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Master’s Thesis

The Luxury Industry:
A study of Consumer’s Behavior
in Time of Economic Crisis

명품 산업
경제위기 상황에서의 소비자 행동에 대한 연구

February 2015

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Abstract

The Luxury Industry:  
A study of Consumer’s Behavior  
in Time of Economic Crisis

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It is obvious to the world that luxury market is such a crucial market today seeing its value and share among the consumer market growing year after year. The purpose of this study is therefore to understand on a first hand the mechanism of luxury market and how it could be among one of the few market to benefit from the global economic crisis. And on the other hand, to understand the motivations of consumers through an analysis of their behavior based on a survey. What we will understand through this research is that the luxury industry is not to be seen as a cash-cow, in other terms a product is not luxurious because it is expensive, it is expensive because it is luxurious. Luxury’s price is the one of every consumer’s dream and it is complicated to put a price limit on a dream, the bigger the dream the more money we would
easily spend to achieve it. It can be a car, a bag, a watch, they all share the
same logic: they make dreamers happy. This thesis will through behavioral
theories analyze the very specific motivations of the luxury consumers.

Moreover, the world's markets is a big challenge for companies and we believe
the world is going through a crucial change in world's operating system, in
terms of culture, societies, economies, so business should learn and anticipate
how to face changes in trend. This is why we will also explore what strategies
companies could adopt in order to face predicted trends in luxury industry.

Key word: Luxury industry, economic crisis, recession, consumer behavior,
comparative case study, international marketing

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# Table of Contents

Abstract ....................................................................................................................... i

I - Literature review .................................................................................................. 1

II - Introduction ....................................................................................................... 6

III - Luxury Industry ................................................................................................. 13
    a) History
    b) General characteristics of luxury
    c) Main actors

IV - Financial crisis and recession .......................................................................... 21
    a) The case of France
    b) The case of South Korea
    c) Comparing the two markets in terms of numbers.

V - Case study of the correlation between consumer behavior and economic environment ........................................................................................................... 29
    a) Methodological aspects of the qualitative research: choice of the research method, collection and treatment method of the answers.
    b) Results of the consumer behavior study: how their habits get changed according to economic environment

VI - Conclusion ....................................................................................................... 37
    Companies' strategies to fit the demand and trends .......................................... 40

VII - Previsions and recommendations to face post crisis trends ....................... 42

References ............................................................................................................... 44

Annexes ................................................................................................................. 46
I - Literature review

The interest of studying the luxury industry is that it is very much implemented in our era. By this we mean that today luxury is everywhere and is most likely to continue growing to having a massive impact in future decades. Why is it so? According to Kapferer and Bastien (*the specificity of luxury management: turning marketing upside down*) it is because the concept of luxury is attractive and fashionable; everybody wants his product to be luxury and even mass consumption brands name many of their models “deluxe” or qualify their experience as luxurious. I believe the reason for this strong enthusiasm towards luxury has something to do with how our societies are evolving. Turning into a dangerous jungle where the strongest, richest and most handsome will succeed.

There is a complexity in our societies: on one hand the world is becoming more integrated and globalized every day, societies are getting closer and similar through time. But on the other hand, now that populations are too homogeneous, societies are seeking for original and different personalities to associate them to the image of success and power. As a matter of fact, the trend will follow these successful leaders and we understand how an individual may want to seek any way to distinguish himself from the mass. This is where luxury plays its important part in the game; it brings this feeling of belonging to
a special and privileged community that our subconscious and marketer wants us to associate to success.

In this confusion there is a need to refocus on the true meaning of what really is luxury and what makes a product luxurious, which we will do through this research paper.

To better understand the challenges for luxury companies in time of crisis, we suggests that luxury brand owners seize the opportunity given by the crisis to regain the balance, beauty and attractiveness of their brand and to regenerate them. They will take the brand back to its roots, by cutting their brand extensions or unprofitable store locations for example. But the most important is that luxury brands will look more into future needs and consider the luxury consumer as a quality lover who appreciate luxury as a fine work, craftsmanship, true roots of luxury.

But the study of companies' performance would not be relevant if we do not take as a basis to their strategy, the analysis of their consumers' behavior. Indeed as already mentioned luxury consumers are very demanding targets and buyers. Also very sensitive, a tiny change in their environment would affect positively or negatively their buying behavior. This is where we want to focus the research. According to Nunes Dreze (conspicuous consumption in a recession: tuning it down or toning it up) in time of crisis, luxury consumers are divided into two categories; the patricians who have a low need for status
and seek only to associate with other patricians and the parvenus concerned with dissociating themselves from who are less affluent while associating themselves with the affluent. Through its study he will reveal that consumers who do not exit the luxury goods market during recession are still interested in logo-laden products, and perhaps even more so, which contradicts the conventional wisdom declaring that luxury should tone things down.

