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# Analysing the Differences Between Luxury and Premium in Marketing – Case Study: BMW and Rolls-Royce

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<p>The purpose of this thesis was to study the difference between luxury and premium, how they are defined, and which strategies are applied to their respective segments. To demonstrate this difference, various definitions of luxury and related strategies were studied, as well as the variables affecting these definitions such as cultural differences.</p> <p>The chosen research method for this thesis was the analysis of secondary data due to the number of studies that were available. The secondary data for this thesis was conducted from sources such as industry related articles, journals, research papers, literature and related websites.</p> <p>The findings of this thesis suggest that differentiating between luxury and premium brands or products can be very hard and very often can be interpreted differently, depending on the assessor. There are multiple definitions and strategies available to determine what is luxury and what is premium, but almost all definitions when cross-referenced with existing brands give inconsistent answers and often brands have a plethora of attributes that are luxury, but also many attributes that are premium, or vice versa.</p>	
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## 1 Introduction

Marketing strategies of products or services differ within the categories of these products which is why different segments exist for the products and services that exist under the same category. For example, the category of fashion accessories includes consumer, premium and luxury segments. Even though fashion accessories exist under the same category, the segments are so different from each other that different marketing strategies are applied in all segments and therefore it is important to distinguish the segment to which a brand belongs.

The objective of this thesis is to demonstrate the difference between luxury and premium, the definitions of these and their respective strategies applied. This thesis will use BMW and Rolls-Royce as examples of premium and luxury segments and demonstrate the hypothesis that Rolls-Royce is luxury and BMW is premium. These examples are of particular interest because Rolls-Royce has been under the ownership of BMW's parent company since 1998. This thesis will analyse how these brands position in the luxury strategy triangle with luxury fashion and premium strategies, whether they have all the attributes of the luxury definition, how their respective clienteles differ from each other, and if the "anti-laws" of luxury strategy apply to these brands as well as the variables affecting these, such as cultural differences.

## 2 A General Introduction to the Luxury Sector

The luxury industry—more accurately, industries—has been one of the fastest growing sectors since the 1970s and consists of nine segments: personal luxury goods, luxury cars, luxury hospitality, fine wines and spirits, gourmet food and fine dining, high-end furniture and housewares, fine art, private jets and yachts, and luxury cruises (Donzé, Pouillard and Roberts, 2022). "According to the consulting firm Bain & Company, global sales in the luxury industry grew rapidly from 77 billion euros in 1995 to 173 billion euros in 2010, and, by 2019 sales were estimated to have reached nearly 1.3 trillion euros" (Donzé, Pouillard and Roberts, 2022). In 2022, the global personal luxury goods market, which consists of goods such as fashion, jewellery, watches and cosmetics, reached 288 billion euros in value (Bain & Company, 2022).

In the past luxury has been perceived as something only accessible to a small group of people but with emerging market countries such as Russia, India, Brazil and China's growing upper middle class and their seemingly conspicuous and even superfluous consumption, the growth of the luxury sector has been boosted (Kapferer, 2016). Just with the Chinese middle class alone representing over 400 million people and growing (Cyrill, 2019) and China bypassing France, reaching fourth place in the top luxury markets globally, we are offered a glimpse of the sector's massive growth, especially in Asia. Chinese consumers at home and traveling abroad, as approximately 22 million Chinese do each year, represent 29 per cent of the global personal luxury goods market (Bain & Co., 2014).

“Bernstein Research (2014) has shown that the best predictor of luxury market growth in any country is gross domestic product growth, and this sort of economic growth is most remarkable in emerging market countries (BRICs, Korea, Nigeria, South Africa). In 20 years, none of the countries that currently constitute the European Economic Community are likely to remain part of the G8. Emerging countries are the future of the luxury market, because their middle classes want to take a seat at the world's consumption banquet and buy the same symbols of wealth that they see in Hollywood movies or on Western celebrities” (Kapferer, 2016a: 474).

In countries with mature economies luxury growth has been made possible with the accessorization of luxury, a process describing inaccessible brands becoming accessible by releasing goods such as sunglasses or fragrances on to the market (Kapferer, 2016a: 474). These products are accessible to millions and considered luxury despite their price and abundance.

In Western mature economies, due to their history with luxury brands, the word 'luxury' typically raises the image of an inaccessible lifestyle of high-net-worth individuals. Surveys among Western consumers reveal that the word luxury is associated with dreams unreachable to the 'normal' person. In today's reality the luxury industry consists of brands that make products and services much more accessible to average consumers (Kapferer, 2016b). The biggest luxury brands in the world today are not family businesses anymore, but owned by luxury conglomerates such as LVMH and Kering aiming to make the most profit and perhaps calling into question some of the traditional principles of luxury such as scarcity and uniqueness:

“Because ‘luxury’ is a word that prompts sales, it is becoming one of the most overused words in business and marketing. But are all the companies and brands that call themselves ‘luxury,’ or that are perceived as such by the general public, actually implementing a luxury strategy? Some of them actually seem to be adopting a masstige approach (mass marketing, embellished with imitations of luxury codes), a fashion strategy, or even a premium strategy” (Kapferer, 2016a: 474-475).

## 2.1 Challenges in the Luxury Industry

Luxury as a sector faces numerous challenges in the modern era with the ever-changing world whether it be digitalization or changing consumer behaviour.

One of the biggest challenges facing the luxury sector is changing consumer behaviour. Consumers today are more conscious of sustainability and ethical production values, and this has led to a shift in purchasing habits. This means that luxury brands must adapt to meet the changing demands of consumers and stay relevant in an increasingly conscious market (Kapferer, 2014). Sustainability will act as an increasingly important factor in future generations' decision making when purchasing from luxury brands. This can be a challenge for the luxury industry because luxury is widely perceived as something that is superfluous and not necessary—therefore a waste of resources.

Increased competition is another major challenge facing the luxury industry. The market is becoming more crowded, with new players entering and existing brands expanding their offerings. This means that luxury brands must be proactive in differentiating themselves from the competition and maintaining their unique positioning in the market (Kapferer, 2014).

Another challenge facing luxury brands is the need to preserve their heritage and authenticity while adapting to changes in the market. Brands must find a way to maintain the values and heritage that make them unique, while still being able to adapt to the changing market. This can be a difficult balance to hold for traditional luxury brands

because of the changing consumer behaviour and increased demand for online presence, but to survive, luxury brands must find a balance between digitalization of the industry and preserving the exclusivity of their traditional stores (Kapferer, 2014).

Luxury brands must also tackle the issue of counterfeiting and imitations, which can tarnish their reputation and devalue their products. “A side effect of the widespread appeal of luxury is the growth of the market of counterfeits, both deceptive (buyer is not aware) and non-deceptive (sold at a low price, the buyer knows it is not the original but a nice-looking copy)” (Kapferer, 2014). According to Kapferer (2016a) in addition to counterfeiting being illegal it also strips luxury brands of their ability to select the right clients. By attracting clients who are not the typical clientele of the brand it diminishes the brand’s social appeal. It can also be argued that not all counterfeiting is bad for luxury brands. When the price of the counterfeit is low enough to indicate its fakeness it does not affect the consumer-based equity of the brand but can help build brand awareness and thus make it more desirable for a consumer. In developing countries, counterfeits help educate people about luxury brands and increase their desire for the genuine product (Kapferer, 2016a). Luxury has meant social stratification since the beginning of time and having other consumers recognize the brand may even increase the appeal of the counterfeited brand or product for it becomes a status symbol known by many.

The luxury industry is facing numerous challenges, but also presents many opportunities for brands that are able to navigate these challenges effectively. Brands that are able to balance heritage and authenticity with innovation and adaptation will be the ones that thrive in the future of luxury.

### 3 Definition of Luxury

Luxury has a plethora of interpretations by different authors and researchers but no unanimous consensus of the definition. Kapferer (2009) notes that luxury as a concept is debatable and subjective. “The concept of luxury lies in the scope of interest in such sciences as among others: economy, sociology, psychology, management, and marketing” (Dryl, 2018).

The line can be blurred on what brands are considered luxury and what brands are considered premium or ultra-premium, because there is no consensus on the definition of a luxury brand. Premium brands typically try to engage a bigger audience than luxury brands. Performance, functionality, comparability, high quality and pricing the product higher based on its qualities are important factors for premium brands, unlike luxury where premium qualities are not defining factors. High quality though seems to be a defining factor for both premium and luxury brands. Some premium brands can be equated as the accessible level of luxury and have some of the same criteria that luxury has such as high quality and high price point.

In addition, brands that are perhaps a luxury brand in some product categories and not in other categories (Dubois and Laurent 1996). Rolls-Royce is a luxury car brand but not a luxury aircraft engine brand. BMW’s higher model series are considered luxury, but the lower model series are considered premium. There is also a difference between luxury brands deemed upper range luxury and lower-range luxury: “A brand may be defined as a luxury brand, but all brands considered luxury may not be deemed equal, and one brand having a higher perceived luxury in one product category may have a lower luxury perception in another product category” (Vigneron and Johnson, 2004: 486). The following sections discuss the definitions of luxury in more detail.

