient may need, rather than desire.

- **Avoiders**: This group do not give gifts.

In the case where a consumer is purchasing a gift, the situation in which the gift is expected to be consumed may play a large role in the gift givers selection process. The depth of the search, the price limit, the number of brands considered, and the type on information sought by the consumer may all be elements that are determined by the expected consumption situation (Quester & Smart, 1998).

The characteristics of luxury brands, apart from excellent quality, prestige image and an element of uniqueness and exclusivity, also include high price (Kapferer, 2001). In the case of luxury products as gifts, the giver is likely to consider the price of the gift to send a message to the recipient as to how significant the consumption situation (e.g. the recipient’s wedding) is to the giver.
Cholette and Castaldo (2005) contend that this would be the case if the luxury item purchased as a gift was wine. They note that “wines intended as gifts, to be served for company or for special occasions are likely to be more expensive than bottles bought for everyday consumption”.

The consideration of luxury brands from the perspective of gift giving in this study is based on luxury wines as gifts. This specific study aims to answer the fourth sub-question of this thesis: How can the market for luxury wine as gifts be segmented?

For the purpose of this conceptual study, luxury brands are defined among three dimensions; firstly, as having a functional dimension, secondly a symbolic dimension, and lastly an experiential dimension. The study is based on the AO model of Berthon, Pitt, Parent & Berthon (2009) which is to be discussed in Chapter 4, and proposes that this market can be segmented according to the four quadrants of the model which are determined by the transience or enduring nature of a gift, as well as the expert or novice status of the giver and recipient of the gift.

1.4.1 Article 4: Luxury wine brands as gifts: Ontological and aesthetic perspectives (introduced in Chapter 1 and fully stated in Chapter 5)


An interesting finding from research by Otnes et al. (1993) is that most gift givers identify elderly relatives as “difficult to choose gifts for”, which also has important implications for luxury brands.
Indeed, the age of the recipient of a luxury brand as a gift might form an important piece of knowledge for the luxury wine brand marketer.

A consumer faced with the decision of choosing a significant gift for a beloved aged relative could either choose, in terms of the AO framework (to be discussed), an enduring gift or a transient one.

While it may be tempting to give an enduring gift, such as a luxury watch or a Lalique glass piece that will last a lifetime, a recipient in their twilight years might well enjoy receiving something that can be enjoyed “in the moment” (perhaps with the giver), such as a great wine, or a stay in a fine hotel, etc. Whether the recipient is a novice or an expert in terms of the product category will then determine the brand of the hotel or wine, or other transient gift, purchased. On the other hand, when the recipient is much younger, the emphasis might be on the enduring nature of the gift – for example, upper class English families have long had a tradition of “laying down” a case of fine claret to mark the birth of a child.

Swiss watchmaker Patek Philippe’s advertising campaign over the past 10 years has focused on the unique and special relationship between father and son. This emotion has been intrinsically linked with its advertising line, “You never actually own a Patek Philippe. You merely look after it for the next generation”.

This paper contends that the four modes as set out in the AO model of Berthon et al. (2009) can be used as a typology of luxury wines, from both gift-giving and gift-receiving perspectives. Luxury wine marketers can make use of this typology to target wine gift givers effectively by understanding where on the matrix both the giver and the receiver are positioned. The four modes can be seen as different target markets, with different motivations and different behaviours with regard to luxury wines as gifts, and the astute luxury wine marketer will formulate different marketing mix strategies, depending on which
of the quadrants they decide to target. Furthermore, the nature of the competition in each of the quadrants will also differ, and the astute luxury wine brand marketer will understand this as well.

1.5. LUXURY BRANDS IN TIMES OF ECONOMIC DOWNTURN

The fifth and final sub-question this thesis addresses considers luxury brands in the context of economic downturn and asks: What is the relationship between luxury brands and the economic cycle? Luxury brands are generally studied in the context of healthier economies, creating a gap in the knowledge as to how these brands perform and what strategies luxury brand managers employ in times of economic downturn.

Spending on luxury brands in virtually all categories of non-essential items declines during economic recession, and one would expect that luxury brands are therefore significantly affected in such economic conditions. This decline in spending on such items is, however, not uniform across all industries and product types. In the automotive industry for example, sales of luxury vehicles are affected across various brands, but the sales of smaller fuel efficient vehicles are affected to a lesser degree. As a result the question arises as to which luxury brands are differentially affected, and what brand strategies emerge within luxury firms in these circumstances.

The recent global recession has once more confronted the luxury goods industry with questions as to how well luxury brands perform in times of economic downturn, and what strategies luxury brand managers implement in order to deal with economic asperity.

Past economic downturns such as the Gulf oil crisis of the 1990s, the dot.com boom and bust and 9/11 events in 2000 impacted the luxury sector in certain instances. The fear of flying, and a lack of general consumer confidence,
accompanied by economic weakness in the United States and Japan, created concern in the luxury sector (Finch, 2003) as sales directly linked to air travel or tourism would have likely declined.

The current worldwide recession, which began in the latter half of 2008, is marked as the most significant economic slowdown since the 1930s, affecting all types of consumers and industries (Flatters & Willmott, 2009). However, at the height of the worst recession in 80 years, Louis Vuitton opened a new store on Bond Street in London in May 2010. This store has been described by the brand’s creative director, Marc Jacobs as “one of the most magnificent retail stores in the world” and “a monument to luxury and visual stimulation” (Neel, 2010).

The opening of such an opulent store in the midst of a recession seems to indicate that luxury brands are not as badly affected in adverse economic times as is the case with other industries such as automobiles and banking.

The 2009 World Wealth Report, compiled by Capgemini and Merrill Lynch Global Wealth Management, especially noted those individuals classified as high- or ultra-high net worth individuals (HNWIs or Ultra-HNWIs). The report stated that by the end of 2008, the world’s population of HNWIs was down 14.9%, and that their wealth value had declined 19.5% over the previous year. Ultra-HNWI's had been affected even more: their numbers had shrunk by 24.6%, and their wealth had declined by 23.9%. Similarly Forbes’ list of the world’s billionaires (Forbes, 2010) reported that the number of billionaires in the world had fallen from 1,125 to 793. In summary, it would be fair to assume that wealthy consumers have also been affected significantly by the current recession. Whether this has had an effect on their spending on luxury goods and services is less certain. The link that is implied by these statistics seems obvious, however there is no substantial evidence that indicates that luxury brands have indeed been negatively affected.
There is also very little information available on how managers of luxury brands experience the current economic environment and what strategies they are employing in order to weather the storm.

1.5.1 **Article 5: Managing brands in times of economic downturn: How do luxury brands fare? (introduced in Chapter 1 and fully stated in Chapter 6)**


This article addresses the relationship between the performance of luxury brands and the economic cycle, i.e. the effect that recessions have on luxury brands, by means of an exploratory qualitative study. The paper begins by evaluating the luxury goods industry and changes that have taken place in recent years. Next, it considers luxury consumers and the effect the recent recession has had on their behaviour, and outlines a study of executives within the luxury goods industry designed to capture their impressions of the effects of an economic downturn on the brands they manage.

The current recessionary conditions within the world’s economies offer a unique opportunity to study this phenomenon under dynamic conditions. Some luxury brands might have been particularly hard hit by current conditions while others could have emerged not only unscathed, but even strengthened. This paper addresses these gaps in the knowledge by undertaking research across a range of luxury brand offerings in order to determine whether economic conditions have similar or different impacts across categories. This is done by means of in-depth interviews with brand managers and leaders within luxury firms.
The aim is to gain insights into what a variety of luxury brand marketers have experienced, what they have changed, how they have adapted, and what they intend to do in the future (as they have entered, endured and emerged from a serious recession) through in-depth interviews with senior decision makers.

1.6. CONCLUSION

The next chapters take the reader through the studies that individually address each of the five research questions discussed in this chapter. These five sub-questions aim to finally address the larger research question as stated in section 1.2. These can be summarised as follows:

CHAPTER 1: Introduction to a trio of perspectives on luxury brands: How do consumers behave, and luxury brand managers act in a trio of contemporary contexts regarding luxury brands, namely gift giving, economic downturns and social media?

Perspective 1: Luxury brands in social media

Chapter 2: How visible are luxury brands in social media?

Chapter 3: How can the performance of luxury brands in social media be assessed and then compared with one another?

Chapter 4: How can managers of luxury brands monitor and analyse consumer conversations around their brands in social media?

Perspective 2: Luxury brands as gifts

Chapter 5: How can the market for luxury wine as gifts be segmented?
Perspective 3: Luxury brands in times of economic downturn

Chapter 6: What is the relationship between luxury brands and the economic cycle?

Chapter 7: Final comments, limitations and future directions
REFERENCES


CHAPTER 2. ARTICLE 1 -LUXURY BRAND VISIBILITY IN SOCIAL MEDIA


Luxury wine brand visibility in social media:
An exploratory study

The ascendance of social media

In mid-May 2010, the BBC reported that the video hosting site YouTube was getting more than two billion hits daily, and that that was nearly double the number of people who tune into the USA’s three prime time TV stations combined (Shiels, 2010). YouTube had been established in 2005, and two important milestones were reached at the beginning of 2010. Earlier in 2010, YouTube had announced that every minute, 24 hours of video content were being uploaded to its servers (http://youtube-global.blogspot.com/).

The social network platform, Facebook, was not only larger in terms of population than most of the world’s nations, by early 2010 it was second only to the search engine Google in the number of daily online hits, and users spent much more time on it (Facebook, 2010). Generation Y (those born in 1976 and up to 1999) is now using Facebook as an alternative to email. In February 2010, while Google had 154 million using their site for an hour according to A.C. Nielsen research, 118 million people spent 6.5 hours each on Facebook (as cited by Arington, 2010), making Facebook a much “stickier” (i.e. where people spent the most time) site than Google.
Social media are now as influential, if not more so, than conventional media. This has a massive impact on brands, as witnessed in recent times by Unilever’s Dove “Real Beauty” campaign (Deighton, 2007) and the Nestle Kit Kat Palm Oil debacle (Greenpeace, 2010). While an understanding of social media is obviously important to brands and those who manage them, some key questions remain unanswered, both from the perspective of those who study brands (brand management scholars) and those who direct the fortunes of brands (brand managers). These would include questions such as: How does one find out what is being said about a brand in social media? What is being said about competitor brands, and how is that different from our brand? Is our brand more visible in some social media than others, and how does that differ from our competitors?

Anyone with knowledge and experience of social media knows that this is difficult enough to achieve for one social medium – it requires a regular tracking of what is being said – spending time on Facebook, or following Twitter tweets. Answering the question becomes even more difficult when one realises that there is a plethora of social media out there, all of which may be communicating about a particular brand to a greater or lesser extent.

These are the issues the researchers address in this paper. The researchers proceed as follows: First, the researchers provide a brief general overview of the social media phenomenon, and distinguish between the various types of social media. Second, the researchers describe a tool for simultaneously collecting brand visibility information, called “How Sociable”. Then the researchers briefly describe a study of the relative positioning of luxury wine brands (the researchers chose the classic Bordeaux premier cru, or “first growth”) based on data from How Sociable.

The researchers explain the use of correspondence analysis to simultaneously portray the various luxury wine brands in a multi-dimensional space so that they can be contrasted with each other in terms of their visibility in social media.
The researchers also comment on the current state of positioning of these brands in social media. The paper concludes with an acknowledgement of the limitations of the approach followed here, an outlining of the implications for brand managers, and an identification of avenues for future research in this domain.

Social media: a brief overview

Social media may be defined as media designed to be disseminated through social interaction between individuals and entities such as organisations. Typically they are created using highly accessible (easy to get to) and scalable (can be used to reach large numbers) publishing techniques (Brogan, 2010; Zarella, 2010). Social media use Internet and web-based technologies to transform broadcast media monologues (one to many) into social media dialogues (many to many). They support the democratisation of knowledge and information, transforming individuals from mere content consumers into content producers.

Kaplan and Haenlein (2010) describe social media as "a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content". Businesses and practitioners sometimes refer to social media as user-generated content (UGC) or consumer-generated media (CGM), or when consumers create advertisements about brands they either love or hate, as consumer generated advertising (Berthon, Pitt & Campbell, 2008).

In many ways social media have not only changed the way in which organisations and their brands interact with their customers, it has also changed the way business gets done. Organisations are now not only able to reach customers online and interact with them, they are also able, if this is managed effectively, to become part of customer conversations.
Brands are attempting to utilise social media to reach existing customers, gain new ones, and build or maintain credibility and reputation. Kaplan and Haenlein (2010) distinguish social media as having three components; namely, concept (art, information, or meme), media (physical, electronic, or verbal), and social interface (intimate direct, community engagement, social viral, electronic broadcast or syndication, or other physical media such as print).

Social media are all part of the phenomenon known as “Web 2.0”. Web 2.0 is probably best viewed as a series of application progressions over Web 1.0, rather than as something new in and of itself. Web 2.0 is the Internet’s “now” to Web 1.0 as the Internet’s “then” – it is much more to do with what people are doing with the technology than the technology itself. Rather than merely retrieve information, users now create and consume it, and hence add value to the websites that permit them to do so. These websites usually provide a richer context to users, by means of user-friendly interfaces that encourage and facilitate participation.

Tapscott and Williams (2007) contend that the economy of "the new web" depends on mass collaboration, with economic democracy as an outcome. The notion of individuals simultaneously creating value for themselves and others through profound network effects has not gone unnoticed by entrepreneurs – both for-profit business people, and social entrepreneurs, who see the technology as a way of being innovative and proactive.

Zhu, Basil and Hunter (2009) extend the work of Rao, Metts and Mora Monge (2003), who proposed a stage model to reflect the progression that small businesses (such as wineries) follow in their use of Internet technologies. They did this first by introducing marketing integration into a technology-focused model, and further differentiating the transactions stage of the framework. They then used the model to explore differences in the degree of sophistication of Canadian winery websites.
However, this study did not focus to any extent on the use of social media by wine marketers. According to Stricker, Sumner and Mueller (2003), from 90 to 100% of US wineries do have an online presence; however, this seems limited in many cases to a Web 1.0 approach. Similarly, a study by Thach (2009) on USA wineries’ adoption of Web 2.0 components (or Wine 2.0 as she titles it), shows that these wineries have not adopted Wine 2.0 to a great extent at this point in time. She argues that irrespective of whether wineries want to adopt Web 2.0, “it is already an active relationship marketing tool generated by the consumer”. As a result, marketers are encouraged to be involved in online interactions and to monitor conversations about their brands.

Because social media are a relatively novel media format, as far as the researchers are aware there is no readily accepted classification or categorisation scheme that exists to distinguish them. In what follows the researchers briefly describe some of the major types of social media, but do not claim that this is in any sense a definitive or even complete classification as this was not the purpose of the study.

The researchers distinguish briefly here between blogs, micro-blogs, social network sites, picture sharing, video sharing, and social news websites.

Blogs (short for “web logs”) are websites, owned and written by individuals, who maintain regular commentaries and diaries that may include text, graphics and video, and links to other blogs and web pages, usually in reverse chronological order. Rudimentary blogs function simply as personal online diaries, but more sophisticated bloggers concentrate as commentators on a range of focused phenomena with news and views on particular subjects, covering a wide range of industries, products, services, and special interests. Many blogs permit readers to leave their comments in an interactive format. Some specialised bloggers use their blogs to differentiate themselves from mainstream media; others are like more traditional journalists who see blogs as an alternative or
additional communication channel (see Steyn, Van Heerden, Pitt & Boschoff, 2008). One of the best known blog hosting sites is Google Blog Posts.

Micro-blogs are social networking services that enable users to send and read very short messages, usually restricted by the number of characters in the message. The best known of these is Twitter, through which users can send messages known as “tweets” - text-based posts of up to 140 characters displayed on the author's profile page and delivered to the author's subscribers who are known as followers. Senders can restrict delivery to those in their circle of friends or, by default, allow open access. Users can send and receive tweets via the Twitter website, text messaging on cell phones, or external applications.

Twitter has gained much prominence in the recent past. For example, during the 2009 Victorian bushfires, the Prime Minister of Australia, Kevin Rudd used his Twitter account to send out information on the fires, how to donate money and blood, and where to seek emergency help. In June 2009, following allegations of fraud in the Iranian presidential election, protesters used Twitter as a rallying tool and as a method of communication with the outside world after the government blocked several other modes of communication.

Social networking websites are services on which users can find and add friends and contacts, and send them messages, and update their personal profiles to notify friends, contacts or colleagues about themselves. Additionally, on some social networking websites, users can join networks organised by workplace, school, or college. The best known “friendship” social networking sites are Facebook and MySpace, and the best known professional social networking sites are LinkedIn and Plaxo. Facebook currently has more than 400 million active users worldwide (Facebook, 2010).

Picture sharing websites, the best known of which are Flickr, Yahoo Images and Google Images, allow users to store and share images.
Video sharing websites allow users to upload and share videos. Typically, unregistered users can watch the videos, while registered users are permitted to upload an unlimited number of videos. The best known of the video sharing websites is YouTube. It was estimated that in 2007 YouTube consumed as much bandwidth as the entire Internet in 2000 (Daily Telegraph, 2008), and that by March 2008, YouTube's bandwidth costs were estimated at approximately US $1 million a day (Yen, 2008).

Lastly, social news websites are sites that allow people to discover and share content from anywhere on the Internet, by submitting links and stories, and voting and commenting on submitted links and stories. The best known of these is Digg (www.digg.com).

Gathering brand visibility data in social media: How Sociable

It would be important for those who manage brands to have a good idea of what is being said about these brands in social media, how frequently it is being said, and in what particular medium it is being said. These types of data would give the brand manager an indication of the “visibility” of the brand in social media. In most cases, the brand manager would be interested in the social media visibility of their own brand, but would probably also want to make comparisons with the performance of similar or competitive brands.

The data could be gathered in one of two ways. First, someone could be given the responsibility of trawling through vast amounts of data in the vast numbers of posts on the various social media platforms and counting and documenting this information. Alternatively, the data could be obtained from a service that regularly trawls through social media electronically, and compiles and counts a brand’s visibility. One such service is a website called How Sociable (www.howsociable.com).
How Sociable is a free service that tracks the visibility of any brand in 32 different social media, providing a score for the visibility on each, as well as an overall “visibility” score. Simply by entering the brand name into a check box on the website, the user can obtain an overall visibility score and as well as visibility scores across the 32 different social media sites.

The overall visibility score assigned to a brand provides a quick way to compare the visibility of one brand with another. According to the site (Markwell, 2010) a visibility score is calculated by taking a set of benchmark results using one globally recognised traditional brand and giving it a score of 1000. To ensure that even small, local brands will have a chance of scoring, they use a sliding scale. For example, a brand such as Coca-Cola has around 8,000 times more photos mentioning it on the photo sharing site Flickr compared with another brand, but the other brand will still get a score of 10 for having some photos rather than getting 0.

In Figure 1 below the researchers illustrate the How Sociable brand visibility scores of 10 different well-known brands recently calculated on How Sociable. For purposes of illustration the researchers chose the five most valuable brands in the world according to the annual Interbrand (2009) report on brand values, namely Coca Cola, IBM, Microsoft, GE and Nokia (see www.interbrand.com), and also five well-known social media brands; namely Google, Facebook, Twitter, YouTube and MySpace. All these brands were chosen simply for purposes of illustration, rather than as an endorsement of the Interbrand brand valuation methodology.
Figure 1: An illustration of brand visibility scores – most valuable brands and well-known social media brands (source: researcher’s own)

A few observations that are worth noting from Figure 1 include that the most valuable brands are not always the most visible in social media (for example Coca Cola is less visible than Microsoft); that social media brands, perhaps not unexpectedly, are far more visible than the most valuable brands; and that Facebook is many times more visible than all other brands.