Indeed the need for status appears to have won, and the result in time of recession is a shift in a market demand toward the goods parvenus desire. Therefore their research explains why LV and Gucci shifted their product lines toward more conspicuously branded goods.

But in their work they present empirical evidence based on activities by the firm, so I want to go further with their proposed psychological segmentation explanation, as it needs further validation through field studies. While respecting previous research I will be able to validate their explanation then to find further consequences of dissociative motives and consumers’ need for status.

So I want to verify this findings by completing the missing point of their research: have a more sociological study of consumer behavior by collecting consumers data to directly study their behavior in time of recession and their relation to the luxury brands
Research question

How does the economic environment influence luxury consumers' behaviors?
Hypothesis

Previous studies always assume the stability of luxury industry in case of crisis. Globalized values of consumption and the emergence of new rich markets is a profitable mix for luxury firms, especially in time of recession when the desire to stand from the mass. Therefore, a winning strategy for luxury brands is to offer conspicuous products and the previous research findings are verified.
II - Introduction

In time of global economic crisis and severe recession for most countries that used to represent power, financial stability and economic prosperity, it is interesting to see how they struggle to keep their market superiority to the emerging countries.

In this view, we can take the luxury industry as one of the best way to spread cultural superiority while enjoying amazing growth performances. Therefore, it was in my interest to focus on the luxury market which reflects it well. Indeed when we think luxury we tend to think wine from France, cars from Germany, fashion from Italy and watches from Switzerland. It is not only one of the last industry massively and essentially trading from west to east, but it is also a very profitable one, that apparently experienced very little effects from the 2008 world economic crisis.

Indeed luxury market is becoming more and more significant, performing amazingly in terms of market value and financial revenues. Several factors have been driving growth rate in luxury industry. But the most important to emphasize on is the dramatic rise in number of high-net-worth individuals with a strong desire for luxury and high end products due to improved economic factors worldwide (Bain&Company, 2009). So it includes
automatically lower rates of unemployment, lower production costs, increasing disposable incomes, a growing wealthy class in emerging countries and an increasing work rate among women (Fiske and Silverstein 2003, 2004, 2005; Yeoman and McMahon-Beattie, 2006). Furthermore luxury brands whereas in their previous strategies targeted only the very comfortable and privileged population offering them brands reserved to a private sphere of super-rich individuals, they are now targeting a larger segment through differentiation in their offer. They now also reach lower classes of the societies in most countries (Fiske and Silverstein, 2003; Nueno and Quelch, 1998).
So as a matter of fact, today more than ever, luxury goods are being increasingly consumed by a larger portion of the population as luxury brands changed their offer to follow the trends and earn more shares on consumer market.

But what is it that makes luxury so special that it can reach such an important amount of customer?
Well luxury is a state of mind. It allows the mix of arts with emotions under the physical form of a useful item an individual would owe for its own and personal delight. Once marketers effectively communicated the fact that their product will make an average person special, then, half the work is already done. Going through a rough study of modern societies would probably help us understand this thirst for luxury consumption. It goes along with the ultra-narcissist societies, in the era of “selfies” and plastic surgery. Social pressure to always better ourselves, to not only being in constant competition with the world surrounding us, but also with ourselves. This is the key to understand on which wave luxury companies are playing.

Each country, society, area, population has its own and specific features, needs and demands that not only luxury brands but all industries regardless of type have to adapt to. But as the world has become one, and will eventually reach a 100% globalization stage we understand that from France to Korea including Brazil, Saudi Arabia and most countries, trends are traveling around the globe crossing borders offering to companies the opportunity to satisfy new markets everyday, as the demand for their products is generated only through globalization and soft power.

So the world has faced several crisis that affected more or less all industries in general. But what is amazing is that luxury whereas in the past when it suffered huge impact from environment crisis, companies now learnt how to grow
stronger from those crisis. Let’s mention for example the 09/11 terrorists’ attacks in NYC. As a matter of fact it affected tourism. Given the fact that tourism through duty free activities across the globe was a big part of luxury firms’ revenues, it naturally have been hard to face 09/11 events. But today, through new strategies including the boost of store opening in developing countries, shopping linked to tourism is counted as a minority.

We want to wonder how this is possible, how luxury is keeping up so well in time of global recession while the consumer market is painfully recovering from 2008 crisis.

Is it just good luck for the luxury industry that recession pushes higher class in societies worldwide to hunger for luxury products, or marketers in this industry are being more effective in using the economic crisis to their best advantages better than other industries?

To answer this question we will develop in the research that luxury by definition is the willing of feeling special, to distinguish oneself from the majority in a superior way. And what can possibly be a better way to distinguish itself from the mass than through appearance, success and money?

It is all about psychological manipulation. It is great work done by luxury brands to provide this feeling to targets potential buyers.