#### 3.1 Dubois, Lauren and Czellar (2001)

The definition of luxury by Dubois, Laurent and Czellar (2001) has six different attributes which together comprise one definition of luxury. These attributes are excellent quality, very high price, scarcity and uniqueness, aesthetics and polysensuality, heritage and

personal history, and superfluousness. Dryl (2018) notes that the definition of luxury created by Dubois, Laurent and Czellar (2001) strongly considers the marketing perspective. The definition is presented in Figure 1.

The definition by Dubois, Laurent and Czellar also raises concerns with regard to the scarcity dimension. Only a few contemporary luxury brands (e.g. Romanée Conti wines, Krug champagne, Ferrari, Rolls-Royce) deliberately limit their outputs' production runs. In fact, the growth of the luxury sector has been possible only by eliminating scarcity:

“Thus, the luxury industry has moved from scarcity to rarity, produced by feelings of exclusivity and uniqueness, which also has been called ‘abundant rarity’” (see also Kapferer, 2012, 2015). If physical rarity were mandatory for luxury, today’s booming luxury sector could not be considered luxury anymore” (Kapferer, 2016: 479).

Regarding the superfluousness dimension, luxury consumers might consider their purchases necessary, not superfluous and that belief does not mean their purchase is not luxury. Dubois et al. (2001) equate superfluousness with uselessness and non-functionality and these attributes tend to apply more to art than to luxury (Kapferer, 2016: 478).

Excellent quality	The first notion is that of perceived excellent quality. The mental association between luxury and quality is so strong that for some respondents, the two words are almost synonymous
Very high price	The second notion spontaneously associated with luxury, and almost as salient as the previous one is that of high price. Such a perception is established either on the basis of the absolute value of the price, or more frequently, by comparison with non-luxury alternatives
Scarcity and uniqueness	The third concept associated with luxury is that of scarcity. Scarcity is closely associated with the perceived excellent quality and high price associated with luxury goods
Aesthetics and polysensuality	The fourth aspect of luxury involves a strong aesthetic appeal. And, according to many consumers, it should be the case. At the extreme, luxury products become pieces of art which have to be recognized as such
Ancestral heritage and personal history	The fifth notion associated with luxury is its anchoring in the past. In consumers' mind, to be luxurious, products and services must have a long history and their elaboration processes as well as consumption should respect tradition
Superfluousness	Finally, the concept of luxury implies some perceived superfluousness or uselessness. Luxury products are not left to be necessary for survival. It is in this sense that consumers as well as researchers oppose luxuries and necessities

**Figure 1.** The Definition of Luxury Products by Dubois, Laurent, and Czellar (2001)

Source: Dubois et al., 2001, p. 8.

Figure 1. The Definition of Luxury Products by Dubois, Laurent and Czellar (2001) from Kapferer, 2016: 478

### 3.2 Vigneron and Johnson (2004)

Vigneron and Johnson's (2004) definition of luxury or a luxury brand consists of personal perceptions and non-personal perceptions. The personal perceptions include the hedonic and extended self-factor. The non-personal perceptions include conspicuousness, uniqueness and quality factors. Kuntz (2017) describes the perceptions as follows:

- The conspicuousness dimension assumes luxury brands as social stratification or status markers. People who buy from luxury brands want other people to know they succeed.
- The uniqueness dimension assumes that perceived exclusivity and rarity make brands more interesting and desirable. This effect becomes even higher when the brand is also perceived as expensive.
- Uniqueness signals consumers' personal taste which enhances self-image and social image. This dimension specifically entails the snob effect (Leibenstein, 1950), meaning there is a declining consumer demand with a rising number of customers.
- The quality dimension assumes that luxury brands have better product qualities and performance compared to non-luxury brands. Superior quality is almost always expected for a luxury brand's products.
- The hedonism dimension assumes that hedonism is an important attribute in luxury. Emotional benefits and intrinsic pleasure are important for hedonistic customers (Vigneron & Johnson, 2004). "Vigneron and Johnson (1999) state that consumers with a strong personal orientation focus on self-directed pleasure from luxury-brand products. They don't care so much about signalling effects on peers or social groups by consuming a product or brand" (Kuntz, 2017).
- The extended self-dimension is based on the assumption that consumers are integrating the symbolic meaning into their own identity (Vigneron & Johnson, 2004). Levy (1959, p. 118) describes this dimension perfectly by claiming: "People buy products not only for what they can do, but also for what they mean". Consumers use luxury brands to classify or distinguish themselves in relation to relevant others. This dimension represents the desire to conform to affluent lifestyles and/or to be distinguished from non-affluent lifestyles, and affects their luxury-seeking behaviour, but for personal reasons, not for social reasons (Vigneron & Johnson, 2004).

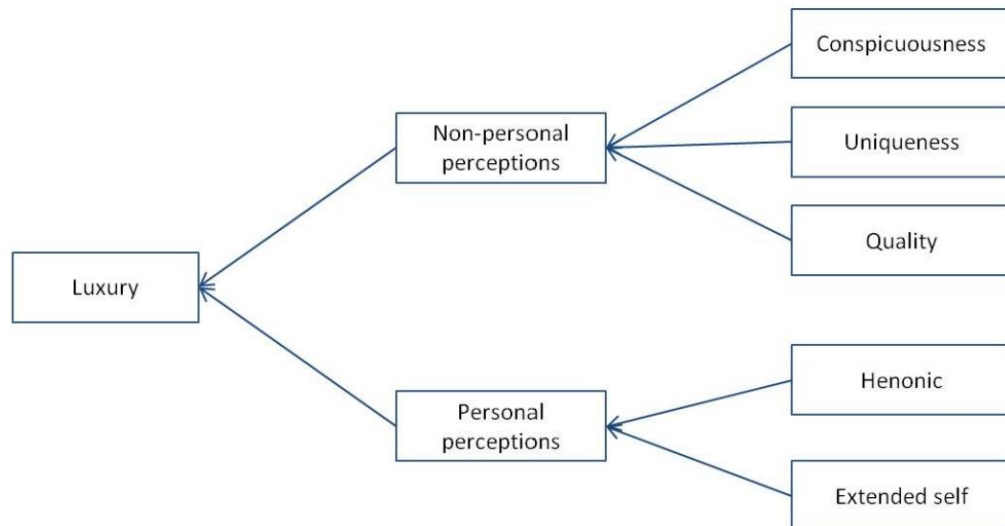


Figure 2. Framework of Luxury Brand (Vigneron and Johnson, 2004)

### 3.3 Levels of Luxury by Danielle Allérès (1990)

To examine the luxury strategy, we must recognize that there are levels to luxury. The luxury goods marketed and sold to masses are vastly different from the luxury goods the elite social class consumes. This was elaborated in a very influential intervention by French scholar Danielle Allérès:

“Allérès (1990) examined luxury goods within the context of socio-economic class and found a hierarchy existed that consisted of three levels, based on the degree of consumer accessibility. Allérès’ three levels included inaccessible luxury, related to an elite social class; intermediate luxury, related to the professional social class; and accessible luxury, related to the middle class. Inaccessible luxury products were described as extremely high priced and products which would offer the owner “exceptional” social prestige. Accessible products, on the other hand, were those that were easily attainable by consumers who are trying to achieve a higher social status through their purchase behaviour” (Doss and Robinson, 2018).

Allérès’ first level, inaccessible luxury, concerns exclusive, superior, very elitist products, sold at extremely high prices to rich consumers. This type of luxury product or service is often less profitable for companies due to the costs of production exceeding the number

of customers. Therefore, this product is more of an artistic creation of the brand than a business product. The second level of luxury, intermediary luxury, is aimed at a wider range of consumers. These products are inspired in their brand and style from the first level. They are selectively distributed at a relatively high price but not as scarce as the first level products. The third level of luxury, accessible luxury, includes a wider range of product types and consumers. These products are distributed on a larger scale to consumers who are not as wealthy, with the brand still belonging to the luxury industry. A key similarity to all of these levels is the role of social marker of luxury (Cassaniti, 2016). "Anything in society that may indicate their own social status is liable to become a luxury product and at the same time, anything that stops marking individuals socially, automatically loses its status" (Kapferer, 2009). Allèrès's luxury pyramid shown in Figure 3.



Figure 3: Allèrès' luxury pyramid (Allèrès 1990; Chiari 2008).

