

“Do Luxury brands reflect Status or Conspicuousness?” - Literature based review on case comparison of Luxury Cars, Fashion Designs and Watches

M.M. Tharaka Punchibandara

¹Doctor of Business Administration Program, Faculty of Graduate Studies, University of Kelaniya, Colombo, Sri Lanka

ABSTRACT

The purpose of this paper is to understand the status and conspicuousness using the new luxury brand context as a reference point. This knowledge will be utilized to establish evidence that allows an exploration of the relationship between status and conspicuousness as dimensions of luxury brand perception. Status and conspicuousness are revealed to constitute two different, although related, dimensions of luxury brands and should therefore be measured as distinct constructs when assessing brand luxury. Strategic marketing implications for marketing managers are identified and discussed within the context of the three product categories.

Keywords: Branding; Conspicuous Consumption; Luxury; New Luxury; Status

1 INTRODUCTION

1.1 Back ground of the study

WORLD of luxury brands has boomed over past few decades which disapproved some of the projections made by high eminent research agencies such as Boston Consultancy Group and Mckinsey, where those estimates are far beyond the reality (Truong, 2008). As stated by Fiske and Silverstein (2004), Boston Consulting Group was estimated \$840 billion market of luxury goods by 2005 where this was much far beyond the estimate of \$86 billion by Mckinsey in 1990. The Luxury Institute (2007) estimated that this market will expand one trillion in 2010.

This phenomenal growth of the Luxury brand market was mainly due to two factors (Truong et al, 2008); the economic recovery in most western countries and unshackled economic growth in South-East Asian nations (Vigneron and Johnson, 1999, 2004), and increase quantity of Luxury goods due to improved techniques and best quality management techniques (Silverstein and Fiske, 2003).

The other important contributor to the increased demand on Luxury goods is that paradigm changed on the basis of more affordable, accessible and creation of new target market where those helped to transformed traditional luxury goods to new luxury goods (Truong, 2008). This made the new terminology to the knowledge, “Democratization of Luxury” where new target customers are very much younger than the old luxury customers who earns money sooner and far more flexible in financing and fickle in choice (Twitchell 2002, p272).

1.2 Purpose of the study

As the market of luxury goods in the boom, many academic wants to do the research on this area. ‘trading up’ for new luxury goods (Silverstein & Fiske, 2003,

2005); luxury brands’ construct and measurement issues (Dubois & Paternault, 1995; Luxury Institute, 2005; Vigneron & Johnson, 1999, 2004); mass marketing of luxury goods (Nueno & Quelch, 1998; Vickers & Renand, 2003); and status consumption (Eastman, Fredenberger, Campbell, & Calver, 1997; Eastman, Goldsmith, & Flynn, 1999; O’Cass & Frost, 2004) were some of the attempts done. According to Veblen (1899) “The Theory of the leisure class” published, laid the foundation of conspicuous consumption and luxury goods. This depicts the conspicuous consumption theory necessarily ties luxury goods with the mere function of ostentatious display of wealth to indicate status (Mason, 1998). As suggested by Mason (2001), the purely conspicuous consumer derives satisfaction from the audience reaction to the wealth displayed and not from the value of the product itself. O’Cass and Frost (2004) define status consumption as the personal nature of owning status-laden possessions, which may or may not be publicly displayed. This was little deviate from the brand related studies, for example, the scale developed by Vigneron and Johnson (2004) to measure a brand’s perceived conspicuousness included status-related items.

The purposes of this paper are basically two fold; to investigate whether status and conspicuousness actually constitute two different although related constructs in branding utilizing the luxury market as a reference point and examine the strategic implications for marketers targeting luxury goods

Followed by the given background, researchers have organized the paper content with objectives, methodology along with theoretical reviews on the said two cases under specific segments to provide clear discussions and finally it has provided a conclusion before presenting the propositions for future studies and practices.