So this research will go through different phases in order to complete a full understanding of the mechanism allowing the luxury industry to benefit from
the financial crisis. We will have first set the bases by defining what luxury is and its true meaning, then in a second part go through the understanding of the 2008 financial crisis and its impact on the two markets of our interest, France and Korea, then we will pursue with the case study of successful luxury brands and compare their strategies on both French and Korean market, see the similarly and differences according to backgrounds, culture and financial state. And finally we will proceed to the analyses of consumer behavior towards the luxury industry in time of crisis through a survey in order to find the correlation between economic fluctuations and luxury products consumption and behavior towards certain products and brands according to the environment (socio-cultural aspects, financial etc).

The summary attached below will help us understand our motivation through a framework of analysis put into form.
SUMMARY OF MY MOTIVATION
THROUGH FRAMEWORK OF ANALYSIS

Consumer behavior

- Verify the previous findings through further research while bringing other perspectives
- Recommendations for the changing trends expected post crisis.

Luxury industry

Market and financial crisis analysis

Global recession

Consumer behavior analysis

Consumers' reaction to recession

Desire to dissociate from the less affluent: Opportunity for the firms

Conspicuous consumption turned down

Firms' strategies to face consumers' behavior changes
III - Luxury Industry

a) History

Until the middle age, sources bring the fact that luxury was the reflection of a mysterious aspect of religion that pushed the human being to overcome himself. And it helps us understanding how this notion is still relevant today in the consumption and possession of luxury goods that we will develop later.

The glorious time of luxury is for sure the renaissance: XV and XVI centuries, as its name says it, this time period welcomed the reborn of all fields: culture, architecture, literature, philosophy, arts and science. The renaissance is the symbol of tangible luxury through its gorgeous architecture inspired of Italy, its new style of in house decoration and very heavy ornaments. But the most important thing is that these luxurious aspects of the renaissance were made to be rare and only affordable and attainable to the aristocracy and the king’s court; in other term this time period brought the emergence of a luxury, not only precious and reported as a holy feature, but a luxury sign of wealth and separation between social strata.
Later on, luxury will become the feature associated to the bourgeoisie and will take more intellectual connotations as a result of higher society expending their knowledge through new world discovery and travels.

Another important time in the chronology of the luxury is the XVIII century and the positive role of the encyclopedia where the technical and industrial aspects of the ornaments and accessories were mentioned in a very deep and serious way. Therefore, jobs related to the luxury industry earned more respect and importance to the community and were seen as high skilled performance reserved to an elite.

The XIX century will influence the industry in a more economical way by developing new features or production and distribution. The luxury industry will be then composed of handcrafts societies. The major point to remember from that era is as Emile Zola described it in his novel “au Bonheur des dames” the grand opening of the “Grands Magasins” the French specialty in terms of high end distribution (seen as the equivalent of nowadays department store: Shinsegae in Korea for example).

And it is during the XX century that will appear luxury as we know it today, when a proliferation of small artisans opened their workshop all over Paris and devoted themselves to luxurious items.
We can note several break down in the industry like the 1929 economic crisis and the WWII. But it is after this last mentioned that manufacturers will truly take back their activities in Europe, still reserve their product to an elite and starting developing their work out borders. It is in the 80s that we saw some change happening: younger generation will discover luxury and will play a major role in the explosion of luxury brands. From that moment on, luxury started to position itself towards a new luxury: more quality and affection oriented. As a sum up we can say that luxury has been a part of our societies in the very early ages and made its way gaining more importance and credibility through centuries.

b) General characteristics of luxury

If one feature is certain with luxury is that it represents the concept of timelessness while embodying history. The era we are living in symbolizes the fast path. There is no previous civilization that experienced the must to live and evolve so quickly as we do now, given the level of globalization and technology we have reached it is
understandable. One thing everyone agrees on: time is a true luxury that few of us are able to enjoy.

Who has time to do anything today? We all are constantly involved in more important matters than just taking the time to realize a task while enjoying it slowly. Finding deep rest, calm and serenity is a quest everyone pursues eventually. We live in a world where everything is getting used, outdated and faster than ever.

But luxury is based on a totally opposite concept: it is an alternative to the obsolescence of things. Indeed it is timeless and it withstand to time. These features make luxury hard to build and require a long process to earn its status. But what else makes luxury hard to build? A first aspect is basically physical; the materials used are rare, precious, naturals and its technics require time since it is usually handcrafted in order to offer perfect, fine and subtle pieces.

In addition to the physical aspect, the symbol, image of a brand is built over time. The need or recognition, respect and admiration are the most important features to a successful brand, yet, very hard and long to earn. Indeed luxury has not the right to deceive the most demanding elites of this world and must earn its credibility in order to succeed. This is why luxury brands although also affected by the environmental risks, are still very little compared to other industry. The simple reason is that brand image and the feeling of belonging is embodied in luxury. Therefore customers’ loyalty reaches a very high probability that no matter what, a faithful customer will remains through time.
We also wonder why luxury lasts. Because its strategy stresses out the point that the quality of a luxury product falls under the notion of long term and history. We will later in this research develop further of how luxury uses history to make its brands timeless.

