Brand Marketing of Luxury Products in the United States

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Abstract

The term ‘luxury’ means different things to different people. The word luxury according to the Oxford dictionary is "A state of great comfort or elegance, especially when involving great expense." According to Christopher Berry, luxury is “an expenditure that goes beyond what is a necessity" (Berry 1994). Luxury items are all things that are not necessary to life and efficiency and therefore include many desirable things. Moreover, luxury is not an absolute idea, we cannot say of any particular thing that it is termed luxury.

People buy luxury items mostly because they can afford these items and is also a way to show their richness to people. Luxury brands are made for rich and fashionable people, who like to prove they are rich and can pay any cost for their favorite brands. While luxury brands have often engaged in online activities, the new drive in e-commerce is turning out to be very beneficial than harmful to most companies.

Segmentation of luxury brands is a great aspect of advertising planning. Most marketers use segmentation to achieve success in their business. With this segmentation, large markets are divided into smaller units to effectively and efficiently reach their product goals satisfy their customers. There are different segments in the luxury brand which will be analyzed accordingly from, Demographics, Geographical, Psychological, Behavioral segments.

Today, Luxury brands have changed the way people dress by aligning the socio-economic system. Luxury is no longer focused on artistic integrity, but more on profit levels. Many trends have contributed towards luxury brands broadening their consumer range through globalization, consolidation, and diversification.

With the research data shown below, we will analyze how luxury brands are marketed in the U.S, analyzing luxury brand consumers in the U.S and how this impacts the market.

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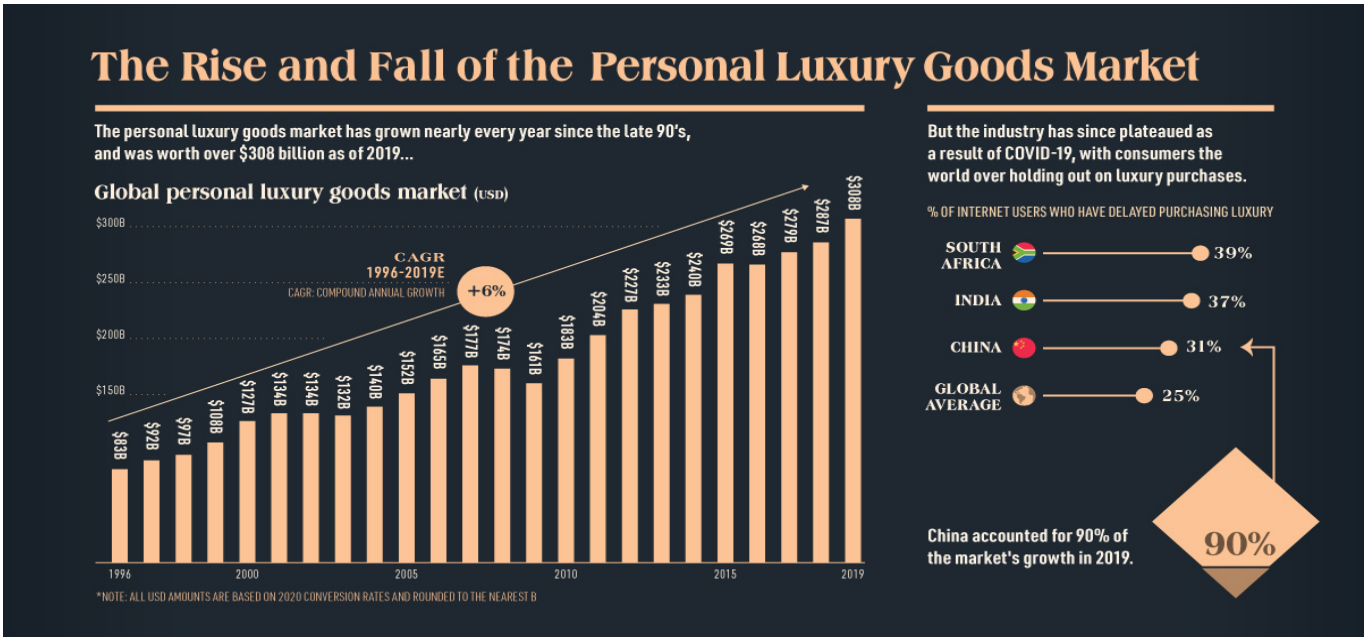
Brand Marketing of Luxury Products in the US

Introduction

Luxury brands are defined as products that are not a necessity to live or expenses but are deemed highly desirable within a society or culture. Examples of luxury products include clothing, luggage, accessories, and services. People buy luxury items regardless of their income level or socioeconomic class because they are associated with three major characteristics, including high price tag, quality, and aesthetics (Ko, Phau & Aiello, 2016). However, the demand for luxury brands increases with an increase in the population's income and wealth. In that regard, the more a person has wealth or is earning more, the more likely they are to buy and accumulate luxury products. This means that luxury brand marketing should involve a clear brand identity and signature, products are offered at a premium price and emphasize product integrity. Frank (2010) explains consumer luxury brands as, those meant "to impress others." Therefore, marketers must design brand strategies reflecting customers' ideas of purchasing an item due to an internal drive to create a favorable social image. On the other hand, Ko, Phau & Aiello (2016) argued that consumers' motivation and perception of a luxury brand do not affect their luxury brand consumption. Personal orientation, beliefs, and self-and social perceptions

affect the customer's motivation to purchase luxury brands and prestige-brand purchase value.



(Figure 1: - Performance of the Global Luxury Goods Market, 2019)

Luxury brands tend to be more expensive than essential items, and wealthy people are disproportionately consumers of luxury items because they show off wealth. The luxury brand image should reinforce the customer's belief and product desirability, as It gives buyers a sense of accomplishment, self-esteem, a rarity in a community/society, timelessness, and a pleasurable experience (Kapferer & Bastien, 2017). Individual customer's beliefs are more specific, and marketing should involve some form of market segmentation to allow each item to please everyone and align with individual customer's beliefs. The luxury brand marketers must research the market and use segmentation strategy to target specific customers using a brand image, exclusivity in perks, digital platforms to tell the story, and customer beliefs and aspirations.