Luxury wine brands: the Bordeaux first growth

Probably the most famous of the world’s luxury wine brands are the so-called Bordeaux “first growth” (French: “Premier Cru”). These legendary brands, in no particular order, are Château Margaux, Château Latour, Château Lafite-

The original identification of these five brands came from the Bordeaux Wine Official Classification of 1855, an attempt by the French government at the time to give some structure the Bordeaux wine production. Of all the thousands of wine producers in Bordeaux, a list of 61 of the top ranked wines, named the Grand Cru Classés (Great Classified Growth), was created. To be classified was to carry a mark of high prestige, and to be recognised as a First Growth carried the highest prestige of all. Initially, there were only four first growths in the 1855 classification, but in 1973 a fifth estate, Château Mouton Rothschild, was promoted to Premier Cru status.

These wines epitomise not only luxury wine brands, but also luxury brands in general (Berthon, Pitt, Parent & Berthon, 2010). They are expensive – for example, the 2005 Château Lafite-Rothschild currently retails for around $750 per bottle (as at 2010). They are rare and exclusive, so hard to come by that they are only sold in specialist wine stores. And they are the kinds of brands that legends are made of. For example, in the novel Sophie’s Choice, of Château Margaux the author William Styron (1992, p.151) writes, “...when you live a good life like a saint and die, that must be what they make you to drink (sic) in paradise.” In the movie Ratatouille, the character Skinner says to Linguini, “But you would have to be an idiot of elephantine proportions not to appreciate this ‘61 Château Latour, and you, Monsieur Linguini, are no idiot. Let us toast your non-idiocy!” The researchers therefore chose to study the placement and positioning of the Bordeaux First Growths as luxury brands within social media.

The study and methodology

In order to illustrate the approach to using data from How Sociable to portray similar luxury wine brands in multi-dimensional space, the researchers gathered
data on the five Bordeaux First Growths by entering their brand names into the How Sociable website, and having the web site calculate overall visibility scores, as well as visibilities in all 32 social media the site reports on. Next, a contingency table was created, with the five Bordeaux First Growth brands as columns, and the 32 social media as rows.

At this point it was decided to reduce the number of social media to be incorporated into further analysis, for practical reasons. First, for further analysis using correspondence there was a danger that having 32 points on a map would make viewing and interpretation complex and difficult.

Although correspondence analysis can easily deal with a large number of rows, as in an example such as this, the resulting map would have been very “busy” and cluttered. Second, on quite a few of the less well-known social media, none of the Bordeaux First Growth brands scored anything at all. There would have been two options here: either to incorporate all 13 “other” social media into a combined row called “other”, or to exclude them. The researchers chose the latter strategy.

Their intention was to focus on the most important and most relevant social media, and since the brands being considered here did not even feature in most of these, information on them would add little value to a manager's interpretation. Thirteen social media sites were chosen for the final analysis; namely Google Page Score (Google PS), Twitter, MySpace, Ning, Digg, Ecademy, Yahoo Page Score (Yahoo PS), Facebook Groups (Facebook G), Facebook Pages (Facebook P), Google Images (Google I), Xing, LinkedIn, and YouTube Videos (YouTube V). The contingency table was then used as the data input for correspondence analysis using Xlstat.

A summary of the scores for each Bordeaux First Growth brand in each of the selected social media is shown in Table 1 below, and the overall brand visibility scores for each of the luxury wine brands is shown in Figure 2.
Table 1: Table of the Bordeaux First Growth brands by visibility score in individual social media

<table>
<thead>
<tr>
<th></th>
<th>Margaux</th>
<th>Haut Brion</th>
<th>Lafite</th>
<th>Latour</th>
<th>Mouton Rothschild</th>
</tr>
</thead>
<tbody>
<tr>
<td>Google PS</td>
<td>85</td>
<td>76</td>
<td>83</td>
<td>80</td>
<td>71</td>
</tr>
<tr>
<td>Twitter</td>
<td>425</td>
<td>245</td>
<td>459</td>
<td>361</td>
<td>347</td>
</tr>
<tr>
<td>MySpace</td>
<td>21</td>
<td>12</td>
<td>20</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Ning</td>
<td>68</td>
<td>74</td>
<td>60</td>
<td>61</td>
<td>31</td>
</tr>
<tr>
<td>Digg</td>
<td>38</td>
<td>11</td>
<td>21</td>
<td>32</td>
<td>59</td>
</tr>
<tr>
<td>Ecademy</td>
<td>51</td>
<td>0</td>
<td>102</td>
<td>72</td>
<td>125</td>
</tr>
<tr>
<td>Yahoo PS</td>
<td>120</td>
<td>92</td>
<td>66</td>
<td>116</td>
<td>42</td>
</tr>
<tr>
<td>Facebook G</td>
<td>213</td>
<td>235</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>Facebook P</td>
<td>504</td>
<td>317</td>
<td>347</td>
<td>504</td>
<td>589</td>
</tr>
<tr>
<td>Google I</td>
<td>77</td>
<td>57</td>
<td>72</td>
<td>68</td>
<td>64</td>
</tr>
<tr>
<td>Xing</td>
<td>36</td>
<td>26</td>
<td>51</td>
<td>44</td>
<td>36</td>
</tr>
<tr>
<td>Linked In</td>
<td>22</td>
<td>14</td>
<td>22</td>
<td>27</td>
<td>19</td>
</tr>
<tr>
<td>YouTube V</td>
<td>49</td>
<td>50</td>
<td>33</td>
<td>52</td>
<td>10</td>
</tr>
</tbody>
</table>
Two points can be made from the above table and graph. First, interpreting a reasonably complex table such as that in Table 1 can be difficult, as the observer not only wishes to assess where a particular brand is performing well or poorly, but would also want to determine how a brand stacked up against another brand on a particular social medium.

Being able to construct a picture in which the brands and the social media were portrayed in two-dimensional space would make this much easier. Second, the graph indicates that the most visible First Growth wine brand in social media is that of Margaux, followed by Lafite and Latour, and then Mouton Rothschild and Haut-Brion. Château Margaux seems to be markedly “more visible” than the others. However, what the simple bar graph cannot indicate is what accounts for these scores, and where particular brands are performing well or poorly. For that purpose, a two-dimensional map might also be better.

Figure 2: Overall visibility scores of the 5 Bordeaux First Growth brands
Correspondence analysis

To identify the associations between the Bordeaux First Growth brands and the social media visibility indicators, the researchers used correspondence analysis. This is a perceptual mapping technique based on cross-tabulation data that is converted into a joint space map by decomposing the $X^2$ statistic of the frequency matrix (Bendixen, 1995, 1996; Greenacre, 1993).

The perceptual map created through correspondence analysis is useful in uncovering structural relationships between different variables (Inman, Shankar & Ferraro, 2004) and its graphical nature facilitates interpretation of data that would otherwise be difficult to comprehend (O’Brien, 1993). Moreover, Hair, Black, Babin, Anderson and Tatham (2006) state that correspondence analysis is best suited for exploratory data analysis, and since this study is exploratory in nature, its use in this type of study is appropriate.

In order to assess the relative positioning of each of the Bordeaux First Growth brands from the perspective of various social media “voices”, correspondence analysis permits us to map where each of the brands are relative to the others. Comparisons of the different brands are difficult without being able to visualise the social media “voices” that affect each site’s ratings relative to others. Hence the data were subject to correspondence analysis to map the relative positions of each site in low dimensional space.

The results

The data were analysed using the XLSTAT package. The results appear in Tables 2a-c and a two-dimensional plot, Figure 3. From the SPSS program ANACOR, additional calculations – row and column quality - augmented the XLSTAT output, and appear in Table 2c. These two columns provide a measure of the quality of representation - often referred to as the contribution -
of a particular row or column in the retained n-dimensional space (two in this study - see below). The quality index ranges between 0 and 1, with 1 indicating a perfect representation in the retained dimensions.

The interpretation of this output follows.

**Table 2a: Chi-square analysis**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square (Observed value)</td>
<td>654.740</td>
</tr>
<tr>
<td>Chi-square (Critical value)</td>
<td>65.171</td>
</tr>
<tr>
<td>DF</td>
<td>48</td>
</tr>
<tr>
<td>p-value</td>
<td>&lt; 0.0001</td>
</tr>
<tr>
<td>Alpha</td>
<td>0.05</td>
</tr>
</tbody>
</table>

**Table 2b: Dimensional inertia**

<table>
<thead>
<tr>
<th></th>
<th>F1</th>
<th>F2</th>
<th>F3</th>
<th>F4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eigen value</td>
<td>0.066</td>
<td>0.016</td>
<td>0.007</td>
<td>0.001</td>
</tr>
<tr>
<td>Inertia (%)</td>
<td>73.438</td>
<td>17.593</td>
<td>7.676</td>
<td>1.292</td>
</tr>
<tr>
<td>Cumulative %</td>
<td>73.438</td>
<td>91.032</td>
<td>98.708</td>
<td>100.000</td>
</tr>
</tbody>
</table>
Table 2c: Brands, social media, and attribute quality of representation in two dimensions

<table>
<thead>
<tr>
<th>Wine Brand</th>
<th>Column Quality</th>
<th>Social Media</th>
<th>Row Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margaux</td>
<td>0.855</td>
<td>Google PS</td>
<td>0.631</td>
</tr>
<tr>
<td>Haut Brion</td>
<td>0.987</td>
<td>Twitter</td>
<td>0.876</td>
</tr>
<tr>
<td>Lafite</td>
<td>0.932</td>
<td>MySpace</td>
<td>0.743</td>
</tr>
<tr>
<td>Latour</td>
<td>0.224</td>
<td>Ning</td>
<td>0.936</td>
</tr>
<tr>
<td>Mouton Roth</td>
<td>0.978</td>
<td>Digg</td>
<td>0.972</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ecademy</td>
<td>0.966</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yahoo PS</td>
<td>0.606</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Facebook G</td>
<td>0.949</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Facebook P</td>
<td>0.943</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Google I</td>
<td>0.848</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Xing</td>
<td>0.921</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Linked In</td>
<td>0.494</td>
</tr>
<tr>
<td></td>
<td></td>
<td>YouTube V</td>
<td>0.791</td>
</tr>
</tbody>
</table>

The first step is to establish whether there is dependency between the rows (social media voices) and the columns (wine brands). Table 2a provides the results from a Chi-square analysis of the data and it confirms evidence of strong dependency ($p < 0.001$). Alternatively, the square root of the trace (sum of eigen values) can also be interpreted as it represents the canonical correlation between rows and columns. This value is 0.30, which is greater than the suggested cut-off value, thus also rendering the results worthy of interpretation (Bendixen, 1996).
The second step is to decide upon the number of dimensions to retain for further analysis. Table 2b provides the inertia report needed for this decision. The first and second dimensions account for 73.438% and 17.593% of the inertia respectively. Together they account for 91.031% of the inertia. Thus the researchers focus on a two-dimensional solution that should provide an adequate description of the data.

The third step involves noting the quality of the row and column points in the retained dimensions. Analysis of ‘row quality’ and ‘column quality’, Table 2c, suggests that most points are fairly well represented, with the exceptions of, in the rows (Social Media “voices”), LinkedIn (total contribution of 0.494), and in the columns (Wine Brands), Latour (0.224). Thus, a certain degree of caution should be exercised when interpreting these points in the retained dimensions.

The fourth step involves interpreting the retained dimensions, individually or in combination. One way of doing this would be an interpretation of the asymmetric plots that can result from correspondence analysis as suggested by Bendixen (1996), however the researchers have followed the approaches of Berthon, Pitt, Berthon, Crowther, Bruwer, Lyall and Money (1997) and Berthod, Pitt, Ewing, Ramaseshan and Jayaratna (2001) in this work.

This requires studying the absolute magnitudes and the signs of the co-ordinates for the attributes and the companies as graphically depicted in Figure 3. Those with large co-ordinates, positive or negative, play a significant role in determining the dimension and thus its interpretation (Underhill & Peisach 1985). The dimensions are purely numerical scales that are produced to show relative distance from the centroid in a graphical way. The dimensions can be thought of as artificial variables synthesised from the original data to give the maximum explanation of the differences and similarities between the originally observed values. It is up to the analyst to attribute meaning to the dimensions (Remenyi, Money & Twite, 1995).
In terms of social media “voices”, proceeding in a clockwise direction, a number of clusters may be identified. Cluster 1 (top-right quadrant – positive on both dimensions 1 and 2) comprises more formal, business-oriented, social media with a focus on networking around the brands. These include Twitter, LinkedIn and Xing. This group might be labelled “business brand networking”. Cluster 2 (bottom-right quadrant – positive on dimension 1 and negative on dimension 2) comprises Facebook Pages and Digg, services that focus on “information” about the various brands.

Cluster 3: (bottom-left quadrant – negative on both dimension 1 and 2) comprises just Facebook Groups, which is again brand-focused but more informal and group-orientated. Cluster 4 (top-left quadrant – negative on dimension 1 and positive on dimension 2) comprises two sub-clusters. First, a well-differentiated informal, personal social media cluster comprising YouTube, Ning and Yahoo; and second, a poorly differentiated (on the retained axes) cluster comprising MySpace, Google Pages and Google Images.
In contrast to the social media voices, the brands themselves, partly because there are fewer of them, are more dispersed, displaying less ‘clustering’ in the two retained dimensions. Proceeding in a clockwise direction, Lafite occupies the top right hand quadrant, with Latour being relatively undifferentiated close to the origin (recall that Latour is the one brand that is poorly represented in the retained dimensions).

Mouton Rothschild occupies the lower right, whilst Haut Brion lies close to the horizontal axes in the lower left quadrant, with Margaux lying close to the origin.

Looking at the relationship between wine brands and social media voices the researchers can surmise the following associations.
First, Lafite is associated with business brand networking, Mouton Rothschild with individuals finding and discussing information about the brand, and Haut Brion with enthusiast groups. Finally, Margaux and Latour, being centrally located, are relatively undifferentiated in terms of social media voice (indeed, the former is more “visible” in most of the social media than the other four brands).

Limitations, managerial implications and directions for future research

This paper describes a methodology for simultaneously mapping a number of competing brands in multi-dimensional space, based on their visibility in a number of social media. In overall terms, the researchers were not attempting to provide a treatise on correspondence analysis (in any case there a number of excellent works on that topic, including Greenacre (1983) and Bendixen (1996)), so much as to alert the luxury wine marketer to the complex nature of social media, using How Sociable as a tool to gather data and employ correspondence analysis as a device for making comparisons.

The paper has limitations in that, obviously, it does not claim to be a definitive study of the positioning of all Bordeaux classified wine brands in social media, but merely selects the five First Growth brands within a limited number of social media as a means of illustration of a technique. The picture obtained here could well have been very different had different, or more brands been chosen, or if other, or additional social media were chosen.

Second, a study such as this provides more of a snapshot in time than an ultimate set of results. It may very well be that if the data had been collected at a different time, perhaps a few months earlier or later, and then subjected to an analysis that a very different picture would have emerged. The nature of social media is such that their content evolves continuously.
Third, the positioning of Bordeaux brands on social media results exclusively from How Sociable, which is a limitation in this case as this method is not controllable by researchers. Data from a third party source such as How Sociable had to be taken at face value – if there are weaknesses in the methods How Sociable uses to gather social media data, or errors in the reporting of this, they are not controllable by outside researchers, and they will obviously be reflected in the results of a study such as this.

Fourth, on a technical point, while the researchers used a two-dimensional solution in their interpretation of the correspondence analysis in this instance, it is obvious that a three-dimensional solution is possible from the data.

The third dimension in Table 2 explains a further 7.68% of the variation in the data, and might also shed more light on the Chateau Latour brand. Users should be alert to these factors when they analyse and interpret similar data.

Nonetheless, a number of managerial implications become apparent from the research conducted here. First, it seems as if some of the brands considered did not, at the time the data were gathered, have a clearly defined social media strategy. This is currently understandable because social media are a relatively new phenomenon, but the rapid growth of social media means that this laissez faire approach may not be tenable in the future.

While it may be tempting to say that social media are the prerogative of younger consumers, the reality is that social media such as Facebook and Twitter are predominantly used by Gen X and Baby Boomer consumers today. The United Kingdom’s leading wine critic “tweets” regularly on Twitter, and has more than 24 000 followers. Astute wine brand managers will define the social media that they care most about. Then they will first think seriously about the kind of official presence they wish to establish in these media, such as an official fan page on Facebook, regular tweets on Twitter about newsworthy events, and
frequent postings of videos concerning the chateau and its activities (e.g. news of vintages, tastings etc.) or a dedicated YouTube page.

Luxury wine brand managers will also regularly monitor non-official content in social media by regular information scanning of social media sites, and having contingency plans in place that will allow them to act and react appropriately to this. They will also monitor social media content and visibility of brands they regard either as competitors or benchmarks. In this instance, sources of data such as How Sociable.com and tools such as correspondence analysis that permit the simultaneous picturing of brands in multidimensional space might become invaluable tools. Finally, they will also be able to monitor the effectiveness of social media strategies by using data from sources such as How Sociable to track overall brand visibility, and correspondence analysis maps to determine how a particular strategy had moved the particular brand against competitor brands in the context of a particular social medium.

Exploratory studies such as those reported in this paper also open up a stream of further future opportunities for research. First, it would be wise to find ways of confirming the reliability and validity of data gathered by services such as How Sociable. This might be accomplished by consulting and working directly with these service providers in an effort to gain a better understanding of their methodologies and results. It could also be accomplished by closely monitoring the results for a set of brands over a period, and establishing some kind of test-retest pattern to determine reliability.

Second, the results of secondary data research such as this could be combined with primary data collection in the target markets of the brands concerned. For example, at a qualitative level, researchers might wish to hold online or face-to-face focus groups with users of the various social media sites in order to gather in-depth feedback on their involvement in these media. At a more quantitative level, researchers could analyse the text of the interactions that users have concerning their brands in social media.
Researchers such as Opoku, Abratt, Bendixen and Pitt (2007) and Opoku, Pitt and Abratt (2007), describe tools that can be used to analyse large amounts of text by means of computerised content analysis that could be employed in this regard. For example, if a wine brand owner noted as a result of the researchers’ approach here that the brand was being discussed significantly by viewers of a video clip of their wine on YouTube, this brand could employ a tool such as Leximancer to analyse this content. Leximancer is a relatively simple but powerful data-mining tool that enables a visual depiction and interpretation of complex textual data, which is displayed by means of a concept map showing the main concepts and themes that develop from the brand discussion and their interrelationship. The concept map visually details the relative importance of concepts and themes and the strengths among them.

Third, researchers could employ a vast array of tools that are readily available online for social media analysis (many of them free, or at minimal charge, according to Barros, 2009) in conjunction with the data from How Sociable, and using tools such as correspondence analysis.

The advent of consumer generated content and its rapid diffusion takes much of the control over messages away from marketers, who find themselves at the mercy of consumers who can create and distribute advertising about their brands (Deighton & Kornfeld, 2007). This makes the management of luxury brands in an era of social media not only more difficult, but also even more critical than it has been in the past.

Brands can take directions in social media that would have been unlikely, if not impossible, just five years ago. Brand managers will not fully be able to control the destinies of these brands, but at least they should still be part of, and ideally, direct the conversations that occur around their brands. They will need to use every tool at their disposal.
The researchers suggest that the approaches followed in the research presented in this paper will be one tool in the brand manager’s arsenal that will assist them in this endeavour.
References


CHAPTER 3. ARTICLE 2 – POSITIONING OF LUXURY BRANDS IN SOCIAL MEDIA


The positioning of luxury brands in social media: An exploratory study

Are luxury brands overlooked and under studied?