Furthermore when we think about what luxury is, the answer can also be individual. For each person the true meaning of luxury can be different, if for person A luxury is riding a Mercedes and carrying a Chanel bag, for person B it can be traveling the world with his/her partner or for person C to spend quality time with his children. In any case, it relies to something we aspire to, something we want, something we dream of. But whereas a sleeping dream, this dream is tangible and depends on a context and a relation to the world surrounding us. The relation we maintain with this dream is so beautiful and exiting that we are willing to pay a lot to reach it. It is a psychological motivation that pushes us to put aside our clear notion value of money in favor of feelings and intimate satisfaction.
c) **Main actors**

The luxury industry is known for making huge profit and offers a numerous range of brands but when we look deeper into it, we realize only 5 major luxury groups are sharing the success. We will in this part cover 5 of the most profitable and active players in the industry. We chose to select these in particular given their revenues, growth and worldwide renown.

**LOUIS VUITTON MOET HENNESSY:**
Let’s start by one of the biggest name of luxury today, known throughout 60 different brands covering most prestigious areas of luxury: Louis Vuitton Moet Hennessy. Bernard Arnault, head of this French luxury empire has done an amazing job proving the importance of luxury in the world economy. Indeed, with a number one presence in fashion (Louis Vuitton, Dior, Fendi, Kenzo, Givenchy…), watch and jewelry (Tag Heuer, Chaumet, Bvlgari, De beers…) and the wine and spirituous (Moet Hennessy, Veuve Clicquot) LVMH is indisputably the number one on the luxury market showing unstoppable growth years after years.

**KERING (PPR group):**
Founded in 1963 by Francois Pinault it initially emerged around wood trade negotiation and construction material, and then in the 90s PPR group
repositioned itself becoming one big actor in luxury distribution. And it is in 1999 that PPG bought the Gucci group including its prestigious brands: Gucci, Bottega Venetta, Alexander Mc Queen, Balenciaga… Less main stream than its biggest competitor LVMH, the PPR group made its way into fashion when buying the Gucci group allowing the fusion to play an important role in luxury and fashion industry.

L’OREAL:
World leader in the cosmetics industry, the group was founded more than a century ago and never failed since. A part from its own brands, L’Oreal holds an important brand portfolio including Lancôme, YSL beauty, Victor& Rolf…

RICHEMONT:
In fifth position it is the Swiss group Richemont that we found important to select as a main actor in the industry. Specialized in jewelry and watch through brands like Cartier, IWC or Van Cleef & Arpels among the most famous.

Our point here is to get familiar with the companies we will be steering through this thesis, and as a conclusion remembering that although the financial crisis has been severe, these groups knew how to get over it and sustain they
growth no matter how bad markets were affected. Was it the result of simple chance or of a full understanding and exploitation of insubstantial capital of dream built around luxury?
IV - Financial crisis and recession

The financial crisis revealed an amazingly healthy luxury industry, which not only performed extremely well compared to other industries, but which also increased its prices while most markets are facing recession. Strategies have been different according to companies but overall allowed the industry to maintain good performances and to even support production and GDP in France for example.

When an economy is doing well, the gap between winners and losers is quiet narrow, but in time of crisis, one thing is sure this gap gets wider and deeper as some companies get richer, while others face important losses. In other terms; crises can turn into an advantage for those out there strong and prepared enough to take advantage of changes in economic markets.

When the socio economic situation is bad, we expect consumption habits and companies management to change. But what is to understand is that the traditional luxury consumer could and will still have the financial ability to consume luxury goods as he will most likely not be affected by the crisis thus remain faithful to his buying habits. For the occasional consumer, it is also logical to deduce, in time of crisis, his want to afford the luxury to buy a branded items, symbol of beauty and pleasure will remain. Yet expensive, but such a personal satisfaction that it helps averting the effect crisis has on him.
This buying behavior can be explained through psychological analysis as an act of compulsive purchase, frequent with women generally more aware and guided by their emotions. Especially since women are a big portion of buyers of luxury goods.

The luxury industry proved several times over the history that it does well during crisis. Japanese consumers for example, have never shown such an enthusiasm towards French brands than after Fukushima disaster. Once again, the timelessness feature of luxury is its biggest strength because it assure the feeling of security in a society that could be drowning. When everything is going down, and we fear for the future we usually get rid of unnecessary things. Proof here is that luxury is not superfluous, it represents important values to a society.

As mentioned previously, companies chose different strategies to face the crisis. But what is it that they chose, their market value are expending and are following the evolutive changes quantitative and qualitative of their very demanding consumers across the world. We want to put a stress on the fact that Chinese consumers have become now a fundamental segment to satisfy. It is shocking to realize that 85% of expenses made in France by Chinese tourists are spent in luxury.