The luxury goods market in the United States was worth around $99 billion in 2019. According to the compound annual growth rate (CAGR), a mathematical formula indicating the rates of returns on investments over the years, the most popular segment in luxury goods is

luxury fashion, which had a market volume of approximately $9.4 Billion in 2020. The luxury goods market is expected to continue growing in the United States between 2020 and 2025 by an average of 4.6% growth per annum (Compound Annual Growth Rate, 2020). In the global luxury brand market, the United States shares the highest revenue generating market, which was approximately $6.5 Billion in 2020. Regarding per person revenues in the total population consumption of luxury goods, each US resident generated $38.31 in 2020. The average per-person revenue in the Luxury Apparel market amounted to $58.51 in 2019 but decreased to $48.18 in 2020 due to the projections based on the impacts of the Covid-19 pandemic on the luxury goods market (Compound Annual Growth Rate, 2020).

The study used existing literature, such as past statistical reports and case studies, to review global luxury brands' emergence, their position in the US market, macro-environmental trends influencing luxury product consumption, and future projections on the luxury brand markets. In that regard, the study will consider various factors influencing US consumer's motivation to purchase luxury products and how these statistical reports and case studies are likely to change in the future. These factors include life-enrichment or self-actualization, self-gifting, self-identity, age, educational level of consumers, global luxury company's marketing and branding strategies, and gender which have changed luxury brand positions in the future. All these factors play an essential role in determining whether a consumer will purchase luxury brands. The study will involve a cross-sectional analysis of existing literature regarding motivations for luxury brand consumption. This literature was developed in the past 10 years and illustrated the unique context of luxury brand consumption in the US market. Business reports will provide important statistical data regarding the demographics of luxury product consumers, market values of products, trends in the luxury brand market, and future recommendations.

Literature and business reports will be used to understand luxury products' marketing compared to essential products, online marketing, and branding. The past studies and reports will also be used to understand the branding by multinationals in the US and the fundamental position of luxury products in the US. The study will also include graphics, such as graphs and images, to further illustrate the findings.

Marketing of Luxury Products

1. The Luxury Market

Luxury brand marketing is different from the traditional business marketing of essential goods because customers have different motives to buy luxury. Ever-pricier luxury goods and services continue to flock to the market, for instance, a $12,000 diamond bracelet, $800 haircut, $600 jeans, and $400 for a bottle of wine. In the United States, over 9,000 professional personal chefs are employed by the wealthiest consumers. They also spend high amounts on the education of their children and often visit plastic surgeons. Spending on luxury is dependent on a variety of factors, such as personal satisfaction and status signaling, as discussed later in the paper. The luxury products marketers must understand the distinctions between the individual customer's motivators to buy luxury.

The luxury brand is a complex platform, conveying messages about status, quality, taste, and lineage. This message is conveyed in visual icons, such as distinctive logos, patterns, images, and monograms. For example, while a Rolls-Royce car can be distinct by its shape and visible logo, Bottega Veneta products can be recognized due to their weaved leather patterns. A luxury brand marketing strategy must establish the highest brand value and pricing power by grasping multiple elements, including heritage, scarcity, craftsmanship, prestigious clients, and more. The

advertising must capture the emotions of potential consumers and satisfy these emotions. Luxury consumers are influenced by what they see. According to McKinsey's (2018) report, 50% of luxury consumers are influenced to buy because of what they see online (Pino et al., 2019). In that regard, many luxury brands, such as fashion, travel, and accessories, have started to incorporate both traditional advertising methods and aggressive online promotion methods as seen below with the Chanel advertising strategy.

(Figure 2: - Marketing strategies for luxury brands that deliver results, 2020) (Source: Venture harbor)

2. Segmentations

Market Segmentation is the process of dividing a heterogeneous market into relatively more homogenous segments based on certain parameters like demographic, geographic, and psychographic segments, to achieve success in their business.

2.1 Demographic Segmentation

Demographically, luxury brands are segmented using sex and age as their criteria. Luxury item brands are for categories of males and females who desire and love to impress others. Most luxury brands don't consider the economy and middle-class population, thus an inefficient utilization of their market population.

2.2 Geographical Segmentation

Most luxury brands know where to position their outlets, as these items are costly and of great quality. They tend to establish their company's in wealthy areas like California, Miami, Vegas, etc. whose consumers' behaviors are unique in terms of quality will attract luxury brands, as most consumers living in these areas are willing to pay more for quality. Some luxury brands' geographical segmentations are poorly structured as they tend to ignore developing countries and emerging markets.

2.3 Psychographic Segmentation

Luxury brands focus on psychographics segmentation by observing their consumers' lifestyles. Over the years, most luxury brands target customers whose lifestyles are mainly models, singers, film stars, etc. as their buying decision is mainly influenced by their groups. Lifestyle helps satisfy them best and is the most profitable considering, these brands are very expensive and of great quality.

The general characteristics of a luxury brand include performance superiority. Another factor in creating and marketing a luxury brand includes pedigree or creating a "ritual" or history around the product, such as customer involvement and personalization of a product, labels, and time is taken. The product must also establish scarcity and exclusivity characteristics in that it is difficult for the average person to obtain it. In pricing, luxury brands must justify the high cost with the

perceived value. Public figures, such as celebrities, can also be used to endorse the product because customers relate the personality with the product.

Luxury brand consumption in the global market conveys unique individual and sociocultural meanings (Alan et al., 2016). Adherent luxury brands can be shaped by various factors, including social, cultural, and external trends. Researchers and marketers must consider all these consumer motivational factors in creating a consumer-centric paradigm of luxury branding (Kim et al., 2011). This knowledge can help them shift from focusing on luxury brands' characteristics intrinsically and focus on cultural influences and social experiences in understanding the brand luxury context and the modern and future luxury consumer motivations and inspirations.

Analysis of Luxury Brand Consumers in the US

1. Consumers

In the past, American consumers associated the term luxury with products synonymous with quality, exclusivity, rarity, desirability, and more noticeable forms of consumption. Luxury items were considered a thing for affluent consumers. Today, the US is the world's leading luxury market with aggregate luxury goods sales amounting to $247 billion in 2017 alone (Compound Annual Growth Rate, 2020). The robust US economy and increased marketing savvy among global luxury brands have increased the popularity in both experiential and personal luxury brand categories. The top ten multinational luxury brands or companies accounted for 30.8% of the top 100 luxury goods sales, whereby each leading multiple luxury goods company has an average size of $ 7.59 billion. In 2017, the top ten luxury brands' economic concentration was 48.2% in luxury goods sales and 52.8% in total revenues (Deloitte, 2019).