As Berthon, Pitt, Parent & Berthon (2010) point out, “Today the market for luxury goods and services is booming: from the $2 Million Bugatti Veyron, through gem encrusted $700,000 Montblanc pens, to a mere $10,000 for a bespoke Asprey Christmas cracker”. Conversely, luxury brands are in many ways also becoming democratised, and more accessible to those other than the super-wealthy; airport duty-free malls house many stores devoted to luxury brands.

No longer is the luxury brand to be encountered only in the exclusive retail store in the downtown area of a large city – luxury brands are everywhere, and especially on the Internet. One of the biggest misconceptions by brand managers is that the web is not a luxury market. The truth is that people are spending more money online and it’s a place where luxury brands must build a presence. However, most have a nagging fear of ruining their brand reputation. However, as Balwani (2009) argues, “One of the biggest misconceptions by brand managers is that the web is not a luxury market.”
The truth is that people are spending more money online and it’s a place luxury brands must build a presence. However, most have a nagging fear of ruining their brand reputation”.

This is especially true for luxury brand presence in social media, where many luxury brand managers might be concerned about the risk to exclusivity in a medium such as Facebook, with its 500 million members worldwide (Facebook, 2010).

But it is in the affluent, luxury prone customer segment that online growth is occurring: While the percentage of affluent households in the US remains relatively steady, a study by eMarketer (2007) projected that the number of affluent Internet users (i.e. more than $100,000-income-level p.a.) would grow from 43.7 million in 2006 to 57.1 million in 2011. The report goes on to state, “For every luxury goods or financial services company that targets customers with ample resources, there is a social network or new media site that is also aimed at young, active and affluent online consumers” (eMarketer, 2007).

Balwani (2009) cites a number of luxury brands that have successfully used social media to engage customers. For example, Gucci has built a significant following on Facebook, with over 404,000 fans on its official Facebook Page (Facebook, 2010). The company continually updates the page, and introduces new content in the form of commentary, photographs and videos about the brand in order to keep consumers engaged. The firm monitors the response to these updates – each receives over 200 interactions in the form of “likes” and “comments”.

Gucci has managed to build a thriving brand community. Even though many of the Gucci fans might not be able to afford Gucci products, the Facebook fan page thrives on aspiration - the notion of “one day I’ll be able to afford that” - is an integral part of any luxury brand’s appeal. Rather than spread the appeal of the brand like Gucci, Mercedes Benz has used the opposite strategy to
capitalise on exclusivity. The firm has created a closed social network, GenerationBenz.com for Gen Y consumers. This is an invitation only social network where consumers can give feedback on vehicles, as well as give Mercedes Benz insight into their younger customers. By creating a network that includes only those that are previous buyers, Mercedes members, or potential consumers, the brand has targeted exactly the demographic they want.

Setting up a social media presence for a luxury brand is one thing; monitoring its success and performance is another. The luxury brand manager will want to know how well the brand is performing in social media, and of course, whether the objectives set for it are being met or exceeded. However, the luxury executive will likely also be using other brands as benchmarks, and will want to compare the performance of the own brand with similar, or competitive brands.

When this is done with a number of other brands, and on a range of criteria, the analysis and comparisons can be quite complex. These are the issues the researchers address in this paper.

In this exploratory article, the researchers show how the performance of luxury brands in social media platforms can be assessed, and then compared with one another. The researchers begin by briefly recapping the notion of brand positioning, and then provide a very brief description of social media. Then the researchers describe how data were gathered regarding the performance of five luxury brands in social media from a publicly available source, Social Mention.

Next the researchers show how this data can be analysed and portrayed using correspondence analysis, a common statistical tool that permits the mapping of brands and criteria in multi-dimensional space. The researchers then comment on the results of this analysis. The researchers conclude by acknowledging the limitations of the approach, discussing the managerial implications of the findings, and identifying avenues for future research.
Positioning the luxury brand

The notion of “positioning” from a marketing perspective has its origins in the writings of Ries and Trout (1982) who see it as something that starts with a product or offering, but “…positioning is not something you do to a product. Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect”. An organisation therefore attempts to use various marketing strategies to position its offering in the market’s mind – either against other competitors (“our brand is bigger, better, more prestigious”, etc.), or by seizing an unoccupied position (e.g. “our brand is the only one that……”), or by repositioning a competitor(s) (e.g. “you thought that brand X had the longest history, but actually, our brand is 50 years older”). An obvious question in the market for luxury brands therefore, is how do the various offerings position themselves in the market, vis-à-vis other brands?

Perceptual maps, usually constructed by means of statistical tools such as multidimensional scaling techniques (Morris, Pitt & Berthon, 1999) allow decision makers to evaluate their positions relative to other offerings.

Perceptual maps can be constructed from two broad categories of data sources; they can be constructed based on data garnered concerning customer perceptions (i.e. asking customers how they perceive brands), or they can be constructed by plotting brands within a category against a predetermined set of criteria.

Positioning maps have a number of important uses:

- They enable the marketer to see where their brand is positioned compared to others in the marketplace.
• The marketer can use positioning maps to determine the effectiveness or otherwise of a particular strategy.

• Maps can be used to identify a particular “gap” in the market – an area where there is business potential that is not currently being filled by any particular brand.

• Maps generated over time can be used to track the longitudinal movement of a brand.

Social media: A concise overview

Social media can be seen as media designed to be disseminated through social interaction between individuals and entities such as organisations. Typically they are created using highly accessible (easy to get to) and scalable (can be used to reach large numbers) publishing techniques (Brogan, 2010; Zarella, 2010). Social media uses Internet and web-based technologies to transform broadcast media monologues (one to many) into social media dialogues (many to many).

It supports the democratisation of knowledge and information, transforming individuals from mere content consumers into content producers. Kaplan and Haenlein (2010) describe social media as “a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content”.

Businesses and practitioners sometimes refer to social media as user-generated content (UGC) or consumer-generated media (CGM), or when consumers create advertisements about brands they either love or hate, as consumer generated advertising (CGA) (Berthon, Pitt & Campbell, 2008).
In many ways social media has not only changed the way in which organisations and their brands interact with their customers; it has also changed the way business gets done. Organisations are now not only able to reach customers online and interact with them, and they are also able, if this is managed effectively, to become part of customer conversations. Brands are attempting to utilise social media to reach existing customers, gain new ones, and build or maintain credibility and reputation.

Kaplan and Haenlein (2010) distinguish social media as having three components, namely, concept (art, information, or meme); media (physical, electronic, or verbal); and a social interface (intimate direct, community engagement, social viral, electronic broadcast or syndication, or other physical media such as print). Social media are all part of the phenomenon known as “Web 2.0”. Web 2.0 is probably best viewed as a series of application progressions over Web 1.0, rather than as something new in and of itself. Web 2.0 is the Internet’s “now” to Web 1.0 as the Internet’s “then” – it is much more to do with what people are doing with the technology than the technology itself. Rather than merely retrieve information, users now create and consume it, and hence add value to the websites that permit them to do so. These websites usually provide a richer context to users, by means of user-friendly interfaces that encourage and facilitate participation.

In what follows, the researchers briefly describe some of the major types of social media, but do not claim that this is in any sense a definitive or even complete classification, as this is not the purpose of the paper. The researchers distinguish briefly here between blogs, micro-blogs, social network sites, picture sharing, video sharing, and social news websites.

Blogs (short for “web logs”) are websites owned and written by individuals who maintain regular commentaries and diaries that may include text, graphics and video, links to other blogs and web pages, usually in reverse chronological order.
Rudimentary blogs function simply as personal online diaries, but more sophisticated bloggers concentrate as commentators on a range of focused phenomena, with news and views on particular subjects, covering a wide range of industries, products, services, and special interests. Many blogs permit readers to leave their comments in an interactive format. Some specialised bloggers use their blogs to differentiate themselves from mainstream media; others are like more traditional journalists who see blogs as an alternative or additional communication channel (Steyn, Van Heerden, Pitt & Boshoff, 2008).

Micro-blogs are social networking services that enable users to send and read very short messages, usually restricted by the number of characters in the message. The best known of these is Twitter, through which users can send messages known as “tweets” - text-based posts of up to 140 characters displayed on the author’s profile page and delivered to the author's subscribers, who are known as followers. Senders can restrict delivery to those in their circle of friends or, by default, allow open access. Users can send and receive tweets via the Twitter website, text messaging on cell phones, or external applications.

Social networking websites are services whereby users can find and add friends and contacts, send them messages, and update their personal profiles to notify friends, contacts or colleagues about themselves. Additionally, on some social networking websites, users can join networks organised by their workplace, school, or college, and so forth. The best-known “friendship” social networking sites are Facebook and MySpace, and the best-known professional social networking sites are LinkedIn and Plaxo. Picture sharing websites, the best known of which are Flickr, Yahoo Images and Google Images allow users to store and share images.

Video sharing websites allow users to upload and share videos. Typically, unregistered users can watch the videos, while registered users are permitted to upload an unlimited number of videos.
The best known of the video sharing websites is YouTube. Lastly, social news websites are sites that allow people to discover and share content from anywhere on the Internet, by submitting links and stories, and voting and commenting on submitted links and stories. The best known of these is Digg.

**Social Mention and the luxury brands chosen**

Social Mention (www.socialmention.com) is a (currently open and free) social media search and analysis platform that aggregates user generated content from a number of different social media platforms into a single stream of information. It allows the user to easily track and measure what and how much people are saying about a brand, an organisation, a new product or service, or indeed any topic across the web's social media landscape in real-time. Social Mention monitors 100+ social media properties directly, including Twitter, Facebook, FriendFeed, YouTube, Digg, and Google etc. It provides a point-in-time social media search and analysis service that can include daily social media alerts (see www.socialmention.com/about).

Social Mention reports on a number of metrics for a particular brand. Those utilised in the study presented in this paper are described and defined in Table 1 below.
Table 1: Social Mention metrics: descriptions

<table>
<thead>
<tr>
<th>Metric</th>
<th>Definition</th>
<th>How Calculated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strength</td>
<td>The likelihood that your brand is being discussed in social media.</td>
<td>Phrase mention within the last 24 hours divided by the number of total possible mentions.</td>
</tr>
<tr>
<td>Sentiment</td>
<td>The ratio of generally positive mentions to the number of generally negative mentions.</td>
<td>Number of generally positive mentions / Number of generally negative mentions. This measure can also be gauged in absolute terms by counting the number of positive mentions, the number of neutral mentions and the number of negative mentions.</td>
</tr>
<tr>
<td>Passion</td>
<td>A measure of the likelihood of individuals talking about your brand in social media and will do so repeatedly.</td>
<td>A small number of individuals talking about a brand repeatedly will give a high passion score. A large number of individuals talking about your brand, but only infrequently per individual, will give a low passion score.</td>
</tr>
<tr>
<td>Reach</td>
<td>A measure of the range of influence.</td>
<td>Ratio of the number of unique individuals talking about your brand as a % of the number of total possible mentions.</td>
</tr>
<tr>
<td>Unique Authors</td>
<td>An indicator or the number of authors messaging about a brand.</td>
<td>The number of unique authors messaging about a brand within a particular time period.</td>
</tr>
<tr>
<td>Frequency</td>
<td>The frequency with which mentions of a brand appear.</td>
<td>Measured in minutes or seconds. For our purposes, this indicator is reverse-scored; e.g. a brand being mentioned</td>
</tr>
</tbody>
</table>
The researchers chose five well-known luxury brands in order to measure their Social Mention statistics, and use them as examples for illustration in this study. There was no rigorous method or reasoning to the researchers’ choice of these particular brands – the researchers simply chose luxury brands that are generally well known, and that provide offerings across a range of categories. The five brands the researchers chose were:

**Gucci:** The House of Gucci, better known simply as Gucci, is an Italian fashion and leather goods label. Gucci was founded by Guccio Gucci in Florence in 1921 (see http://www.gucci.com/us/us-english/about-gucci/history/). Gucci’s turnover was around €2.2 billion in 2008 and it was ranked in 41st position in Business Week magazine’s annual 2009 "Top Global 100 Brands" survey created by Interbrand (Business Week, 2009).

**Louis Vuitton:** Louis Vuitton Malletier is a French fashion house founded in 1854. The label is well known for its LV monogram, which is featured on most products ranging from luggage and leather goods to shoes, watches, jewellery, accessories, and sunglasses. Louis Vuitton sells its products through small boutiques in high-end department stores, and through the e-commerce section of its website.

**Chanel:** Chanel S.A., commonly known as "Chanel" is a French fashion house founded by the late couturier Gabrielle "Coco" Chanel. Today it is recognised as one of the most established in high fashion, specialising in luxury goods that include haute couture, ready-to-wear items, handbags, perfumery, and cosmetics.
**Cartier:** Cartier is a French luxury jeweller and watch manufacturer that carries the name of the Cartier family whose control ended in 1964. The company is famous not only for its jewellery, but also for its watches - in 1904 it launched the first practical wristwatch, the "Santos."

**Jimmy Choo:** Jimmy Choo is a Malaysian fashion designer based in London, and is best known for hand-made women's shoes, counting among his patrons the late Diana, Princess of Wales. The Jimmy Choo London line, also known as Jimmy Choo Ready-To-Wear or, simply, Jimmy Choo, is under the purview of Tamara Mellon, and has expanded to include accessories such as handbags.

**The study and methodology**

In order to illustrate the researchers’ approach to using data from Social Mention to portray luxury brands in multi-dimensional space in order to be able to view their alternative positioning in terms of social media, the researchers gathered data on the five luxury brands identified above by entering their brand names into the Social Mention website, and having the web site calculate the metrics for each brand in all the social media the site reports on (as shown in Table 1). Next, a contingency table was created, with the five luxury brands as rows, and the Social Mention metrics (Strength, Sentiment, Passion, Reach, Unique Authors and Relative Frequency) as columns. The contingency table was then used as data input for correspondence analysis using Xlstat.

A summary of the scores for each of the five luxury brands on each of the Social Mention criteria is shown in Table 2 below.

**Correspondence analysis**

In Table 2 the rows represent the brands and the columns represent the social media concepts. Each row total represents the total number of times the brand,
as represented by the row, is associated with the six social media concepts, whereas each column total represents the total number of times the social media concept, as represented by the column, is associated with the five brands.

Table 2: Frequency table of brand by social media concept associations

<table>
<thead>
<tr>
<th>Brand</th>
<th>Strength</th>
<th>Sentiment</th>
<th>Passion</th>
<th>Reach</th>
<th>Average Mention</th>
<th>Unique Authors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gucci</td>
<td>16</td>
<td>4</td>
<td>47</td>
<td>16</td>
<td>30</td>
<td>264</td>
<td>377</td>
</tr>
<tr>
<td>Louis Vuitton</td>
<td>16</td>
<td>4</td>
<td>45</td>
<td>19</td>
<td>60</td>
<td>316</td>
<td>460</td>
</tr>
<tr>
<td>Chanel</td>
<td>17</td>
<td>3</td>
<td>35</td>
<td>22</td>
<td>480</td>
<td>349</td>
<td>906</td>
</tr>
<tr>
<td>Cartier</td>
<td>16</td>
<td>4</td>
<td>32</td>
<td>23</td>
<td>240</td>
<td>370</td>
<td>685</td>
</tr>
<tr>
<td>Jimmy Choo</td>
<td>12</td>
<td>7</td>
<td>37</td>
<td>23</td>
<td>240</td>
<td>348</td>
<td>667</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>22</td>
<td>196</td>
<td>103</td>
<td>1050</td>
<td>1647</td>
<td>3095</td>
</tr>
</tbody>
</table>

To facilitate understanding of the associations between the brands and the social media concepts, use is made of correspondence analysis. Correspondence analysis is an exploratory data analysis technique that can be used to provide a joint graphical display of the rows and columns of a matrix of categorical data (Greenacre, 1993; Hoffman & Franke, 1986).

The maximum possible number of dimensions for displaying a contingency table is $p=\min(\text{number rows}-1, \text{number columns}-1)$. For this study, $p=4$. A representation of the contingency table in two-dimensional space becomes the perceptual map referred to in the discussion of positioning in the earlier section.
The key reports from a correspondence analysis are:

- A measure of overall quality of fit in p dimensions (see Table 3)

- Measures of the quality of the representation of row or column points in p-dimensional space (see Tables 4 and 5).

- The co-ordinates of the rows and columns for each of the p dimensions (see, Tables 4 and 5)

- A perceptual map for each of the possible p (p-1)/2 combinations of dimensions.

The overall quality of fit of the correspondence analysis can be established from Table 3. The Chi-square statistic with 20 degrees of freedom is 370.368, with an associated significance value of .000. This indicates that there is a strong association between the brands and the social media concepts (see last row of Table 3, Columns 4 and 5). Another measure often used to assess significance of row and column association is the square root of the total inertia, a rule of thumb measure that requires the square root of the total inertia to be greater than .2 (Bendixen, 1996). In this case the square root of the total inertia of .12 (see Table 3, last row Column 3) is .346, which comfortably exceeds the .2 rule.

Further, it is noted that a two-dimensional solution explains 99.4% of the total inertia, with the first and second dimensions contributing 97.5% and 1.9% to the total inertia respectively (see Table 2, Columns 6 and 7). The first two dimensions explain nearly all the inertia in the data matrix and provide a “near perfect” graphical display. Despite the second dimension contributing very little to the total inertia it is retained because it enhances the interpretation of the content analysis results reported in Table 2.
Table 3: Summary of overall quality of correspondence analysis

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Singular Value</th>
<th>Inertia</th>
<th>Chi Square</th>
<th>Sig.</th>
<th>Proportion of Inertia Accounted for</th>
<th>Cumulative</th>
<th>Confidence Singular Value</th>
<th>Standard Deviation</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.342</td>
<td>.117</td>
<td></td>
<td></td>
<td>.975</td>
<td>.975</td>
<td>.015</td>
<td>.115</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>.047</td>
<td>.002</td>
<td></td>
<td></td>
<td>.019</td>
<td>.994</td>
<td>.018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>.027</td>
<td>.001</td>
<td></td>
<td></td>
<td>.006</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>.004</td>
<td>.000</td>
<td></td>
<td></td>
<td>.000</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.120</td>
<td>370.36</td>
<td></td>
<td></td>
<td>.000</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** a. 20 degrees of freedom

The *quality of the representation of the row and column points* can be established from Tables 4 and 5 respectively.

