

# **Changes in consumer behaviour and their effect on the luxury accessory business.**

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<p>Abstract:</p> <p>This research was designed to find out whether changes in consumer behaviour in recent years have had an effect on the sales of luxury branded accessories. This research is significant to luxury brands and in particular those selling accessories in the fashion industry. Its players range from storeowners to merchandisers and business executives. The aim of the research was to determine whether the perception of luxury has depreciated due to changes in consumer behaviour and whether luxury accessories have become more available on the market and whether this fact makes the brands less luxurious. Factors such as changes in communication, globalization, social networking, mass consumption, cultural homogenization, e-tail, celebrity branding and the recession of 2007 have had an effect on consumer behaviour. In order to find out the main changes of consumer behaviour the author has collected data from a wide range of literature e.g. academic sources and journals that represent the theory part of the research. According to the research done, interviews were conducted and compiled per oral and written form and sent out to luxury retailers, as part of the case study and its subsequent analysis. Finally, the author was able to compare and contrast results of the theory in parallel to the company cases in comparison with a report done on luxury spending habits published by American Express, as part of the discussion of this research.</p>	
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# **1. INTRODUCTION**

## **1.1 Background**

It is of personal interest for the researcher to study how consumerism, consumption and consumer behaviour have changed the concept of luxury in the fashion industry. This research focuses on the main changes in consumer habits from 2005 to 2011 with special interest in the luxury accessory industry.

This research of the fashion industry and thus luxury brands is specific to luxury accessories and yet is also relevant to the fashion industry on the whole, including a number of business sectors ranging from storeowners to merchandisers, advertisers, designers, business executives etc.

The fashion industry is one of the largest industries worldwide and accounts for billions of euros in sales and profits a year; in 2009 in the United Kingdom alone, designer fashion grossed and added an impressive 440 million pounds to the overall economy (Fashion United, 2009).

This indicates that changes in consumer behaviour have led to changes in the fashion industry, which in return largely affect the world economy per gross domestic product and employing workforce. This makes this study significantly relevant not only to the luxury accessory sector but to the fashion and high fashion industry as a whole and more so to the overall economy.

## **1.2 Aim and objectives of the study**

The aim of this study is to determine if the concept and the perception of luxury has depreciated in value following changes in recent years of consumer behaviour.

The objective of this study is to determine if luxury accessories have become more accessible to the average consumer and therefore to a wider range of people, and to determine whether or not this phenomenon depreciates the luxury value of luxury brands.

### **1.3 Research questions and hypotheses**

- How has consumer behaviour changed in recent years and what are the main causes of this change?
- What effect have the changes in consumer habits from 2005 to 2011 had on luxury brands' accessories?
- Have the changes in consumption and in consumerism in recent years given rise to a wider accessibility of luxury in the fashion industry?
- Have those changes in consumption devalued luxury and high fashion?

### **1.4 Scope of the study**

The limitations of this study include its size and the limited amount of time that can be spent on it.

The writer can only consider limited aspects and analyze them to a certain degree of depth in this research.

In regard to the sample size, the author will focus on an area limited to a market niche: the luxury accessory business.

The author will not be able to compare and contrast:

- Differences and attitudes across all age ranges
- Differences and attitudes across different income brackets
- Differences between countries for e.g. EMEA (Europe, Middle East, Asia)

### **1.5 Theoretical framework**

The theoretical framework of this research includes primary and secondary data.

The theory includes academic sources such as books, journals and articles.

Qualitative research will be carried out in order to answer the research questions and hypotheses. Interviews were conducted with three selected companies in the luxury



fashion accessory business as to generate relevant findings, which constitutes the primary data of this research.

## **1.6 Background information**

### **Short history and evolution of luxury branding in high fashion**

#### **1.6.1 History**

The majority of high fashion luxury brands known today were started by one man businesses, a century and in some cases more ago, selling high quality handcraft items e.g Chanel and Louis Vuitton (Thomas 2007 p. 4 ff.).

Today, these very same brands are owned by multibillion-dollar companies and multinationals, run by corporate tycoons and financiers.

At their origin, these brands were selling garments to an elite clientele offering them a unique and intimate experience. Couture and ready-to-wear clothing was presented to the customer who chose the garments during selective fashion shows or private viewings in comfortable dressing rooms with the assistance of seamstresses to tailor the garments to the clients' every wish.

Sales staff in brands' boutiques or in high-end department stores knew customers by name, what suited them and to which occasion to wear what; but also "who was wearing what" to which event.

At the present time, luxury brands and stores mostly sell handbags, accessories and additionally in flagship stores cosmetics and fragrances. Customers who are not able to buy more expensive items such as clothing are able to buy into a piece of the dream, giving them an instant impression of wealth. Sales of cosmetics and perfumes in turn, provide the biggest profit to luxury brands.

"The clothes a designer sends down the runway are worthless, unless they increase the sales of handbags, sunglasses and perfume" (Tungate 2005 p.5).

## **1.6.2 Facts**

According to *Deluxe, How Luxury Lust Its Lustre*, (Thomas 2007 p.3) the industry of high fashion luxury goods was worth 157 billion dollars in 2007. The worldwide demand for such goods has been continuously rising, (excluding 2009 due to the US sub-prime crisis) and is predicted to increase in future years (Global Luxury Goods Market Research 2011).

In 2007, 35 major high fashion brands accounted for 60% of the high fashion goods business with brands such as Chanel, Hermès, Louis Vuitton, Gucci, Prada and Giorgio Armani leading the market. All these companies have annual revenues higher than 1 billion dollars (Thomas 2007 p.3 ff.).

The main markets are Japan, America and Europe, which represent more than three-fourths of the market (Global Luxury Goods Market Research 2011).

In 2004, Japanese consumers accounted for 41% of luxury sales, Americans for 17% and Europeans for 16% (Thomas 2007 p.12).

Emerging markets, such as China and in the years to come India, are following up the increase in sales of luxury goods due to an increase in wealth and living standard of their population. Due to its growing economy, China is due to surpass the Japanese market in the following years (Global Luxury Goods Market Research 2011).

