

Fashion Marketing – Session 7

15.11.2023

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Decoding the business of luxury

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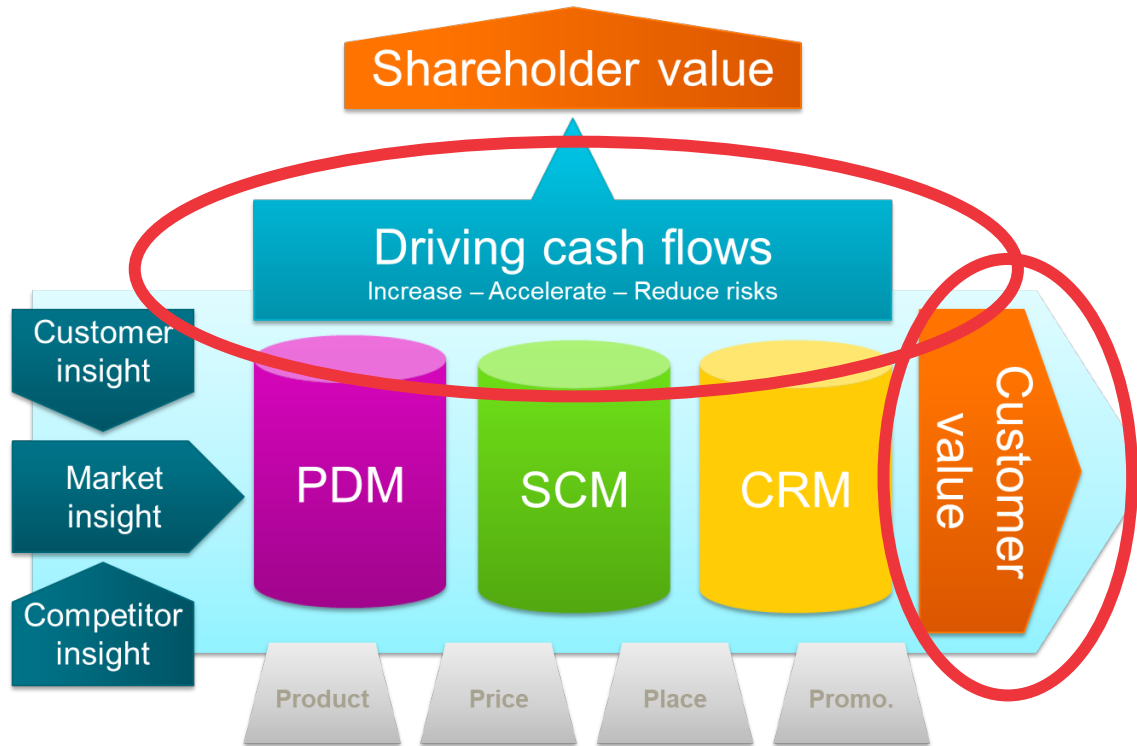
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Strategic marketing architecture

(Mattila)



Essence of luxury

(Kapferer)

- One's rank in society is demonstrated by one's ability to sacrifice productive resources to buy non-productive items (Bataille & Hurley 1991)
- “What I like about luxury that it is expensive”
- Luxury as an absolute concept does not need a brand (Kapferer 2010)

Essence of luxury

(Kapferer)