In Table 4, each brand (row) is given the proportion of total brand inertia explained by the two dimensional solution (see Column 10). All brand categories have inertias above 50%, the minimum recommended by Hair, Black, Babin, Anderson and Tatham, (2010). For all brands, except Jimmy Choo (with inertia of 64.6%), the inertia exceeds 80%.
Table 4: Representation of row points

<table>
<thead>
<tr>
<th>Brand</th>
<th>Mass</th>
<th>Score in Dimension</th>
<th>Contribution Of Point to Inertia of Dimension</th>
<th>Contribution Of Dimension to Inertia of Point</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Gucci</td>
<td>.122</td>
<td>-.972</td>
<td>.330</td>
<td>.040</td>
</tr>
<tr>
<td>Louis Vuitton</td>
<td>.149</td>
<td>-.762</td>
<td>-.035</td>
<td>.030</td>
</tr>
<tr>
<td>Chanel</td>
<td>.293</td>
<td>.687</td>
<td>.207</td>
<td>.048</td>
</tr>
<tr>
<td>Cartier</td>
<td>.221</td>
<td>.059</td>
<td>-.252</td>
<td>.001</td>
</tr>
<tr>
<td>Jimmy Choo</td>
<td>.216</td>
<td>.081</td>
<td>-.184</td>
<td>.001</td>
</tr>
<tr>
<td>Active Total</td>
<td>1.000</td>
<td>.120</td>
<td>1.000</td>
<td>1.000</td>
</tr>
</tbody>
</table>

A similar analysis for the social mention concepts can be carried out by inspection of Table 5. Table 5, Column 10, reveals that all the social media concepts are very well represented by the two-dimensional solution, except for “Sentiment” with inertia of 62.9%; the inertia for all the other concepts is in excess of 90%.
Table 5: Representation of column points

<table>
<thead>
<tr>
<th>Concept</th>
<th>Mass</th>
<th>1</th>
<th>2</th>
<th>Inertia</th>
<th>Score in Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strength</td>
<td>.025</td>
<td>-.538</td>
<td>.545</td>
<td>.003</td>
<td></td>
</tr>
<tr>
<td>Sentiment</td>
<td>.007</td>
<td>-.541</td>
<td>-.478</td>
<td>.001</td>
<td>.007</td>
</tr>
<tr>
<td>Passion</td>
<td>.063</td>
<td>-.762</td>
<td>.677</td>
<td>.014</td>
<td>.063</td>
</tr>
<tr>
<td>Reach</td>
<td>.033</td>
<td>-.332</td>
<td>-.180</td>
<td>.001</td>
<td>.033</td>
</tr>
<tr>
<td>Avg. Mention</td>
<td>.339</td>
<td>.804</td>
<td>.047</td>
<td>.075</td>
<td>.339</td>
</tr>
<tr>
<td>Unique Authors</td>
<td>.532</td>
<td>-.369</td>
<td>-.118</td>
<td>.025</td>
<td>.532</td>
</tr>
<tr>
<td>Active Total</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
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<tr>
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<th>Of Dimension to Inertia of Point</th>
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</thead>
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<td>2</td>
</tr>
<tr>
<td>Strength</td>
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<td>.156</td>
</tr>
<tr>
<td>Sentiment</td>
<td>.006</td>
<td>.034</td>
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<tr>
<td>Passion</td>
<td>.108</td>
<td>.613</td>
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<tr>
<td>Reach</td>
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<td>.023</td>
</tr>
<tr>
<td>Avg. Mention</td>
<td>.642</td>
<td>.016</td>
</tr>
<tr>
<td>Unique Authors</td>
<td>.212</td>
<td>.158</td>
</tr>
<tr>
<td>Active Total</td>
<td>1.000</td>
<td>1.000</td>
</tr>
</tbody>
</table>

A plot of the contingency table (i.e. of Table 2) is shown in Figure 1.
Figure 1: Correspondence analysis – row and column points, symmetrical normalisation

Interpretation of the dimensions of the perceptual map, depicted in Figure 1, requires a decision concerning whether to interpret the dimensions in terms of the social media concepts or in terms of the brands (Bendixen, 1995). For this study interpretation is made in terms of the social media concepts.

**Dimension 1:** In Table 5, Column 6 it can be seen that the main contributors to the inertia of Dimension 1 are “Average Mention” (inertia of 64.2%), “Unique authors” (inertia of 21.2%), and “Passion” (inertia of 10.8%). These three concepts are key in determining the orientation of Dimension 1.
The co-ordinates of these three social media concepts on Dimension 1 are .804, -.369, and -.762, respectively (see Table 5, Column 3 and Rows 6, 7, and 4).

This suggests that on this dimension the brands will be arranged in terms of “Average Mention” on the righthand side and in terms of “Unique Authors” and “Passion” on the lefthand side. With reference to Figure 1 it can be seen that “Chanel” is strongly associated with “Average Mention” while “Gucci” and “Louis Vuitton” are strongly associated with “Passion” and “Unique Authors”. Further, Jimmy Choo and Cartier appear to be “average” brands with respect to this dimension being positioned close to the centroid of the dimension with co-ordinates of .081 and .059, respectively (see Table 4, Column 3 and Rows 5 and 6.

Essentially this dimension is about the frequency of mention on the one hand, and the passion associated with the brand, and the number of unique authors on the other. Chanel could be seen to be doing well on the one had, because it is the most frequently mentioned of the five, but a note of caution is raised by its Sentiment score. While sentiment as a concept does not contribute highly to the two-dimensional solution, Chanel brand executives might be concerned that its Sentiment score is the lowest of the five brands (recall that Sentiment is a ratio of the number of positive mentions to negative mentions). There is thus a danger that although Chanel is being mentioned very frequently in social media, roughly 25% of these mentions are negative.

Gucci and Louis Vuitton are associated with Passion (especially) and Unique Authors. This means that the authors who comment on these brands in social media do so repeatedly. While they may be fewer in number than those of the other three brands, these authors are likely highly focused on these brands. Cartier and Jimmy Choo might be regarded as “average” brands on this dimension. In the case of the latter, the brand’s managers are likely encouraged by the high sentiment toward the brand.
**Dimension 2:** This dimension is relatively unimportant and therefore it must be interpreted accordingly. In Table 5 Column 7 the researchers have “Passion” with an inertia of 61.3%, “Average Mention” with an inertia of 15.8%, and “Strength” with an inertia of 15.6% as the key contributors to orientation of this dimension. The other social media concepts make very little contribution to the dimension. The co-ordinates of the key contributing points on Dimension 2 are .677, -.118, and .545, respectively.

This suggests that Dimension 2 distinguishes between the brands in terms of “Strength” and “Passion” which are above the centroid of the dimension and “Average Mention” which is below the centroid of the dimension.

The brands above the centroid are “Chanel” with co-ordinate .207, and “Gucci” with co-ordinate .330 (see Table 4, Column 4 and Rows 4 and 3 respectively). The brands below the centroid are “Jimmy Choo” with co-ordinate -.184 and “Cartier” with co-ordinate -.252 (see Table 4, Column 4 and Rows 5 and 6 respectively). The brand “Louis Vuitton” can be considered to be the “average brand” on this dimension as it lies close to the centroid of the dimension with co-ordinate -.035 (see Table 4, Column 4 Row 3).

So on Dimension 2, “Gucci” and “Chanel” form a group, with Gucci associated with brand Passion and Chanel associated with brand Strength; “Jimmy Choo” and “Cartier” another group. “Luis Vuitton” lies at the centroid of the dimension.

**Limitations, managerial implications and avenues for future research**

The researchers have illustrated an approach to concurrently portray potentially competing, or at least similar, luxury brands in multi-dimensional space, based on their scores on the dimensions of an overall social media measurement tool, Social Mention. The researchers have simply chosen five well known luxury brands as examples.
This work is obviously limited in that it does not claim to be a definitive study of the positioning of all luxury brands, or even those in a specific category in social media, but merely conveniently selects a few brands within a limited number of social media as a means of illustration of a technique. The picture obtained here could well have been very different had different, or more, brands been chosen, or if a tool other than Social Mention, with different dimensions of performance, had been selected.

Second, a study such as this captures a snapshot in time, rather than an ultimate and definitive set of results. Social Mention is a dynamic tool, so that the scores obtained are for brands up to, and at, a particular point in time.

It is likely that if the data had been collected at a different time, perhaps a few months earlier or later, and then subjected to an analysis, that a very different picture would have emerged. The nature of social media is such that their content evolves continuously.

Third, the sample of luxury brands is a convenience one, and probably not one that any of the managers responsible for any one of the five brands would have chosen. The researchers chose well-known luxury brands across a range of product categories. A brand manager for a luxury shoe brand, like Jimmy Choo, might have preferred a more direct comparison to other luxury shoe brands such as Manolo Blahnik and Bally.

Finally, data from a third party source such as Social Mention has to be taken at face value – if there are weaknesses in the methods Social Mention uses to gather social media data, or errors in the reporting of this, they will obviously be reflected in the results of a study such as this. If there are flaws in Social Mention’s methodologies in data gathering, or software glitches at the time the data are gathered, these will obviously be carried over to the analysis, the subsequent maps, and also to the interpretation of the results.
While there is no reason to distrust the motivations of the software’s producers, Social Mention is a new product that will be subject to the teething pains that many sophisticated analysis tools can suffer.

Nonetheless, a number of managerial implications become apparent from the research conducted here. First, if the brands considered do have clearly defined social media strategies, these are probably still at a nascent stage. This is currently understandable because social media are a relatively new phenomenon, but the rapid growth of social media means that these strategies will have to be regularly updated in order to ensure that goals are being attained.

Astute brand managers will define the social media that they care most about, as well as the characteristics of the dimensions of those media (such as passion and strength) that they care about most. They will also monitor social media content and the visibility of brands they regard either as competitors or benchmarks. In this instance, sources of data such as Socialmention.com, and tools such as correspondence analysis that permit the simultaneous picturing of brands in multidimensional space, might become invaluable tools. Finally, they will also be able to monitor the effectiveness of social media strategies by using data from sources such as Social Mention to track their brands’ positions over time, and correspondence analysis maps to determine how a particular strategy had moved the particular brand against competitor brands, and with regard to particular social media and social media dimensions.

Exploratory studies such as those reported in this paper also open up a stream of further future opportunities for research. First, it would be wise to find ways of confirming the reliability and validity of data gathered by services such as Social Mention. This might be done by consulting and working directly with these service providers in an effort to gain a better understanding of their methodologies and results.
It could also be done by closely monitoring the results for a set of brands over a period, and establishing some kind of test-retest pattern to determine reliability.

Second, the results of secondary data research such as this could be combined with primary data collection in the target markets of the brands concerned. For example, at a qualitative level, researchers might wish to hold online or face-to-face focus groups with users of the various social media sites in order to gather in-depth feedback on their involvement in these media. In this way the passionate supporters or antagonists of a brand could be investigated and better understood, or the posters of positive and negative mentions understood and compared.

At a more quantitative level, researchers could analyse the text of the interactions that users have concerning their brands in social media, for sites such as Socialmention.com permit linking to the social media content that constitutes the data used to construct the Social Mention dimension scores. For example, researchers such as Opoku, Abratt, Bendixen & Pitt (2007a, 2007b), describe tools that can be used to analyse large amounts of text by means of computerised content analysis that could be employed in this regard.

Third, researchers could employ a vast array of tools that are readily available online for social media analysis (many of them free, or at minimal charge) (Barros, 2009) in conjunction with the data from Social Mention, and using tools such as correspondence analysis.

The advent of consumer generated content and its rapid diffusion takes much of the control over messages away from marketers, who find themselves at the mercy of consumers who can create and distribute advertising about their brands (Deighton & Kornfeld, 2007). This makes the management of brands in an era of social media not only more difficult, but also even more critical than it has been in the past.
Brands can take directions in social media that would have been unlikely, if not impossible, just five years ago. Brand managers will not fully be able to control the destinies of these brands, but at least they should still be part of, and ideally, direct the conversations that occur around their brands. They will need to use every tool at their disposal. The researchers suggest that the approaches followed in the research presented in this paper will be one tool in the brand manager’s arsenal that will assist them in this endeavor.
References


CHAPTER 4. ARTICLE 3 – CONSUMER
CONVERSATIONS AROUND LUXURY
BRANDS IN SOCIAL MEDIA


In the lap of luxury: consumer conversation concerning online advertisements of luxury brands

Introduction

While branding is an area that is extensively studied in the marketing literature, there is a noticeable lack of attention to the study of luxury brands. This is surprising for various reasons. First, the international market for luxury products and services is prodigious (Cohen, 2007) and seems certain of future growth, considering the increasing numbers of affluent consumers in markets such as China and India. Second, while brand extensions are widely studied in marketing (Balachander & Ghose, 2003; Czellar, 2003; Meyvis & Janiszewski, 2004; Völckner & Sattler, 2006), attention to luxury brand extensions seem limited to practitioner orientated journals (Reddy & Terblanche, 2005; Reddy, Terblanche, Pitt & Parent, 2009). Third, luxury brands are controversial; they provide conspicuous and controversial consumption symbols for consumers and are seen by some as the personification of excess (e.g. Sekora, 1977), yet by others as a pick-me-up in an otherwise mundane existence (e.g. Twitchell, 2001).

What constitutes a luxury product today is no longer clearly defined. Kapferer and Bastien (2009) contend that everyone wants their product to be luxury today, and these types of products have become far more readily available in
recent years. They remark that luxury today is everywhere as there are various columns in magazines discussing luxury as well as numerous television programs about luxury items and the business thereof.

They further note that even mass-consumption brands refer to many of their products as “premium” or “deluxe”. Fiske and Silverstein (2002) observe that a decline in household size (and resulting increase in family income), a rise in levels of education, and technological change may be some of the reasons for today’s more affordable luxury. Dewey (2009) believes that the number of aspiring consumers has increased significantly and that it is no longer the case that luxury products and services can only be afforded by the super wealthy. As noted by Luca Solca of Bernstein Research, up to 60% of the total luxury market demand is generated by the “aspiring consumer” (as cited by The Economist, 2009).

While luxury brands are much more widely available from a traditional retail point of view, this is also true for the Internet. Balwani (2009) argues that a common misconception among brand managers is that the Internet is not a luxury market. Consumers are, however, spending more money online and the Internet is therefore a place where luxury brands should build a presence. A study by eMarketer (2007) projected that the number of affluent (i.e. annual income-level of more than $100 000) Internet users is expected to grow from 43.7 million in 2006 to 57.1 million by 2011. This clearly indicates that it is in this luxury seeking affluent consumer segment that online growth is taking place. Marco Corsaro, MD of 77Agency, a new media marketing company, remarks that their research has shown that luxury consumers spend more time online than using any other media (as cited in Baretto, 2009). It is for these reasons that through this paper, the researchers attempt to provide managers of luxury brands with an approach to analysing consumer conversations surrounding their advertisements online.
The Internet has evolved from an information retrieval source to a place of interactivity, and a place for dialogue on the basis of one-to-one, one-to-many and many-to-many. Many observers term the Internet today as “Web 2.0”, which according to Berthon, Pitt and Campbell (2008), is more to do with how people are using the technology than the technology itself. As a result of the popularity and interactivity of this medium, many companies have placed their advertisements on video sharing sites such as YouTube in order to create brand awareness and to stimulate conversation among consumers around their brand. Video is gaining ever increasing popularity among Internet users where more than three quarters of broadband users are regularly watching or downloading video content (Madden, 2007).

According to ComScore (2009), in 2009 100.9 million Internet users viewed 6.3 billion videos on YouTube, which amounts to 62.2 views per user. This increasing popularity of video hosting sites like YouTube is changing the advertising landscape.

While advertisers have relatively powerful measuring tools to ascertain the effect of their own more traditional messages which include surveys (Leavitt 1970, Schlinger 1979, Shimp 1981), ratings services and viewer response profiles, these tool may not be as effective in measuring conversation and responses to their advertisements on the Internet. According to Campbell, Pitt, Parent & Berthon (2010) these traditional measuring devices “may not be able to capture the nuances in an environment where consumer feedback to advertising is networked, rather than one-way, a dialogue rather than responses to a scale, and possibly assumes more dimensions than might be capture in a standard survey”. While these consumer dialogues and market conversations are difficult to interpret through traditional advertising research methods, there may be an opportunity for brand managers to gain some valuable insight into the way consumers interact with their brands.
In this exploratory study, the researchers make use of the content analysis software Leximancer to comprehend the consumer feedback around conversations about luxury brand advertisements. The researchers study consumer comments posted on YouTube (where the three advertisements used in this study appear) and analyse these comments in order to find meaning among the large volume of consumer discussion.

The paper is structured as follows: First, the researchers discuss the advertisements for well known luxury brands that were chosen for this study and the subsequent reactions to them. The researchers go on to discuss a powerful tool that can be used for deciphering and interpreting the consumer conversations surrounding these advertisements and the results of the analysis. The researchers conclude by acknowledging the limitations of this methodology, identifying implications for managers, and suggest avenues for future research.

**Luxury advertisements: the examples**

The three specific advertisements chosen for this study were selected according to the following criteria:

- These brands are some of the most recognisable among luxury consumers.

- The brands cover a range of luxury products (luggage and accessories, jewellery and vehicles).

- The relative popularity on YouTube of these advertisements (they were among the highest viewed luxury advertisements).

- There were a high number of viewers’ comments about these advertisements (not all highly viewed advertisements have high numbers of comments by viewers) and there was some variation in the comments.
The advertisements selected were:

1. **Louis Vuitton Long Version – Bruno Aveillan**

   (http://www.youtube.com/watch?v=zTtpFmgBmTI)

   This advertisement was directed by Bruno Aveillan, who is a graduate of the Ecole Supérieure des Beaux Arts in Toulouse. He is known for his attention to detail, smooth artistic style and groundbreaking special effects. The ad shows a series of magnificent artistic shots of exotic travel destinations set to bewitching music, ending with the caption “Where will life take you?” and the Louis Vuitton brand name. This advertisement has won several awards like the Gold Clio Award, the Gold London International Award, the Epica Award, the Mobius Award, the World Medal at New York Festival, the Top Com d’or, and the Grand Prix Stratégie.

2. **Rolex Commercial Compilation**

   (http://www.youtube.com/watch?v=BP6d5ckvo2Y)

   This advertisement is a compilation of previously screened Rolex advertisements. It includes scenes from the Wimbledon Tennis Championship, the Rolex Fei Equestrian World Cup, a classical performance by Lang Lang and a symphony orchestra, all set to classical music. Throughout the advertisement the brand’s message of performance, achievement, passion and skill are reinforced.

3. **Porsche Panamera Commercial**

   (http://www.youtube.com/watch?v=YssFS12jVUU)
This extended version of the commercial shows even more impressively how the Porsche family welcomes its newest sibling, the Panamera. For the filming of this advertisement, 50 cars were gathered from the Porche museum. It shows the different Porsche models driving through a desert landscape, eventually forming a family tree with their tracks (welcoming the Panamera to the family). The brand message of this aspirational brand is clear as the voice over reminds the viewer that “Porche has a long history of fulfilling dreams”.

**Leximancer analysis of viewer conversations**

In order to explore viewer discussions about the luxury advertisements mentioned above, the researchers used the text analysis tool Leximancer (see www.leximancer.com). This is a relatively simple but powerful data-mining tool that enables a visual depiction and interpretation of complex textual data. Leximancer uses a machine-learning technique in order to collect the main concepts in a collection of writings and to discover how they relate to each other (Rooney, 2005). In order to discover concepts in the text and how they interrelate, Leximancer does a conceptual (thematic) as well as a relational (semantic) analysis.

Once a concept has been identified, a thesaurus of words that closely relate to the concept is built, whereby the concept is given semantic and definitional content. Leximancer then displays the concepts visually by means of a “concept map” showing the main concepts and the interrelationships. The concept map visually details the relative importance of concepts and the strengths between them.

On the concept map, the key themes are represented by large circles, while concepts are shown by dots. Darker coloured and larger themes (circles) and concepts (dots) indicate greater importance in the text. Concepts that overlap or are close together on the map indicate that they appear close together in the text.
Semantic links are represented by distance, i.e. concepts that are closely linked semantically will appear close together on the map and concepts that are not strongly linked semantically will appear further apart (Rooney, 2005). This will cause concepts that are semantically linked to form clusters. This concept map serves as an overall interpretation of the textual data and will guide the researcher in the interpretation thereof.

The Leximancer algorithm is based on Bayesian theory; as evidence gathers and increases, the degree of belief in a relationship or hypothesis changes. When this is applied to text data, the words that compile a sentence are the predictors of the concept that emerges. According to Rooney (2005), over many trials the automatic selection of the important concepts has proved to agree with expert human judgement.