Thus French luxury brands are doing amazingly well and have a bright future ahead, but the French economy isn’t feeling any safer. Having such a
successful industry taking its origin domestically does not imply they will remain local and boost the economy. At contrary, some fear that the lure of money will push companies to delocalized French “maison” to make more profit. But if this scenario would come to reality, the whole meaning of luxury would be violated. Indeed the French know-how, renowned, charm, and elegance would not be anymore, and brands would certainly suffer some repercussions.

a) The case of France

France’s love affair with luxury started a long time ago. Royal courts across Europe were nice, but there was no court like King Louis the 14th’s. He effectively understood that luxury could be a driving force in his economy and that his whole country would enjoy. Under his reign, decorators, wigmakers, jewelers, dress makers, glass blowers, cabinet makers, perfumers became the very best in the entire world. Which of course, played a major role in giving an influential status to France for decades.

But it is about two decades later that France made its biggest achievement in terms of luxury. After the collapse of French monarchy, the bourgeoisie reintegrated thousands of craftsmen completely lost and jobless in order for them to continue the French heritage of luxury and artisanal know how. This time not within the royal framework, but to the one of capitalists and famous
brands. Speaking of which, the creation of brands will be crucial for France to develop its notoriety throughout the world, because if France had the best experts in luxury, their products would be worthless without a brand and logo attached to it.

Ever since that time, the brand ‘made in France’ stays the most popular and listed. The value of ‘made in France’ was actually estimated to reach 350 billion of euros (Marque France – Pierre-Louis Dubourdeau, Maxime Leclere) so we can say that from a very early stage of luxury, France always benefitted from its knowhow in terms of production. Therefore, we would say that luxury is facing well the crisis in France because it is the home to these successful companies. It boosts in some way the economy, employment and production of the country. But in terms of local people consumption, France being facing a very severe recession, companies actually lost opportunities. For sure rich people still can afford high prices but occasional buyers will not be able to make purchases. And to be clear, compared to the eastern part of the world less people are getting richer out of the crisis and it is culturally non acceptable in a country like France to be willing to obviously distinguish itself from the mass by showing a wealthier situation than our neighbors.
b) The case of south Korea

The word luxury takes its roots from the Latin “luxus” meaning excess. And luxury can be defined by an outrageous way of living a life of excess. Luxury or conspicuous consumption are defined as the same. In this part we will go through an in-depth analyses of Korean market, its specificity inherited from Confucianism era and its need to consume always better quality and more pricy products.

The case of Korean is different from France. Whereas as explained previously luxury is now a historical fundamental part of French culture, Korea is quiet recent on the luxury industry and we will understand in what way it differs.

From the emergence of Korea to a superpower to around the years 2012 Korea was seen as a "dream market" for luxury companies as goods were a status symbol for Koreans. Therefor they developed a true love affair with luxury that became a very efficient way to distinguish oneself from the mass and to show one’s wealth and success. Whereas French feel uncomfortable or socially non acceptable to carry suspicious luxury items showing no support to the one facing economic difficulties. In Korea at contrary showing off a luxurious way of life procures pride among Koreans

After South Korea's rapid modernization and economic growth after the Korean War, members of the upper class sought a way to distinguish themselves from the lower classes by buying expensive western goods. He explained how over
the decades, this desire for luxury goods has contributed to issues such as bullying in schools and the pressure to exchange tens of thousands of dollars in luxury gifts between families when a couple gets married. Luxury truly had an economic and social impact of Koreans’ obsession with luxury goods.

But looking at the trends and reports, we observe a real shift in Korean demand for luxury goods: if Louis Vuitton had a major impact and success on Korean market, it shown recently numbers slowing down. In fact Korean consumers are seeking further quality and rarity through ‘real high-end’ luxury goods. In Korea the meaning of luxury has evolved to an advanced pace, to fulfilled more demanding luxury lovers.

So there is a real shift happening at the moment that luxury companies have to face, but it is t\still a very profitable market full of opportunities. Indeed Korean market represents €8.3bn and it is Asia’s third largest behind China and Japan. Regardless of ongoing economic recession, the South Korean luxury market is showing unconditional love for prestigious goods, as long as it procures satisfaction to belong to the elite of this deadly competitive society. Luxury market continues to grow offering a positive impact on the Korean economy thanks to the increase in the average disposable income of households.
c) **Comparing the two markets in term of numbers.**

First of all trends show that France was much more affected by the economic crisis and is going through a severe recession. Although Korean is also suffering the recession it still shows outstanding performances compared to world's economic market.