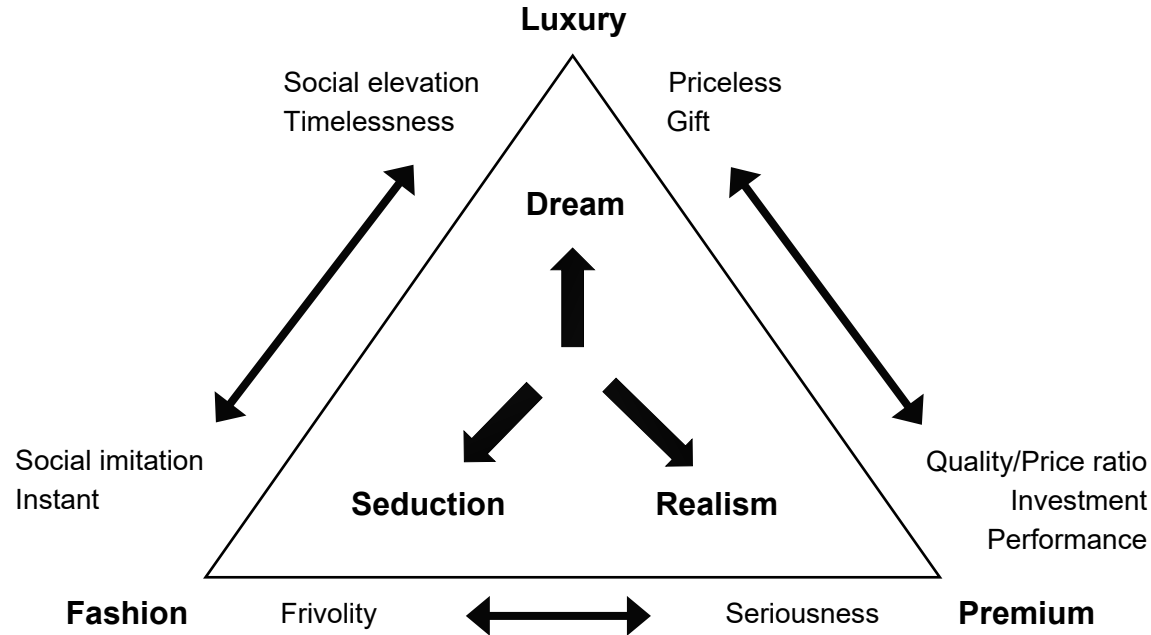
- Lipstick effect: After experiencing psychological stress, individuals purchase affordable luxuries as a substitute for more expensive items (Estée Lauder during Great Depression)
- Self-healing requires big names for its magic to operate
- Sacrifice is necessary for the product to become sacred and to endow the buyer with its luxurious effects (Hubert & Mauss 1981)

Essence of luxury

(Kapferer)

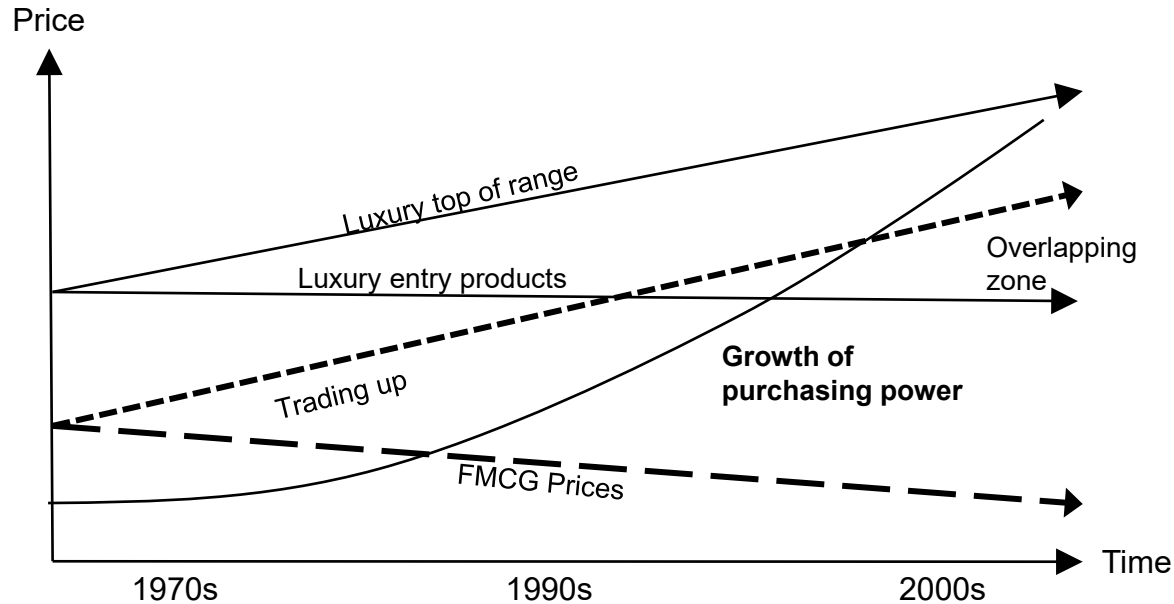
- Scarcity creates value: the cookie experiment (Worchel & Lee & Adewole 1975)
- Apple's product launches
- El Bulli's table reservations

Luxury, fashion and premium positioning triangle (Kapferer & Bastien)



Confusion between premium and luxury?