## **1.7 Key concepts**

### **1.7.1 Consumer behaviour**

Salomon *et al.* 2010 p.xiv defines consumer behaviour as not only determined by how consumers purchase but also how having or, not having certain things affect a consumers' behaviour in life and their perception of themselves in society. One's possessions affect the image of Self as a consumer but also the perception he or she has of others.

Solomon continues to define consumer behaviour as “the study of processes involved when individuals or groups purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires” (Solomon *et al.* 2010 p.6).select,

Consumer behaviour and its evolution is an attractive area for research as there are only very few economical areas that are not directly affected by it (Blundell 2008).

In addition, consumer behaviour is influenced as to reach a desired state or goal (Bagozzi & Dholakia 1999).

### **1.7.2 Consumerism**

Consumerism is a term born from and related to consumer behaviour, which defines the act of consuming.

According to Solomon (2009 p.67) consumerism defines the act of consumption in consumer behaviour.

Another definition and theory is that consumerism is “a social and economic order that is based on a systematic creation and fostering of a desire to purchase goods and services in even greater amounts” (Veblen 1899).

Kotler *et al.* (2005) define consumerism as “An organized movement of citizens and government agencies to improve the rights and power of buyers in relation to sellers”.

### **1.7.3 Consumption**

In economics and as defined by the Encyclopædia Britannica, consumption is “the use of goods and services by households”.

Furthermore, Warde (2005) makes the basic assumption that consumption occurs whilst engaging in certain activities in which an individual requires the need of services and the usage of specific tools.

Consumption is also represented by being an activity, which conveys information about the consumer's identity, not only to himself but also to others around him who witness the act of consumption. Consumers engage in consumption in order to convey specific messages about their identity and their lifestyles (Knell 2007).

#### **1.7.4 Luxury**

Luxury is a relative concept but is usually defined by being related to something overpriced to its real value and that makes people feel better (Global Luxury Goods Market Report 2011) in relation with that certain good, e.g. sense of comfort.

As the term can be defined in various ways, it also evokes different thoughts from one consumer to the other; what is luxury to one consumer is not to the other.

As an example, luxury can be found in the form of a chocolate bar for a poor worker in a third world country but luxury is not necessarily luxury to a billionaire buying a luxury car like a Rolls Royce.

This thesis focuses on the term 'luxury' in fashion branding, specializing on high-end brands, which are considered to be affordable only by a selected elite.

According to Knowledge@Wharton (2008), "luxury is supposed to be immune to market fluctuations -- because its value is by definition timeless and transcendent -- it is subject to an unrelenting economic bottom line: its stock simply cannot go down".

In regard to market positioning, luxury offers "more for more" in which consumers are charged a higher price for the product to cover the companies' higher costs. The price difference of the product often exceeds the gain in quality of the product (Kotler *et al.* 2005 p.430).

### 1.7.5 Accessory

To clarify the usage of the term by the author of the research, the author would like to emphasize that the term accessory, here refers to shoes, handbags and jewellery.

## 2 LITERATURE REVIEW

This research aims to determine whether or not recent changes in consumer behaviour have affected the luxury accessory business in a positive or negative way.

In *Deluxe, How Luxury Lost Its Lustre*, Dana Thomas (2007) illustrates how changes in consumption of luxury fashion goods, as well as the pursuit of economical profit margins, have lead to a decline in true luxury in the fashion industry.

A triggering change in consumption habits is the rise and expansion of the Internet as a source of information on products and goods as researched by Solomon (2009) in *Consumer Behaviour: Buying, Having and Being* or the development and proliferation of e-tail and e-commerces making luxury accessible to all as exposed in the *Global Luxury Goods Market Report* (2011).

Simultaneously, due to changes in consumer buying behaviour, brands have become more aware of and have developed their brand images and personalities as exposed by Keller and Lehmann (2006), *Brands and Branding: Research Findings and Future Priorities*.

Ways of developing and affirming this important visibility factor have been enhanced by exploring new ways of marketing their image such as the use of celebrities representing brands or by working in collaboration with fashion bloggers influencing trends and consumer behaviour as written by Wiseman's in her article of 2009 *Tavi Gevinson: the 13-year-old blogger with the fashion world at her feet*.

Controversy of changes occurring in the luxury fashion industry include the development of the market from a selected elite to an expansion in the luxury fashion market structure by spreading to the masses as emphasizes by Knowledge@Wharton in the on-

line article *Illusion, Not Quality: The Transformation of the Luxury Niche into a Global Mass Market* (2008).

According to the literature sources above it is possible to deduct that changes in consumer behaviour have affected the luxury accessory business by reflecting a positive change on sales but perhaps a negative one as regards to the luxury reputation.

The literature review shows a need for and supports the authors' theoretical and qualitative research.

## **2.1 Consumer buying behaviour influences**

### **2.1.1 Reference groups and psychographics**

Consumer behaviour and buying is very much influenced by a consumers' friend group or entourage (Solomon *et al.* 2010 p.4) and their opinions and behaviours. Consumers are members of and admire several different groups and are thus generally influenced in their purchases by a desire to conform and please others (Solomon *et al.* 2010 p.380).

In everyday life, consumers exchange product information in the form of recommendations of which products to use or avoid and that due to their everyday life conversations, so called 'word-of-mouth'. This has proven itself to be more influential on buying behaviour than mere advertising whether it is on billboards, in television commercials, in the press or on online advertising.

A reference group is defined "as an actual or imaginary individual or group conceived of having significant relevance upon an individual's evaluations, aspirations, or behaviour".

Purchases such as luxury items are usually influenced by reference groups as they are usually bought with a consumer's discretionary income and are thus influenced by and individual's tastes and preferences (Solomon 2009. p.431).

A reference group can be defined by being a group that the consumer actually knows, e.g. people acting in a consumer's immediate environment, but it can also be a group

that the consumer admires and aspires to (Solomon *et al.* 2010 p.352). Cultural figures such as celebrities can be identified as aspirational reference groups.