Millennials form the largest consumer market for luxury brands in the United States. An increase in millennial spending, brand marketing, and digital platforms has challenged luxury brands' legacy. According to Deloitte (2019) as seen below, in 2017 alone, the generational shift involving 85% of luxury growth was driven by Gen Y, and Gen Z, unlike in the past.

The American market wants to be associated with brands that are consistent with their values like transparency, authenticity, and sustainability. This is primarily because engagement on social media ensures that brand value mirrors that of modern consumers, and it helps deepen the emotional connections and relationships, hence inspire brand loyalty.

Top 10 luxury goods companies by sales, FY2017

FY2017 Luxury goods sales ranking	Change in ranking	Name of company	Country of origin	FY2017 Luxury goods sales (US$m)	FY2017 Total revenue (US$m)	FY2017 Luxury goods sales growth*	FY2017 Net profit margin[1]**	FY2017 Return on assets**	FY2015-2017 Luxury Goods CAGR[2]*
1	⬌	LVMH Moët Hennessy-Louis Vuitton SE	France	27,995	48,057	17.2%	13.2%	8.2%	10.9%
2	⬌	The Estée Lauder Companies Inc.	US	13,683	13,683	15.7%	8.1%	8.8%	10.2%
3	⬌	Compagnie Financière Richemont SA	Switzerland	12,819	12,819	3.1%	11.1%	4.8%	-0.4%
4	⬆ +1	Kering SA	France	12,168	17,446	27.5%	12.1%	7.3%	17.2%
5	⬇ -1	Luxottica Group SpA	Italy	10,322	10,322	0.8%	11.4%	10.4%	1.8%
6	New	Chanel Limited	UK	9,623	9,623	11.5%	18.6%	19.6%	ne
7	⬇ -1	L'Oréal Luxe	France	9,549 e	9,549 e	10.6%	n/a	n/a	8.2%
8	⬇ -1	The Swatch Group Ltd.	Switzerland	7,819	8,082	5.4%	9.5%	5.6%	-2.9%
9	⬆ +1	Chow Tai Fook Jewellery Group Limited 周大福珠宝集团有限公司	Hong Kong	7,575	7,575	15.4%	7.1%	7.3%	2.2%
10	⬇ -1	PVH Corp.	US	7,355	8,915	10.7%	6.0%	4.5%	8.1%
Top 10				**118,909**	**146,071**	**14.2%**	**11.6%**	**7.8%**	**7.5%**
Top 100				**246,664**	**276,754**	**10.8%**	**9.8%**	**7.6%**	**5.3%**
Economic concentration of Top 10				**48.2%**	**52.8%**				

(Figure 3; Top 10 luxury brands in the US and their economic concentration, 2017) (Source: Deloitte, 2019)

2. Trends

There are many trends such as fashion, entertainment, etc. which have contributed towards luxury brands to broaden their consumer range. As a result, luxury has become easily attainable due to corporate strategies based on targeting the middle market and expanding worldwide. Millennials are increasingly inclined to spend on products that offer memorable, social media sharable experiences over material goods, hence the growth in digital marketing and selling practices. This has led to significant growth in the experiential luxury market compared to personalized luxury. In that regard, changing consumer lifestyles and priorities results in a continuation of social and societal trends affecting consumer purchasing behavior (Kapferer & Bastien, 2017). Millennial consumers, in particular, demand their needs and preferences be placed on luxury brands' business practices. For example, in luxury clothing and apparel, US consumers are increasingly inclining on purchasing more casual and comfortable outfits like sweatshirts and leggings, at the expense of more formal apparel products like suits.

According to Ko, Phau & Aiello (2016), 77 million boomers are currently spending in the market compared to 99 million millennials. Consequently, while millennials, Gen X, and Gen Z are the ones to culminate, boomers cannot be forgotten or ignored. Current health trends emphasizing wellness, healthy living, and physical fitness mean that boomers have increased life expectations and should not be overlooked by brands. Focus on the millennial could alienate a loyal boomer customer base and affect the brand marketing, market share, and organizational outcome.

Expectations, Preferences, and Motivation of Luxury Brand Consumers in the US

1. Motivation

Luxury brand consumption in the US is motivated by a range of factors. For instance, the functional value dimension involves the consumers' usability value and quality value. This includes the ability of the product to provide the core value and fulfilling the users' needs. Luxury products are associated with superiority in quality and usability (Frank, 2010). This enhances the customers' motivation or preference to buy a particular product. In that regard, all luxury products must demonstrate their quality value and usability value according to the customer's perception to avoid disappointments.

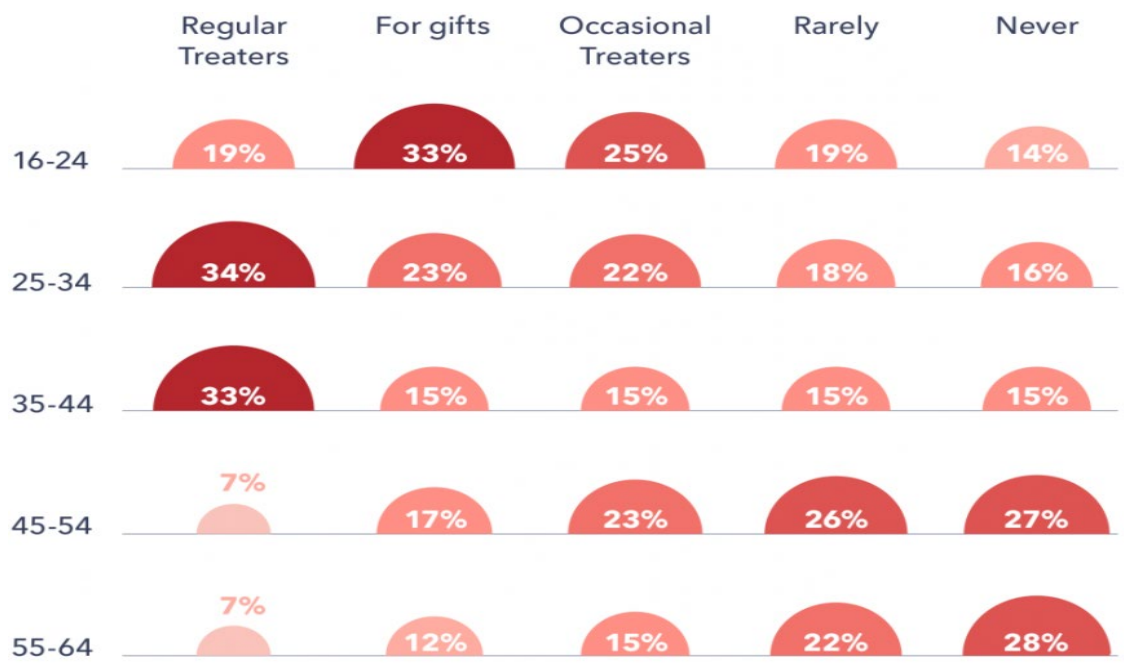
Luxury brand consumers are motivated by their self-directed pleasure to purchase luxury products. This may have no or little intention to please peers or social groups, and consumers buy luxury brands to experience self-contentment (Diddi & Manchiraju, 2018). This is classified in the individual value dimension, and it includes characteristics like self-identity, value, life enrichment, extravagance value, self-giving value, and materialistic value (Kapferer & Bastien, 2017). Consumers are motivated to purchase luxury brands for self-identity value and gift to themselves as a form of celebrating handwork or a special occasion. Individual values can also motivate one to purchase a luxury brand to arouse pleasure in their minds, such as deriving a deeper meaning to one’s life or work and self-actualization.