(Kapferer & Bastien)



Luxury strategy

(Kapferer; Kapferer & Bastien)

- Anti-laws of marketing
 1. Do not delocalize production
 2. Do not advertise to sell
 3. Communicate to non-targets
 4. Maintain full control of the value chain
 5. Maintain full control of the distribution

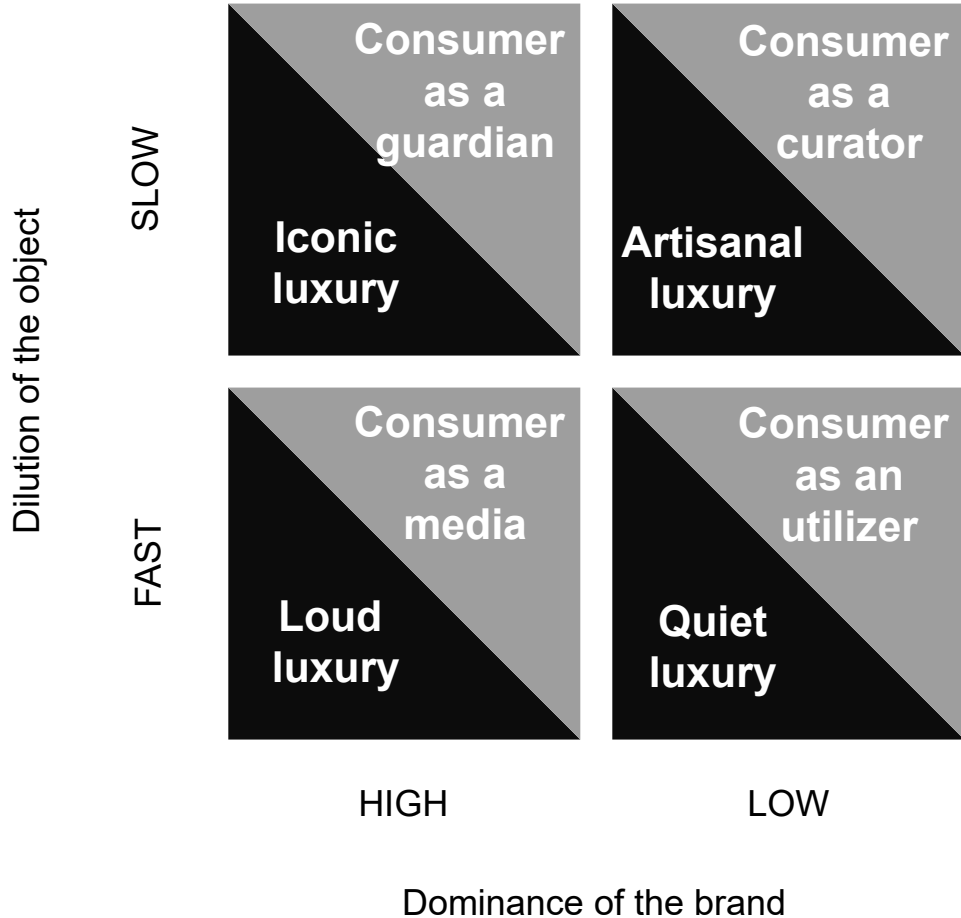
Luxury strategy

(Kapferer; Kapferer & Bastien)

- Anti-laws of marketing
 6. Never issue licenses
 7. Always Increase the average price: if creating accessible lines, make sure that there is room for systematic trading up
 8. Develop direct one-to-one relationships with clients