### **2.1.2 Brand image and personality**

Consumers consider buying products according to the image and the personality of a certain brand (Solomon *et al.* p.5).

Indeed, brands create their own image or personality by choosing defined ways to advertise and package their brands that position the brand in a certain market segment so that a certain category of consumers adopt their products.

### **2.1.3 The role theory and the Self concept**

Consumer behaviour is also dictated by the sociological perspective of the role theory (Solomon *et al.* 2010 p.6) in which, consumption habits and activities create a communication system in which consumers communicate their roles and statuses. Consumers choose products in order to create their identity, their “real Self”.

A consumer’s Self concept is based on the image, the reflection and the attitudes that the consumer has of his or her own self. This image often guides purchase decisions made to reinforce and reward the image of Self (Solomon 2009 p.234).

“People often buy products not for what they do but for what they mean” (Solomon 2009 p.40), meaning that the role a product plays in a consumer’s everyday life is usually more than just the single task they perform.

As Figure 1 illustrates, advertising in the fashion world relies on the symbolic qualities of a product rather than its functional ones.

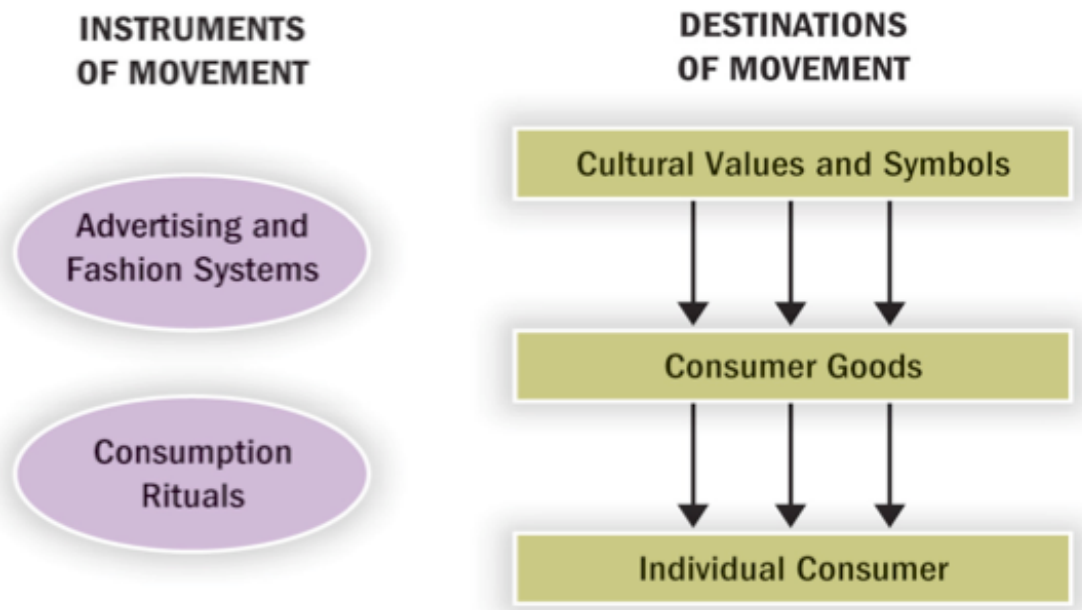


Figure 1. The movement of meaning. (Solomon 2009, p. 636 Section 5 Consumers and Culture)

“Consumers increasingly want to buy things that will give them a hedonic value in addition to the functional value” (Solomon 2009 p.107).

#### 2.1.4 The price-quality relationship

One of the major market assumptions made by consumers is that a high product price is a synonym for getting a high quality product (Solomon *et al.* p.282) as newcomer consumers may consider price as the ultimate product attribute. This factor influences consumers and their buying behaviour when buying luxury; as fashion luxury items are pricey but, as Thomas defines it through out her book *How Luxury Lost Its Lustre*, is nowadays no longer an equivalent for quality.

## 2.2 Main changes in consumer buying behaviour from 2005 to 2011 in fashion luxury

Consumer behaviour is a relatively young and dynamic field (Solomon *et al.* 2010 preface iv) that is constantly evolving due to exterior influences.



### **2.2.1 Globalization and changes in communication**

The Internet is responsible for one of the major changes in consumer buying behaviour in occidental countries and more specifically amongst young people. It has changed the way of how many consumers search for information.

It is easy to access and search, contrast and compare different products according to the wide source of information available online. A consumer can surf online for products on local websites but can also get the same products from foreign countries and sometimes for a cheaper price and at a faster delivery time. This change in communication permits needs to be satisfied on a fast accessibility and a very quick spread of information from one consumer to the other (Solomon 2009 p.462).

The Internet has greatly increased the exposure of consumers to numerous reference groups (Solomon 2009 p.462).

The Web unites millions of consumers that share the same consumption attitudes; consumer reviews, fan clubs, forums, users groups offering product related discussions (Solomon *et al.* 2010 p.279) are also available, recommending and giving detailed information about products like in a reference group e.g. fashion luxury blogs.

These World Wide Web produced reference groups are so-called consumption communities that can be found as thousands (Solomon 2009 p.32).

Web site evaluators recommending top sites with reviews, comparative search sites and user groups help consumers filter through brand and give them options (Solomon 2009 p.371).

### **2.2.2 Social networking**

Social networking has been established as one of the biggest consumer developments in recent years (Solomon 2009 p.451).

In effect, social networking is based on websites such as its market leader Facebook ([www.facebook.com](http://www.facebook.com)) or its peers like Myspace ([www.myspace.com](http://www.myspace.com)) and Twitter ([www.twitter.com](http://www.twitter.com)). If we take the example of Facebook, members post information about themselves and interact with other members like friends, family, work contacts or others who share similar interests.

Members share hobbies and tastes, which is seen as a technological revolution crucial to marketers as it results in changes in consumer behaviour and shapes new markets.

As an example, members of Facebook share with other members, the Facebook pages they like and support such as brands, which the rest of their social networking friends can see and like if they desire. This phenomenon refers, relies and strengthens the concept of reference groups.