2. Preferences

In Kim et al. (2011) study, the education level attained was significantly related to self-identity. People with a four-year college degree have a higher degree of self-identity value than those without a college education. A consumer's age was identified to have a great significance between self-gifting and life enrichment luxury value. Younger people (between 18 and 30 years

old) are identified to have a higher level of life enrichment and self-gifting than middle-aged and older people. There were no significant effects identified on gender as a luxury brand motivational factor, although interactions between education and gender on the self-identity value (Kim & Lee, 2015). Male respondents with a college degree had a higher perception of self-identity compared to their female counterparts.

The social dimension involves noticeability and prestige values. This means that a product must go beyond the functionality value and provide subjective, intangible benefits to a customer, such as their perception of participation, cooperation, and competition in the social environment. Consequently, luxury brands must reflect the consumer's social status and be a symbol of their self-identity and a source of social prestige. According to Verdugo & Ponce (2020), customer's prestige value and conspicuousness are the main drivers of social value in luxury products and fashion. They can improve a person's symbol of status, self-image, and promote their sense of gaining respect from others.



(Figure 4: - Percentage age of luxury products, 2019) (Source: Global Web Index, 2019)

3. Expectations

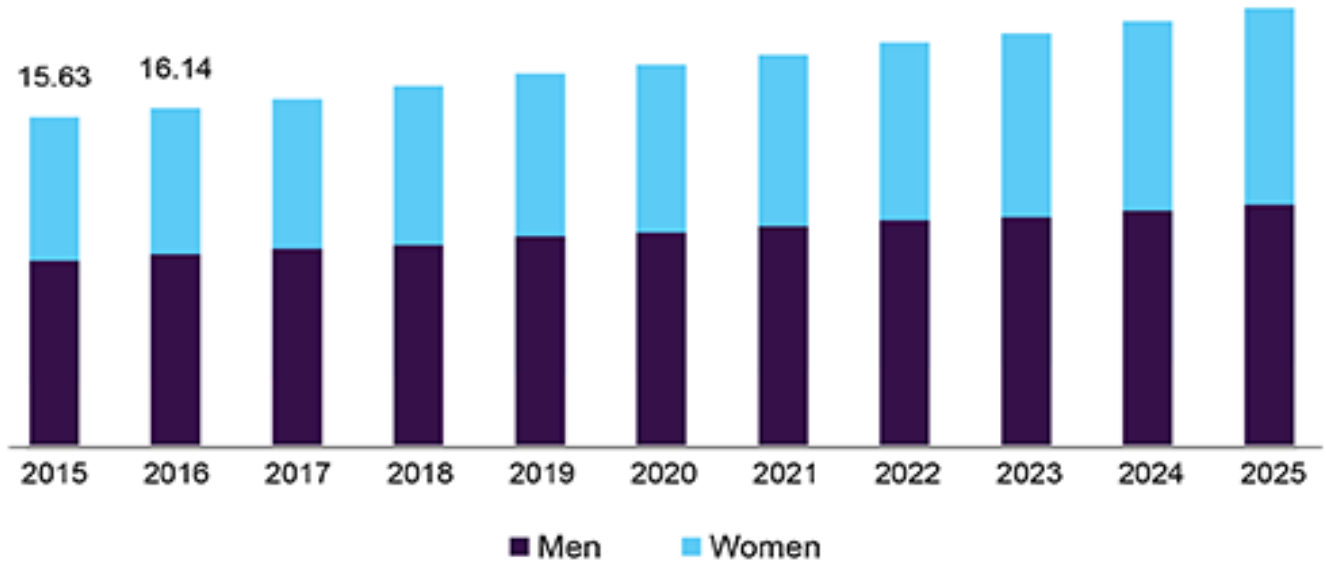
The financial or price value dimension involves the cost of the product or services concerning the perception of functionality, including quality and usability (Kim et al., 2011). Luxury brands are related to high prices, quality, and status and can symbolize social status and wealth. However, luxury customers are also motivated by the fact that the product's high price value is reflected in the products' functionality, social, and individual values. Acquiring something expensive and of high value may play an important role in one's life, such as indicating their value for high valued brands. Ko, Phau & Aiello (2016) argued that customer's self-perceived of a luxury product with an existing or intended personal self-image are important considerations in luxury brand segmentation. This means that a consumer's self-concept may affect their consumption of a luxury product. The US luxury brand consumers can use the product to integrate the product's symbolic meaning to own self-identify or to support, develop, and self-complete these identities

(Figure 5: Spending by category of luxury goods in 2019) (Source: GlobalWebIndex, 2019)