**Method**

As a first step, the researchers copied the textual information from the three advertisements chosen for this study and placed it into a text document. Without cleaning, this text was then used as input data to the Leximancer program for analysis. Some of the benefits of the Leximancer package are that since it builds concepts rather than counting specific words, pronouns and conjunctions (words with low semantic value) are automatically excluded from the analysis. Another advantage is that Leximancer does not do “stemming” which is common among many other packages. It does not remove suffixes or reduce adjectives and verbs to stem words.

Furthermore, Leximancer is able to read all types of text, including comments that are not necessarily grammatically correct (which is commonly found in text posted to sites such as YouTube).
Results

YouTube allows viewers to not only view and comment on the advertisements, but also to add the specific video clip to their list of “favourites”. The site reports statistics on the activity surrounding a specific video such as the amount of times the video has been viewed, the number of comments and the number of times the video has been “favourited” (marked as a favourite) by viewers. A summary of the statistics (as reported on 19 September 2010) for the three advertisements used in this study can be found in Table 1 below.

Table 1: YouTube summary of statistics for the three advertisements analysed

<table>
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<tr>
<th>The Ad</th>
<th>Date Added to YouTube</th>
<th>Number of Views</th>
<th>Number of Comments</th>
<th>Number of Times Favourited</th>
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<tr>
<td>Louis Vuitton</td>
<td>7 March 2008</td>
<td>208 311</td>
<td>105</td>
<td>2014</td>
</tr>
<tr>
<td>Rolex</td>
<td>16 December 2005</td>
<td>85 934</td>
<td>74</td>
<td>690</td>
</tr>
<tr>
<td>Porche Panamera</td>
<td>20 October 2009</td>
<td>312 460</td>
<td>220</td>
<td>1457</td>
</tr>
</tbody>
</table>

In summary, all the advertisements have been placed on YouTube in the last four years. The Porche Panamera advertisement has received the most views as well as the most comments out of the three advertisements, whereas the Louis Vuitton advertisement was favourited the most by viewers. The Rolex Compilation advertisement was viewed the least of the three advertisements, received the fewest comments and was favourited the least.

The maps produced by the Leximancer analysis of the viewer conversations around the Louis Vuitton Bruno Aveillan advertisement, the Rolex Compilation
advertisement and the Porche Panamera advertisement are shown respectively in Figures 1, 2, and 3 below.

Figure 1: Leximancer map for Louis Vuitton advertisement

Figure 2: Leximancer map for Rolex Compilation advertisement
Figure 3: Leximancer map for Porche Panamera advertisement

Interpretation of the maps and discussion

A comparison of the three maps in Figures 1, 2 and 3 above, shows that very different conversation emerged among viewers for the three different advertisements. There is a marked difference in the concepts that emerged, as well as in the number of concepts and the interrelatedness of these concepts. The first main concept that resulted from conversation around the Louis Vuitton advertisement is “beautiful”, where most respondents described how beautiful they found the advertisement, the music and the cinematography of the advertisement. Many of these comments remarked how beautiful the work of the director, Bruno Aveillan is.

The second and third concepts that emerged were those of “commercial” and “film” where many respondents described the video clips as a commercial, and where others remarked that they experienced the clip more as a film than a commercial.
The fourth and fifth concepts that resulted were those of “love” and “amazing” which were the most common words used in the different comments to describe how the viewers felt about the advertisement.

Many viewers professed to “love” the advertisement in general, or more specifically the music and cinematography, and many others described the advertisement, the filming and the music as “amazing”. The Louis Vuitton brand also emerged as quite a strong concept among the comments as the brand name was often used to either comment on the brand in general or to describe the advertisement.

Prominent themes that developed from conversation around the Louis Vuitton advertisement were “beautiful”, “love”, “video” and “music”. Firstly the theme “beautiful” emerged most likely due to many comments describing the advertisement as beautiful or commenting on the visually pleasing nature of the advertisement. The second concept, “love”, emerged as most commentators described how much they loved either the advertisement, the cinematography, the director or the music. The theme “video” came to light quite strongly since many commentators referred to the commercial as a video rather than a commercial or YouTube clip (which YouTube videos are commonly known as). There were many comments on the video and various aspects of the video. The final important theme was “music”. This is as a result of many commentators discussing their feelings about the music in general as well as numerous questions and statements about the composer.

In the conversation surrounding the Rolex Compilation Advertisement, six relatively strong concepts emerged from the Leximancer analysis. Firstly the concepts of the brand name “Rolex” surfaced along with the concept of “watch” as there were many comments on which model of Rolex watch some of the viewers own and which they prefer.
The next concepts were “music”, “song” and “find” and “Lang Lang”, where many viewers commented on how much they liked the music and several conversations were had about where viewers were able to get hold of the music and if the composer was in fact Lang Lang (the artist featured in one of the advertisements in the compilation).

A further resulting concept was “love”, where many viewers remarked how much they loved the brand, and their own Rolex watches as well as how much they loved the advertisement and the music. The last of the major concepts was “commercial”.

Viewers discussed the specific commercials used in this compilation and also commented on other Rolex advertisements that were not part of this compilation (such as the yachting advertisement) but which also seem to be very popular with viewers.

The themes that emerged for the Rolex advertisement were “Rolex”, “Lang Lang”, “chords” and “song”. There was a great deal of discussion among viewers in this case about the music used in the Rolex advertisement, explaining the themes of “chords”, “Lang Lang” and “song” emerging so distinctly. Discussion surrounded how much viewers liked the music, questions about where they could download the song and who the composer is. Lang Lang was often debated as the possible composer of the song, but since a live performance is part of the advertisement, he was discussed as a performer as well, hence explaining his name emerging as a theme. The brand name “Rolex” also emerged as a theme in this case which signals a good deal of discussion among viewers around the brand.

In the case of the Porsche Panamera advertisement, the concepts of “sports” and “cars” emerged strongly since numerous viewers commented on the various models of sports cars from the Porche brand, as well as those from other brands such as Audi and BMW.
The concepts of the brand name “Porche” as well as the model name “Panamera” also emerged as prominent concepts where many discussions surrounded the Porche brand itself, and where viewers commented on the different Porche models. Various comments also related to the Panamera model where viewers discussed the performance and the shape of this particular model. “Commercial” also came forth as an important concept as there was a great deal of discussion among viewers regarding this specific advertisement and their feelings surrounding the commercial itself. The final concepts that arose here were “awesome” and “great” which were feelings that many viewers expressed about the brand, the Panamera, and the advertisement in general.

The first major themes that came to light for the Porche Panamera advertisement were “Porche”, “Panamera” and “sports”. This is not surprising as there were numerous comments that generally centred around the Porche Panamera itself, other Porche models as well as general discussion about sports cars.

The final two themes were “commercial” and “beautiful” which can be explained by many comments mentioning this commercial specifically coupled with conversations about the beauty of various Porche models, the advertisement and the Panamera itself.

Discussion

As can be seen from the interpretation of the conceptual maps above, the concepts and themes that emerge from the conversation surrounding the various YouTube advertising clips allows marketers some insight into specific aspects of their brand and their commercials being discussed by viewers. Marketers also gain some knowledge on viewers’ feelings towards their brand as well as opinions about other models in the product category, as is the case
with Porche and Rolex where various Porche and Rolex models were discussed and often compared.

It may also be valuable for marketers to know which other brands in the product category viewers compare their brand with. This information was particularly visible in the Porche Panamera discussions where the Porche brand was often discussed alongside Audi and BMW and where the sports models of these various brands were compared.

An interesting phenomenon was visible in the themes that emerged from the various advertisements. In the case of Rolex and Porche, the brand emerged as both a concept and theme, but in the case of Louis Vuitton, the brand only emerged as a concept. In the discussion about the Porche and Rolex advertisements, there were many comments on specific product models, whereas in the Louis Vuitton discussion almost no products were discussed, but merely the brand in general.

This could possibly be explained by the visibility of the product or products in the advertisement. In the Porche advertisement, the Panamera model (or product) was shown almost throughout the advertisement. In the Rolex advertisement, shots of various Rolex watches were interspersed throughout the advertisement in between the footage of Wimbledon, Lang Lang’s performance and the Equestrian World Cup. While the events were the focus of the advertisement, the product was unmistakably visible.

In the Louis Vuitton advertisement, however, a Louis Vuitton product was barely visible. One woman in the advertisement carried a Louis Vuitton handbag, which was not prominently visible and in the last few seconds of the advertisement, the well known LV monogram is shown briefly. Despite the product not being visible, there did not seem any uncertainty among viewers that this was a Louis Vuitton advertisement.
The lack of specific product discussion in the Louis Vuitton case may have various explanations. It could be due to the lack of product visibility in the advertisement, but it could also be as a result of the fame of the director of the advertisement since much of the discussion in this case surrounded the video itself, the director, the cinematography and the music.

**Managerial implications**

Campbell et al. (2010) in their study of four different online video advertisements from brands such as iPod, iPhone and Starbucks, found that this new interactive conversation around advertisements on the Internet lends itself more to less functional brands as these brands seem to stimulate more on-line conversation. Analysis of conversations around the luxury brands in this study supports this finding. While there was a large amount of discussion about issues such as the music and cinematography and so forth, particularly in the Louis Vuitton advertisement, there was also significant discussion of the brand and specific products in both the Rolex and the Porche advertisements. For this reason, managers of luxury brands should have a particular interest in conversations surrounding online video advertisements as there is a great deal to learn from these conversations about how consumers interact with the brand and their feelings surrounding the brand and specific products in the brand portfolio.

Another observation for managers of luxury brands is that conversations stem from specific comments made by some viewers, or develop in a certain direction from an initial comment made by one viewer. For example in the Porche advertisement, one viewer commented on the shape of the Panamera which gave rise to a range of comments regarding the shape, profile and general aesthetics of this model.
This gives rise to the opportunity for brand managers to get involved in the conversation in order to possibly correct misinformation among viewers or to manage the direction of the discussion to some degree.

This would be similar to exogenous word-of-mouth (WOM) as discussed by Godes and Mayzlin (2009). They describe exogenous WOM as WOM that results from a specific action or promotion on the part of the company. While this could be a successful way of entering into these consumer conversations either openly or in a surreptitious manner, managers should err on the side of caution. While some viewers may welcome information from the company, some YouTube users may find surreptitious involvement by the company (should this be discovered by viewers) as an attempt to manipulate conversations and opinions, and as hampering their free speech.

Limitations

Like most exploratory studies, this study of discussions around online video advertisements regarding luxury brands is not without some limitations. Firstly, the authorship of the various comments is unknown, and there is the possibility that there could be some comments in the text the researchers analysed that may have originated from the companies themselves in order to steer the conversations in a specific direction. If this was the case however, the consumers have not been aware of any such possible interference in the discussion, which makes the experience of the consumers in each of the specific cases studied here as unaffected as if all comments had come from other consumers.

The second limitation of this paper is the number of advertisements used in this study. Since only three advertisements were interpreted, there is a lack of reliability and validity testing. This may raise the question of whether the study of more luxury brand advertisements would provide similar maps with similar interpretations.
A further question would be whether different individuals would interpret the resulting maps in the same way. These questions raise interesting areas for future research on this topic.

Another limitation is a common limitation in qualitative research in that the interpretation of the maps is largely subjective. While the visual maps may make the interpretation of the vast amount of textual data less complex, there is the possibility that other marketing and advertising scholars may interpret the resulting maps differently to the researchers’ interpretation.

A further limitation is that while the researchers have gained some valuable insights into consumer feelings and reactions to luxury advertisements and the resulting conversations, the researchers do not have any information on who the consumers are or what their motivations are for posting their specific comments. This may be limiting where marketers are looking to form user profiles of consumers who participate in these conversations.

The final limitation is that due to this being a mapping technique, the information is merely a snapshot in time and captures the comments of viewers at a specific time. It may be the case that a very different Leximancer map may result about the same brand at a different point in time.

**Avenues for future research**

As discussed above, there is potential for longitudinal studies of luxury brand advertisements in order to create a comparative study of the results at different moments in time.

A second opportunity for future research would be to analyse viewer conversations around advertisements for brands of a similar product category. An example would be to compare conversations around the Rolex
advertisement as used in this study to other luxury jewellery brands such as Longines, Chopard or Tiffany’s. It would be insightful to see if the resulting maps show similarities in the concepts that emerge.

A limitation that was referred to previously is that there is very little information on who the authors of the comments in the studied discussion are and what their motivation is for making their various remarks. An avenue for future research that emerges here is to gain insight into who these consumers are that are posting comments on sites such as YouTube. Since Internet video advertising is a relatively recent phenomenon, very little is currently known in this regard. Research on who these consumers are, where they are located, the number of posts they contribute to conversations, and their motivations for their comments could enable marketers to build a profile around these individuals in order to understand and possibly predict their behaviour. This would be especially valuable for the managers of luxury brands (where the brand reputation is of particular importance) to measure the weight and influence of consumer conversations around their specific brands.

This new interactive discussion phenomenon and the conversations that surround it have changed the advertising landscape and have forced advertisers and brand managers to cede some control to their consumers. While marketers have the option of placing their advertisement on the Internet or not, once the advertisement has been placed, marketers have little or no control over the public discussion that may result from this. This is particularly significant for luxury brands managers since many luxury brands are managed along the principles of tight control regarding product design and quality, distribution and brand communications. For this reason, luxury brand managers may find the changing role of the consumer in advertising even more bewildering.

The researchers hope that information around luxury advertisement conversations and the demonstration of the Leximancer tool for the
interpretation thereof will shed some light on the how these conversations can be tracked and interpreted in order to gain valuable insight into the consumer’s new role as viewer and commentator.


CHAPTER 5. ARTICLE 4 –LUXURY WINE BRANDS AS GIFTS


Luxury wine brands as gifts: ontological and aesthetic perspectives

The gift of wine

Throughout history, humans have given and received gifts – indeed, some social psychologists (such as Cialdini, 1993) suggest that the reciprocity that gift giving implies is a basic human survival mechanism. One gives in order to receive, and feel secure in knowing that one’s giving of a gift is likely to be reciprocated.

Archaeologists have identified gift giving as a practice dating as far back as the Babylonians. The Romans gave gifts, such as gold and silver to their emperors, as a way of seeking favour, and this practice spread to the giving of gifts to each other, family and friends. These gifts included gold, silver, precious stones, fine foods and wine.

Nowadays in countries where wine is consumed, wine is frequently given as a gift to family members, friends, colleagues and business associates to celebrate occasions, pay a compliment, curry favour, or to reciprocate (Wang, Razzaque & Keng, 2007; Beltramini, 2000; Rucker & Freitas, 1994). It is rare that guests will dine at someone’s house without taking along a bottle or two of wine as a gift for the host.
Depending on the guest's financial means and knowledge of wine, and of the host's tastes and also the esteem in which they hold their host, the wine gifted might vary from a cheap and cheerful screw-cap to one of the great luxury wines of the world.

While consumer behaviour researchers have devoted considerable efforts to the study of gift giving, surprisingly little attention has been given in the marketing literature to luxury brands and offerings as gifts since the publication of Sarett's work in 1960.

Likewise, while wine marketing scholars and practitioners have researched many aspects of the marketing of wine, the giving of wine as a gift has not been extensively researched, and this is particularly true in the case of luxury wines.

This article attempts to address these issues from a conceptual perspective. The researchers begin by briefly assessing the notion of luxury before reviewing a recently published framework (the "AO framework") for understanding the nature of luxury brands. Next, the researchers consider the literature on luxury brands as gifts. The researchers then apply the AO framework to luxury wines specifically, with particular attention to what this means to the giving and receiving of luxury wines as gifts. The researchers believe that this provides some practical insights to the marketers of luxury wine brands, which are discussed.

Finally, the framework also stimulates possible avenues for future research by wine marketing scholars, and some of these are identified and suggested. Since this paper considers the issue of luxury wines as gifts from a conceptual perspective, the researchers conclude by taking the concepts of the AO model and extending them to a conceptual framework for future testing.
Understanding luxury brands

The term “luxury” is very difficult to define as it often has different meanings to different people. The discrepancy often lies in the context or specific situation that individuals find themselves in. Consider people having access to hot water. In middle to upper class families residing in urban areas, hot water is not considered a luxury, but rather a utility that is paid for and expected. For other individuals, like those residing in remote rural areas for instance, or in poorer nations, access to running water would be considered a luxury, not to mention hot water.

In the context of wine, to some consumers having a simple table wine with a meal might be a luxury; to others, a luxury wine would be a Bordeaux first growth, a vintage champagne or a fine burgundy. Therefore, the question of what is and is not a luxury offering would depend on the people involved as well as the context of the situation.

The concept of a luxury brand is also contentious among various authors. Consumer behaviour literature proposes that luxury goods appeal mainly to the consumer on a psychological level (Kemp, 1998; Dubois & Duquesne, 1993). Sheth, Gardner and Garrett (1988) suggest that luxury brands and products are symbols of personal values and social identity. Since this implies that people purchase luxury goods for what they symbolise, Dubois and Duquesne (1993:43) argue that models of hedonic consumption are supported by this and that “purchasing luxury goods represents an extreme form of expressing one’s values”. Berthon et al. (2009) propose that luxury in more recent times has become synonymous with escaping from the mundane or ordinary and signals the urge for betterment.

Authors such as Kapferer (1997) have identified many attributes of luxury brands, such as quality, beauty, sensuality, exclusivity, high price, history and uniqueness.
However, Berthon et al. (2009) argue that luxury is more than merely a set of attributes; luxury is more than just the physical product (the material) and should rather be considered as a concept. Since a concept would vary in how it is viewed depending on social and individual context, these authors contend that the definition of luxury would vary with social (time and place) as well as individual (what is luxurious to one person may hold no value to another) context. They therefore posit that luxury brands have an objective (material), a subjective (individual) and a collective (social) component.

Keller (1986) adopts similar perspectives, and argues that the value that consumers draw from brands stems from the functional, experiential and symbolic nature of the purchase and consumption thereof. More recently, brand experience has been conceptualised by Brakus, Schmitt and Zarantonello (2009) as comprising behavioural responses, feelings and cognitions created by brand stimuli delivered through packaging, communications and image of the brand. Berthon et al. (2009) go on to propose that luxury brands can be viewed in three dimensions as follows:

- Firstly, the *functional dimension* of the luxury brand would refer to its material element, i.e. the physical product or physical evidence of a service. Coco Chanel originally made clothing of great comfort and quality. A good wine will be well-structured and of good body, and also well packaged in order to endure.

- Secondly, the *symbolic dimension* has its origin in the collective component of luxury brands. What the brand symbolises is essential here. A bottle of Dom Perignon may signal the drinker’s wealth or status, as well as being something to be consumed on a very special occasion, and could add to the brand’s collective image as well – how it is viewed in a larger society.

- Lastly, the *experiential dimension* falls within the individual sphere of a luxury brand. This dimension is more difficult to conceptualise, since it is
based on personal taste. What is a luxurious brand to one person may not be experienced that way by another. One wine consumer might prefer a great Bordeaux because of its complexity as well as the long tradition behind it, while another might favour a more accessible Californian or Australian red.

**Conceptualising luxury brands: The AO framework**

The model as proposed by Berthon et al. (2009), allows one to integrate the various definitions proposed by various authors in the area of luxury branding. This paper is in agreement with Berthon et al. (2009) that the concept of luxury is a “differentiated offering that provides symbolic, experiential and functional value at the extreme luxury end of the utilitarian-luxury continuum”.