Users can also comment and exchange tips directly on given brands pages, which are directly visible by a large community of other fans of a certain page and this empowers end consumers because of direct interaction with brands.

According to Salomon (2009 p.452), this will have an impact on how brands promote themselves and on how consumers consume their products.

### **2.2.2.1 Blogs**

The phenomenon of blogging consists of individuals creating their personal web pages as a diary form (Solomon 2009 p.684).

Individuals are able, like on other social networking pages, to update information about their daily lives such as their daily activities or tastes.

In the fashion world, pages such as Tavi Gevinson's blog ([www.thestylerookie.com](http://www.thestylerookie.com)) created a small revolution by having high-end fashion aficionados creating a big reader following and influencing consumers in their purchases through advertising their likes and dislikes of specific brands and/or products.

In fact, Tavi Gevinson started blogging in 2008 and that at the tender age of only 11 and created a big buzz in the fashion industry, which secured her collaboration on products with brands and a front row seat during fashion weeks (Wiseman 2009).

### **2.2.3 Mass consumption**

When corporate tycoons took over fashion houses turning them into multinational brands, they targeted a new socioeconomic demographic audience, the so-called middle market. This market segment includes entrepreneurs, sales executives, teachers etc.

Corporate moguls turned high-end luxury into a more accessible and democratic market (Thomas 2007 p.9) by for example introducing low-priced accessories that a bigger market segment can afford.

This phenomenon appeared in order to capitalize on the brands to the maximum and make as much profits as possible.

According to Solomon (2009 p. 537), consumers can be influenced to buy products in order to aspire to a certain social class. This phenomenon is called *conspicuous consumption* in which a consumer buys products in order to buy up into a higher social class.

### **2.2.4 The global market place, the global consumer culture and cultural homogenization**

High-end fashion companies and multinationals are today present all over the globe. They are part of the global industry in which the world represents one big market. The term global industry refers to “an industry in which the strategic positions of competitors in given geographic or national markets are affected by their overall global positions” (Kotler *et al.* 2005 p. 212). These firms standardize their marketing actions across countries and geographic markets, the so-called global marketing phenomenon.

Through globalization and global communication, people around the world are united by sharing a common passion for goods, such as brand names, movie stars and celebrities. This movement is called the global consumer culture (Solomon 2009 p.43).

Global consumer culture can also be defined as “shared sets of consumption related-symbols (product categories, brands and consumption activities) that are meaningful to segment members.” (De Mooij 2004 p.5).

For the fashion luxury business this means that millions of consumers in that market segment know the most famous household names and their logos or trademarks.

### **2.2.5 E-tail**

E-tail has made it possible to make luxury goods accessible to all. Anytime of the day and anywhere in the world, anyone with an Internet-connection and the suitable economic means can purchase luxury goods online.

High-end fashion luxury goods are sensory goods because their aesthetic characteristics are for the large part best appreciated by the human senses of sight, touch and feel. These same senses are stimulated in the brand's store atmosphere (Okonkwo 2005).

Although the physical luxury store atmosphere or the prestigious locations of the stores cannot be recreated online; online sales have been increasing throughout the years, due to the ease of shopping on the internet, in our "convenience driven retail environment" (Okonkwo 2005), which allows busy professionals to shop at ease at any moment in their busy schedules.

Sound is an indispensable tool used in the online experience. It manages to create various feelings in the subconscious of the consumer depending on the type of music played, its tempo, volume etc.

Strong visuals such as videos or slideshows of the brands' catwalk shows or TV commercials or interviews of creative directors contribute to recreating interaction that can be found in selected stores (Okonkwo 2005).

According to the Global Luxury Goods Market Report 2011, online sales have increased in recent years, facilitated by the emergence of smart phones and the creation of applications making it easier for consumers to shop online.

This shows that reaching millions of people is complementary to the rest of the luxury retail distribution channel.

In their Global Luxury Market Overview Report of 2011, Euromonitor International lists the cons and the pros of online luxury retailing.

The cons include as illustrated above with Okonkwo (2005) that it is harder to demonstrate the brands as well as the products' attributes online. This retailing method also leads to a lack of direct feedback and communication with the customer. Another main disadvantage is that it is sometimes harder to identify the reliability of certain sources with regards to counterfeit goods.

On the other hand, a major pro of selling online is that the direct finances of a brand are positively affected, as the brands have lower costs and higher margins. Direct online retailing also allows brands to have better control over their brand and their image as well as allowing a wider distribution for retail only brands. Another notable advantage of e-tailing is the attraction that it has on boutique-shy customers but also on consumers who lead busy and stressful lives and who that way benefit by capitalizing their time in their busy schedules.

### **2.2.6 Celebrity branding/endorsement**

In her book *Luxury Fashion Branding Trends, Tactics, Techniques* (2007 p.157), Uche Okonkwo defines the term celebrity as referring to “people that exert significant influence in several facets of the society ranging from arts, music, movies and television, sports, culture, education, politics, government and also religion”.

Although celebrity endorsement is not a recent phenomenon in the high-end fashion world, the impact is not to be neglected as being a valuable factor in influencing consumer-buying behaviour.

Using celebrities to promote products, and here more particularly luxury fashion items, has been used for several centuries even before this scheme started to be referred to as marketing communication tool.

The use of celebrities in branding was born in Paris in the nineteenth century, when Charles Worth, the inventor of haute couture used high society lady, Princess Von Metternich, an influencer of court fashion to promote his brand 'La Maison Worth'. The patronage between this personality and the fashion house propelled his couture house as the most notorious in the world at that time (Okonkwo 2007 p.156).

Celebrity branding is very important to brands as they wield a substantial power to the brand they represent, as they exert a big power on fashion circles.

Most celebrities used in fashion luxury marketing and advertising come from the film and music industries. The main reason being their high visibility but also the importance that fashion has in these industries.

