

## Chapter 3

# New Luxury vs. Old Luxury: What Is the Definition of Luxury Brand?

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### ABSTRACT

*Understanding the concept of luxury and knowing what luxury means is still necessary and pertinent research because the definition of what luxury is has not proved to be consensual, and those that exist leave out the understanding of how fragmented meanings of today's society appear and influence consumers' perceptions of luxury. While the terms of new and old luxury have gained popularity in the literature, there remains little empirical research comparing consumers' perceptions of new and old luxury brands. Therefore, it can be said that previous research on luxury contributes to improvements under the point of view centred on the product of the meaning of luxury while the current era of popularization and democratization of luxury causes confusion and, what luxury means today, remains unclear. This research intends, through an extensive literature review, to clarify the main differences between the concepts of new and old luxury brands.*

### INTRODUCTION

Over the past two decades, in particular, luxury and luxury brands have undergone profound changes (Kapferer, 2017; Kapferer & Laurent, 2016). What was once an extremely limited offer for a target group considered as an elite, has become a mass product for a high-end sector (Ko, Costello & Taylor, 2019). And, as such, the question arises whether something more generalized and accessible, can continue to be called “luxury” in the classic sense of the term.

DOI: 10.4018/978-1-7998-4369-6.ch003

Pure luxury probably no longer exists in relation to what today are the big luxury brands globally (Nobre & Simões, 2019). The new communication technologies have contributed to the globalization and democratization of many luxury goods and, thus, it can be established that they are no longer pure elitist goods.

In addition, there is a new generation of consumers emergent on the market – generation Y or Millennials – a consumer generation with high levels of education and characterized by a tech-savvy lifestyle (Kapferer & Michaut-Denizeau, 2020). In this way, a more hedonic behaviour is expected, in a more egocentric society, where individuals mainly seek fun, pleasure, experiences and sensual desires (Kapferer & Valette-Florence, 2019). It is a generation always looking for new trends and who define themselves not quite for what they have but more for what they experience (Kapferer & Valette-Florence, 2019; Kapferer & Michaut-Denizeau, 2020).

On the other hand, brands like Prada and Louis Vuitton are currently seen as mass-luxury items, as opposed to old luxury brands as Roll Royce cars, Patek Philippe watches or Hermès fashion brand (Silverstein & Fiske, 2003; Heine & Phan, 2011). All of this indicates that in addition to the traditional luxury brands, new luxury brands are beginning to appear, no longer supported by a long tradition and no longer exclusive from European countries (Deloitte, 2017). The 100 largest luxury companies in the world generated \$217 billion in sales, in 2016, according to the 5th edition of Deloitte's (2017) *Global Powers of Luxury Goods*. According to the same study, the Top 5 worldwide continues to be led by the brands LVMH, Estée Lauder, Richemont, Luxottica and Kering. China, France, Germany, Italy, Spain, Switzerland, the UK and the USA together account for 83 of the top 100 luxury goods companies worldwide and 90% of the sales. And the most interesting thing is that Spain and France have the highest growth rate according to Deloitte (2017). However, consumers in emerging markets continue to help the sector's growth (Kapferer & Valette-Florence, 2019). China, Russia and United Arab Emirates are categorized as emerging luxury markets by Deloitte (2017) and the percentage of consumers increased their spending by 70% when compared to the 53% of more mature markets such as the USA, Europe and Japan. The Deloitte (2017) report also concludes that the sales of luxury goods continue to accelerate despite their high volatility, and that there are two major trends for this market: the shift from physical products to digital experiences, and, despite globalization's influence in the luxury market, it will move from standardization (mass-prestige) to personalization (co-creation) (Merz et al., 2018).

Thus, in this context, and in the sense of helping luxury brand managers, it makes sense to understand the extent to which consumers perceive brands as being new luxury or old luxury brands.

The objective of this chapter is to verify through the literature review and according to the consumer's perspective, what are the main characteristics of the new luxury and old luxury brands, and thereby help the luxury brand managers to position their brands in the global market.

## **BACKGROUND**

### **What is Luxury and Luxury Brands?**

The luxury concept is difficult to define because it represents a social context (Nueno & Quelch, 1998) that follows a cultural evolution. Thus, it is consensual to consider that it is an alterable and extremely subjective concept (Phau & Prendergast, 2000; Amatulli & Guido, 2011; Nobre & Simões, 2019).

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