Second of all we explained previously the two different approaches and relation to luxury within their own culture and heritage. While France has set luxury as a part of its DNA, Korea is a pretty young actor on the luxury market, which emerged along with its economic growth post war. Without missing the point that the two cultures are extremely different in terms of consuming and relations. As mentioned before if French tend to act more discrete in time of crisis to not upset those affected by the crisis (this could be explained by the fact that France earns its equality status among its citizens through the French revolution. In the eyes of French there is nothing more important that liberty and equality, therefor French people tend to be very offended if they feel less successful than someone else. But no such revolution occurred in Korea and the heritage of Confucianism allows Korean culture to push its individuals to reach the best. And in a way, consuming luxury goods is a way to show off success and wealth, procuring pride and envy around. So if French would be offended to see a rich person spending thousands euros on bags and shoes while the majority is struggling to eat, in Korea it is seen more as a positive impact of hope for the one poorer and not able to afford these products…yet.
In addition to this information and as a way to understand how luxury is doing so well in Korea and it will also give us support to the development of our ideas later, we see in this graph below that France was much more affected by the crisis than Korea. While Korean is stabilizing France is still struggling to emerge from the recession.

Source: tradingeconomy.com data given by INSEE and Ministry of Strategy and Finance, South Korea.
V - Case study of the correlation between consumer behavior and economic environment

a) Methodological aspects of the qualitative research: choice of the research method collection and treatment method of the answers.

This section is intended to explain the research method collection and the process to analyze the answers. Among the different qualitative methods, interviews and surveys are the most commonly used. Many different kinds of interviews exist and the number of people interviewed makes their difference. For our research we intended to reach the most intimate responses of people. The questions will lead to understand their buying behavior, which they cannot directly control. But according to their answer we will be able to define their psychological motivation behind their buying behavior. Therefore, we need people to answer as sincerely as possible. The fact is that if people feel exposed they will tend to give more socially acceptable answers thus the accuracy of the findings will be less. So that people give the most sincere answer, letting them take the survey alone and anonymously will help raising accuracy of the findings.
More over, in order to reach as many respondents as possible, the survey has been distributed to several online platforms such as Facebook, LinkedIn, emailing, personal and professional networks.

Analyzing the answers will be the most important task once it is all collected, according to the questions and answers we will see obvious correlation that will lead to logical conclusion through which we will be able to develop findings and confirm or deny our hypothesis. 

Through this thesis we first got informative facts about the luxury market backgrounds in order to better understand the challenges faced by companies on this market. But let’s remember that as a main objective we aim at understanding the behavior of luxury market consumers in time of crisis, whether they will be willing to consume in a more conspicuous way or not, and why. Understanding the environmental aspects of the findings in order to bring a better understanding of luxury market spectacular trends in time of recession while so many markets are struggling to stay competitive.

Therefor we thought taking a quantitative study would be the best option to verify our hypothesis. Following this idea, we built up a questionnaire that would help us find out whether our suggested thoughts about consumer behavior were verifiable. We will later detail our procedure to create the questionnaire but for now we want to stress out the point that the distribution of the questionnaire was quiet hard at first. Effectively, to have most reliable
In other words, we could not simply gather information from random people. So lets see how we divided and targeted our sample. First of all as explained previously in the research we narrowed down to two markets: France and Korea. This choice was not arbitrary but well thought. Indeed France is as we have seen earlier in this research the cradle of luxury, in terms of history as well as influence. While Korea is, yet a comparatively new market it is very profitable today, which is earning very quickly its credibility (indeed Korean has become the 3rd largest Asian luxury market). Furthermore, France and South Korea are two good example of respectively western culture of consumption and general behavior for France while Korea embraces very well its Confucianism heritage while being an example of modernism, which makes these two countries very interesting to put in comparison with each other. Another fact to add to the list is their significant difference in the way they have been affected by the crisis and how they face the recession.

Second feature of our focus is on luxury goods consumers. Making sure we followed these two conditions was essential to the reliability of our research and to able to do so, we simply made sure the survey was including questions that would help us define the nationality of participants, and whether or not they considered themselves as consumers of the luxury market. Now how to define if an individual can be used as a sample for luxury consumers we first asked them if they have interest in luxury items and industry in general, if they
do consume on a regular basis luxury products, how much they spend yearly and such questions helping us defining if they would be a good sample to base our research on it. From that point onwards we selected only answers from participants who entirely corresponded to our needs, analyzed the findings with similarly and differences which led us to more thoughts and ideas to verify our hypothesis and unable to make a conclusion from it. In order to make sure our findings were well handled and well calculated, we used the program called sphinx which is made for companies specialized in consulting, meaning it is a very reliable tool that allowed us to clearly put into form our questionnaire findings.

b) Results of the consumer behavior study: how their habits get changed according to economic environment

According to the hypothesis we raised in order to achieve our research we are able to reach three main pre conclusions that will lead to our final point.

First of them, Korean consumers are more driven by the social status while French would give more importance to the quality of the product. The graph attached below is from our own sources and shows with 45,8% that Koreans
realized they are very affected in their buying decision process by the environment. This proves what we mentioned previously when arguing that Koreans usually feel very pressure by the society in the way their live, behave and as we see here consume. Our survey actually included a question concerning the place they live in to know to what extend they felt pressure by their culture and a high number of the Korean sample responded positively to it.