An interesting fact concerning the luxury brand Christian Louboutin is that he does no advertising. The Louboutin company does not have a marketing department and although the company does not either actively seek to dress stars for red carpet events, its popularity has turned into a strategy where by his trademark shoes with the scarlet soles, are adulated by celebrities worldwide. The company thus relies on the fact that the famous and the fashionably-au-fait wear his shoes in everyday life, on camera and to various high-profile events (Thomas 2007 p.327).

#### **2.2.6.1 Celebrities as a reference group**

Aspirational reference groups consist of people one does not actually know but that yet the consumer admires and that he considers successful such as celebrities like actors, models etc. (Solomon 2009 p.435).

This phenomenon enables brands to hire celebrities to represents their brands or star in their advertising campaigns in order to increase their visibility and link their brand and products.

#### **2.2.6.2 Celebrities as style icons**

A style is defined as a risky and distinct statement made by an individual or a little group of people that extends to other individuals as they become attentive to that certain style and act confident about wearing it. Styles are often the result of consumers adapting to the inventions of designers and businessmen, to their own needs. These style, trends and related products usually travel extensively across countries and continents. Influential people in the media such as celebrities play an influential role on deciding which styles will succeed (Solomon 2009 p.638).

Designers who can anticipate this movement and manage to have selected celebrities endorsing their products will succeed in the marketplace.

## **2.2.7 The recession of 2007 and its effects on consumer behaviour**

### **2.2.7.1 From the point of view of a fashion luxury brand**

According to Marco Bizzarri (Raghavendra 2010), CEO of luxury prêt-à-porter but also accessories brand Bottega Veneta, which is part of the French retail and luxury giant Gucci Group; the main focus of the brand during the recession and the years following was to stick to the brand's image and positioning. In order to maintain the brand's double-digit growth during the crisis, the company focused its strategy on the product and its four keystones: craftsmanship, quality, product and innovation.

According to Bizzarri, the main change in consumer behaviour and the direct result of the recession is that before the crisis consumers of high-end fashion products never asked about the price of the product in question. They bought the item because of their liking of it. Subsequent to the economical crisis, the consumers of that industry started to check on product prices after which, they compared the product to similar products sold by competitor brands and then the consumer would come back to the original object of interest and then decide whether or not to make the purchase.

Consumers have also started to ask more questions about products from the sales staff and inquiring more about a certain product in general. This results in the fact that the whole purchase experience takes much longer as consumers want to ensure that they are making the best deal for themselves in which, as opposed to buying 10 products before the financial crisis, consumers now only buy one.

### **2.2.7.2 From the point of view of the luxury goods market as a whole**

As researched by Euromonitor International in 2011, the recession has triggered a long-term change in sales of luxury.

Before the crisis, between 2005 and 2007, the sales of high-end goods was growing in developed markets as well as in emerging economies: whether increasing their retail network, licensing, joint ventures, wholesale or increasing the amount of their outlet stores.

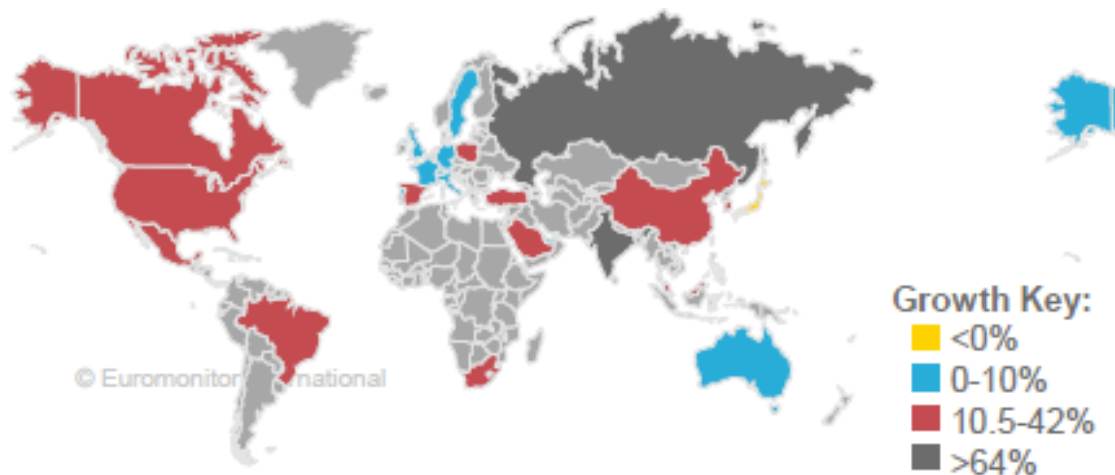


Figure 2 Luxury Goods Sales Growth 2005 to 2007(c) Euromonitor International

After the recession hit the luxury goods markets, the growth of the previous years slowed down distinctively.



Figure 3 Luxury Goods Growth 2008 to 2010 (c) Euromonitor International

Since 2010, the luxury goods market has been recovering although the market still shows signs of the recession in 2011.

The luxury goods market is still changing: the consumer class is getting younger in emerging markets. New technologies such as the growing influence of the Internet and its related technologies such as social networking are changing consumers approach to buying luxury brands.