2 METHODOLOGY

The philosophy of the research is designed in deductive approach, as to investigate the concepts, theories and perceptions followed by three segments of the luxury goods in developing this paper. The paper has been developed as a mix of strategy. It has followed the template of case review as well as synopsis format of a literature review to organize theoretical content along with case related highlights. It has used the secondary sources as the method in the selected research approach, and authors have proposed propositions for highlighting the essence of the paper to be used as learning and teaching note followed by a conclusion remark.

2.1 Theoretical review on Status and Conspicuousness and approach to case of luxury brand (Cars, Fashion Designs and Watches)

Traditional luxury market was defined in the way that "exclusive brands with highest price tag". The paradigm has been changed over past few decades where new luxury brands has more affordable and more accessible where customer can easily found. This was mainly due to the change of the economies of scale in western countries where that middle class has good disposable income which make them to consume products which makes them to maintain the status. Other factor is that all these luxury manufactures have moved their factories to low labour destinations and make more mass scale products which able them to make better profit vs. than earlier. Third factor, as mentioned by Silverstein and Fiske (2005), consumers are more towards the product personalization, because they have developed new taste on needs and wants which further enriched with higher level of education and cultural curiosity. Eastman et al (1997) explained this scenario in his study while stating, consumers are more materialistic, placing greater value on status possessions.

Status and conspicuousness are two of the most important dimensions of brand luxury (Vigneron & Johnson, 1999, 2004). Status-laden brands are those that contain high perceived quality, luxury and class (Shermach, 1997). Status-laden brands may be purchased for internal reasons (self-reward) or external reasons (signal wealth), and they may or may not be displayed publicly (O'Cass & Frost, 2004). Conspicuous brands are those that are purchased for purely external reasons, that is for systematic public display in order to signal wealth (Amaldoss & Jain, 2005). The difference between status and conspicuousness, evident in the most recent consumer behavior literature within this context, has been argued by some researchers (e.g. O'Cass & Frost, 2004). However, it seems that the most recent literature in luxury branding within this context has so far considered status and conspicuousness as a single one dimensional construct (e.g. Vigneron & Johnson, 2004).

The aim of this paper further elaborate that new knowledge in relation to the strategic marketing issues that present themselves to marketers in relation to the

relationship between status and conspicuousness in luxury market and in particular with reference to the increasingly important new market place.

The selecting of the brands basically depends on the price where this was supported by past research such as Nueno and Quelch, (1998), and Vigneron and Johnson, (2004). Also these brands are selected from lower market brands to luxury brands (Truong, 2008). Table 02

TABLE 1
SELECTED BRANDS

Cars	Fashion Designers	Watches
Renault	Hugo Boss	Adidas
BMW	Gucci	Casio
Fiat	Celio	Rolex
Audi	Armani	Seiko
Opel	H&M	Breitling
Peugeot	Polo Lauren	Ralph Swatch
Toyota	Calvin Klein	Omega
Volkswagen	Zara	Gucci
Mercedes	Levi's	

Source: Truong et al 2008; Status or Conspicuousness - Are they related? Strategic marketing implications for luxury goods; Journal Strategic marketing; Vol.16, No03, pp193

3 CONTRAST OF STATUS AND CONSPICUOUSNESS IN LUXURY BRAND RELATED TO THE SEGMENTS OF BRANDS SELECTED

As per the research published by Truong et al ,2008 it is revealed that car industry gives the better understanding of the two construct of status and conspicuousness behave differently. He further suggested that as an example of Fiat, which score equally high with the local brands but much lesser conspicuousness also Audi showing much higher status that BMW, but less of conspicuousness than BMW. Trigg, (2001) confirmed this by stating that individual display wealth through a high degree of expenditure on consumption and service. This was further explained by the Goldschmidt (1990), that the acquisition and display of status-oriented materials also plays a significant role in maintaining Western-oriented social structures. And, therefore, from a societal perspective, individuals are motivated to maintain status (Levy 1999.)