### 3.4 What is a Luxury Brand?

Ko, Costello and Taylor (2019) state that whether a brand is considered luxury ultimately depends on consumer evaluations of that brand. Although certain marketing tactics like high price point and quality can increase the likelihood of a brand being considered luxurious by consumers, these tactics do not necessarily result in a luxury brand unless it is perceived as such by consumers. Ko, Costello and Taylor (2019) propose a theoretical definition of a luxury brand as being high quality, offering authentic value, having a prestigious image with qualities like craftsmanship, being worthy of commanding a high price and being able to inspire deep connection or resonance. The defining attributes measurements are shown in Figure 4. Several of the attributes also apply to premium brands which in some cases makes it difficult to distinguish a premium brand and a luxury brand from one another. The defining attributes also leave room for interpretation which makes it increasingly challenging to determine which brands qualify as “luxury” based only on them. For example, quality and resonance aspects can differ vastly from one consumer to another. It can very well be that it is impossible to define luxury with a widely accepted consensus and rather the brands define it themselves by the strategy they decide to implement and the image they convey to consumers with that strategy. It may well be that there is not much difference between the luxury attributes of Coach and Hermès, but the strategies they implement are so different that it becomes the defining factor of which is luxury, and which is premium. The strategies used are the defining factors of consumer perceptions of the brands and thus also define the clientele for the brands. This poses a question of whether finding a definition for luxury even matters because ultimately the strategy used is what defines it, with the exception of personal luxury, which is defined by each individual for themselves, but even here the distinction is not clear, because individuals’ own definitions are influenced by what they observe around them, including marketing campaigns.

## Definition Measurements.

Criteria	Items
Quality	<ol style="list-style-type: none"> <li>1) This brand is of a high quality</li> <li>2) This is a superior brand</li> <li>3) This brand is highly sophisticated</li> </ol>
Authenticity	<ol style="list-style-type: none"> <li>1) The brand remains true to its espoused values</li> <li>2) The brand reflects a timeless design.</li> <li>3) Quality is central to the brand.</li> </ol>
Prestigious image	<ol style="list-style-type: none"> <li>1) This brand is a symbol of prestige</li> <li>2) This is a premium brand</li> <li>3) This is a high-end brand</li> </ol>
Commands premium price	<ol style="list-style-type: none"> <li>1) Even if the other brands are priced lower, I will still buy brand X</li> <li>2) Even though brand X seems comparable to other brands I am willing to pay more</li> <li>3) I am willing to pay a higher price for brand X than for other brands of product Y</li> </ol>
Resonance	<ol style="list-style-type: none"> <li>1) I consider myself loyal to this brand.</li> <li>2) I really love this brand</li> <li>3) This is a brand used by people like me</li> <li>4) I am proud to have others know I use this brand</li> </ol>

Figure 4. Defining attributes of luxury (Ko, Costello and Taylor 2019)

De Barnier et al. (2012) observe that the marketing of luxury goods raises a paradox. In classical marketing the brands aspire to sell their goods and services widely to achieve commercial success. When it comes to luxury, commercial success results in failure as non-scarce products are no longer considered as luxury by consumers:

“Thus, the particularly subjective concept of luxury rests basically on a certain scarcity, which gives rise to a paradox when it comes to selling such goods, since the whole point of luxury brands is to achieve high returns while retaining the perceived scarcity of these items. The domain of luxury is therefore unquestionably tied up with the perception that consumers have of luxury brands” (De Barnier et al., 2012).

Because defining luxury is in fact very difficult due to the lack of expert consensus, this thesis will be utilising a combination of all above mentioned definitions of luxury.

### 3.5 Definition of Premium

For the purpose of this thesis, it is important to differentiate between luxury and premium products and services. The differentiation between luxury and premium goods is multifaceted, extending beyond price to include elements mentioned in the previous chapters such as timelessness, heritage, rarity, and social status. Premium brands are involved around price-to-quality ratio and consumers are willing to pay more for an increased level of quality. On the other hand, luxury brands are defined by a high price point that exceeds their functional worth (Eftekhari, 2019).

Distinctive branding strategies for luxury and premium goods exist for a reason, and it is important that each type of brand abstains from imitating other brands' marketing techniques. It involves more than just the price for a premium brand to transform into a luxury brand, and a luxury brand should not try to broaden its consumer appeal into the premium market, as this may compromise its exclusivity, a fundamental aspect of its appeal (Eftekhari, 2016)

## 4 Luxury Clienteles

Kapferer and Bastien (2012) have defined four types of luxury clienteles and what they are looking for in a luxury brand or product by using an international sample of affluent young executives with high purchasing power. This group of people was asked about the characteristics they think define luxury. The typology and defining factors are presented in Figure 5 with the highest ranking attributed bolded.

- The first type of luxury is **authenticity of the experience**, with the biggest defining attributes being beauty of the object, excellence of the products and uniqueness. The brand most representing these attributes was Rolls Royce.

- The second is **creative niche luxury**, with the most significant defining attributes being creativity and sensuality of the products. People consuming these luxury products appreciate boldness, but these attributes are strongly linked to fashion brands, not luxury. Jean-Paul Gaultier as a brand represents this type.
- The third type is **safe values and prestige**. Luxury consumers consuming this type think the defining attributes for luxury are international reputation, never being out of fashion and a certain sense of magic. Timelessness and international reputation are valued above all else for the people in this category. They choose the safe choice and like the brand to be recognizable, such as Louis Vuitton or Porsche.
- Lastly the fourth type is **outstanding badges**. This type's biggest defining attributes are belonging to a minority such that there are very few purchasers due to the price of the product. They appreciate the status of owning these brands and showing others that they have succeeded or "made it". Purchasers of this category buy the most expensive products to show off. The brands most representing this type are Mercedes-Benz or Chivas. Mercedes-Benz is well known car brand with their model series ranging from premium to luxury. The clients opting for this brand want it to be recognized by others and through that it acts as a status marker, but this only applies to the top-of-the-range models for Mercedes-Benz such as the G-series, S-series and Mercedes-Maybach S-series.

What luxury	Defines Authenticity of the experience	of the Creative Niche Luxury	Safe values and prestige	Outstanding badges	
Beauty of the object		<b>97%</b>	63%	86%	44%
Excellence of the products		<b>88%</b>	3%	9%	38%
Magic		76%	50%	<b>88%</b>	75%
Uniqueness		<b>59%</b>	10%	3%	6%
Tradition and know-how		26%	40%	40%	38%
Creativity		35%	<b>100%</b>	38%	6%
Sensuality of the product		26%	<b>83%</b>	21%	6%
Feeling of exceptionality		23%	23%	31%	31%
Never out of fashion		21%	27%	<b>78%</b>	19%
International reputation		15%	27%	<b>78%</b>	19%
Produced by a craftsman		12%	30%	9%	3%
Long history		6%	7%	16%	13%
Genius creator		6%	7%	10%	13%
Belonging to a minority		6%	3%	2%	<b>63%</b>
Very few purchasers		0%	3%	2%	<b>69%</b>
At the cutting edge of fashion		0%	17%	36%	31%

Figure 5. Source: Typology of luxury clienteles, based on Kapferer and Bastien (2012).

#### 4.1 Consumer Attitudes Towards Luxury Cross-Culturally

Consumer attitudes towards luxury vary by region, which has to be taken into consideration when marketing luxury goods or services. Cultural differences are likely to cause differences in consumer behaviour across national borders, but also within countries (Wiedmann, Hennigs and Siebel, 2007). Some cultures have a more positive attitude towards consumption while others have a more critical outlook when it comes to

consumption, and this of course has an impact on the consumption of luxury as well (Kapferer and Bastien, 2012).

Consumers' behaviour towards luxury brands geographically is influenced by personal aspects such as hedonist and perfectionist motives, interpersonal aspects like snobbery and conspicuousness, but also situational conditions such as economic, societal, and political factors. Buying luxury goods involves getting a product that has value for both the individual and their reference group (Wiedmann, Hennigs and Siebel, 2007).

The cultural environment has a significant influence on the basic values and norms of a society, affecting people's behaviour and motivation to buy luxury goods. It's important for luxury companies to consider shifts in cultural development when promoting and offering new products to retain their target audience. Understanding consumer perception of luxury and how it affects their consumption behaviour is crucial for luxury companies. Marketing strategies should be tailored based on the cross-cultural characteristics of the specific country (Naumova, Bilan and Naumova, 2019).

#### 4.2 Hofstede's Cultural Dimensions Theory

Hofstede's cultural dimensions theory identifies six dimensions that can help explain cultural differences between societies. This theory can also be applied to consumers attitudes towards luxury, especially with some of the dimensions. Hofstede Insights ([www.hofstede-insights.com](http://www.hofstede-insights.com), 2022) explains the cultural dimensions as follows:

1. **Power distance.** This dimension deals with the fact that all individuals in societies are not equal. This dimension expresses the attitude of the culture towards inequalities amongst the society. Power Distance is defined as the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally.
2. **Individualism vs. collectivism.** The core of this dimension is the degree of interdependence a society maintains among its members. It has to do with whether the members of the society's self-image is defined in terms of "self" or "community". In Individualist societies people tend to look after themselves and

their direct family. In Collectivist societies people belong to groups that extend beyond their immediate family, that take care of them in exchange for loyalty within the group.