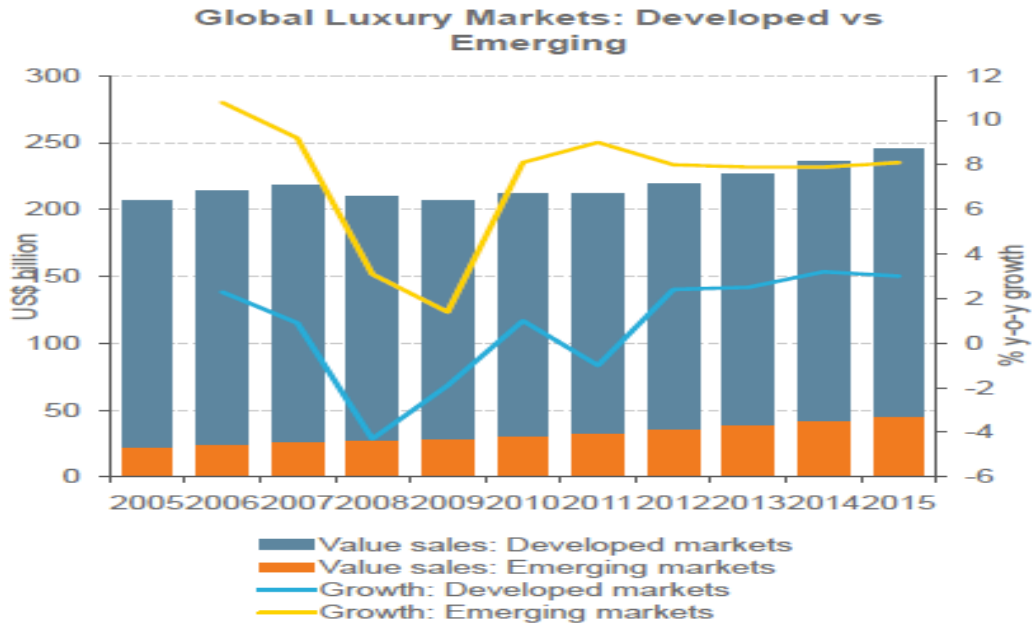


Figure 4 Global Luxury Markets - Developed vs Emerging (c) Euromonitor International

### 2.2.7.3 Future of the luxury goods market after the recession

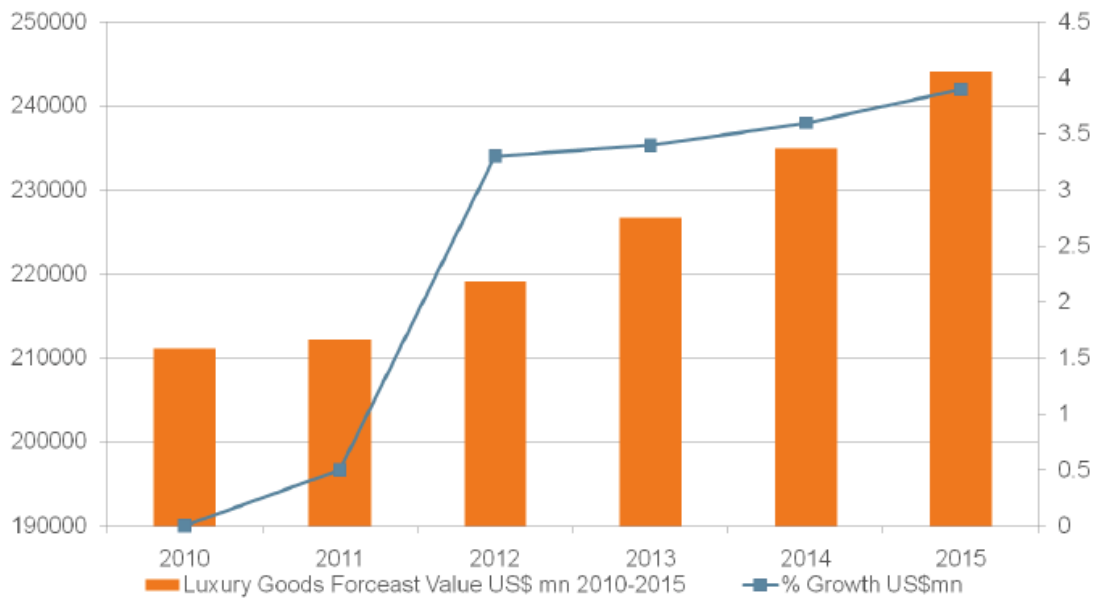


Figure 5 Luxury Value Forecast Growth (c) Euromonitor International

Euromonitor International in their Luxury Goods Market Overview (2011) project that one of the main challenges of luxury brands in order to maintain and increase their

growth is, that brands will have to become more pro-active in their vision of non-store activities. Brands will have to use their websites and social networking sites to showcase products and connect with their customers.

After pinpointing the main parts of how consumer behaviour works and how it has developed in recent years; and after having presented the main factors that have influenced changes in consumer behaviour, the author can now practically demonstrate how the topics above influence the high-end fashion accessory business by studying the company cases of ASOS, Helsinki 10 and FINSK as contrasted, emphasized and supported by American Expresses' 2011 Report on Global Luxury Fashion Spending.

### **3 QUALITATIVE RESEARCH: COMPANY CASES**

The author has chosen to study three companies during the research, ASOS the UK based online retailer, the Helsinki 10 concept retail store in Helsinki and FINSK the high-end fashion UK shoe brand by conducting interviews with key personnel of those companies. The findings from the company cases will be compared and contrasted in relation to the secondary data and in particular, the American Express Business Insights 2011, *Spend Sights Special Report, Global Luxury Fashion Spending Overview*, that overviews luxury spending habits of its consumers from 2010 to 2011.

#### **3.1 ASOS (As Seen On Screen)**

Founded in 2000, the London based company ASOS.com is the largest UK online fashion and beauty store. The company sells brands, designer brands as well as its own brand and targets the market of men and women ranging from ages 16 to 35. The brand offers over 50,000 products ranging from women and menswear to accessories, footwear, jewellery and beauty. ASOS.com has 3 official websites: in the United Kingdom, in the United States and in France and also targets the markets of Australia, Germany, Italy and Spain. Furthermore the company ships to more than 190 countries worldwide (ASOS.com, 2012). As an additional piece of information indicating the extensive success and reach of ASOS.com, the company's revenue at the end of March 2011, was registered at an impressive 339,7 million pounds, a 52% rise from the previous year and

an increase of international sales of 142% (BBC, 2011). In 2011, the website registered 3,7 million customers, spreading over 160 countries, who had purchased on the website during the previous year; 6,3 million registered users owning a customer account and a monthly average of 13,6 million visitors.

According to BBC News (2011), ASOS has the target of hitting 1 billion pounds in sales in 2015.