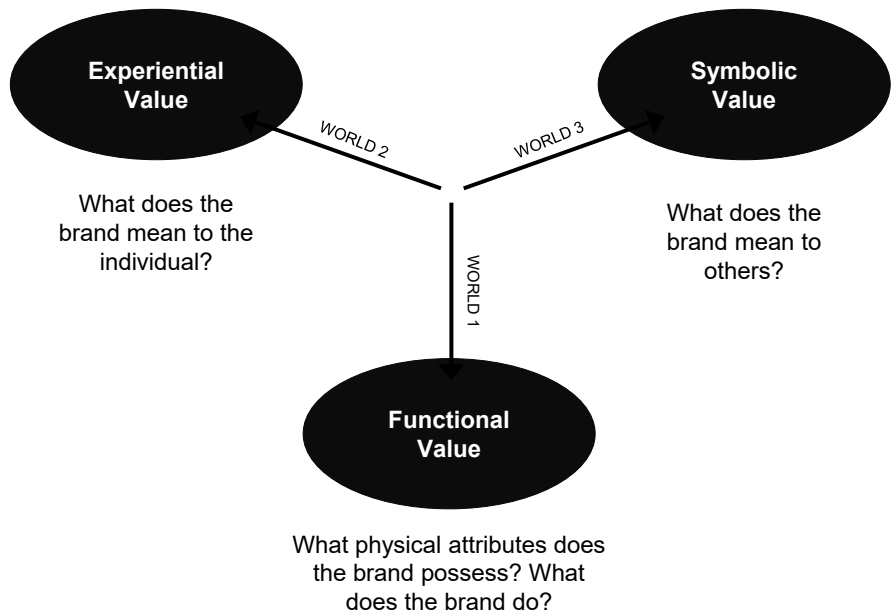
Corrosion of luxury

(Mattila & Sihvonen & Hietanen & Tikkanen)



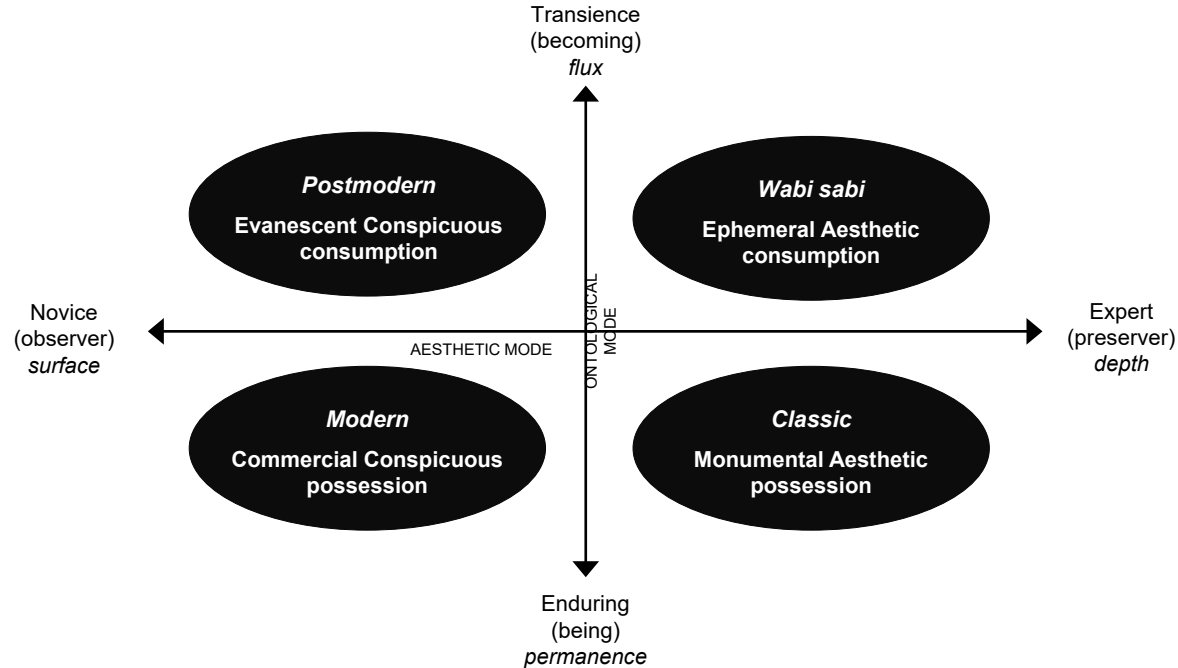
Value dimensions of luxury brands

(Berthon & Pitt & Parent & Berthon)