3. **Masculinity vs. femininity.** A high score (Masculine) on this dimension indicates that the society is driven by competition, achievement and success. Success in this context being defined by the winner or best in field. This value system starts in school and continues throughout life in different organisations such as work. A low score (Feminine) on the dimension means that the main values in society are caring for others and quality of life. In a feminine society the quality of life is a sign of success and standing out from the crowd is not as admirable. The core issue in this dimension is what motivates people, wanting to be the best (Masculine) or liking what you do (Feminine).
4. **Uncertainty avoidance.** The dimension Uncertainty Avoidance has to do with the way that a society deals with the fact that the future is unknown. Attempting to control the future or just letting it happen. The uncertainty brings anxiety and different deal with this anxiety in different ways. The extent to which the members of a culture feel anxious by an uncertain or unknown situation and have created beliefs and systems that try to avoid these is reflected in the score on Uncertainty Avoidance.
5. **Long-term vs. short-term orientation.** This dimension has to do with societies need to maintain some links with its past and simultaneously dealing with the challenges of the present and future. These two goals are prioritized differently in different societies. Societies scoring low on this dimension prefer to maintain and nourish traditions and norms, and they react to societal change with suspicion. Societies with a culture that scores high on this dimension have a more pragmatic approach to change, and they inspire education as a way to prepare for the future.
6. **Indulgence vs. restraint.** This dimension has to do with the extent to which people try to control their desires and impulses, based on the way they were raised in a society. Relatively weak control is called “Indulgence” and on the other end of the dimension is a relatively strong control, “Restraint”. Cultures can be described as Indulgent or Restrained.

For the purpose of this thesis a comparison between a country that is developing, a high consumer of luxury (China) and Western countries with differing attitudes towards luxury (USA and Finland) is made. The comparison is made using data provided by Hofstede Insights ([www.hofstede-insights.com](http://www.hofstede-insights.com), 2022). The comparison shows that China has the highest scores in power distance, masculinity and long-term orientation. China also has the lowest score in individualism. Power distance and masculinity are both dimensions that are focused accepting inequality in society as well as showing off success which explains the Chinese consumers' love of luxury. They will proudly display their status in society and the success they have achieved. The long-term orientation dimension shows a strong will to adapt traditions to changed conditions. China is adapting more to aspects of Western societies' lifestyles and wants to show wealth through luxury brands that are also recognizable in Western economies. The low score in individualism explains the Chinese consumers' love for logo and brands because they want to be recognized as part of the society that can afford these status markers and be affiliated with them.

The United States has the highest score in individualism and indulgence which explains the US consumers' desire to stand out from the crowd and treat themselves, but perhaps they don't have as strong of a desire to belong to a group as the Chinese. Masculinity dimension is also relatively high for the US so they are likely to display their success as well. Since the US has a high individualism dimension, the fashion strategy in general could be a very successful strategy for the US due to their fast-paced rotation in trends.

Finland has the lowest score in masculinity and power distance, and in general Finnish people tend to hide their success more. It is considered arrogant to showcase your wealth to others. Finland has lower hierarchy, and they compete less with material possessions. Finnish people do like to indulge, but perhaps they do it more with personal luxuries or premium products and services.

Looking at Hofstede's cultural dimensions and the scores of the three countries compared it can be concluded that cultural aspects play a role in the consumption of luxury. China is a high consumer of luxury, the US is a relatively high consumer of luxury and Finland is a low consumer of luxury. Luxury strategy would most likely not be as successful implemented in Finland as it would be in the US or China. Premium strategy would, in this case, be more suitable for the Finnish market.

The comparison is illustrated in Figure 6.

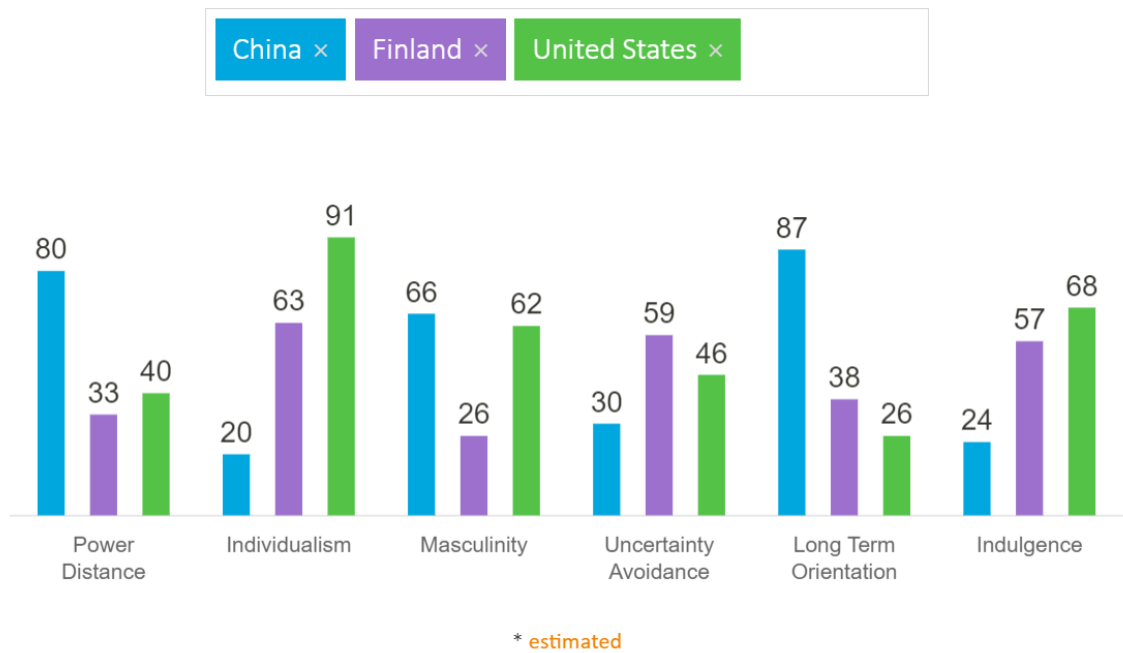


Figure 6. Source: Generated in *Hofstede Insights – Country Comparison*.  
<https://www.hofstede-insights.com/country-comparison/china,finland,russia,the-usa/>

## 5 Luxury Strategy, Fashion Business Model and Premium Business Model

There are three main modes for managing high end brands and companies: the luxury business model (or luxury strategy), the fashion business model, and the premium business model (Kapferer, 2016). A confusion regarding the identification of business models exists and research needs to go into their strategy, not relying only on what the brands say or what their clients think. Many brands can be called luxury by their clients, but an analysis of their sources of profitability, economic engines and value equations reveals three different patterns. Only one of them deserves to be called a luxury strategy (Kapferer and Bastien, 2012). Positioning of these three business models is shown in Figure 7 below.

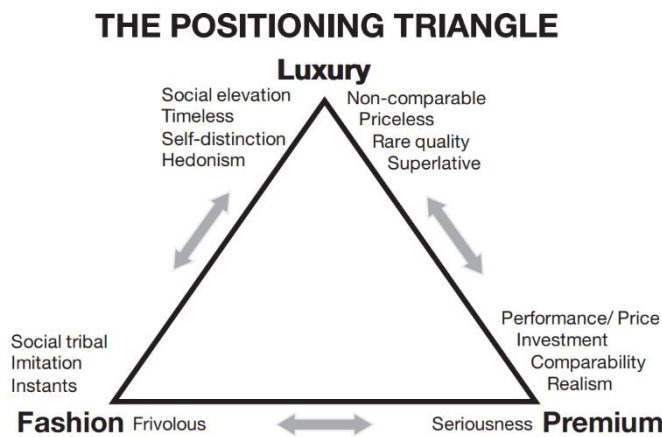


Figure 7: The Positioning Triangle (Kapferer, 2016)

### 5.1 Luxury Strategy

Contrary to many marketers' beliefs luxury is not something that is more premium. There is a limit on the price of premium brands due to the comparability of premium products. The feature of comparability comes with premium strategy because luxury strategy would not try to position or compare the brand to others. This is again a perfect example why the strategy used is in fact the defining factor in luxury. An example of this would be German premium car brands such as Audi, Mercedes and BMW. Any increase in the car's price must be justified because of the aspects of the premium business model. With a luxury strategy the price does not need to be justified for it is non-comparable and priceless. Rolls Royce is owned by BMW Group but the strategy they implement is a

luxury strategy and therefore they have deliberately distanced themselves from any sort of opportunity for comparison. For a product to become luxury, it is not enough to increase the price of a premium product. The high price of luxury is special; it cannot be justified by function or performance alone like in premium brands. The price of a luxury product is built by intangibles such as heritage, history, country of origin or place. These intangibles though are something that can be conveyed to consumers by implementation of the luxury strategy. If it were based solely on tangible differences, such that every gap in price was justified by superior performance, it would be a premium or super-premium product (Kapferer and Bastien, 2012), not a luxury. A luxury brand can become a premium brand or a fashion brand and vice versa. Michael Kors was once considered a luxury brand before they changed to “masstige” strategy which now makes it a fashion brand, perhaps a premium one but by no means a luxury (see Kumar, Paul and Unnithan 2020). A premium brand can become luxury by changing its strategy, but this might take some time to change the image in the mind of consumers. Swedish brand Acne was once just a small ready-to-wear premium brand, but they are on their way to establish themselves as luxury by implementing a luxury strategy. A luxury brand is built progressively by managing the allocation of resources in a very specific way. “Growth that brings more sales and profits while keeping the brand luxury status also needs strict obedience to this set of rules. At an operational level, the luxury strategy means abandoning some of the classic principles of marketing” (Kapferer and Bastien, 2008).