These authors further offer a typology of luxury brands that draws on Heidegger’s theory of art (as cited in Young, 2001) as well as Whitehead’s process philosophy (1979). This means that one can differentiate luxury brands along the dimensions of aesthetics and ontology as depicted in Figure 1 below.
The term aesthetic stems from the Greek “to perceive” (Zangwill, 2001). Kant (1973) believes that aesthetic judgment depends on the ability of a person to accurately identify quality and value in something. In his theory of multiple intelligences, Gardner (1993) proposes that people have an aesthetic intelligence that develops over time. In the case of a luxury wine for example, the individual would develop a taste for wines of good quality, and an appreciation of their beauty and finesse.

Ontology stems from the Greek “to be” (Griswold, 2001), and many philosophers contend that there exist two states; that of permanence on the one hand, and that of constant change (i.e. a state of being or a state of becoming),
on the other. From the perspective of understanding luxury, this is important because luxury has traditionally been associated with preservation or endurance.

For example, luxury wine brands such as the great Bordeaux, have strong heritages that signify their longevity and durability. Traditionally, an ephemeral quality has not been associated with most luxury (including wine) brands; yet an incorporation of this notion might provide valuable insights into an understanding of luxury wine brands as gifts.

The two dimensions of aesthetic and ontology permit the construction of the AO framework in Figure 1 above, as proposed by Berthon et al. (2009). From the aesthetic dimension one can differentiate between the expert and the novice, and from the ontological dimension, one can differentiate between the durable and the transient. Four modes emerge from this typology: Modern, Classic, Postmodern and Wabisabi.

**Modern:** This mode is located on the endurance end of the ontological scale and the novice end of the aesthetic scale, meaning that consumers who fall in this mode do not generally have a wide knowledge of or a sophisticated appreciation for the specific luxury product. They do, however, have what is required to belong to this segment, which is wealth.

Since the aesthetic falls in the area of novice for this mode, consumers in this segment, more often than not purchase luxury products as a status symbol, rather than having absolute appreciation for the quality or functionality of the product. Berthon et al. (2009) describe this as the “democratisation of luxury”. Many luxury wine brands that would previously only have been available through specialist retailers, or directly from the estate, are now available worldwide at airport duty-free stores, and online. Bringing luxury to the masses may ensure higher sales, but the danger of loss of exclusivity may be a higher price to pay.
**Classic:** This mode also leans to the endurance side of the ontological scale, but contrary to the Modern, the aesthetic dimension is that of an expert. This type of luxury is truly appreciated for its beauty and craftsmanship and is described by Berthon et al. (2009) as “purist luxury”. Expertise is an acknowledged facet of wine consumption, and has received the attention of wine marketing scholars (Schiefer & Fischer, 2008; Veale, 2008). To consumers who fall within this segment luxury products hold a very large symbolic value; they have experience of luxury products and have developed their taste over time. Luxury wines in this quadrant would be purchased by knowledgeable collectors for their cellars, and observed, treasured and sampled over time.

**Postmodern:** This mode falls on the novice end of the aesthetic scale and the transient end of the ontological scale. According to Berthon et al. (2009), luxury in this mode is typically the “latest, hottest thing”, such as a Hollywood actress’ dress on the red carpet, Las Vegas, facelifts and makeovers (a lot of what is depicted on reality TV today). While there is a lack of endurance of products and services, and a lack of knowledge or expertise of the luxury products or services, they are still highly priced and do hold an element of status for the consumer who wishes, usually, to flaunt them in the moment. As the proprietor of Chateau Margaux is quoted as saying in a Harvard Business School case study regarding her estate, “The researchers also heard about Russian customers who simply seem to buy our wine because the bottle looks good on the table or was the highest priced on the list” (as cited by Deighton et al., 2006).

**Wabisabi:** This mode, similar to the post modern, focuses on the transient; however it lies on the expert end of the aesthetic scale. Berthon et al. (2009) make use of the Japanese notion of wabisabi in order to describe this mode. Wabisabi is a philosophy that is based on transience. According to Juniper (2003), the transience, incompleteness and imperfection of life are seen as the highest form of art.
Luxury in this mode would be an exquisite meal cooked by a Michelin chef and enjoyed in the moment, a black truffle or a rare orchid that only blooms for a short while. Consumers in this segment have a deep appreciation of luxury but are highly mindful of the present and enjoying it in the moment.

**Luxury brands as gifts: To others and to oneself**

The nature of gift giving has received considerable attention from consumer researchers (Giesler, 2006). Somewhat surprisingly, however, this work has given little attention to luxury brands as gifts. Nevertheless, the research, in conjunction with the model of Berthon et al. (2009), does provide useful insights for luxury wine brand marketers. For example, Wooten (2000) notes the considerable anxiety a giver might experience in choosing an appropriate gift for a recipient.

Those who give luxury wine as a gift may often be perplexed about whether they are buying the "right" wine for a particular recipient.

Otnes, Lowrey and Kim (1993) investigated the pervasive nature of Christmas gift giving, and identified six social roles that givers expressed to recipients through gift exchange. Based on these researchers’ understanding, in sequence of relative attractiveness as target markets, these are pleasers (carefully, and based on knowledge of tastes and interests, who select gifts they believe recipients will like); socialisers (choose gifts as a way of socialising – "here is a gift or knowledge I want you to have"); acknowledgers (give gifts in order to acknowledge that a relationship exists); compensators (attempt to make reparations for a loss the recipient has experienced); providers (buy items they believe are needed, not necessarily desired); and avoiders (don’t give gifts).
In a purchasing situation, the number of brands considered, the depth of the search and type of information sought by the consumer, as well as the price limit are elements that are likely to vary in a purchase situation, depend on the expected consumption situation (Quester & Smart, 1998). Cholette and Castaldi (2005) contend that “wines intended as gifts, to be served for company or for special occasions are likely to be more expensive than bottles bought for everyday consumption”. Characteristics of luxury brands, apart from excellent quality, prestige image and an element of uniqueness and exclusivity, also includes high price (Kapferer, 2001). In the case of luxury wines as gifts, it is therefore likely that the gift-giver would consider the price of the wine to send a signal to the receiver of how valued the consumption situation (e.g. the recipient’s birthday) is to the giver.

An interesting finding from Otnes et al.'s (1993) research is that most gift givers identify elderly relatives as “difficult to choose gifts for”, which also has important implications for luxury brands. Indeed, the age of the recipient of a luxury brand as gift might form an important piece of knowledge for the luxury wine brand marketer. A consumer faced with the decision of choosing a significant gift for a beloved, aged relative could either choose, in terms of the AO framework (to be discussed), an enduring gift or a transient one.

While it may be tempting to give an enduring gift, such as a luxury watch or a piece Lalique glass that will last a lifetime, a recipient in their twilight years might well enjoy receiving something that can be enjoyed “in the moment” (perhaps with the giver), such as a great wine, or a stay in a fine hotel, a lot more. Whether the recipient is a novice or an expert (referring to Figure 2) will then determine the brand of hotel or wine, or other transient gift, purchased.

On the other hand, when the recipient is much younger, the emphasis might be on the enduring nature of the gift – for example, upper class English families have long had a tradition of “laying down” a case of fine claret to mark the birth of a child.
Swiss watchmaker Patek Philippe’s advertising campaign over the past 10 years focuses on the unique and special relationship between father and son. This emotion has been intrinsically linked with its advertising line, “You never actually own a Patek Philippe. You merely look after it for the next generation”.

**Segmenting the market for luxury wines as gifts**

The researchers contend that the four modes, as set out in the AO model of Berthon et al. (2009), can be used as a typology of luxury wines, from both gift-giving and gift-receiving perspectives. Luxury wine marketers can make use of this typology to target wine gift givers effectively, by understanding where on the matrix both the giver and the receiver are positioned. The four modes can be seen as different target markets, with different motivations and different behaviours with regard to luxury wines as gifts, and the astute luxury wine marketer will formulate different marketing mix strategies depending which of the quadrants they decide to target. Furthermore, the nature of the competition in each of the quadrants will also differ, and the astute luxury wine brand marketer will understand this as well.

**Modern**

In the “modern” quadrant for luxury wines, the discerning dimensions are a lack of expertise, and endurance. The “Modern” luxury wine gift giver has no real wine expertise, but does have money, and will give the gift either in order to show this, or to impress upon the recipient that they are aware of the enduring nature of a fine luxury wine. Fine wine might be given for the sake of giving something that is known to be valuable and important. Likewise, the giver might know that the recipient might lack wine expertise, but is likely to appreciate a wine of some antique vintage, simply by seeing the year of vintage on the bottle.
Marketing strategies that luxury wine marketers wishing to target this quadrant might employ would focus on information at point of sale, so that the giver is availed of knowledge that helps them make a decision (they are relatively uninformed) that will enable them to choose a gift that will endure (be cellared, or kept for a special occasion). This could include print information where the product is displayed, prominent ratings information from well-known wine critics such as Robert Parker, and especially, making sure that sales personnel at the point of purchase are able to convey the wine’s heritage and potential to endure and age well.

These producers would do well to remember that the competition for a luxury wine brand in this quadrant might not only be other luxury wines, but a Gucci bag or a Rolex watch. The recipient of the gift, in turn, might keep it rather than consume it – in order to display it ostentatiously, or perhaps because they are not enough of a wine connoisseur to appreciate it if they did drink it. Packaging or bottling of the product (Boudreaux & Palmer, 2007) might assist in these circumstances by including information on how long the wine could be kept for, what the best conditions for storing it would be, and when it would be optimal to consume it.

Classic

In the “classic” quadrant, the discriminating dimensions are expertise and endurance. The giver, the recipient, or both, possess wine expertise, and also value the fact that luxury wines have the potential to last a long time, so the “Classic” luxury wine gift giver is knowledgeable when it comes to wine, and might also be buying it as a gift for someone who is knowledgeable and would want to keep it (in order for the product to improve and reach its true potential).

An expert may also give wine as a gift to someone on the occasion of a birth of a child for example, such as a fine Bordeaux on the birth of a son or daughter, to be “laid down” for a long period, perhaps to be enjoyed on the child’s 21st
birthday. A luxury wine marketer’s tactics here might focus on extensive information about the wine, such as tasting notes, opportunities to meet the wine maker and visit the estate, and special events such as invited tastings (Lockshin & Knott, 2009).

Postmodern

In the “Postmodern” quadrant, the luxury wine gift giver has no wine expertise whatsoever, apart from knowing that a particular brand is expensive (e.g. Château Petrus), or extremely fashionable (a champagne brand like Bollinger or Krug). Typically these consumers will give the gift to friends with the intention of consuming it immediately, perhaps at a party or festive occasion. Neither they nor their friends will truly appreciate the physical qualities of the product; for example stories are told of postmodern consumers drinking Chateaux Margaux cut with Sprite, because, while a famous brand, the wine is a “little sour”. They might not be experts, and might not ordinarily purchase and consume the brand, but under certain circumstances they will purchase and consume the product in order to be seen consuming it at a particular place and time.

A recent example of this behaviour includes a businessman who consumed a Methuselah of Cristal champagne with friends in a London restaurant – the purchase added around $60 000 to an already $210 000 bar bill (Reuters, 2007). Here the luxury wine brand manager’s marketing artillery might include advertising in exclusive magazines, and promotions in specialist outlets. Other tools could include product placement in movies and television shows, or exploiting opportunities to have the product conspicuously consumed by those who are famous for being famous, such as Paris Hilton.

Competitors to luxury wines in this segment obviously include other luxury wines, especially those that can be enjoyed immediately (thus, an expensive vintage champagne will usually surpass a fine Bordeaux).
However, other competition will come from expensive luxury spirits such as vodkas and tequilas, and luxury foodstuffs such as caviar or foie gras.

*Wabisabi*

The “Wabisabi” luxury wine gift giver is a connoisseur, as is in many cases the recipient. They give or receive the gift so that it can be enjoyed in the moment – for example to an aged relative to enjoy on a memorable occasion. The giver might think it better to give an 80-year old a bottle of fine wine that can be enjoyed in the moment than a Rolex watch which will in all certainty outlive them.

Luxurious wines, or significant ones (the one consumed at the wedding dinner 25 or 50 years before) become products that people desire to consume at “ultimate” moments for deeply personal reasons. Movie buffs will remember the character Miles, in the movie “Sideways”, drowning his sorrows in a fast food restaurant with a bottle of 1961 Chateau Cheval Blanc. Obviously targeting this segment is a real challenge for luxury brand marketers, but might rely on emotional advertising or promotions that emphasise life’s special moments, or emphasise its impermanence.

Competition here comes from other ephemeral offerings. Thus, the competition for a 50 year old Chateau Lafite to celebrate a golden wedding anniversary might come not so much from a 50 year old Mouton Rothschild (if it was Lafite that was drunk on the wedding day), as from a week’s return to the special hotel at which the honeymoon was spent.
Luxury wine brands as gifts: observations for managers and questions for researchers

The AO framework permits a number of observations for practitioners responsible for managing luxury wine brands in the arena of gift giving. Since this paper is conceptual in nature, what the researchers put forward are merely observations which through future research should be empirically tested, as is discussed later on.

First, it will be obvious that a luxury wine brand can indeed be within all the quadrants of the framework – the marketer needs to understand the implications of each. This will depend on the giver (and their extent of expertise and time orientation) and also the recipient of the gift. In this sense, luxury wines are somewhat unique in the luxury goods sphere – most other luxury goods fit solidly into only one or two of the quadrants. For example, a luxury product like a Saville Row bespoke tailored suit is likely to fit only the Classic quadrant. The product typically doesn't come with an identifiable “brand” emblazoned on it, so it is unlikely to appeal to the Modern or Postmodern quadrants who value the visibility of the brand. Likewise, a fine suit will endure, and might even last a lifetime, and will therefore not be a Wabisabi offering.

A second observation following this is that marketers of luxury wine brands in the gift arena might therefore want to decide which quadrant to emphasise, and also which to de-emphasise or discourage (because of their negative impact on the chosen segments). For example, if a brand of fine champagne became known as the choice of ostentatious post-modern consumers in nightclubs, it might discourage classic consumers who valued it for its technical attributes. This effect has occurred in the case of other luxury brands – for example, the clothing brand Burberry suffered extensively through its association with “chav” culture – for some reason, “chavs” (loosely interpreted as meaning lower-class, football hooligan types) attached themselves to the brand.
This obviously discouraged the brand’s former loyal supporters (Kilby, 2007; Reddy et al., 2009).

The third observation is that luxury wine brand marketers would do well to better understand the nature of gift giving. In doing so, they might begin by seeking to answer a number of very simple, but fundamental questions about gift giving, and use the AO framework to better understand this. These questions would include, Who is the giver and who is the recipient? Where will the gift be purchased, where will it be “given”, and where will it be consumed? When will the gift be purchased, when will it be given (including an understanding of various special occasions), how long it will be kept before being consumed, and when will it be consumed? Why is a luxury wine brand being given as a gift? Here, the work of Otnes et al. (1993) will also serve as a framework for understanding some of the motivation behind gift giving. Finally, luxury wine brand marketers will also do well to understand the “how” of gift giving – how the particular gift is chosen, how it is presented, and how it is consumed.

In the context of luxury wine brands as gifts, the AO framework also stimulates a number of future avenues for research, particularly by wine marketing scholars. First, a scale to measure an individual’s position on the quadrants, both in terms of their expertise and time orientation, would not only be an interesting and useful device itself, but would also provide an important antecedent or outcome variable in other wine consumption research. Researchers would find the development of such a scale a fruitful exercise. This could also lead to further work to study the permeability of the quadrants in the AO framework – to what extent is there movement among the quadrants, from both giver and recipient perspectives?

Of course, the situation of giving wine as a gift lends itself ideally to ethnographic studies of consumption behaviour. Observation studies of gift giving of wine, beginning with search, shopping and selection, and ending with giving, receipt and consumption could be followed by in depth interviews, along
the lines of previous published research in consumer behaviour. These should yield rich insights into the nature of gift giving as consumption behaviour in general, and to the applicability of the AO framework in particular.

From the supply side, studies of the extent to which luxury wine producers exploit gift giving in their marketing strategies, and also at retail level, would provide insight not only into the extent of these strategies, but perhaps also into their effectiveness. As far as the researchers are aware, there is scant literature on the topic.

There also seems ample scope for studies, probably based on secondary or scanner data of the extent and nature of luxury wine gift giving on significant festive occasions, holidays, and special days such as Valentine’s Day, Mothers’ Day, Fathers’ Day, and Christmas. This would enable luxury wine marketers to target particular promotions based on occasion, and to judge the effectiveness of these.

As Berthon et al. (2009) point out, the role that aesthetic sensibility has played in theorising about luxury has been conspicuous in its absence. Furthermore, the ontological status of luxury has tended to focus on the enduring - the role of the ephemeral in the constitution of luxury has received little attention, yet it would seem to be so important in both the giving of luxury wine as a gift and in its consumption.

The four unique modes of luxury; i.e. the Modern, the Postmodern, the Classic, and the Wabisabi represent unique challenges to luxury wine brand marketers in terms of managing functional, symbolic, and experiential value.
A framework for future research

While the model and its application possibilities are discussed in this paper as a conceptual framework, there are also opportunities for future research to test this model empirically. One way to do this would be to consider the appropriateness of the gift as the dependent variable. In measuring the success of the giving of luxury wine as a gift, there would be two propositions. The primary proposition is that the appropriateness of a gift is a function of the person (the recipient) and the occasion (the event). The secondary proposition is that the appropriateness of a gift is a function of how well the giver understands the recipient as a person and the occasion for giving a gift.

As depicted in Figure 2 below, one would gauge the aesthetic sensibility on the personal side, ranging from novice to expert, as the extent to which a person understands and appreciates fine wine. Furthermore, one would evaluate the ontological orientation on the occasion side, ranging from the transient to the enduring as the extent to which an event is intrinsic (an end in-itself; i.e. the event is transient, such as an anniversary) or extrinsic (a pointer to another event; i.e. the event has endurance, such as the birth of a child).

Figure 2: Giving luxury wine as a gift is a function of person and occasion
If one considers the primary proposition that the appropriateness of a gift is a function of the person and the occasion, then the following hypotheses could be tested:

\( H_1 \): If the recipient is a novice, and the event intrinsic, the most appropriate luxury wine gift would be Postmodern.

\( H_2 \): If the recipient is a novice, and the event extrinsic, the most appropriate luxury wine gift would be the Modern.

\( H_3 \): If the recipient is an expert, and the event intrinsic, the most appropriate luxury wine gift would be Wabisabi.

\( H_4 \): If the recipient is an expert, and the event extrinsic, the most appropriate luxury wine gift would be Classic.

When one acknowledges the secondary proposition, i.e. that the appropriateness of a gift is a function of how well the giver understands the person and the occasion, two further hypotheses could be tested. Since understanding is a function of similarity, the hypotheses would be as follows:

\( H_5 \): The greatest potential for a luxury wine gift giving mismatch is when a novice gives to an expert, followed by when an expert gives to a novice.

\( H_6 \): The lowest potential for a luxury wine gift giving mismatch is when an expert gives to an expert or when a novice gives to a novice.

While the hypotheses suggested above would be of interest to wine marketing researchers, and can be viewed as suggestions for future research in the area of luxury wine gift giving, the researchers contend that they are also potentially valuable considerations for luxury wine marketing practitioners.
Marketing strategies, personal selling and advertising particularly, can be more effectively structured if the marketer understands both the giver of the gift and its recipient, and also the circumstances under which, or the event for which, luxury wine will be given as a gift. Obviously, a limitation of the framework above is that it does not capture the nuances of self-giving, i.e. where giver and recipient are the same person.