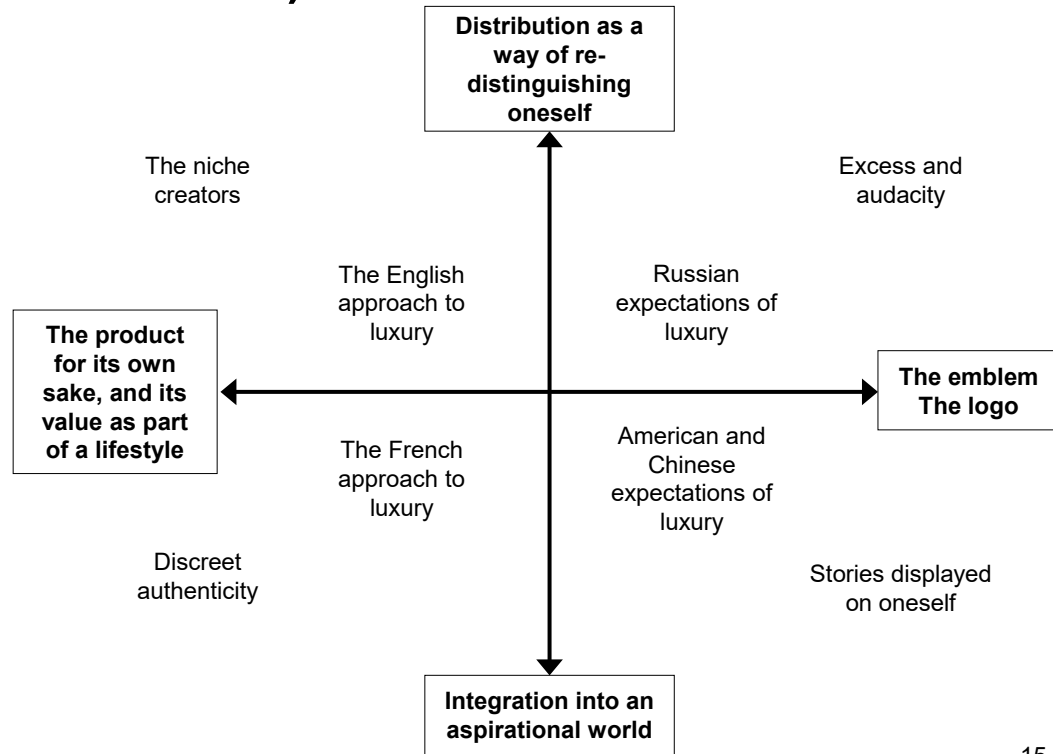


Typology of luxury brands

(Berthon & Pitt & Parent & Berthon)

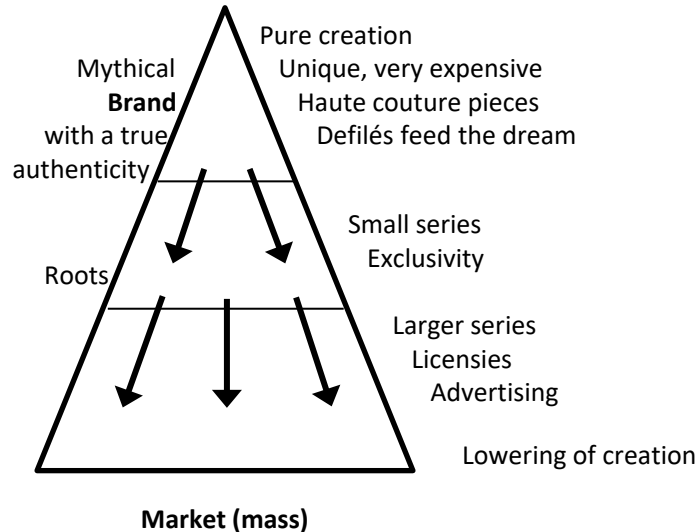


Four ways of distinguishing oneself (Kapferer & Bastien)