## 5.2 Premium Model and Fashion Model

Premium brands' essence lies in trying to make the best products and for a product to be the best there must be comparison between other products. Therefore, by definition it cannot be luxury for that is one of a kind and non-comparable. Premium brands aim to have the best functionalities and top tier technology whereas luxury brands have heritage and rarity.

Fashion brands on the other hand are constantly being threatened by not being fashionable anymore. Fashion brands' time perspective is necessarily short term, unlike luxury, which aims for longevity. Even though fashion and luxury share some similarities such as a certain superfluosity (Kapferer and Bastien, 2012, p.30) fashion brands have to make their profits quickly, often by leveraging artificial rarity like limited editions

or new collections (e.g. Spring, Summer). The fashion business model relies on instants and imitation, whereas a luxury strategy aims for timelessness (Kapferer, 2016).

## 6 The Anti-laws of Marketing in Luxury

The unique definition of luxury compared to standard consumer products, including those positioned as premium, as well as the positioning of luxury in Kapferer's luxury triangle with other strategies used to market high end brands and companies, clearly indicate that traditional marketing cannot be applied to luxury. Luxury obeys the opposite set of rules to traditional marketing. Kapferer and Bastien (2012) have identified the following 24 principles unique to luxury marketing:

1. **There is no positioning in luxury for luxury is non-comparable.** Uniqueness is one of the key elements of luxury and it is not concerned with competitors.
2. **Luxury products have flaws.** Unlike premium products that aim for perfection, luxury products aim for character and personality. It is almost always expected that luxury has flaws.
3. **Luxury resists clients' demands.** Luxury brands care about their clients but do not compromise the brand's identity by listening to customers' wishes. Luxury brands must preserve the history of the brand, and this does not happen by moulding into whatever consumers wish for at the moment.
4. **Luxury does not try to lure clients from other brands.** By extending market penetration and attracting clients from other brands, a luxury brand would lose some of its uniqueness and also diminish the scarcity aspect of luxury by being available for more people.
5. **Not responding to rising demand.** Traditional marketing aims for volume growth and biggest market share. The products are distributed and marketed widely. Luxury on the other hand has rarity value. Luxury brands' customers understand this and are willing to wait for their products. The strategy is to resist demand - to be the master of it.
6. **Dominating the client.** By being something to attain, to maintain their leverage over their clients, luxury brands must not act as equal to their clients. This way

a certain distance between the brand and the customer is preserved and the brand is able to maintain their mystery.

- 7. Difficulty of buying the product.** The more inaccessible the product is, the more desirable it is. Traditional marketing aims for quick access to the products, but luxury understands the aspect of obstacles in making something worth to be desired for. It should always be necessary to wait for a luxury product.
- 8. Segregation of clients.** Luxury brands must segregate big clients from small clients by being open to both, but catering something special for the bigger clients. For example, advertising is for all but invitations for special events are for the bigger clients.
- 9. Advertising is not used to sell the product.** Advertising is used to sell the dream of the product and can be very mysterious. The price of the product is not mentioned, and neither are the locations where the product can be bought. The desire is born from the mystery.
- 10. Communicating to those you are not targeting.** The two value facets of luxury are luxury for oneself and luxury for others. For the latter to happen it is crucial for luxury brands to have more people know the brand as opposed to the people who can actually attain the brand. When the brand is not recognized, it loses some of its value.
- 11. The presumed price should seem higher than the actual price.** Luxury does not try to attract with low prices because it does not create value for the brand.
- 12. Luxury sets the price and not the other way around.** Luxury, unlike traditional marketing, is supply-based—not demand-based. The more a product is perceived as luxury the higher the price should be.
- 13. Raising prices over time to increase demand for the product.** With luxury, price should not be an issue. When it becomes an issue, the product is no longer luxury. Luxury products should be above other products and not something that can be reasoned for they are non-comparable. Raising the price of a product will weave out the unwanted customers and attract those customers who previously were not interested in the brand.
- 14. Raising the average price of the product range.** In traditional marketing when a product enters the market the price is higher and as competitors enter the market the price is lowered. Luxury strategy will do the exact opposite for again it is not concerned with competition. Luxury products act as symbols of achievement for customers, and they do not want everyone to be able to afford these products.

- 15. No selling.** Luxury strategy is the opposite of volume strategy. When lowering prices systematically a brand is prepared to lose sales and customers. In luxury strategy a customer is not pressured to make the purchase because the brands attract customers—they do not hunt them.
- 16. No advertising with stars.** Dominating the client—as mentioned earlier—is a typical relationship between a luxury brand and its client. This includes celebrity clients as well. Using a star's status to market a product sends a message that the brand's status is not enough on its own.
- 17. Pursue closeness to the arts.** In traditional marketing strategy the brand seeks to appeal through following people's tastes. They will for example use popular music in their marketing for it is appreciated by the target audience and appeals to masses. Luxury does not follow—much like art. Luxury stays close to the non-popular and emerging arts and therefore stays as a patron of emerging trends. After all, luxury products are widely recognised as works of art themselves.
- 18. No relocating of factories.** Luxury consumers expect a product with roots and history to a specific location or country. History and heritage lie deep in the core of luxury brands and a part of that is stripped when moving the production to another country. Delocalizing production sends a message of cutting production costs and it does not create value for the brand. Delocalization can only be necessary in luxury strategy for one reason—rare craftsmanship only found in another location. When this happens, the brand must communicate it very transparently.
- 19. No consultants.** Consultants typically use benchmarking or best practices in their work which contradicts the non-comparability aspect of luxury. Methods brought in from other sectors and strategies other than luxury can risk averaging luxury brands. Once again, luxury is not about listening to the clients or letting clients take the lead.
- 20. Luxury does not test products.** Testing products indicates that the brand's decisions are subject to the consumers opinions. Luxury is not concerned with the trends today—it strives for timelessness. Testing also raises the issue of the selection of respondents. Surveys are usually aimed at larger masses and the people who tend to take the time to respond to these surveys are most likely not in the intended target demographic of luxury brands. Testing products is possible for luxury brands if it is done through existing customers and preferably

in stores where face-to-face discussion can happen. This way the products can be tested all the while increasing brand loyalty among existing customers.

**21. Luxury does not look for consensus.** Luxury does not want to attract the majority, instead they look to attract a smaller, loyal group of followers.

Therefore, an option chosen just because it was elected by a majority is not something a luxury brand would choose.

**22. Luxury does not look after group synergies.** Implementing strong synergies is the fastest way to destroy the dream of a luxury brand. Luxury brands should aim to maintain their independence as much as they can to keep their pricing power.

**23. No cost reduction.** Luxury creates value but not by reducing costs, but by relying on each employee of the company to add value for the brand to be able to increase prices over time.

**24. Marginal sales on the internet.** Selling on the internet is well adapted to premium and fashion. Digital trade's pros are often the cons for luxury strategy. Availability, automation of service and price reduction are great examples of this. The Internet can be used to sell products of the brand that are not a part of the luxury strategy. It can also be used to tell the brand story or as an initiation to the product.

All the anti-laws of marketing mentioned above together comprise a set of rules for marketing luxury brands and there is no luxury brand without the implementation of these rules. It can be argued that not all anti-laws must be applied for a brand to be or become a luxury brand, but most of them should be. The principles of luxury strategy create an image, almost an artificial representation, that a brand is luxury. Every brand can utilise these principles and manifest itself as luxury.

In the definition of luxury by Dubois, Laurent and Czellar (2001), which comprises excellent quality, very high price, scarcity and uniqueness, aesthetics and polysensuality, heritage and personal history and superfluosity, each of the anti-laws can be linked to one of the attributes. Marginal sales on the internet are linked to scarcity, not looking for group synergies is linked to uniqueness and not testing products is linked to heritage and uniqueness, and so on.

Vigneron and Johnson's (2004) definition of non-personal perceptions that include conspicuousness, uniqueness and quality factors can also be linked to the anti-laws. The

conspicuousness dimension assumes luxury brands as social stratification or status markers which can be connected to the anti-law of communicating to the people you are not targeting. It is crucial that the people who cannot access the brand to know about the brand for it to act as a status marker. The following chapter engages in a more detailed analytical comparison of two well-known car brands belonging to the same parent company, but with significantly different marketing strategies.