The Impact of Technology on Luxury Brand Business Strategy and Marketing

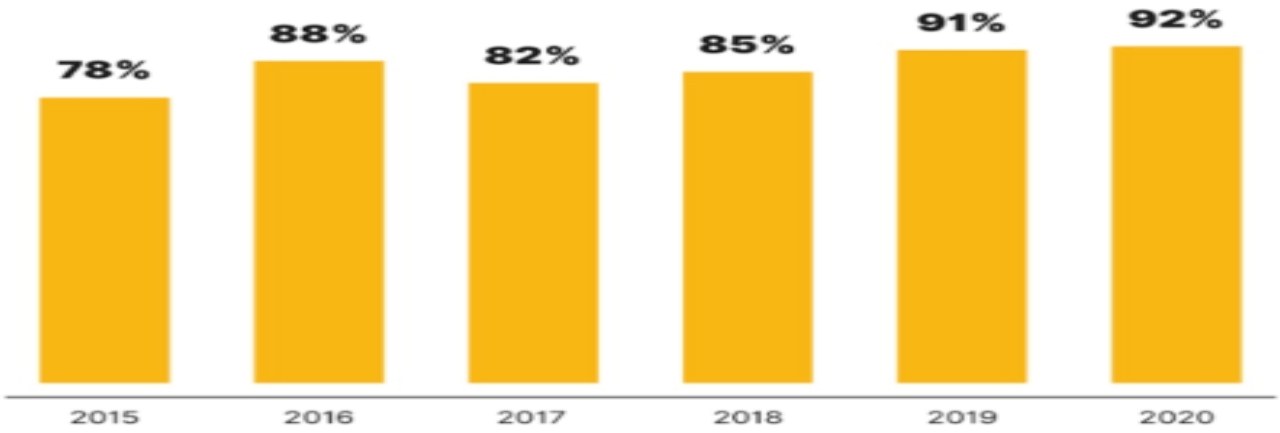
According to McKinsey's (2014) report, at least 45% of luxury sales are currently influenced by digital marketing. Social media accounts for 62% of the millennial purchasing population and brand loyalty (Verdugo & Ponce, 2020). These tools also form platforms where most millennials discover and learn about existing and new luxury brands in the market. Social media platforms, such as Instagram, continue to be effective marketing methods and influencing buyer's behaviors. In that regard, craftsmanship should be incorporated in technology to increase digital marketing and ensure a larger market share. The continued use of social media in luxury brand marketing, which involves posting videos and photos, can reach a larger target market (Kim et al., 2011). For instance, in 2017, the loop.co used YouTube and Facebook to promote products by emphasizing their aspirational characteristics rather than promoting their availability, and their Chanel generated more than 300 million views (Diddi & Manchiraju, 2018).

According to the graph below, Male millennials (between 25 and 44 years) are the biggest spenders, making a 67% share of the market segment, while Gen Z (16-24) form a third of this market demographic. The male millennial segment spends more on luxury products (62%) than female and older groups. Older age groups and female demographics are occasional consumers of luxury consumers. According to (Sharma et al. (2020), 3 in 10 millennials have spent on luxury items for traveling, such as handbags, jewelry, and automotive in the past 12 months. The study indicated that the new definition and brand luxury experiences were placed on status and uniqueness by consumers' new demographic.



(Figure 6: US luxury goods market size between 2015 and 2025, in USD Billion) (Source: Grandview Research, 2019)

Personalization strategies of luxury brands can incorporate social media to ensure customers' communication, enabling them to request personalized products. In November 2018, a French-based luxury brand, Kering, announced its intention to use digital platforms to address customers' requests. In the same year, Louis Vuitton launched its first personalized program in menswear known as "Now Yours." Other brands that have established social media and digital tools to ensure the personalization of luxury products include Gucci through its "Do It Yourself" service, Hugo Boss, and Burberry brands (Verdugo & Ponce, 2020). This shows the impact of digital tools, such as social media, in promoting customer's individuality and providing a unique brand-specific shopping experience. Customization of products to meet customers' unique preferences through the personalization of luxury brands increases the customer's motivation to spend on the products. This trend is likely to continue in the US and global luxury brand market and business strategies as seen below.

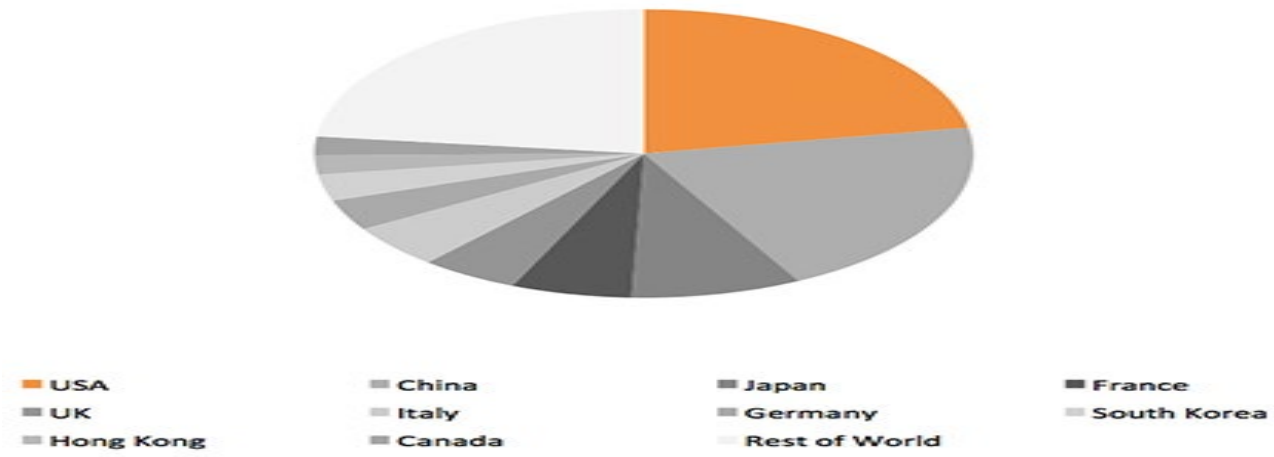


(Figure 7: the effectiveness of Video marketing strategy, 2015-2020) (Source: Smart marketing insights, 2020)

Luxury brands are teaming up with data analytics to understand their customers better, increase marketing, and expand their market share. Louis Vuitton launched a digital assistant chatbox on Facebook in 2017, allowing users to share social media products and receive votes. Kering company established a data science team, mandated at evaluating the customer's data and improve customer's services and shopping experiences. Ted Makers established an AI-based chatbot for Facebook called 'Seemore,' which allows Facebook customers to access virtual assistance (Diddi & Manchiraju, 2018). With the continued growth in digital selling and buying, data analytics methods will promote the marketing and ensure the delivery of rich, personalized experiences that target and meet the specific customer needs (Kapferer & Bastien, 2017). Nonetheless, although social media influences marketing, selling, and buying are undeniable, half of the millennials still prefer physical stores, and only four in ten buy online (Verdugo & Ponce, 2020). In Sharma et al.'s (2020) study, 45% of luxury customers demanded more personalized products and services while 65% preferred to see and touch luxury products before they can buy, hence the relevance of physical stores. Boomers also form a significant market segment of the luxury market.