Moreover the company has received an impressive number of awards in past years, to name a few (ASOS, 2012):

Nov 2009 - Company Fashion Awards - Best Online Shopping

Nov 2009 - National Business Awards - Grant Thornton Mid-Cap Business of the Year

Dec 2009 - Best Customer Experience – eCommerce Awards for Excellence 2009

Dec 2009 - Online Gold Award (OLGA) for the Best e-commerce Site 2009 – eCommerce Awards for Excellence 2009

Oct 2010 - E-Commerce Awards - Best Use of Social Media

June 2011 - International Solution of the Year - Retail Week Technology Awards

June 2011 - Best Social Media Strategy - New Media Age Awards

June 2011 - Best Online Only Fashion Site - Handbag.com Online Fashion Awards

The author of this research chose to interview Mrs Julia Markou, who is responsible for purchasing branded accessories, in other words luxury fashion accessories lines for ASOS, whose knowledge of the industry and familiarity with consumer behaviour made her the most eligible interviewee choice.

## **3.2 Helsinki 10**

Helsinki 10 is a concept store in the heart of Helsinki founded in May 2006 selling design objects, artwork but predominantly high-end and designer fashion and accessories.

The results of an informal interview conducted with the stores' owners Eeva Vuolasvirta and Anssi Heiskanen, indicate that the concept store was designed and created in order to satisfy an otherwise uncatered market niche.

The store has also had its own web shop since 2011, both in Finnish and English language, shipping their merchandise worldwide.

The author of this research chose to interview Annette Heiskanen, founding member of the company who is responsible for purchasing of the collections of Helsinki 10, whose extensive experience in international fashion markets made her an extremely apt interviewee for the task at hand.

### **3.3 FINSK**

FINSK is a UK based brand launched in 2004 by the Finnish designer Julia Lundsten who, has been living in London since the late 90's. The brand is known worldwide in the fashion world, due to its innovative and unconventional designs and has since its creation swiftly expanded through sales, customer base and notoriety from the fashion elite, peer high-end fashion designers and average consumers due to its luxury status as a quality and solid brand (Finsk, 2012).

The company has in recent years received a fair amount of awards such as:

2002 – Smart Car Design Prize Winner

2003 – Manolo Blahnik Award Winner

2007 – Manolo Blahnik Award Winner

2010 – ELLE Accessories Design of the Year

The author of this research chose to interview Mr Danell Bronkhorst, in charge of international sales of the FINSK brand and whose experience in the field, knowledge of the industry and close collaboration with the founder, Mrs. Julia Lundsten make him a valuable interviewee for this research.

## **4 RESEARCH METHODS**

Research methods are defined by being actions or activities that are useful in generating data (Greener 2008 p.10) such as in the case of this study, a qualitative interview.

### **4.1 Data collection methods**

Secondary data for this research has been collected by researching and gathering information from academic sources such as books, journals, articles and online sources.

Thereafter, interviews have been performed, which can also be described as a qualitative method, which connects and makes reference to secondary data.

The interviews, or in other words the source of qualitative data, are one specific sort of research strategy, which includes data that has not been quantified or that is non-numeric (Saunders *et al.* 2009 p.480).

Bryman *et al.* (2007 p.402), argue that qualitative research is “a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data”.

#### **4.1.1 Compiling the interviews**

The author chose to conduct interviews as the source of primary data collection method of this research. This enabled the author and gave the opportunity to ask respondents about the specific points raised in the secondary research part of the thesis; which in turn ensured relevant answers for the discussion and subsequent results to answers the hypothesis made.

The questions asked in the interviews where formulated as open questions as to give respondents more space in their answers leaving them the freedom of how much information they would like to reveal.

The interview requests were sent out by email to selected and suitable companies in the luxury fashion sector and prior research of these companies indicated the most relevant and targeted personnel to conduct these interviews. This was carried out to ensure that the interviews were effective for the purpose of this research.

Furthermore, the main part of these interviews (see Appendix 1/3, Appendix 2/3 and Appendix 3/3) were sent out to the selected companies by e-mail as it is a fast, effective, time saving, cost free and widely used means to carry out this sort of primary research. This also enabled time to the interviewees as to consider their replies and also give them the opportunity to consider their feelings and prevent any possible discomfort due to environmental pressures.

The interviews were flanked by further informal discussion and contact, whether it would be for elaboration and/or clarification purposes.

The interviews were designed and distributed amongst a diverse range of companies including luxury conglomerates, boutiques and high street stores. Unfortunately many companies were unresponsive or did not reply in time for the deadline of this research. The case study therefore is comprised of the given respondents presented of companies ASOS, Helsinki 10 and FINISK.

The answers given in the interviews constitute the original primary data collected.

The interviews were designed to acquire information regarding, consumption patterns, market trends, beliefs regarding products and services in the industry, attitude towards luxury, economic and social motivations for luxury buying behaviour and influences; which are affecting changes within the industry and in consumer behaviour and their perception and consumption of luxury accessories.

The method was chosen in relation to the nature of the survey's subject, the population sample and research constraints.

The order of the interview questions raised was also carefully considered. The interviews were asked in the form of logically ordered questions so not to confuse the re-

spondents. No leading questions or questions that broached ideas were made in order not to influence the response of that particular question or questions posed thereafter. The questions of the interviews were following a logical time frame, e.g. present behaviour discussed before that of the past or the future.

The use of open interview questions was decided as opposed to closed questions to elicit rich qualitative data. This choice enabled and provided the respondent with an opportunity for freedom of expression and thought. Although this has been beneficial to the richness and quality of answers given, open questions can be a minus as these kinds of questions take longer to answer which de facto may confuse or tire the respondents, which can in turns create answers that can be harder to interpret.

#### **4.1.2 Sampling frame of the interviews made**

The population of this survey includes all luxury goods retailers whether Internet or store based.

The sample of the population selected to reply to the interviews spans across ages, socio-economic groups, genders etc.

Retailers ranging from low to high-end, web-based only and store based only are all included to obtain a sample that is representative of consumers.

The author designed a tailored and company specific interview to elicit relevant information from appropriate and selected companies. In total the author distributed the questionnaire to 15 handpicked favored businesses in the fashion industry that represented the more relevant companies eligible for the research and its topic.