The giving of wine as a gift has endured through the millennia, and is a ritual that is likely to endure in the future. For example, the 2009 Bordeaux vintage is reputed to be the best in more than 100 years, with first growths already sold (at stratospheric prices) before the vintages have even been bottled (www.jancisrobinson.com).

These fine wines will not be ready for drinking for many, many years, and will in all likelihood outlive many of their purchasers. Why are people buying them? While a large proportion are being purchased by trade businesses such as fine hotels and restaurants, and some are being procured by connoisseurs for their private cellars and their own consumption, it is certain that many of these great wines will end up being purchased as gifts, by experts and novices alike.

The intention of the conceptual paper presented in this article is to shed light on how and when these gifts will be given, and of course, to whom. Through a greater understanding of these phenomena, luxury wine purveyors may be able to develop even more successful marketing strategies, and wine marketing scholars can pursue exciting and challenging avenues for future research.
References


CHAPTER 6. ARTICLE 5: LUXURY BRANDS IN TIMES OF ECONOMIC DOWNTURN


Managing brands in times of economic downturn: How do luxury brands fare?

Introduction

It is obvious that spending on luxury brands declines during economic recessions – spending in virtually every category of non-essential offerings declines at such times. Decline in spending is, however, not linear or uniform. In the automotive industry, for instance, sales of mass-market family cars decline across the board, but smaller, fuel-efficient cars are less badly hit. An important first question for those who manage and study luxury offerings therefore, is what is the parallel to the auto industry? In other words, what types of luxury offerings are differentially affected? Second, what are the key brand strategies that emerge within luxury firms over the economic cycle, and how do markets for luxury brands evolve over the phases of this cycle?

The recent global recession, triggered by the prime mortgage crisis in the USA, has once more confronted the luxury goods industry with questions of how well luxury brands do in times of economic downturn, and what strategies luxury brand managers implement in order to deal with economic asperity. Past economic downturns such as the Gulf oil crisis of the 1990s, the dot.com boom/bust, and 9/11 events in the early years of the millennium presumably impacted the luxury sector to some extent.
For example, the 9/11 attacks might have impacted those luxury goods where sales were directly related to air travel, as well as tourism and overall consumer confidence. The fear of flying, accompanied by economic weakness in the United States as well as Japan, created concern in the luxury sector (Finch, 2003).

Yet, at the height of the worst recession in 80 years, Louis Vuitton opened a new store on Bond Street in London in May 2010. "It's probably one of the most magnificent retail stores in the world for the best luxury house, the greatest luxury brand," said creative director Marc Jacobs of his new emporium. "It's a monument to luxury and visual stimulation - from the art installations of Michael Landy, the pieces of Richard Prince and Takashi Murakami - it just goes on and on" (Neel, 2010). Some would observe that the opening of this opulent store in the midst of a global recession signals that luxury brands don't feel the effects of economic downturns to the same extent as do industries such as banking and automobiles.

In this article the researchers address the relationship between the performance of luxury brands and the economic cycle, i.e. the effect that recessions have on luxury brands, by means of an exploratory qualitative study. The researchers begin by evaluating the luxury goods industry and changes in recent years. Next, the researchers consider luxury consumers and the effect the recent recession has had on their behaviour, and outline a study of executives within the luxury goods industry designed to capture their impressions of the effects of an economic downturn on the brands they manage.

The researchers conclude by acknowledging the limitations of the study, discussing the managerial implications of its findings, and by identifying future research opportunities for scholars within this area.
Luxury brands and the luxury industry

The branding literature exhibits an astounding inattention to luxury brands - startling for a number of reasons: first, the international market for these products is immense (Cohen, 2007) and its rapid growth seems assured, as the number of affluent consumers in countries such as China and India increase. Second, even though brand extensions are among the most studied phenomena in marketing (Balachander & Ghose, 2003; Czellar, 2003; Meyvis & Janiszewski, 2004; Völckner & Sattler, 2006), luxury brand extensions have only really received attention in practitioner-oriented journals (Reddy & Terblanche, 2005; Reddy et al., 2009).

Third, brands often follow opposing trajectories; mass-market brands repeatedly attempt to gain prestige, differentiation and margins by “trading up” (Almadoss & Jain, 2008; Berkowitz, 1987; Goldman, 1975), while luxury brands marketers frequently endeavour to grow by broadening offering portfolios, or “trading down”; sometimes with dire consequences (Reddy & Terblanche, 2005). Fourth, luxury brands provide prominent and controversial consumption symbols in society, viewed by some observers as the epitomes of excess (Sekora, 1977), and others as a tonic for one’s humdrum world (Twitchell, 2001). Fifth, sales of luxury goods are frequently seen as a bellwether of economic conditions (Browning & Crossley, 2000; Bils & Klenow, 1998; Brewer, 1998; Kiessling, Balekjian & Oehmichen, 2009).

The boundaries of what constitutes a luxury product today have become somewhat blurred. According to Kapferer and Bastien (2009) everyone wants their product to be luxury one today and these products have become far more readily available in recent years. They note that there are columns in magazines about luxury, and programmes on television about luxury products and services, and the business of luxury. Even mass-consumption brands name many of their models “deluxe” or qualify the experience of consuming them as “luxurious”.

Fiske and Silverstein (2002) have identified some of the driving forces behind today’s more affordable luxury. These include a decline in household size and a concomitant increase in family income, a rise in levels of education, the influence of lifestyle magazines, increased travel opportunities, and also technological change. They contend that while consumers are “trading-up” to a higher level of quality, many luxury brands, on the other hand, are “trading down” to accommodate new aspiring consumers in the hope of catching their attention and making them loyal to their brands.

Some authors assert that it is no longer the case that only the super rich can afford certain luxury products, as the number of aspiring consumers has boomed (Dewey, 2009). According to Luca Solca of Bernstein Research, the “aspiring consumer” demand today constitutes up to 60% of the total luxury market demand (as cited in The Economist, 2009).

**Of recessions and economic downturns**

The most universal, and most cited, definition of recession is “a period of two consecutive quarterly declines in real GDP” (Shenk, 2008).

However, the National Bureau of Economic Research (NBER) does not define a recession in terms of two consecutive quarters of decline in real GDP; rather “a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales” (NBER, 2008).

The current worldwide recession, which began in the latter half of 2008, and which matches all the criteria noted above, is marked as the most significant economic slowdown since the 1930s affecting all types of consumers and industries (Flatters & Willmott, 2009).
The 2009 World Wealth Report, compiled by Capgemini and Merrill Lynch Global Wealth Management, especially noted those individuals classified as high- or ultra-high net worth individuals (HNWIs or Ultra-HNWIs). The report stated that by the end of 2008, the world’s population of HNWIs was down 14.9%, and that their wealth value had declined 19.5% over the previous year. Ultra-HNWI’s had been affected even more: their numbers had shrunk by 24.6%, and their wealth had declined by 23.9%. Similarly, Forbes (2010) list of the world’s billionaires reported that the number of billionaires in the world had fallen from 1,125 to 793. In summary, it would be fair to assume that wealthy consumers have also been affected significantly by the current recession. Whether this has had an effect on their spending on luxury goods and services is less certain.

While at first the links that these statistics imply might seem obvious, in reality there is no substantiation to suggest that all luxury brands have been adversely affected. There is also little evidence of what those who manage luxury brands think about current economic circumstances, and what their strategies to deal with economic downturn have entailed. The current recessionary conditions within the world’s economies offer a unique opportunity to study this phenomenon under dynamic conditions. Some luxury brands might have been particularly hard hit by current conditions, while others could have emerged not only unscathed, but even strengthened.

The researchers address these gaps in knowledge by undertaking research across a range of luxury brand offerings in order to determine how economic conditions have similar or different impacts across categories. The researchers do this by means of in-depth interviews with brand managers and leaders within luxury firms. The researchers’ aim is to gain insight into what a variety of luxury brand marketers have experienced, what they have changed, how they have adapted, and what they intend to do in the future - as they have entered, endured and emerged from a serious recession - though in-depth interviews with senior decision makers.
Methodology

This exploratory study was conducted using a qualitative approach in the form of 16 semi-structured interviews with industry insiders from specifically selected luxury brands in Europe. The researchers identified a specific array of brands in the luxury industry ranging from ladies’ and men’s fashion products, luxury handbags and accessories to jewellery, furniture and upholstery in order to gain insight into a range of product categories across the luxury industry. Specific executives for each particular brand were identified as interviewees. Among them were brand managers, store owners, marketing managers and designers, as these individuals would be able to share their experience of the effect of the recession on the brands they manage from a managerial and strategic point of view.

The interview guidelines followed the approach of asking the same specific questions to each of the participants, albeit open-ended questions, in order to gain an in-depth insight into the current situation.

A broad profile of the respondents is provided in Table 1 below.
Table 1: A broad profile of the respondents

<table>
<thead>
<tr>
<th>Company Type or Product Category</th>
<th>Interview Country</th>
<th>Gender</th>
<th>Candidate’s Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leather goods, shoes, ready-to-wear, silks, watches and jewellery</td>
<td>Italy</td>
<td>Male</td>
<td>Brand Manager</td>
</tr>
<tr>
<td>Multi brand luxury fashion store</td>
<td>Austria</td>
<td>Female</td>
<td>Brand Manager</td>
</tr>
<tr>
<td>Multi brand luxury fashion store</td>
<td>Austria</td>
<td>Male</td>
<td>Managing Director / Owner</td>
</tr>
<tr>
<td>Furniture and upholstery</td>
<td>Austria</td>
<td>Female</td>
<td>Marketing Manager</td>
</tr>
<tr>
<td>Cars</td>
<td>Germany</td>
<td>Male</td>
<td>General Manager</td>
</tr>
<tr>
<td>&quot;Couture market&quot; women’s wear collection</td>
<td>Germany</td>
<td>Female, Male</td>
<td>Designer President</td>
</tr>
<tr>
<td>Multi brand luxury fashion store</td>
<td>Austria</td>
<td>Female</td>
<td>Store Manager</td>
</tr>
<tr>
<td>Multi brand luxury fashion store</td>
<td>Austria</td>
<td>Female</td>
<td>Brand Manager</td>
</tr>
<tr>
<td>Multi brand luxury fashion store</td>
<td>Austria</td>
<td>Male</td>
<td>Senior Brand Manager</td>
</tr>
<tr>
<td>Multi brand luxury fashion department store</td>
<td>Slovakia</td>
<td>Female</td>
<td>Managing Director</td>
</tr>
<tr>
<td>Multi brand luxury fashion shoe store</td>
<td>Slovakia</td>
<td>Female</td>
<td>Owner</td>
</tr>
<tr>
<td>Women’s wear collection</td>
<td>Slovakia</td>
<td>Female</td>
<td>Brand Manager Slovakian Market</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>France</td>
<td>Female</td>
<td>Brand Manager Slovakian Market</td>
</tr>
<tr>
<td>Cars</td>
<td>Germany</td>
<td>Male</td>
<td>Manager Branch</td>
</tr>
<tr>
<td>Jewellery</td>
<td>Slovakia</td>
<td>Female</td>
<td>Director Commerce</td>
</tr>
</tbody>
</table>
Results and interpretation

The economic situation

The purpose for this part of the interview process was to gauge the general state of affairs in the interviewees’ businesses at present. All the participants acknowledged being affected by the current economic situation to some extent. The general trend in responses here was that the recession affected the companies to a greater or lesser degree, but still with visible signs. Around two-thirds of the respondents believed that their brands were affected to some degree, whilst the remaining third felt that their sales had been significantly affected. In comparing the effects of the economic downturn on their brands in comparison with competitors, all respondents believed that within their specific product categories, their competitors had all been affected in much the same way.

In terms of strategies employed to protect their respective brands, some interesting responses were obtained. Most respondents, especially in the luxury leather goods, jewellery and furniture industries, agreed that they were re-orientating and refocusing on exceptional quality and customer experience, followed by the elimination of non-core line items, mainly focusing on signature, unique, core-competence products. As one respondent from the luxury leather goods industry remarked, “The researchers are focusing on quality, especially unusual details and maintaining personal attention to customers in as perfect a way as possible”.

The development and purchase of unique, limited and scarce editions and prototypes were also employed as strategies and had worked successfully for some brands. As mentioned by a respondent from the luxury watch industry, “The researchers are eliminating certain models and replacing them with others, as well as developing special limited edition ranges and prototypes in order to attract our customers’ attention”.

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Other survival strategies included “... limiting capital expenditures, such as foregoing new locations and store openings”, as remarked by a respondent from the luxury leather goods industry.

The responses also indicated that the evaluation of distribution channels was of crucial importance at this time. As mentioned by a respondent from the furniture industry, “The researchers are being more selective about our distribution channels as the researchers are maintaining tighter financial control”.

Responses from managers in the luxury men’s and ladies fashion industries included, “The researchers tried to reconsider all aspects of the business; marketing, production costs, pricing strategies and product value”. One men’s fashion brand manager remarked, “The researchers have purchased less stock and have a stronger focus on service to loyal customers”. A retail store owner in the leather goods and fashion accessories industry mentioned that, “The researchers are now focusing on selling higher (margin) profit articles”.

Some brands have chosen to expand their product lines instead of focusing on exceptional quality and loyal customers. A brand manager in the ladies fashion industry mentioned, “The researchers are developing more accessible lines for the masses in order to maintain our sales volumes”.

In assessing permanent changes to, or effects on, the brand resulting from the recession, most respondents were still in the process of evaluating this impact. In response to questions about the best performing product categories during this recessionary period, most of those interviewed indicated that leather goods, followed by accessories, shoes and bags (which are known to be more accessible in terms of price and purchase value), were the best performers of late.
In comparing this recession with past economic downturns, most respondents could not recall an economic slowdown of this scale during their involvement in the luxury goods industry. A respondent from the fashion industry noted that, “Previously, fewer customers were affected, where now it's pretty much everybody and everything”. A respondent from the jewellery industry remarked that, “Previous downturns did not last this long”.

Most respondents agreed that while the impact of the economy had been significant, the results had still been better than expected. A respondent from the luxury leather goods industry commented on the effects of a broad range of consumers, products and businesses being involved in the industry, and that this had led to the impact on sales being clearly visible, yet better than expected. However, he was also of the view that the whole industry would be “reconstructed” by the current economic situation, which he believed would be a positive outcome.

*Consumer behaviour*

Most of the luxury brand executives agreed that consumers had behaved differently during the current recession compared with previous economic downturns. A respondent from the luxury jewellery industry commented, “Previous downturns were not quite as emotional as this one”. He noted that the extent of emotion associated with luxury brand purchasing was much more than it had been in the past, and that buyers seemed to be acting more emotionally than rationally.

As he put it, “Previously, there was not such a sales ‘mania’ dilemma as was experienced in the latter half of 2008, where many purchasers were buying because the discounts afforded them such great deals”. Respondents from the fashion industry agreed that, this time, it would be more difficult to develop sufficient trust in the potential shopper to cause them to pay full price again.
Most respondents agreed that they had not experienced a significant reduction in the size of their customer base; “Some people left but new ones came, which is normal in such a saturated market”, remarked one respondent in the women’s fashion apparel industry. However, it was stressed that today’s luxury consumers were defined differently as new, modern and young, with special characteristics in terms of aspirations; “They are more cautious, selective and trendy”. Respondents from the luxury fashion, leather goods and jewellery industries all commented that since the start of the recession, there was less bulk purchasing, and that customers were more selective; picking and choosing only single items.

Many respondents noted that sales had not declined to the same degree throughout their international operations. Most respondents argued that reduced sales in Europe and the United States were balanced during this time by markets such as those in China, India, Brazil, Korea, Turkey and the Middle East. This may well have contributed to many of the respondents acknowledging that whilst their sales were affected, result were better than expected.

Managerial implications

From an economic perspective, the respondents in this study felt that the recessionary conditions had affected them, but not as badly as some would have predicted. Certainly, in most cases, they were no better or worse off than their competitors. An implication therefore is that in the luxury goods industry, at least, managers might want to remember that things are generally never as bad as one might have expected them to be.

A number of respondents across industries predicted a shake out within their markets, and that a realignment of their industries would take place. It is also worth noting that none of the respondents focused on price as the only tool in the marketing mix that could help them.
Although one can sense that the respondents thought consumers had become more price sensitive and that considerable discounting had indeed taken place ("It will be difficult to get consumers to pay full price again"), an important managerial implication is that price should be a tool of last resort, used only after other strategic marketing initiatives have failed. This is also reflected in the fact that for a number of respondents there was a focus on, and a desire to, sell higher margin products, so that a change in product and sales strategy was used as a means of coping with recessionary conditions, rather than a simple slashing of prices across the board.

The respondents also observed that the adverse economic conditions had caused them to refocus efforts; particularly on quality and the customer experience. There also appeared to have been some pruning of product lines, and a focus on new and unique products.

A managerial insight here is that recessionary conditions should cause luxury brand marketers to consider a “marketing spring-cleaning” exercise, looking for new opportunities, and trimming the deadwood that might have survived in times of prosperity, but that merely adds cost in times of adversity. This is also reflected in the fact that some respondents saw recessionary conditions as an indication that it was time to look at distribution channels and perhaps do some trimming.

With regard to their consumers, the respondents sensed that their customers seemed to be different than in previous economic downturns. While they were more emotional, conversely, they seemed more price-sensitive. For luxury brand managers in general this would seem to imply not losing touch with customers during tough economic times – it would be a good idea to stay in touch with customers to be able to gauge their feelings, motives and behaviour, in order to be able to continue serving them well, but also to be able to exploit this knowledge profitably when economic conditions change.
This last observation is supported by the fact that while respondents noticed little change in the size of their customer base, they did perceive a significant change in the nature of the customer base. For many of them, the main customer base now consists of younger consumers who are more cautious, selective and trendy than previous customer groups. The benefits of internationalisation are also readily apparent. Having operations in other parts of the world that are not as adversely affected could spread the economic risk inherent in operating in one part of the world.

**Limitations**

Like all research, the study presented here is subject to a number of limitations. While of adequate size for qualitative research, in which the researcher is seeking context and richness, the small sample used here does not allow the researchers to generalise, or to claim that the views of the respondents presented here are representative of the luxury goods industry as a whole. To be able to do that, a sample survey of a large number of luxury goods firms would need to be undertaken.

Furthermore, the types of luxury offerings selected here are not representative of a full range of luxury goods and services, and it is quite possible that other luxury goods and services have been differentially affected by the economic conditions present when the study was undertaken. In the case of just two categories, luxury automobiles and luxury wines, which were not included in the study, there is recent evidence in the business press that suggests that these categories have been almost anti-cyclical in their exposure to economic conditions.

Rolls Royce, for example, “... has data going back to 1904 that suggest there is no link between Rolls-Royce sales and either stock markets or GDP” (Kahn, 2009). In the case of fine wines, the 2009 Bordeaux vintage is attracting the highest futures prices in history (a case of Chateau Petrus is reportedly going to
sell for around $35 000), despite the poor economy (O’Donnell, 2010; see also http://www.wine-searcher.com/find/chateau+petrus/2009).

The respondents to this research were also individuals within single organisations, so the results reflect their opinions only. It is quite possible that other senior individuals involved in brand management within the same luxury goods firms might have given very different responses to the same questions the researchers posed. Finally, the respondents represented luxury goods firms in Europe, and there is no reason to believe that the views of luxury brand executives in other parts of the world, such as North America or Asia, would have been similar.