Branding By Multinationals in the US, and the Fundamental Position of Luxury Products in the US

The multiple luxury goods companies are predominantly European multinationals. The top three of these companies are French LVMH, and Kering, and UK's Chanel, which had a cumulative market share of more than 65 % in 2017 (Deloitte, 2019). The leading LVMH Louis Vuitton Moët Hennessy, a French multinational luxury conglomerate, engages in all five sectors of the luxury market and reported sales amounting to around $55 billion in 2018 (Sharma et al., 2020). Clothing and footwear luxury brands form the highest concentration of companies globally, with companies like Ralph Lauren, PVH Corp., Giorgio Armani, and Hugo Boss, being the largest sellers in terms of returns and revenue. Italian and European conglomerates dominate this sector, but US brands like Ralph Lauren, PVH Corp., are also making visible and making a stride. According to Deloitte (2019), the top 4 clothing and footwear luxury brands accounted for 45 percent of the market share in 2017. Their increased sales and market share can be attributed to the growth in e-commerce, expansion strategies in various countries and regions, such as Europe, Asia, North America, and others, as seen below.



(Figure 8: Luxury goods Sales by Top 10 leading markets in 2016) (Source: Luxury society, 2019)

The average size of the luxury bags and accessories market was worth $1.73 billion in 2016, with the top ten companies in this segment contributing 68.5% of the total sales. This sector is also dominated by European companies, whereby in 2017 rankings, seven out of nine leading luxury bags and accessories companies were European, and two were from the US. In the luxury cosmetics and fragrances segment, the average size of the top 100 companies was US$3.68 billion in 2017 (Deloitte, 2019). The leading ten companies accounted for over 57% of the total sales. European and Chinese companies dominate the jewelry and watches segment.

Luxury conglomerates like French multinational LVMH Moët Hennessy Louis Vuitton Inc. continue to enjoy their leading market position due to brand positioning and marketing prowess. The French conglomerate targets various market segments for each of their luxury brand. For example, Louis Vuitton's fashion target affluent young fashionable female adults aged (18 to 34) and wealthy middle-aged women (35 to 54 years) in marketing strategy and segmentation (Kapferer & Bastien, 2017). The multinational has also established distribution strategies, such as its global outlets and chain store/supermarket partners. This enables the company to control quality, pricing, and counter counterfeit products.

Luxury conglomerates dominate the United States market and company rankings. The US luxury market holds a vast number of distinct luxury brands. In the luxury market, French multinational and luxury goods conglomerate LVMH Moët Hennessy Louis Vuitton Inc. remains the leader across personal luxury and iconic brands such as fashion group, watches and jewelry, perfumes and cosmetics, and wines and spirits, and other activities (Deloitte, 2019). The US luxury market is also characterized by continued growth in e-commerce, although stores remain competitive, especially among customers who want to touch and see experiences.

The competitive environment is increasingly becoming consolidated as larger companies with multi-brand luxury groups continue to acquire smaller competitors through mergers and acquisitions. Over the past years, mergers and acquisitions of multinational luxury brands have reduced the number of companies. For instance, the British-Portuguese online retailer, Farfetch, which has over 700 boutiques and brands globally, acquired 100% of New Guards Group's shares in 2019 and created a total enterprise value of $675 million. In Deloitte's (2019) report, in 2017, significant mergers and acquisitions involving large luxury brands include LVMH acquiring the Christian Dior brand after it bought 100% of shares in a $6 billion deal. Michael Kors (now Capri Holdings) acquired Jimmy Choo in a US$1.2 billion deal in 2017 and completed its US$2.12 billion acquisition of Gianni Versace in 2018. Such mergers and acquisitions are increasingly reducing the number of luxury brands and players in the market, leading to a concentration of luxury business among a few large enterprises.

In the United States, the development of designs in luxury products is governed by federal statutes governing trademarks, copyrights, and patents. These laws and governance protect the brand's confidential information, intellectual property rights, and trade secrets. Statutory and common law is often applied to ensure luxury brands and their business practices

comply with the federal and state laws governing the materials used in the manufacturing, distribution, and sales methods. Such laws also ensure that business organizations develop and implement corporate social responsibilities in their practices, such as ensuring workers are well paid, no child labor or slave labor is applied in the process, environmental protection, and all applicable international and national laws are observed (Liu, Shin & Burns, 2019). Among multinationals in the US, the distribution and sales of goods are governed by the specific terms of contractual agreements, and imports into the US must be filled with file entry with customs and border protection (CBP) at every port of entry. CBP document includes the content of the products (e.g., the fiber content in clothing), country of origin, name of the importer, and foreign manufacturer (Kapferer & Bastien, 2017). The government provisions and restrictions are meant to ensure quality, safety, and security standards are adhered to. They also ensure necessary taxations are applied.

The US luxury consumer and retail industry are driven by factors like online shopping, disposable income, the definition of luxury, and demand for luxury products. In the global luxury market, the middle class's growth means that more consumers are earning more and spending on luxury. According to Deloitte (2019), by 2020, more than 50 percent of consumers in India, China, Latin America, Russia, the United Arab Emirates, and other emerging markets will be considered middle class. This new demographic of consumers is mainly made up of approximately 34 million millennial HENRYs and 72 million Gen Z’s in the U.S, who have a relatively high disposable income and are brand aspirants (Bridges, 2020). China and India, in particular, form attractive markets for luxury brands. However, companies venturing in such countries and regions must develop an in-depth understanding and knowledge of the markets.

Although US fiscal policies, increased spending among consumers, and tax cuts can fuel demand and accelerate growth in luxury brands, fiscal policies can also lead to bottlenecks and wage acceleration, especially due to full-time employment (Kim & Lee, 2015). The US engagement in trade wars, a reversal of fiscal policy, and tight monetary policies are likely to cause economic slowdown, affecting the luxury brand market. The introduction of tariffs due to trade wars and government policies means that goods reaching consumers are more expensive, affecting their spending. The increasing luxury spending per household can also rise faster than the income and sink families and individuals into more debts. Slow acceleration in wages decreased luxury consumer spending in the 2017 fiscal year (Kapferer & Bastien, 2017). The US luxury market is also disrupted by various other factors, including discounters, the 'Made in America' brand, and failing malls. Tariffs and a strong dollar position in the global currency value and markets can negatively affect the purchasing capabilities of foreign personnel's luxury products.