As opposite we see clearly that the environment or society is not a priority or essential factor in their buying behavior for the French sample. How to explain this trend? We could explain French consumers feel much more free to be themselves and the cultural heritage leave it free to be ourselves. Moreover, while in Korea showing excessive logo and richness is seen as a sign of success which is highly respected, in France it is the totally opposite especially in time of crisis. It is to say that French people will tend to be more socially acceptable if a hard time affects the country by not showing excessive external signs of richness.

We would then say that Korean consumers buy luxury brand primarily for symbolic reasons to reflect their individual social goals (Wilcox and Al.2009); while French are much less into the social status but more following a historical
heritage to cultivate luxury as a fine and passionate hobby enjoying the beauty of luxury items.

The second one comes along with the previous is that Korean consumers feel more pressured by their society than French consumers.

Well this point is entirely linked to the culture and social environment. As we learnt in our previous research the functional theory of attitude shows that attitudes serve important social-functions as they impact both affect and behavior (Katz, 1960; Shavitt, 1989; Smith, Bruner & White 1956):
And the third major finding brings us to the fact that both Koreans and French feel somehow affected by the recession whether it is in the way they consume luxury or non-luxury goods.

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directly affected by the economic crisis</td>
<td>24</td>
<td>28</td>
<td>52</td>
</tr>
<tr>
<td>Affects non luxury goods consumption</td>
<td>33</td>
<td>19</td>
<td>52</td>
</tr>
<tr>
<td>Affects luxury goods consumption</td>
<td>36</td>
<td>16</td>
<td>52</td>
</tr>
</tbody>
</table>

To understand fully this finding we think that it is logical to feel affected in any ways by a recession, may it be emotionally or in the buying behavior habits. Actually the dependent to this fact would be how heavy the market is affected.
by the crisis. The more a country is affected by a crisis, the more the national feeling toward the situation will evolve either in a negative or positive way. In addition, financial crisis will in any case affect countries also with jobs, then directly with financial resources of an individual then naturally to its buying behavior. So we understand here that Korea and France have effectively been affected differently by the crisis therefore consumers will also react differently in their buying behavior but also in their feeling to the crisis.
VI - Conclusion

So putting together all our findings and while trying to find correlation we reached the idea that in time of recession, Korean consumers will consume more logo laden items while French consumers will consume less conspicuous products. In other terms we can say the previous research is effectively verified for Korean consumers but denied for French consumers.

How to explain these findings?

As far as we got, the difference in conspicuous buying behavior for both markets Korea and France can be explained through scholars’ theories and our survey by: the degree of affectation to the financial crisis and the cultural heritage and social pressure.

But in order to add a personal touch to these findings, I want to raise the possibility to explain this trend using a theory brought by Derek Rucker and Adam D Galinsky through which “powerlessness fosters a compensatory motive to restore power” it is to say that “powerless prefers visible and conspicuous consumption while high power prefers the utilitarian and quality aspects of a product while rejecting conspicuous attitude.
We have to push our thoughts further to understand this argument.

In the previous part of our research project we have seen that Korea has been less affected that France by the financial crisis. Therefore less Korean consumers had to leave the luxury market giving a broader range of consumers (higher and middle classes). But France was very much affected, as a result more consumers had to exit the luxury market leaving it to a majority of higher class as luxury consumers. And we have seen in previous research that higher class consume luxury in a niche way, hate being associated to the mass and do not need the recognition for consuming luxury goods, they see it more as a personal satisfaction. The patricians as qualified in the previous research, they are the higher powers in the society that are not affected or scared by the recession and continue consuming as if nothing was happening around. They just keep seeking quality and show passion for luxurious items.

But Korea as less affected by the crisis still has a broader range of consumers, therefore the parvenus who previously seeked status through they purchases, if still able to consume luxury goods will even more be status oriented and naturally be attracted towards logo laden products.

The table attached below helps putting into forms our final thoughts and findings of this research paper.
Korea
Not very rich
Korean luxury
consumers are
still able to
afford such
products.
Although they
are not directly
affected by the
recession, they
know it is there
and fear it

=> Feeling of
powerlessness
does explain the
conspicuous
consumption

France
French luxury
consumers are
the very rich
therefore they are
not preoccupied
by the crisis

=> Feeling of high
power which
explains the
discrete
consumption

Less affected by the
crisis

Less consumers had
to leave the luxury
market

Companies can
continue to target
classes to make up for
the European losses

More affected by the
crisis

More consumers had
to leave the luxury
market

Companies should
focus on the niche
market, non-status
seeking but quality
lovers
Companies’ strategies to fit the demand and trends.

