Luxury brand-building and development: new global challenges, new business models

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The luxury segment is facing *tremendous changes and challenges that call for new strategies and entirely new business models*. From logo luxury in the 1990s to understatement luxury in the 2000s, we are moving towards ‘good luxury’ backed by *changing consumer preferences*: from ‘owning’ to ‘sharing and experiencing’ and even to anti-consumerism and the desire of a simple life. Luxury with good intentions goes along with the sustainability movement. There is a growing desire for authentic products that are good for the environment and especially for personal health, while at the same time also being good for the people involved. Luxury is moving back to its passion-driven artisanship roots. These developments mean a major challenge for often very financially driven luxury houses. Instead of just selling functions and performance, luxury brands need to develop symbolic and especially cultural capital and create a brand identity and lifestyle that is appreciated by today’s luxury consumers, whose interests have evolved from seeking prestige to self-actualization and personal growth.

Luxury industry trends include the ‘*professionalization of luxury*’ and the development of big luxury conglomerates, which goes along with the globalization of manufacturing capacities and the expansion of distribution into new markets. These developments made it harder for luxury suppliers to have full discretion of their strategies alongside large conglomerates. However, the new traveling

luxury customers disrupt this model: brands no longer need to think ‘market’ but ‘customers.’ It remains a challenge for luxury brands to track and channel the routes of traveling luxury consumers, especially Chinese consumers, into their stores.

The *movement into the technology age* has a major impact on the luxury segment. Above all, this includes the digitalization of luxury including social media, e-commerce, and especially m-commerce. The growing role of digital channels leads brands to enter an omni-channel world that they are hardly prepared for. Moreover, they are faced with new technologies such as 3D-printing and high-tech materials, breakthroughs in life science and the new industrial revolution of Industry 4.0 and the Internet of Things, which will allow producing small series or even unique pieces for low costs.

The upswing of the global luxury market, changing consumer preferences, luxury industry trends, and new technologies open the door for *new luxury business models and market entrants* and thus for rising competition. Today, the luxury industry is *highly entrepreneurial*. Start-ups in the high-end cultural and creative industries reflect the various *new types of luxury* from green or sustainable luxury and slow luxury to value luxury, and from digital and high-tech luxury to experience luxury.

However, academic research remains a long-term process with its own rationale: The topics it tackles are often still linked to current issues and business models of luxury brands. The new challenges and trends in the luxury segment that we have identified still have to find their place in the realm of academic research. We hope that this special edition meaningfully advances our comprehension of the creation and management of luxury brands and that it will stimulate further research. Following a process of double-blind refereeing, *six articles were selected* that reflect some

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of the main challenges and themes of luxury brand-building, luxury growth strategies, and strategies to rebuild the luxury dream after ‘too much’ growth.

The *first article* by guest editors Michel Gutsatz (Kedge Business School, France) and Klaus Heine (Emlyon Business School, China) concentrates on a key question of luxury branding: ‘Is Luxury expensive?’ An analysis of existing literature helped to limit the scope of what ‘expensive’ means and to show why a ‘high price’ needs to be a core component of a luxury brand’s identity. Based on some case studies about the long-term price development of luxury products in different countries and product categories, the authors explain to managers, according to the method of price comparison by Fourastié, how to compare ‘relative prices’ of luxury products. This can help brand managers to draw a more realistic picture about the ‘expensiveness’ of their products for their target customers. The paper shows that there is no general ‘democratization of luxury’, but in fact a steady increase in relative prices of luxury products.

The *second article*: ‘The impact of increased brand penetration on luxury desirability: A dual effect’ was written by Jean-Noël Kapferer (INSEEC Business School, France) and Pierre Valette-Florence (IAE Business School in Grenoble, France). Based on a survey of 1286 affluent Western consumers of 60 luxury brands, the authors conducted a partial least squares structural equation modeling analysis to unveil a dual effect of increased brand penetration on the luxury dream: It empowers product-related brand perceptions, but it endangers the extrinsic facet of brand prestige. The paper provides some solutions to rebuild the luxury dream and to offset the potential for eroded desirability of luxury brands.

The *third article* ‘Cross-gender extension potential of luxury brands: A semiotic analysis’ was written by Nathalie Veg-Sala (University of Paris Nanterre, France) and Elyette Roux (Aix Marseille University, France). Before editing of this special issue was completed, Elyette Roux passed away. Michel Gutsatz has worked closely with her at ESSEC business school in Paris. At that time, Elyette Roux was LVMH Chair Professor and a pioneer in luxury brand management research. With her unique vision on luxury, she was building close links between academia and the industry and paved the way for future generations of researchers in luxury branding. We hope all will remember her as such.

In their joint paper, Nathalie Veg-Sala and Elyette Roux have focused on an up-and-coming growth strategy for luxury brands: Cross-gender extensions, which refer to brand extensions from the female to the male market and

vice versa. They have used a structural semiotic approach to define brand narratives and contracts and their level of openness. The results show what type of luxury brands can be extended more easily from one market to another and, specifically, the impact of narratives related to contracts of determination (linked to characters, gender, and state) on the success or failure of cross-gender extensions.

Moving on to the *fourth article* about luxury brand-building through: ‘Visual communication of luxury fashion brands on social media: Effects of visual complexity and brand familiarity’ by Jung Eun Lee (Virginia Tech, USA), Songye Hur (University of Tennessee, USA), and Brandi Watkins (Virginia Tech, USA). Based on two experiments, the researchers show how luxury managers should determine the visual complexity of social media images to increase positive perceptions of their brands.

The *fifth article*: ‘Coopetition in the French luxury industry: Five cases of brand-building by suppliers of luxury brands’ was written by Colette Depeyre (Université Paris-Dauphine), Emmanuelle Rigaud (NEOMA Business School, France), and Fabien Seraidarian (Université Paris Saclay). The paper answers questions relating to the why, when, and how luxury suppliers move to coopetition, that is, to build their own brand (competition) and continue to work as a supplier for other luxury brands (cooperation). Five cases on the French market are compared, based on the separation, mediation, and integration strategies used to design relevant value architectures and propositions. The paper explains how competitive business models need to be designed in order for value to be created and appropriated at different levels of the brand ecosystem.

The *sixth and final article*: ‘Personality-driven luxury brand management’ is a contribution by Klaus Heine (Emlyon Business School, China), Sandrine Crener Ricard (Harvard Business School, USA), Glyn Atwal (Burgundy School of Business, France), and Michel Phan (Emlyon Business School, France). This paper combines the concepts of brand personality and brand anthropomorphization for the purpose of brand-building and introduces the notion of personality-driven brand management especially for the context of luxury branding. Based on a literature review and case study analyses, the paper presents an overview about the major dimensions of luxury brand personality and the strategies to bring a luxury brand personality alive.

As guest editors, we thank everyone who submitted manuscripts for this special edition and we are equally grateful to our reviewers for their constructive feedback and advice.

We hope that you enjoy reading and discovering new brand-building insights!