Most multinationals and conglomerates engaging in the luxury goods market are headquartered in Europe, followed by the United States. On the other hand, the largest luxury markets are in Asia. Although the company’s headquarters are assigned to the country of origin, it may not coincide with the majority of luxury products’ sales. In the United States, the majority of luxury goods are imported from overseas, mainly European countries. The country experienced a 9.7% luxury market in 2017 due to acquisitions, increased online initiatives, and retail stores sectors. The 5 leading US companies, namely Ralph Lauren, PVH, Estée Lauder, Tiffany & Co., and Tapestry Inc., contributed 77.6 percent of the total luxury sales among the top 100 US companies (Deloitte, 2019).

According to Deloitte (2019) report, the top 100 luxury brand companies in nine countries, namely, China/Hong Kong, France, Germany, Italy, Japan, Spain, Switzerland, United States, and the United Kingdom, attributed to the 93% of the total luxury goods sales. China/Hong Kong market experienced a 13.8 % increase in luxury goods sales due to economic growth, tourism, and increased purchasing power among millennials. Italy is home to about 40% of the global luxury goods, and "made in Italy" brands are associated with quality, elegance, craftsmanship, and elegance. France is also home to some of the world's largest luxury products companies, holding four of the leading 11 companies. The country achieved an 18.7% increase in luxury goods sales in 2017 due to increased tourism, digital marketing growth, and more substantial consumption. Germany experienced a 4.3% growth in the market, Spain had a 9.8% growth, and Japan achieved 14.1% growth in the luxury goods market (Deloitte, 2019).

The Future

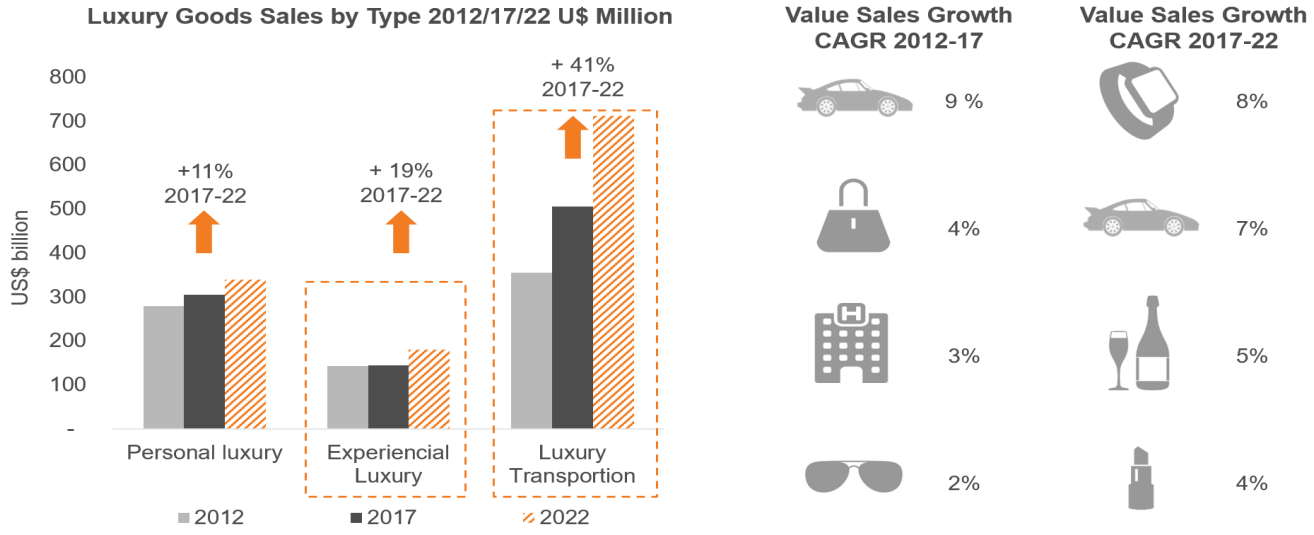
The US consumer's definition of what is a luxury is changing. Millennials between the ages of 23 and 36 are currently in their careers and peak of spending before starting a family. Gen Z (between 16 and 22 years) is also entering the workforce and appearing on the luxury market's radar. These generations grew up in the digital era and are redefining the brand-consumer relationships by reimagining the value of goods and services amid new consumerism forms. These trends have a unique impact on the luxury market and brands, which have traditionally relied on a sense of pretense and exuberance (Frank, 2010). The changing luxury consumer needs and expectations are often at odds with the conventional understanding of the luxury market, for instance, the definition of luxury goods, and effective marketing strategies.

Social media sharing culture shows that millennials and gen Z prefer products incorporating personal brands and include elaborate videos or photos showcasing lifestyles

regarding luxury travel, food, and services brands (Bridges, 2020). Buying luxury gifts for special occasions indicates a more selective mindset in the categories consumers were willing to spend on. Market researchers consider e-commerce growth the fastest growing in sales channels across luxury brand categories (Verdugo & Ponce, 2020). The growth in digital marketing and selling practices can be attributed to the improved logistic capabilities, such as fast shipping of foreign luxury products, increasing the number of consumers willing and able to buy luxury products online, such as fashion and jewelry. Many brands are noticing this trend and investing in online marketing and sales tools. For instance, multi-brand e-commerce players like Farfetch launched digital sites to enable customers to access their products and engage with the company. Also, in October 2019, LVMH's Givenchy launched mono-brand e-commerce sites available throughout the year.

With the resale market for fashion being extremely hot, consumers feel they cannot afford to buy original luxury brands because they are too expensive and are not affected by the low quality and poor materials, as they see counterfeits as an inferior choice. In other words, most consumers would rather buy these counterfeits because of budget restrictions despite the quality or rent these quality items through apps and websites for example "Rent the Runway" capitalizes on the designer rental trend and offers a couple of options for those wanting to borrow their way to a stylish wardrobe. In addition, the provision of a safe and reliable platform to buy and sell authenticated luxury goods at a cheaper and affordable price helps give a new life to luxury brands, supporting their circular economy, A good example is the RealReal luxury consignment store that differentiates itself by saying everything is 100% real, as they have the most rigorous authentication process in the marketplace, as they authenticate every single item before selling.