In the finding of the Truong et al ,2008, it is interesting to see the Levis's, which provide interesting finding of the Fashion industry, where brand scores as low as lower market brands on status but compares more closely to luxury brands in relation to conspicuousness. This postulate the findings of the Veblen (1902), where he posited that the use of conspicuous consumption is to establish a discriminatory social system of classification. In the case of Levis, it is same where new market was created for luxury fashion goods. At the same time some goods are "markers" (Douglas and Isherwood 1982), denoting the "prestige" or "achievement" in relations to the owner of the goods (Heisley and Cours 2007). Therefore, possessions that are used as markers convey a

special meaning and value (Belk et al. 1991; Heisley and Cours 2007; Levy 1999) to others in society and are held in extreme esteem such that they denote an accumulation of merit and worthiness. Materials that are viewed as aesthetically pleasing or unique are generally believed to be more desirable and prestigious (Lichtenstein, Ridgway, and Netemeyer 1993).

In the watch segment interesting finding elaborate by Truong et al (2008) taking the case of difference seen on Gucci and Breitling in status. Packard (1959) in his book *The Status Seekers*, suggesting that people consume products to demonstrate a superior level of status both to themselves and to their friends. Packard (1959, p. 5) defines "status seekers" as "people who are continually straining to surround themselves with visible evidence of the superior rank they are claiming." Also Breitling is known to be a brand which is old and resembles the wealth of a person (Truong et al 2008) which clearly supported the above statement of the book published by Packard. This further explained that brands like Gucci have expand their horizon and developed the brand as more image oriented brand where same argument was made by the Heisley and Cours (2007) stating that some goods denote prestige and achievement which expand the self-image of the person.

In the context of Truong et al 2008 findings suggest that there is difference in how consumer perceive brands in terms of the construct of status and conspicuousness where Vigneron and Johnson, (2004) earlier stated that both this constructs go as a single entity.

4 STRATEGIC MARKETING IMPLICATION FOR THE MARKETERS WHO MANAGING LUXURY BRANDS

Marketers operating in luxury markets need to take note of a number of important strategic marketing implications arising from the findings of this paper. Taking the example of Fiat, there seems to be a significant strategic marketing issue in relation to a low perception among consumers of the conspicuous benefit of owning a Fiat car. While based on emotional grounds, this image weakness becomes a competitive issue (O'Cass & Frost, 2004), putting even greater pressure on lower prices as a 'compensatory' advantage for consumers who may purchase a Fiat for its price rather than for its attractiveness and image enhancement power. Nowadays, a sole competitive advantage based upon price seems hardly sustainable (see Avlonitis & Indounas, 2005).

Contrast this with Volkswagen who would have been competing in the same market as Fiat only a few years ago. As revealed in the discussion Volkswagen has aggressively pursued a marketing strategy that has attempted to build on the company's unrivalled build quality in order to push the brand up-market into new luxury segments particularly. Indeed, current prices of Volkswagen models reflect this move comparing closely now to premium car manufacturers such as Audi. The strategy has clearly resonated with the sample consumers in this study who perceive the Volkswagen brand as

being more beneficial in terms of offering conspicuousness benefits than other former rivals in the mass market segments Volkswagen has been attempting to move out of. However, the problem for Volkswagen is how far to go with this strategy before it begins to dilute its premium Audi brand, which now lies perilously close to the Volkswagen brand in terms of conspicuousness in the perceptual map. To ensure a long-term success, the Volkswagen Group will need to ensure that it develops a systematic approach toward proper integration of brand identity (for each of its brands) and its image with targeted consumers (DelVecchio, 2000; Roy & Banerjee, 2007).

For Levi's, the brand has progressively become more available in a range of outlets which would not have traditionally reflected the brand image it wants to portray. Recent battles with prominent multiple retailers have failed to adequately

protect the brand from shifting into these types of marketing channels. From a strategic marketing perspective however, the question remains for Levi's whether this shift will affect the brand's conspicuous advantage in the long run. The findings reveal a significant distance between consumer perceptions of status and conspicuousness in relation to Levi's. If a fashion brand is perceived as so significantly low in status, then its inherent conspicuousness will necessarily fade to the point where it is unconceivable for consumers to purchase the brand in order to gain status through its conspicuous power (Grant & Stephen, 2005).