Avenues for future research

There are a number of directions for future research that are suggested by this study, and that brand management scholars might wish to pursue in the future. Obviously, even though economists (Browning and Crossley, 2000; Ibragimov & Ibragimov, 2007; Ikeda, 2006; Luo and Young, 2009) have long pursued studies of trend relationships between the state of the economy and the sales of luxury goods, there is further room for work of this kind. From a more specific marketing standpoint, while a qualitative study such as the one conducted here does give context and richness, a large sample survey of executives in luxury brand firms would permit one to generalise, and thus facilitate comparisons across different categories of luxury brands.

A scale could be used to explore luxury decision makers’ perceptions concerning current and other business environmental conditions, and the impact that they observe these to be having on the sales and performance of the luxury brands they manage.
It would also be both interesting and worthwhile to compare either insights (by means of qualitative research) or perceptions (by means of a survey) of luxury brand decision makers internationally. This would shed further light on the respondents’ observations that different regions of the world seemed to be differentially affected by the current global economic conditions. There is also room for longitudinal tracking research of the performance of luxury brands along economic cycles, again either by means of in-depth interviews or through large-sample surveys. It would be especially interesting to revisit respondents of the kind engaged in this study in a year or two from now, and to see whether their views had changed, and if so how.

Of course this study has also only examined the performance of luxury brands in recessionary times from one side of the equation – the supplier side. It would also be worthwhile to address the demand side by talking to consumers of luxury brands. Again, this could be done by means of focus group or in-depth interviews, in which respondents would be asked to reflect on how their attitudes toward, and behaviours concerning, luxury brands had been affected by the overall economy and their individual places in it. Or, a large sample survey could ascertain consumers’ perceptions of the current state of economic conditions, and their attitudes and behaviours toward luxury brands as a result thereof.

**Conclusion**

As Berthon et al. (2009) have observed, apart from the retreat to the core (as some of the respondents in this research have indicated they are doing), recessions trigger another important phase in the luxury brand cycle - there is a reassessment, both among the consumers of luxury brands, and those that manage them, of what constitutes luxury. This reflects the transformation in values that typically happens during and immediately after periods of socio-economic austerity, and this is also observed by the respondents, and reflected in their observations of their customers.
Sometimes the symbols of aspired luxury in one economic cycle can become the symbols of decadence in the next – these respondents note that their younger customers are more sophisticated and selective.

However, it is also true to say as old symbols of luxury are rejected, new symbols emerge that are more attuned with the revised value systems that inevitably follow economic downturns. For example, as Berthon et al. (2009) note, the values that are emerging from the current recession seem to be those related to ecology and nature. Wise individuals who direct the futures of luxury brands will inevitably be understanding those trends and reacting to them.

The respondents’ observations that perhaps they had not been as adversely affected by the economic downturn as they had thought they might be, might in large part be due to the fact that the cycle of luxury still operates relentlessly. During good times, the democratisation and commoditisation of established symbols of luxury occurs – i.e. items that used to be “luxuries” become commonplace. In times of recession, as more affluent consumers re-evaluate their perspectives on luxury (they dispense with the unnecessary but value the durability and functionality of luxury as quality), astute luxury brand managers will focus on innovation of the functional and experiential aspects of luxury.

During the period of reorientation that tends to follow a recession a reassessment of what constitutes luxury again occurs among consumers and the firms that react to them; new symbols emerge that are in turn democratised and commoditised during the boom that follows.
References


CHAPTER 7. FINAL COMMENTS, LIMITATIONS AND FUTURE DIRECTIONS

7.1. Introduction

This thesis has been part of a journey of learning and discovery for the researcher that has by no means come to an end now that the PhD programme is reaching its conclusion. Now, the researcher will continue on the journey of discovery about luxury brands, studying how consumers behave in various contexts and purchase situations regarding these brands, as well as the management of these brands in various contexts and situations.

The research conducted for the purpose of this thesis has been paramount to the learning curve for the researcher on the subject of luxury brands and has allowed the researcher to explore various research tools in analysing and better understanding the behaviour of both consumers and managers regarding luxury brands. This chapter will summarise the basic premise of the study, indicate the implications for managers of luxury brands, address the limitations of the study, and suggest avenues for future research on the subject.

7.2. Basic premise of the study

The following section will consider the researcher’s identification of gaps in the knowledge in the area of luxury brands. The objective is to highlight the purpose of this research as well as to identify the contribution this research makes. Once this has been summarised from an academic point of view, the researcher will consider the practical implications of the study.
7.2.1 Addressing the challenge of new contexts for luxury brands

As discussed in Chapter 1, there has been little research on the subject of luxury brands to date. This is particularly relevant considering the changing environment these brands function in at the present time. With factors such as the rise of Internet usage, the apparent popularity of “Web 2.0” and the recent global recession, new contexts have emerged in which luxury brands are purchased, experienced and consumed.

These contexts require marketing and branding strategies to weather adverse economic conditions and strategies to adapt to the changing behaviour of consumers as the traditional retail environment is expanding to online environments.

7.2.2 The contribution the study intends to make

As is evident from the previous paragraph, this study acknowledges the challenges that are emerging in the area of luxury branding. The study has shed some light on three contemporary contexts in which the consumer behaviour and marketing strategies around luxury brands can be studied.

Luxury brands in social media

The unprecedented rise in Internet usage and the interactivity of social media have made the Internet a luxury market. Various studies have considered the online consumer behaviour of Internet users (Park & Kim, 2003), however this behaviour has not been studied for luxury brands in a social media context. This is understandable as social media are a relatively new phenomenon, but the rapid growth in social media requires knowledge on the subject as well as strategies to employ in managing brands in social media.
This thesis aims to contribute to the general understanding of how consumers behave and how brands can be managed in this context.

First, the thesis proposes a specific study on the visibility of luxury brands in social media. This study provides information on how the visibility of a particular brand can be ascertained across a range of social media. Then of course, once this positioning has been ascertained, it can be managed.

Second, the thesis considers how the performance of brands in social media can be gauged in comparison with other brands that may be used as benchmarks. Finally, in this context, the thesis demonstrates, in the case where a luxury brand has an online presence and consumer conversation is generated about the brand, how these conversations can be analysed. It also shows how meaning can be extracted from these conversations in order for the researcher to gain some insight into what consumers are saying about a particular brand.

**Luxury brands as gifts**

The second context the thesis sheds some light on is on luxury brands as gifts. The act of gift giving and consumer behaviour in this respect has been widely studied by consumer behaviour scholars, but the knowledge on the giving of luxury brands as gifts is very limited. This thesis proposes a model for the segmentation of the market in the case of luxury wines as gifts.

This model proposes that four segments can be identified in this case, namely classic, modern, postmodern and wabisabi. These segments are based on the transience versus the enduring nature of the gift (depending on the situation and the recipient) as well as the expert versus novice level of knowledge the giver and receiver of the gift possess in terms of the product category.
Luxury brands in times of economic downturn

The final context in which this study hopes to increase the current base of knowledge is with regard to luxury brands in times of economic downturn. The recent global recession has made this a particularly relevant context. The thesis provides a qualitative study which sheds some light on how luxury brands perform in times of economic adversity and how brand managers experience such economic circumstances.

The study also provides information on whether all brands are uniformly affected, and on strategies that managers of luxury brands employ in such economic conditions.

7.3. Implications for business and management in particular

Considering the ongoing debate about the usability of academic research to business practitioners (Bolton & Stolcis, 2003; Gopinath & Hoffman, 1995; Starskey & Madan, 2001), this thesis attempts to provide managers of luxury brands with practical tools to solve the problems delivered by contemporary contexts for luxury brands.

7.3.1 Adding tools to the research tool kit

7.3.1.1 Practical tools for luxury brand managers in terms of social media strategies

Brand visibility in social media

Some brand managers to date may have put the use of social media such as Twitter and Facebook down to the habits of younger consumers. However, it is becoming increasingly apparent that these media are in fact dominated by
Generation X and Baby Boomer consumers today. For wine marketers in particular, this information is highly relevant since most of their segments fall within these age groups.

Astute luxury wine marketers will therefore ensure that they have an official presence in social media (such as a dedicated Facebook page or official videos on YouTube), but they will also want to track non-official content regarding their brand and have a contingency plan in place in order to act and react appropriately to this. This study aims to provide luxury wine brand managers with a practical tool that can be used to monitor their own brand’s visibility in social media as well as the visibility of the brands they regard as competitors.

This thesis suggests that luxury wine brand managers make use of sources of data such as How Sociable.com, and tools such as correspondence analysis that permit the simultaneous picturing of brands in multidimensional space. Finally, they will also be able to monitor the effectiveness of social media strategies by using data from sources such as How Sociable to track overall brand visibility, and correspondence analysis maps to determine how a particular strategy had moved the particular brand against competitor brands, and with regard to particular social media.

**Positioning of luxury brands in social media**

Some luxury wine brands do currently have a clearly defined social media strategy; however, these strategies are likely to be at a nascent stage since social media are a relatively recent phenomenon. Luxury brands managers will identify social media they care about most as well as dimensions of those media they deem to be most important (such as passion and strength).
This study aims to equip managers of luxury wine brands with a tool they can make use of in order to track their brand’s position in social media over time and to monitor the effectiveness of their marketing strategy.

The study suggests the use of sources of data such as Socialmention.com and tools such as correspondence analysis in order to achieve this. Luxury brand managers can use data from Social Mention in order to track their brands’ position in social media (and relative to their competitors) over a period of time. Correspondence analysis maps will allow them to determine how their strategy has affected their brand in social media against competitor brands, with regard to particular social media and social media dimensions.

Analysing consumer conversations in social media

This study highlighted the importance to managers of luxury brands of having a particular interest in conversations surrounding online video advertisements as there is a great deal to learn from these conversations.

This study aims to suggest a way for managers of luxury brands to decipher and interpret these conversations and to extract meaning from them through the use of a computerised content analysis tool called Leximancer. This tool will allow managers to visually depict and interpret this complex textual data. It enables managers of luxury brands to identify the main themes and concepts that emerge from conversations to allow them to better understand how consumers interact with the brand, and their feelings surrounding the brand and specific products in the brand portfolio.

A further observation for managers of luxury brands from this study is that conversations stem from specific comments made by some viewers or develop in a certain direction from an initial comment made by one viewer.
This gives rise to the opportunity for brand managers to get involved in the conversations in order to possibly correct misinformation among viewers or to manage the direction of the discussion to some degree. This would be similar to exogenous WOM, as discussed by Godes and Mayzlin (2009).

While this could be a successful way of entering into these consumer conversations either openly or in a surreptitious manner, managers should err on the side of caution. While some viewers may welcome information from the company, some YouTube users may find surreptitious involvement by the company (should this be discovered by viewers) as an attempt to manipulate conversations and opinions, and as hampering their free speech.

7.3.1.2 Practical tools for segmenting the market for luxury wines as gifts

In the case of luxury wine brands as gifts, this study suggests a tool based on the AO model of Berthon et al. (2009) which will enable marketing managers to segment their market in order to communicate more effectively with their consumers.

As this is a conceptual study, it provides managers of luxury wine brands with observations in terms of this segmentation tool. The study identifies four quadrants (or segments) in terms of luxury wines as gifts – the classic, modern, post modern and wabisabi.

First, it will be obvious that a luxury wine brand can indeed fall within all the quadrants of the framework – marketers need to understand the implications of each of these. This will depend on the giver (and their extent of expertise and time orientation), and also the recipient of the gift. In this sense, luxury wines are somewhat unique in the luxury goods sphere – most other luxury goods fit solidly into only one or two of the quadrants.
A second observation following this is that marketers of luxury wine brands in the gift arena might therefore want to decide which quadrant to emphasise, and also which to de-emphasise or discourage (because of their negative impact on the chosen segments). For example, if a brand of fine champagne became known as the choice of ostentatious post-modern consumers in nightclubs, it might discourage classic consumers who value it for its technical attributes.

The third observation suggests that luxury wine brand marketers would do well to better understand the nature of gift giving. This study suggests that managers of luxury wine brands could answer a number of very simple, but fundamental questions about gift giving, and use the AO framework to better understand this. Firstly, they would be interested in why a luxury wine is purchased as a gift. This study suggests that the work of Otnes et al. (1993) would provide some clarity on the motivations of gift giving in general. The second question would be who, i.e. who is the giver and who is the recipient of the gift? Third, they may be interested to know where the gift will be purchased, where it will be “given” and where it will be consumed.

A fourth question they would ask is, when will the gift be purchased and given (requiring an understanding of various special occasions)? Furthermore, they would consider how long it will be kept for before being consumed, and when it will be consumed. Finally, luxury wine brand marketers would also do well to understand the how of gift giving – how is the particular gift chosen, how it is presented, and how it is consumed.

In answering these questions and using the AO framework to better understand this, marketers will be able to understand, communicate with, and serve, their segments more effectively.
7.3.1.3 Practical observation of luxury brands in times of economic downturn

The limited studies available in the literature on luxury brands generally consider these brands in healthier economic circumstances. This thesis aims to present managers of luxury brands with some insight into consumer behaviour and managerial practice and experiences in the luxury branding industry in times of recession through the following observations:

The first interesting observation in this study was that managers of luxury brands felt that while the recessionary conditions had affected them, the effect was not as bad as some would have predicted and most had feared. Certainly, in most cases, they were no better or worse off than their competitors. An implication for managers therefore is that in the luxury goods industry at least, managers might want to remember that things are generally never as bad as one might have expected them to be.

A further observation of this study is that in this time of economic adversity, none of the luxury brands in this study focused on price as the only tool in the marketing mix that could help them. Although it seems clear that consumers do become more price-sensitive in difficult economic circumstances, and that considerable discounting had indeed taken place during the recent recession, an important managerial implication is that price should be a tool of last resort; used only after other strategic marketing initiatives have failed. This practical implication is supported in the findings of this study in that there was a focus on, and a desire among, managers of luxury brands to sell higher margin products, so that a change in product and sales strategy was used as a means of coping with recessionary conditions, rather than a simple slashing of prices across the board.

The study showed that the recent adverse economic conditions had caused many luxury brand managers to refocus efforts; particularly on quality and the
customer experience. Most managers pruned some of their product lines, and focused on new and unique products.

A managerial insight here is that recessionary conditions should cause luxury brand marketers to consider a "marketing spring-cleaning" exercise, looking for new opportunities, and trimming the deadwood that might have survived in times of prosperity, but that merely add cost in times of adversity.

This study further determined that customers seemed to be different than in previous economic downturns. While they were more emotional, conversely they seemed more price-sensitive. For luxury brand managers in general this would indicate that one should not lose touch with customers during tough economic times – it would be a good idea to stay in touch with customers to be able to gauge their feelings, motives and behaviour in order to be able to continue serving them well, but also to be able to exploit this knowledge profitably when economic conditions change.

7.4. Limitations of the study

Like all research, the thesis presented here is subject to a number of limitations. Due to the nature of this thesis, being a compilation of published articles, all the articles already list the inherent limitations of each study in the previous chapters. This section will therefore pay attention to the limitations inherent to each of the contexts studied in this research.

7.4.1 Limitations for the study of luxury brands in social media

The studies of luxury brands in social media for the purpose of this thesis have some common limitations that should be considered.
First, the studies do not claim to be definitive in terms of the visibility of positioning of luxury brands in social media, but merely conveniently select a few brands within a limited number of social media as a means of illustrating the techniques. The picture obtained here could well have been very different had different, or more brands been chosen.

Second, the nature of social media is such that their content evolves continuously. Studies such as these capture more of a snapshot in time than an ultimate set of results. It may very well be that if the data had been collected at a different time, perhaps a few months earlier or later and then subjected to an analysis, that a very different picture would have emerged.

Third, the use of third party sources of data such as How Sociable and Social Mention has to be taken at face value – if there are weaknesses in the methods these tools use to gather social media data, or errors in the reporting of this, they are not controllable by outside researchers, and they will obviously be reflected in the results of a study such as this.

7.4.2 Other limitations

For the studies on luxury brands in times of economic downturn and conversations around luxury brands in social media, the sample sizes in both cases were small. These small samples do not allow the researcher to generalise. In the case of luxury brands facing economic adversity, the views of the respondents presented here are not necessarily representative of the luxury goods industry as a whole. In the case of consumer conversations around luxury brands, if more advertisements had been chosen, a different picture may have emerged in terms of the maps and the interpretation thereof.

The final limitation to be considered for this holistic study is that it only provides insight into three specific contexts and does not claim to be a definitive study of
all contemporary contexts relevant to luxury brands, which leaves the potential for further studies in future research.

7.5. Recommendations for future research

The most invigorating part of this thesis is that at the completion of this particular set of research studies, it is by no means the end of the road.

The following avenues for future research surrounding consumer behaviour and management strategies in terms of luxury brands can be pursued:

**Recommendation 1:** There is a need to find ways of confirming the reliability and validity of data gathered by services such as How Sociable and Social Mention. This might be done by consulting and working directly with these service providers in an effort to gain a better understanding of their methodologies and results. It could also be done by closely monitoring the results for a set of brands over a period, and establishing some kind of test-retest pattern to determine reliability.

**Recommendation 2:** The results of secondary data research, such as the data used from How Sociable and Social Mention, could be combined with primary data collection from the target markets of the brands concerned. For example, at a qualitative level, researchers might wish to hold online or face-to-face focus groups with users of the various social media sites in order to gather in-depth feedback on their involvement in these media. In this way the passionate supporters or antagonists of a brand could be investigated and better understood, or the contributors of positive and negative mentions understood and compared.

**Recommendation 3:** One of the limitations of this thesis, as mentioned above, is that most of the individual studies provide a snapshot in time rather than a
pattern over a period of time. This limitation, as well as the rapidly changing nature of social media, creates an opportunity for longitudinal studies to be conducted in order to better understand consumers’ behaviour over a period of time and to allow some form of generalisability. This would be relevant to studies such as brand visibility in social media, positioning of brands in social media, as well as to studies of luxury brands during times of economic downturn.

**Recommendation 4:** The study on luxury brands as gifts also provides some very worthwhile research opportunities. While the model and its application possibilities are discussed in Chapter 5 as a conceptual framework, there are also opportunities for future research to test this model empirically. One way to do this would be to consider the appropriateness of the gift as the dependent variable. In measuring the success of the giving of luxury wine as a gift, there would be two propositions.

The primary proposition is that the appropriateness of a gift is a function of the person (the recipient) and the occasion (the event). The secondary proposition is that the appropriateness of a gift is a function of how well the giver understands the recipient as a person and the occasion for giving a gift.

**Recommendation 5:** In the case of the study on luxury brands in times of recession, economists (Browning and Crossley, 2000; Ibragimov & Ibragimov, 2007; Ikeda, 2006; Luo & Young, 2009) have long pursued studies of trend relationships between the state of the economy and the sales of luxury goods. However, there is further room for work of this kind.

From a more specific marketing standpoint, while a qualitative study such as the one conducted here does give context and richness, a large sample survey of executives in luxury brand firms would permit one to generalise, and thus facilitate comparisons across different categories of luxury brands.
A scale could be used to explore luxury decision makers’ perceptions concerning current and other business environmental conditions, and the impact that they observe these to have on the sales and performance of the luxury brands they manage.

7.6. Conclusions

This last chapter of the thesis entitled “Luxury brands as the opposite of vulgarity: A trio of perspectives”, has recapitulated the articles presented as part of this thesis and provided final ideas and insights that the researcher wishes to share. The chapter has also pointed to the learning of the researcher through this PhD programme and some practical implications thereof. The limitations of this thesis were discussed and recommendations were made for future research in the area of consumer behaviour and the management of luxury brands.

The landscape within which luxury brands function has changed quite significantly with the development of the new contexts discussed in this thesis. This will require luxury brand managers to extend their skills and tools in their management of these brands. This thesis presents these brand managers with some additional tools in their arsenal to assist them in this endeavour.
7.7. References