## **7 Comparison of the Strategies Implemented by Rolls-Royce and BMW**

This thesis will compare the strategies implemented by two high-end automotive brands owned by the same corporation—BMW and Rolls-Royce. Why is BMW considered a premium brand whereas Rolls-Royce is considered to be a luxury brand? Is there a difference in quality requirements by consumers for these brands? If there is, what is it, and why is that?

What is luxury in the automotive sector? What is upper range or premium? The automotive sector is an industrial sector and subject to technological changes that do not affect, for example, fashion accessories. When traditionally luxury is strongly linked to craftsmanship and artisanship, the automotive industry deepens the relationship between high-tech and luxury. This makes the luxury car segment unique from other product segments of luxury (Kapferer and Bastien, 2012). It has to be taken into consideration that luxury car brands in some countries are not the same as in other countries. Lexus and BMW are both segmented as premium car brands in Northern Europe, but luxury in the United States and China. Luxury is not seen as something to pursue in Northern Europe and it is most likely smarter to segment the brands as premium instead of luxury. The US and China on the other hand value luxury more and they see it as something to pursue. In countries where money is generally the key evaluator of people's worth it is more common to acquire high status objects or luxury (Kapferer, 2010). As it was discussed in chapter 4.2 about Hofstede's Cultural Dimensions theory, the US and China have higher scores in masculinity and power distance than Finland, meaning that they appreciate the social stratification and displaying success more than Finland or other Nordic countries. This explains the premium segmentation in Northern Europe and luxury segmentation in the United States and China.

## 7.1 History and Future of the Luxury Automotive Industry

Historically speaking, the car or automobile is a new development. Karl Benz was issued a patent for the first combustion gasoline engine in 1886. Many more developments quickly followed. In 1914 the invention of Henry Ford's modern assembly line essentially started the automobile industry as it is today, driving its rapid growth. Later the industry grew with luxury entrants to the market. These included, for example, Jaguar and Ferrari. After the Second World War a new wave emerged. This wave was luxury consumerism and the consumers wanted symbols of prosperity. The manufacturers of this time created two distinct types of automobiles which were luxurious touring vehicles and sports cars (Warren, 2015).

“The automobile had arrived as the ultimate status symbol of the twentieth century, defined by craftsmanship and performance.” (Warren, 2015)

The automotive industry today is going through a change, with new technology emerging at a fast pace and electrification happening at the same time. Sustainable luxury is more topical than ever, and the automotive industry is no exception (Warren, 2015).

Ed Loh, Editor-in-Chief of *Motor Trend* magazine noted that modern luxury cars are essentially supercomputers and leave little room for craftsmanship, but things like wood veneers and hand-stitched leather work can still be made with care and by hand for the most luxurious vehicles. Almost all car brands have high-end technology, fancy audio systems and leather seats, so what truly separates modern luxury from any other brand is personal effort put into the process and the brand's clients (Warren, 2015. E. Loh, personal communication interview, September 20, 2013)

“The bottom line is that true luxury has always been about time and attention. The more you get from a brand is a key indicator of how luxurious it is.” (E. Loh, personal communication, interview, September 20, 2013, in Warren, 2015)

Eric Shepherd, the regional director of Rolls-Royce, commented in his personal communication interview on September 5<sup>th</sup>, 2013 that he believes superior service is key

for luxury automotive manufacturers. According to Milton Pedraza, an analyst from the Luxury Institute, the dealer showroom is still crucial for luxury car sales. Even though research of the car has largely moved to internet, the final buying decision is still made at a dealership. Pedraza believes that the dealership experience is essential in attracting and appealing to luxury consumers. These consumers expect all the services to be high quality (Warren, 2015).

Adrian van Hooydonk, the chief of design for BMW, emphasized in a 2013 interview the importance of design and detailing of the product, that make the car a piece of art. Van Hooydonk thinks that luxury has become a lot about choice. It is important that the customer has been able to build a specific car tailored to their needs by choosing material and specific packages and equipment for their vehicle (Warren, 2015).

Hooydonk also found sustainability an integral part of luxury and premium. He believes that luxury customers expect the difficult issue of climate change and sustainability to be taken care for them, by the manufacturer (Warren, 2015).

Eric Clough, Cadillac's director of interior design, said in his 2013 interview that technology has had the biggest impact on automotive industry in all areas of the industry. High technology is not typically something associated with luxury, but Clough notes that in the automotive industry manufacturers have started to embrace it to elevate their brands. Hooydonk states that technology has made the manufacturing of luxury car somewhat contradictory, because it allows the level of craftsmanship and individuation to go up, even though the product is mass produced (Warren, 2015).

Small luxury car manufacturers make a smaller number of cars, so their budgets are smaller, and resources limited compared to the bigger companies. The manufacturers that make more of a product also have more money to spend on development. These developments will then be replicated in thousands of models for manufacturer. Small manufacturers like Aston Martin and Bugatti have significantly smaller volumes. These brands benefit from partnerships with bigger companies because they can provide access to top technology. A perfect example of this would be the BMW Group owning Rolls-Royce (Warren, 2015).

## 7.2 Rolls-Royce

Rolls-Royce is a British luxury car brand established in 1904 when an electrical and mechanical business owner Henry Royce built his first motor car and later that same year met Charles Rolls, owner of a quality car company. They made a deal that Royce would manufacture a line of cars sold exclusively by Rolls' company. The company would be called Rolls-Royce. BMW Group acquired Rolls-Royce motor vehicles in 1998.

## 7.3 Rolls-Royce's Positioning in the Luxury Pyramid and Clientele

Rolls-Royce is positioned on the first level of Allèrès' luxury pyramid as featured in Figure 3. It can be classified as inaccessible luxury since it is an exclusive, superior, very elitist product, sold at an extremely high price to rich consumers. The price point of Rolls-Royce vehicles is extremely high, which makes it inaccessible for most people.

According to Kapferer and Bastien's (2012) luxury clientele definition, Rolls-Royce represents the first type of luxury which is authenticity of the experience. This type's biggest defining attributes are beauty of the object, excellence of the products and uniqueness. Clients that consume these types of brands are usually not as concerned with the brand being recognizable or a safe choice. They are looking for something unique – an experience more than a product.

## 7.4 Rolls-Royce and the Definition of Luxury

Rolls-Royce has all the attributes of luxury described in the definition of luxury created by Dubois, Laurent and Czellar (2001), shown in Figure 1 above:

- **Excellent quality.** Rolls-Royce vehicles are handcrafted and made exclusively for the customer—often one-of-a-kind pieces. Rolls-Royce designs their motor vehicles with artisans and patrons who are invited to participate in the process

to create a unique piece. The vehicle can truly be built without any restrictions, just as the customer wants it (Rolls-Royce website).

- **Very high price.** As a true super-luxury brand Rolls-Royce does not list its prices on its website but the price point for Rolls-Royce vehicles is anything up from US\$300 000 which makes it extremely inaccessible for most people.
- **Scarcity and uniqueness.** Since the vehicles are designed and handcrafted from scratch, they are both unique and very scarce in terms of waiting times as well as the high price point.
- **Aesthetics and polysensuality.** Rolls-Royce is seen as a piece of art because of the craftsmanship and unique design that goes into making the car.
- **Heritage and personal history.** Rolls-Royce has a long history in the automotive industry as well as an aircraft engine manufacturer. Rolls-Royce has been known for its superior technical innovations and know-how since the early 1900's and even though the brand was acquired first by Volkswagen and then BMW, the brand has managed to maintain its independence from the big conglomerates and has not been subject to any group synergies. This is actually implemented so well by Rolls-Royce that not many consumers even know it to be a part of the BMW Group.
- **Superfluousness.** Like many of the defining attributes, superfluousness is also strongly linked with other attributes, in this case aesthetics. To many Rolls-Royce customers the car is seen as art, not just or even something that will get you from place A to place B. Some people collect the vehicles and rarely use them in day-to-day activities (Warren 2014). A certain uselessness is associated with a car that is so expensive and not purchased for a need or functional purpose, but instead an extravagant want.

## 7.5 BMW

BMW was established in 1916 in Germany with the merger of Flugmaschinenfabrik Gustav Otto and Bayerische Flugzeug-Werke (BFW). In 1917 the Rapp Motorenwerke became Bayerische Motoren Werke GmbH. When in 1922 BMW transferred its engine construction operations to BFW, this included company and brand names. BFW's founding date in 1916 has gone down in history as the day Bayerische Motoren Werke was founded.

## 7.6 BMW and the Definition of Luxury

Although BMW is not considered a luxury brand in all markets, it is important to draw a comparison between the two car brands by discussing the luxury attributes BMW may have as well.