Indeed in order to better themselves and in the view of rebuilding their strong brand image, all major luxury companies made huge efforts in order to change their sales channel to exercise better control over it by using essentially integrated shops. It is certainly a great comparative advantage. Indeed by controlling their sales channel, companies get a bigger margin. They also earn more renown than competitors whom are sold by franchises. It is sure a very attractive feature in time of crisis. We can note actually the amazing example of the brand Yves Saint Laurent that were facing difficulties facing competition but after re-managing their whole positioning and distribution strategies they successfully reorganized their functioning system by, as a most important agenda, focused their distribution essentially in stores the brand owned itself.

Apart from distribution, another major lesson luxury companies learned from previous crises is to settle and own and manage brand store in emergent countries. To not only count on these potential buyers to be on a trip to Europe to buy but bring the opportunity to consume even domestically. By practicing higher prices there, consumers will automatically be tempted to buy more while being in Europe as they will see an opportunity to buy more for less. Which is not relevant at all, it is just some kind of psychological trick. Today on average luxury groups make 30% of their turnover in emerging areas while it was only
25% in 2002. It is obvious that developing countries are being as essential tool to luxury growth in comparison to occidental markets like Germany France or the USA that are today in state of recession. The early change of their strategy of luxury groups this way contributed to help the industry becoming more resistant and less cyclic.

To resist they also had to maintain a massive investment in their advertisements in order to reinforce the brand image and continue the proliferation of store opening in emergent markets. For that they have to have at their disposal an important amount of cash.
VII - Previsions and recommendations to face post crisis trends.

A- Keep the differentiation as a main feature

In their initiative to extend their lines downwards to reach new targets, some brands might face difficulties, as they will no longer be perceived as luxury like it happened for Lacoste and many other brands. Indeed in their case more affordable lines and proliferation of counterfeit products can have very negative effects on the brand image and in extreme cases, lead the company to bankrupt. Some manage to successfully restructure their brand, their offer and of course their positioning. So in the view of avoiding this, companies should make sure to always renew itself in order to bring new trends, while being faithful to their main mission: make customers feel special.

Humans always seek to distinguish themselves through hierarchy social strata, functions. Modern era is the one of equality and globalization thus homogenization but it certainly did not erase the need for differentiation. In this way luxury is a tool to differentiation; effectively, when you consume or purchase a branded item, you directly highlight your belonging to a club, an elite. So as a finale point to this section, we suggest that brands keep what makes them luxury and never ever lose this objective while offering new product lines.
B- Shopping experience 2.0

For many years, luxury brands would not trust online shopping and would not bother investing in the technology. Until 2008 only one third of luxury brands had their website. The simple motivation behind this choice is that distribution is an essential part of their marketing. For anyone who has ever entered a brand shop like Louis Vuitton or Chanel we can absolutely and immediately feel a difference from the second we enter the shop that they are selling an experience. The experience to feel special is perceptible as soon as we enter a shop, which will multiply chances for the potential buyer to purchase. Actually customers really enjoy this experience, to be welcomed as a special person, drinking champagne while shopping, listening to the brand’s most special anecdotes: this is what luxury brands offer while visiting their shops. We thus understand companies’ fear that buying through the Internet would erase all the magic and dream atmosphere around the brand itself and the purchase. But in today fast path world and the constant changes in customers’ needs, we believe it is essential that every luxury brand create a strategic way to introduce shopping online in order to offer better service to their demanding customers, while making sure to not lose the luxury dimension of the purchase.
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ANNEXE: survey questions

Consumption habits in luxury industry during recession

1 - Do you buy products branded as luxurious?
2 - Do you consider yourself as a consumer of luxury goods?
3 - Do you consider your personality more as:
   Extravert/Introvert
4 - What kind of luxury products do you mostly buy?
   Cosmetics/Leather goods /Ready to wear/Watch/Jewelry/Spirits
5 - What is your average budget allocated to these products per year?
   Less than US$ 300 /Between US$ 300 and US$900 /Above US$ 1000
6 - What is your main motivation to purchase luxury goods?
7 - What is the most important feature of luxury products?
   Excellence and quality of the product/price/social status associated to the brand/personal delight
8 - Do you feel the dimension of luxury has changed lately?
9 - If yes in what way?
10 - Would you prefer to buy a product A to a product B only because product A is a branded one?
11 – Is social status important in your buying decision process?
12 – Do you consider the culture of the country where you currently live very brand and status oriented?
13 - Would you follow a trend even if you do not really appreciate it?
14 - If yes why?
15 - Which way of communication reaches you most?
Social network/Newsletters/Mailing/Private events/Others:

16 – Do you personally feel affected by the recent economic crisis?

17 – Did the 2008 financial crisis directly affected your way of consuming non luxury brands?

18 - Did the 2008 financial crisis directly affected your way of consuming luxury brands?

19 - If yes in what way?

20 - Are you satisfied with luxury companies’ communication campaign?

21 - To which brand do you relate more?

22 - Which age group do you belong to?

23 - What is your job?

24- Level of education