In Liu, Shin & Burns's (2019) study, millennials are seen to spend more on luxury items like cosmetics, handbags, and clothing as seen on the diagram below, and everyday items like household products or automotive parts and products are barely purchased. Luxury consumers in these demographics shared their above-average experiences and engagement with a lifestyle-focused social media platform, such as Instagram (Liu, Shin & Burns, 2019). The luxury market and purchasing practices were also moving from the traditional sense of glamour, overt, high-touch, and out of reach, towards a focus on affordability among regular luxury travel consumers. Many millennials' go-to-strategy shows a regular and occasional inclination towards online price comparison on luxury products (Kapferer & Bastien, 2017). Therefore, in-store shopping and the characteristics of being a "high-touch" are not in the core of luxury spending like they used to be in the past. Also, millennials prefer luxury branding to be more visible and have a strong sense of ostentatiousness.

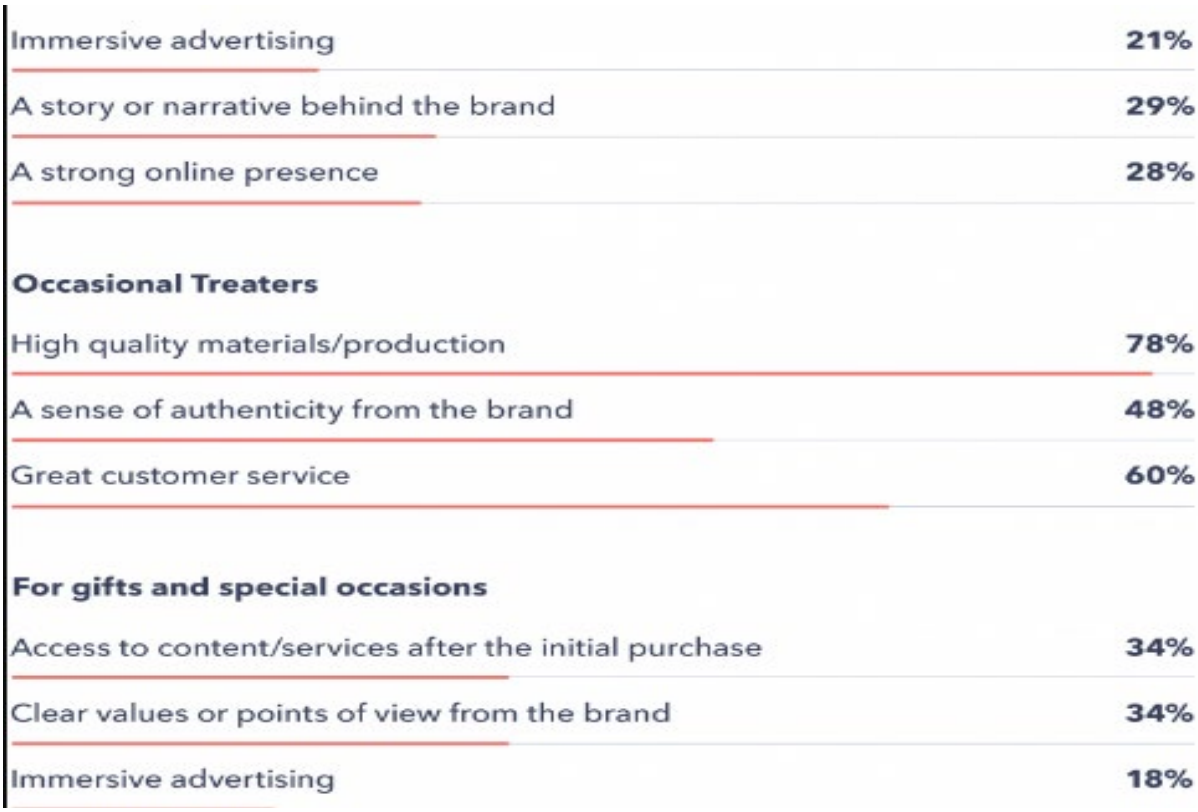


(Figure 9: Trends in personal luxury versus experience and lifestyle luxury, 2017) (Source: Euromonitor International, 2019)

With the changing definition of luxury goods and services come new expectations of luxury brands. Despite the latest ideas in the definition of luxury, the core expectations remain in

the very traditional set of values. For instance, millennials are inclined to spend on a limited set of categories of luxury brands. They expect their money to go a long way in terms of high-quality products, a sense of authenticity, invocation of brand values that customers can relate to, and excellent customer service (Diddi & Manchiraju, 2018). Even older people desire high-quality products as it aligns with their standards.

The changing consumer needs, preferences, and expectations in luxury brands mean that advertising should include key touchpoints through stories and narratives. For instance, stakeholders consist of some social responsibility credentials which state that materials are locally sourced and have clear information on supply chains. New consumer attitudes towards luxury spending also mean that luxury brands should develop new strategies and challenge their core principles regarding their luxury products' exclusivity by adapting core principles of luxury and adding something unique and exclusive to further improve their products. For instance, Atwal & Williams (2017) identified that a third of millennials preferred personalized luxury products in the food and travel categories. Personalization as a luxury consumer motivator to buying increases the personal value by maximizing exclusivity on an individual level rather than just at a financial/expense level, as seen below.



(Figure 10: Expectations of Luxury Brands, 2019) (Source: Google Image, 2020)

With consumer's increasing redefining markets, demanding more personalized customer experiences, and greater access to products through online platforms like mobile shopping, and access to companies through social media, digital consumption of luxury products is likely to continue growing. Relative newcomers' luxury brands, such as Italian fashion brand M. Gemi and US-based Ever lane fashion brands are significant disruptions in the US luxury fashion market. Even major market players, such as Giorgio Armani and others, continue to innovate and develop new product design and marketing strategies, further disrupting the markets (Liu, Shin & Burns, 2019). Modern retailing methods, such as online-retailing by companies like Amazon, are adopting technologies that use artificial intelligence and social media platforms to sell luxury brands on vast online platforms, collect valuable consumer data, spur market growth, and gain a large luxury market share.

Forecast outlooks vary depending on the luxury product and market categories in the US luxury market but remain strong despite slowdowns. In 2019, luxury goods enjoyed a strong performance in all categories. The Covid-19 pandemic and other factors provide enough evidence to suggest that the future outlook is more varied as several social, economic, societal, and political factors are expected to influence the market in the coming years. Although the US has enjoyed robust economic growth in the past few years, eventual slowdown and recession may be increasingly inevitable.

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