- **Excellent quality.** BMW vehicles are widely regarded as having excellent quality, but they are not handcrafted or unique pieces, although some models have parts in them that are handcrafted and BMW manufactures limited edition vehicles as well.
- **Very high price.** BMW price range varies a lot between different model series and the prices range from about 40 000€ to 400 000€. Upper-range BMW cars are in the same price bracket as some Rolls-Royce models.
- **Scarcity and uniqueness.** BMW is scarce in some respects. New BMW vehicles are only sold by authorized dealers, the waiting times are quite long, and the price is relatively high.
- **Aesthetics and polysensuality.** Design and aesthetics are a major part of BMW as well, but the car is mainly purchased for its functionalities and advanced technology.
- **Heritage and personal history.** BMW, like Rolls-Royce, has a long history in the automotive industry and it is among the most recognized brands in the world. BMW has managed to maintain the essence of the brand throughout the years. BMW has still implemented some pioneering digital innovations into its business model to stay ahead of the game. Car manufacturing firms are increasingly focused on digital innovation because of the competition from emerging markets. Already as early as in 1997, BMW took advantage of the expanding digital service market to create a competitive advantage for their fleets. The strategy has been successful, allowing BMW to maintain their leading position in the digital service market. By providing customer solutions and creating new revenue channels, BMW adopted a service integration model to generate revenue (Kukkamalla, Bikfalvi and Arbussa, 2021).
- **Superfluosness.** Purchasing a BMW does have a certain superfluosness because a consumer could pick a vehicle to get them from place A to place B

and that could be any vehicle. Still, compared to Rolls-Royce, the technical and functional aspects are very important to a consumer purchasing a BMW and it is hardly ever purchased for just art, excluding the limited-edition vehicles.

### 7.7 BMW's Positioning in the Luxury Triangle and Clientele

BMW is positioned at the second level of luxury as defined originally by Allèrès, also called intermediate luxury. BMW has several model series with varying price points and thus it is aimed at a wider range of consumers than pure luxury. Some model series and models can even be perceived as luxury and are of extremely high price, but when looking at the brand as a whole it cannot be deemed as luxury. BMW selectively distributes their products at authorized dealerships at a relatively high price, but they are not as scarce as the first level products category to which Rolls-Royce belongs.

BMW's clientele, according to Kapferer and Bastien (2012), is "outstanding badges". The clientele that purchases BMW wants to belong to a minority and wants the brand to have very few purchasers, but they want to buy brands that are recognizable. The clientele appreciates the status of owning a BMW and showing it off. Again, this only applies to the top-of-the-range model series for BMW where fewer cars are sold but the brand is still well known. The clientele, and the strategy, however, does change depending on the specific market it is sold in.

### 7.8 Comparing Luxury Strategy Principles Implemented by Rolls-Royce and BMW

Comparing the anti-law implementation between BMW and Rolls-Royce will give important insight into why Rolls-Royce is considered luxury with a world-wide consensus and why BMW is considered masstige or premium. This distinction between premium and luxury is intentional for the brands, meaning that BMW did not become a premium brand by accident and Rolls-Royce did not become a luxury brand by accident.

Each of Kapferer's anti-laws of luxury strategy listed in Figure 8 apply to Rolls-Royce so it can be concluded that Rolls-Royce fully utilises the luxury strategy. Based on the luxury strategy anti-laws there is no debate whether Roll-Royce is luxury or not—it certainly is. But what about BMW? How does its strategy compare to the luxury strategy?

BMW strongly positions itself as a competitor of the likes of Audi and Mercedes-Benz and these brands aggressively compete with each other.

Having flaws in the product is more associated with luxury accessories but consumers buying high end cars expect high technology and perfection. This is also linked then to resisting client demands, because BMW and Rolls-Royce both want to keep the essence of the brand despite some of the qualities in the car are seen as flaws by some customers. BMW's model range today is so big that they have successfully maintained their signature features but also offer customers models that meet their demands.

Some of BMW's advertising openly tries to lure clients from other brands, such as Mercedes-Benz. In a famous BMW TV commercial, Dieter Zetsche, the former CEO of Mercedes-Benz, arrives home from his last day working for Mercedes-Benz and drives a brand new BMW i8 out from his garage with the text "Free at last." appearing on the screen. At the end of this commercial BMW gives thanks to Dieter Zetsche for many years of inspiring competition.

BMW does try to respond to the demand with most of their model range, but there are some special edition models that BMW only manufactures a certain amount. In 2023 BMW manufactured only 50 pieces of the BMW 3.0 CSL classic model. The production capacity for some of the upper range models is also smaller than the volume models simply because the sales for these models are smaller.

Strongly linked to the anti-law of resisting client demands is the anti-law of dominating the client. BMW does aim to maintain its independence in some aspects, but they have also listened to the client especially with the lower range of their product portfolio. The image of BMW maintains strong and not changing constantly based on what clients want.

BMW products are relatively easy to buy, but only BMW authorized dealerships can sell new BMWs which makes it somewhat more difficult to purchase one. The delivery times

for a new BMW ordered from the factory made to the client's specifications are also comparatively high.

BMW does segregate between their upper range and lower range clients. There are special events held for more important clients as well as more contact in general towards these clients. There may also be special gifts included when buying from the upper range, such as gift cards or merchandise.

BMW does extensive advertising through all channels to remain their brand recognition and consideration. BMW also strongly allocates their communications towards potential customers and not to the consumers who are not in the target group.

BMW does not try to attract customers by lowering prices, but they do have to align prices with competitors in the same segment because it is strongly positioned itself with other brands.

Again, BMW does not look after the approval of clients, even with price. They still do have to come up with products that have room at a certain price level considering their competition.

BMW has steadily over time increased their prices, but there can be quarterly price reductions to some models. These price reductions can be due to the lack of equipment available for the product or perhaps a face-lift model becoming available of that particular model.

BMW does aim to maximize their sales, but they also rely on the strong brand to keep their clients. Tesla lowered its prices in Northern Europe significantly in 2023 and shot up in sales very quickly. While this was bad news to BMW, they still remained strong with keeping their prices on the same level as before.

BMW utilises brand ambassadors and cooperations with celebrities in their strategy. Trade cooperations with influencers and celebrities are common and the new BMW XM has been extensively marketed with help of the likes of Naomi Campbell and Zlatan Ibrahimovic.

BMW does not continuously pursue closeness to the arts but especially their special editions and upper range have had close ties with artists and art. The BMW i7 had a campaign made in cooperation with an artist called Nick Knight, who drew illustrations of the car used in the campaign. Many renowned artists, such as Andy Warhol and Jeff Koons, have also created cars for the BMW Art Car collection.

BMW of course originates from Munich and is still very much associated with Germany. BMW has factories in Germany, but they have also expanded their factories to the United States and even China.

BMW uses consultants in certain business areas and projects, and they test by sending surveys to clients and target groups through companies that gather data. These surveys are less linked to the products though and more linked to visibility of marketing or recognition of the brand rather than any individual product.

As discussed earlier, BMW does not look for consensus in all of their activity and with all of their products. They are though interested in the effectiveness of their advertising and whether it leads to leads and sales.

There is no history of BMW looking after group synergies in its strategy. Rolls-Royce has successfully retained its independence despite it being owned by BMW Group.

BMW has made cost reductions by relocating some of their factories, but they have still consistently created value by local, internally well-trained sales staff and creating innovative designs and technologies.

BMW does not sell their products online. The cars can be configured online, but they are always bought through authorized BMW dealers.

By comparing BMW to the anti-laws of luxury marketing strategy, it can be stated that BMW cannot, as a whole, be classified as luxury. Their upper range meets most of the qualifications of the luxury strategy, but looking at the entire model range it must be classified as premium or masstige. The following chapter investigates what is masstige marketing, and whether BMW meets the criteria for that?

No positioning	True	False
Has flaws	True and False	True and False
Resists client demands	True	True and False
Does not lure clients	True	False
Not responding to demand	True	True and False
Dominating the client	True	True and False
Difficulty of buying product	True	True and False
Segregation of clients	True	True
No advertising	True	False
Communicating to those you are not targeting	True	False
Presumed price higher than the actual	True	True and False
Luxury sets the price, not vice versa	True	True and False
Raising prices over time	True	True and False
No selling	True	True and False
No advertising with stars	True	False
Pursuing closeness to the arts	True	True and False
No relocating of factories	True	False
No consultants	Not known	False
No testing of products	True	True and False
No looking for consensus	True	True and False
No group synergies	True	True
No cost reduction	True	True and False
Marginal sales on the internet	True	True

Figure 8. Luxury marketing anti-laws comparison

## 8 Masstige Marketing

In recent years a new concept, called “new luxury”, has been invented (Eckhardt, Belk, & Wilson, 2015). The concept of new luxury involves affordability, fast market growth and availability in the mass market. Marketing luxury or high end brands to a bigger group of people, a “mass market”, focuses on middle class consumers. The goal is to create Mass Prestige (“masstige” marketing). This is a new phenomenon and presents a big opportunity for premium goods and services. Based on the masstige conceptual model, brands that effectively establish mass prestige and build brand equity can command premium prices from their target segment. These

consumers are typically likely to pay a premium price for these brands compared to mass-market alternatives (Kumar, Paul and Unnithan, 2019).