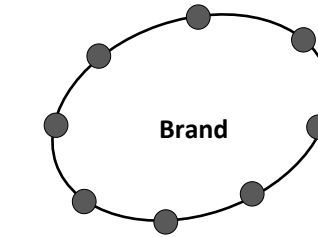


Two types of luxury brand expansion (Kapferer & Bastien)

Pyramid model



Galaxy model

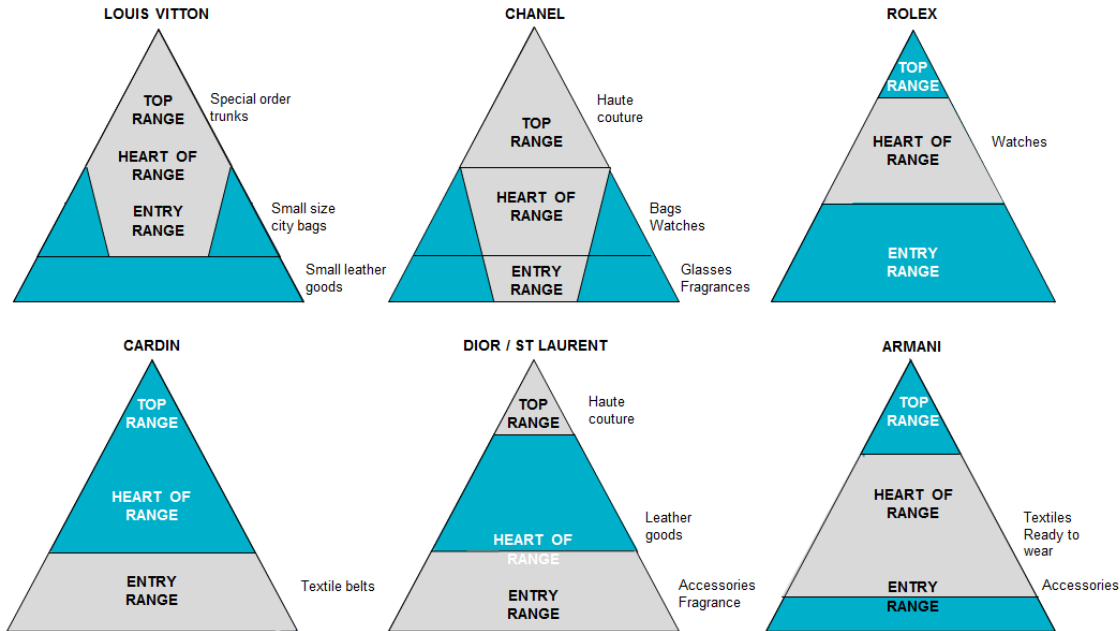


All entries in the brand are equivalent and represent a facet of the brand

They must all be equally creative

Luxury brands in perspective

(Kapferer & Bastien)



Industry under pressure

(Koivisto & Mattila)

- The luxury fashion industry is facing increasing scrutiny due to its negative environmental impact and unsustainable production methods
- New business models in the form of second-hand commerce and renting are emerging as attractive options for consumers, reshaping the luxury fashion landscape

Four prevalent business models

(Koivisto & Mattila)

- The prevalent business models in the second-hand luxury fashion industry
 1. Third-party sales platforms, such as auction houses and digital operators, that curate, value, and sell luxury items.
 2. Peer-to-peer marketplaces that enable individuals and professional sellers to buy and sell second-hand luxury items
 3. Closed-loop brands operate their own recycling operations, refurbishing and retailing used luxury items directly to consumers
 4. Companies focused on reorganizing the value chain support luxury brands in establishing closed-loop operations

Opportunity for the industry at large (Koivisto & Mattila)

- The growth of the second-hand luxury fashion market presents an opportunity for the industry to transition to a more sustainable and circular model, extending the lifecycle of products and reducing waste and resource consumption
- Consumer perception of preowned fashion is shifting from seeing it as outdated to valuing it as pre-loved or vintage
- The emergence of new business models within the value chain also increases the primary market value of luxury items and introduces them to new customer segments