Gucci's marketing strategy in the watches sector appears to be correct in relation to its brand image. It realizes it will not compete in market segments where status is important and consumers prefer the traditional brands that correlate to wealth and standing. Gucci realizes that its strength lies within certain new luxury consumer segments' perceptions of conspicuousness, 'showing off bling or conspicuous style and panache'. The study reveal how it is positively perceived on this construct compared to Breitling, while being significantly lower in relation to the status construct. Gucci has focused upon how consumers associate themselves, from a conspicuousness perspective, developing clever communication strategies that build on this (Shukla, 2008).

5 REVIEW ON STRATEGIC GAIN AND LIMITATIONS

The first limitation of lies in the age group surveyed in many research articles, which was kept within the range of 21-41 years old in order to reduce within-group heterogeneity. Nonetheless, we have reasons to believe that if replicated using a moderately older age group, the study would produce very similar results, notably because researcher used price as the principal indicator for brand selection. A much older age group could prove to be much more problematic, for example, a survey published by CSA showed considerable differences in brand perceptions for cars between teenagers (below 18) and elders (above 65). Another limitation is a geographic one since the study was carried out in France, though the perceptions of the brands by the sample are relatively

consistent with international brand surveys (e.g. the Luxury Institute Brand Index). Replication of the study in another country should pay special attention to brand selection. This also confirmed by the Eastman et al 1997 cited Fairlamb (1987), and Underwood (1994) comments, one major difference between current and 1980's demand for status products is that status now does not count for much in American or foreign markets unless it is backed up by quality.

6 LEVERAGING THE FINDINGS FOR THE FUTURE RESEARCH

The constructs of status and conspicuous consumption have revived interest from both researchers and practitioners in a world where luxury goods have been enjoying two-digit growth since the early 1990s. The economic boom in South Asian countries not only reinforces this growth but also seems to provide sustainable market growth opportunities. Growing materialistic values, new forms of social emulation, and increasing worldliness constitute other important reasons to support more research into the constructs of status and conspicuous consumption, especially in the context of new luxury goods and brands. Potential research opportunities are numerous: (1) brand related topics including brand extension strategies and brand dilution for new luxury brands; (2) consumer behavior including new consumer needs in terms of status and image improvements; (3) empirical testing, since researchers have produced many conceptual models and theories, which are supported by little empirical evidence; (4) market segmentation based on new consumer needs for luxury goods.

7 CONCLUSION

The main intention of this paper is to study context a difference between the constructs of status and conspicuousness in measuring brand prestige within luxury market contexts. While the two often overlap, this study has review that there are often occasions when they will be different in nature when measuring brand prestige. While Audi is revealed by the findings as being stronger on status than BMW it is also weaker on conspicuousness. BMW has stretched its brand into lower market segments and it would appear from the findings this could have damaged consumer perceptions of status in relation to the brand while attracting new luxury brand segments who value conspicuousness more. For managers, there is another strategic marketing threat highlighted in relation to allowing the status of their luxury brands to fall to a significantly low level. If the status of their brands falls to a significantly low level, as is the case at Levi's, the contention of this paper is that there may be little to encourage consumers to purchase the brand in order to project conspicuousness among their reference group. The greater the distance between the two dimensions, the greater the risk that the brand will lose ground on the strongest dimension. However, as shown in the Gucci findings, there are also occasions when marketing strategists may want to build on one construct such as conspicuousness in order to target

consumers who are seeking this construct more than status. Gucci realized it could not compete in the watches sector on status with companies such as Breitling and played to its strategic strengths in entering the luxury watch market to appeal particularly to new luxury market segments.

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