Despite being affordable, masstige brands still have a relatively high level of perceived prestige which differentiates them from middle-range products. They are sold at prices that are only slightly above the prices of comparable middle range products, and this is how they reach a wider audience than traditional luxury brands. Some brands implementing this strategy would be Ralph Lauren and Calvin Klein. They are neither luxury nor middle-range because of the relatively high level of perceived prestige. This strategy is best described as a masstige strategy (Truong, McColl and Kitchen, 2009).

With masstige marketing, consumers can afford the products that were not accessible to them before. Consumers across countries have been convinced of this price reduction strategy. From the marketing perspective the masstige strategy gives an opportunity to increase profit by broadening the product line (Kekre & Srinivasan, 1990) and create a new masstige segment with exponential growth. There is also evidence of brands trying to implement the masstige strategy by introducing diffusion brands, which are sub brands for their parent brands, such as Miu Miu is for Prada according to Arora, McIntyre, Wu and Arora (2015; see also Kumar, Paul and Unnithan, 2019).

## 8.1 Masstige Marketing Mix

Kumar, Paul and Unnithan (2019) propose how a masstige brand can be developed. Figure 9 shows the marketing mix followed in order to develop a masstige brand. The prices of the brand are relatively high or high. There should be a level of innovation from the beginning of the brand to differentiate from other brands and the look and feel of the product should correlate with the high price and prestigious image. A masstige product image should be supported by a relatively high or high price and after setting the price, changing it should be avoided. The product and price must be supported by place. The distribution should be controlled and selective distribution and direct marketing such as email, mail and texting should be applied. Promotion of masstige products includes

premium packaging, selective endorsers or partners and advertising the products on selective communication media. The four Ps of the masstige marketing mix are interconnected with each other. Changing one will have impact on all of them. The fixed high price of a masstige product is the outcome of the other three Ps, product, promotion and place. Masstige value forms based on these other Ps, not the price.

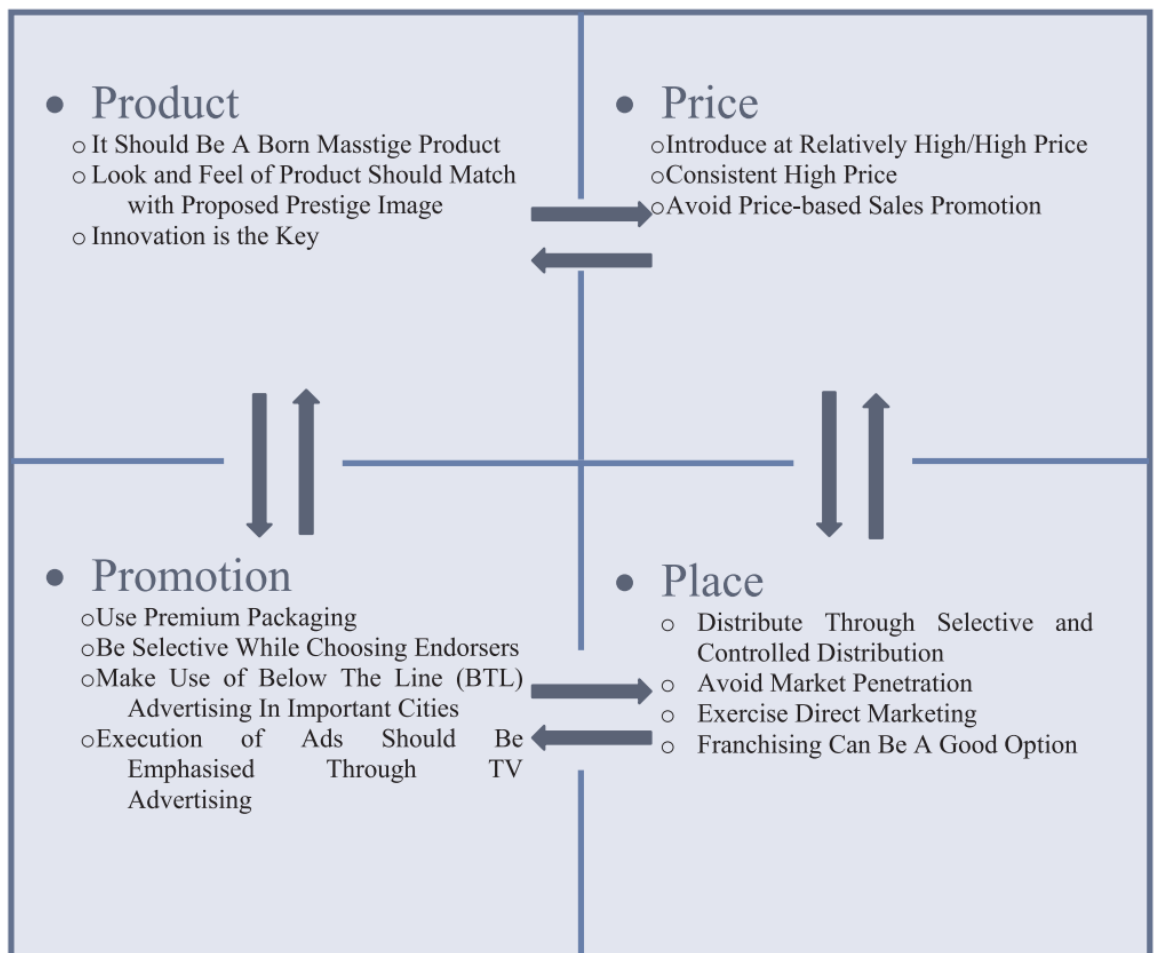


Figure 9. Masstige Brand's Marketing Mix. Source: *'Masstige' marketing: A review, synthesis and research agenda* (Kumar, Paul and Unnithan, 2019).

## 8.2 BMW and Masstige Marketing Mix

**Product.** BMW is known for having innovative or even pioneering products with top design. The products also have a prestigious feel.

**Price.** BMW has consistently high prices and they have been high since introducing the brand. BMW does not do price-based sales promotions.

**Promotion.** BMW is selective when choosing cooperation partners and endorsers for the brand. They also use a lot of below-the-line advertising such as tours, newsletters and targeted search engine marketing.

**Place.** BMWs are always distributed through authorized BMW dealers, and they utilise direct marketing such as mailing, texting and emailing. BMW has also always maintained a presence in the premium segment, and they have not attempted market penetration to lower segments.

Based on the masstige marketing mix comparison with BMW it can be stated that BMW does utilise the masstige marketing strategy. When looking at the masstige marketing mix, it can also be noticed that some of the marketing mix components apply to luxury strategy as well which makes it difficult to distinguish between the two strategies concisely.

## 9 Conclusion

The finding of this thesis suggests that differentiating between luxury and premium brands or products can be very hard and very often can be interpreted differently, depending on the assessor. There are multiple definitions and strategies available to determine what is luxury and what is premium, but almost all definitions when cross-referenced with existing brands give inconsistent answers and often brands have a plethora of attributes that are luxury, but also many attributes that are premium, or vice versa.

The difficulty of the distinction comes from several different areas presented in this thesis. These should be taken into consideration when trying to define luxury and

premium. They include cultural differences, varying definitions of luxury, differing clienteles, different levels of luxury and the automotive industry's uniqueness in terms of what defines luxury in the industry.

Only a very few brands can be categorised as luxury with wide consensus, and Rolls-Royce is one of these brands. It leaves no question because it meets all the definitions of luxury across cultures as well as the anti-laws of luxury marketing strategy by Kapferer.

Findings suggest that BMW is divided between premium/masstige and luxury in many ways. It can be stated that BMW's model range is too wide to make a distinction that applies to the whole brand. BMW widely utilises the luxury strategy and fits the definition of luxury, but on the other hand the brand's lower range is relatively accessible to consumers and fits the premium definition, as well as utilising the masstige strategy. Many of the findings also contradict each other which leaves the author wondering if consensus concerning the definition of luxury is even possible. For example, by definition, luxury should not be mass-produced and craftsmanship should be included in the manufacturing process, but the technological advancements in the automotive industry allow mass-production even in luxury vehicles, but still the level of craftsmanship and individuation to go up. This parallels developments in other luxury fields, where the "new luxury" concept has resulted in significant expansion of "affordable luxury" accessories from brands such as Louis Vuitton and Dolce & Gabbana, but the likes of Hermès and Rolls-Royce still deliberately exploit rarity and craftsmanship to maintain their exclusive allure. These changes in the industry pose the question if current definitions of luxury are relevant anymore. Of course, craftsmanship and rarity still apply, but does all luxury have to be rare and handmade to be luxury? After all it is the consumers who ultimately define what luxury is – and it might be changing.

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