The respondent percentage was about 4,5% to whom a more thorough investigation was carried out.

This was done using informal interview techniques with open questions to enable to the respondent to have freedom of expression in their replies.

The 15 businesses originally contacted were selected due to the association with not only the fashion industry but luxury fashion, in particular, accessories.

The respondents themselves were chosen due to their position within a company. In these cases, buyers, who are more involved in the business side of the company than an average floor-assistant.

Interpreting the data collected was, due to its qualitative nature, time consuming and it was important not to allow preconceptions and biased interpretations.

The respondents of the interviews that were ultimately used in the company case are selected personnel of the UK based Internet retailer ASOS, the store Helsinki10 based in Helsinki, Finland and FINSK the high-end fashion UK shoe brand.

#### **4.1.3 Interpreting data analysis**

After getting the detailed interviews with the answers of the respondents, ASOS, FINSK and Helsinki 10, the data was summarized, categorized and structured as a narrative in support of the research in order to demonstrate and discuss a meaningful analysis answering the questions and hypotheses raised in the research aim (Saunders *et al.* 2009, p.482 ff.).

When using qualitative data, it is required of the author to classify the data into categories, so-called conceptualization or conceptual framework, as the results collected are non-standardized because the data is based on meanings expressed through words.

In order to improve data analysis, the author has presented the findings of the interviews according to the different themes.

ASOS's, Helsinki 10's and FINSK's interviews have been compared to each other but also compared with the American Express Report of 2011 and to the theory part of the thesis.

The analysis provides evidence for the hypotheses proposed during the beginning of the thesis.



## **4.2 Risks and challenges**

One of the risks and challenges for this research is that in a qualitative research, findings can be found and interpreted with views, which the researcher himself sees important and significant; characteristics of the researcher such as gender, age and personality will subjectively affect the nature and findings of the research. It can therefore be difficult to replicate qualitative findings (Bryman *et al.* 2007 pp. 423).

According to Saunders *et al.* (2009 p. 373), respondents can also be subject to misinterpretation as to what the question asked during the interview is actually inquiring about, which may alter the nature of and the consistency of the findings but also that answers may vary depending on the immediate surroundings and environment of the respondent when he/she answers.

The challenge of observer and respondent bias is defined by Delbridge and Kirkpatrick as “because we are part of the social world we are studying we cannot detach ourselves from it, or for that matter avoid relying on our common sense knowledge and life experiences when we try to interpret it” (Saunders *et al.* 2009, p.297).

## **5 RESULTS AND DISCUSSION**

### **5.1 Results**

Results of the interviews presented in written form will be critically analyzed and compared in relation to the data found in the *American Express Spend Sights Special Report: Global Luxury Fashion Spending Overview 2011*. Numeric data will be critically analyzed and also displayed in graph format for clear interpretation.

The company case answers and results will be linked to the *American Express Spend Sights Special Report: Global Luxury Fashion Spending Overview 2011*, which focuses on the United States and the global spending habits in the luxury clothing and accessories industry in 2011 and comparing it with 2010.

Being a member of Global Merchant Services, the company provides insights about how consumers of a certain industry spend their income according to data collected made from transactions of around 90 million cards over 125 countries (2011 p.9).

American Express (2011 p.3) divides its fashion luxury and accessories consumer group in two categories. The first being the *“fashion enthusiasts”* representing the 5% of the American Express card users spending the most on high-end fashion clothing and apparel regardless of their gender, age group or degree of wealth. The second group the *“average consumers”* who represent the rest of the consumers who spend a considerable amount of their disposable income in that product category regardless of their gender, age group or degree of wealth.

The author has also compared and analyzed the answers found in the three interviews with each other, drawing similarities and differences, between the three companies ASOS, FINISK and Helsinki 10 but also comparing the answers to the secondary research sources exposed in the theoretical discussion.

## **5.2 Discussion and analysis**

According to the interviews given by the three respondents, ASOS, FINISK and Helsinki 10, the author can draw a parallel in the companies' core selling activities.

Indeed, all firms sell fashion products and all define their image as selling fashion clothing and accessories ranging from high-street brands, to designer and to high-end and luxury products. Their business strategies are clearly complemented by Knell's (2007) definition of consumption where consumers engage in consumption in order to convey specific messages about their identity and their lifestyles.

ASOS sell emerging newly discovered brands, emerging talents and established brands *“we tend to sell emerging, newly discovered talent as well as well known established brands”* and Helsinki 10 sell brands from high to low price giving the customer and inspiring experience from outside Finland *“no matter what the price is, the customer gets a feeling of luxury and sees the experience as an ‘inspiring experience from outside Finland’”*. FINISK describes their own brand as being *“designed to be wearable and coverable”*. Each company uses design as a tool to appeal to a wider customer base.

ASOS and Helsinki 10 both set a premium on selling innovative designer brands to fashion enthusiasts, and their wide customer base targets women and men between the ages of 16 to 40 for ASOS and 15 to 75 for Helsinki 10. This indicates that luxury fashion buying is, whether carried out online or in an actual retail store, made by a large market segment of consumers. FINSK describe their own consumer group in similar broad terms. The phenomenon of diversification, whether it is on reaching a wide customer base regarding the products and accessories sold from lower to high prices, from high street to luxury accessories and from teenagers to mature adults; seems to be a key-stone in our company case successes.

The focus of Helsinki 10's and FINSK's main customer base are those predominantly interested in fashion, those who are described as the "*fashion enthusiasts*" group in the American Express Spending Insights 2011 report. ASOS aims to cater more to what AmEx describes as "*average consumers*". Helsinki 10 and FINSK describe their target group as "*people who are interested in fashion and understand the quality in design and sustainability*" and "*for anyone that appreciates fashion and design*" respectively. ASOS on the other hand are describing their customer base as "*high street*".

To ensure uniqueness of their luxury brand accessories, the companies purposely limit the available quantities of certain products. For example, Helsinki 10 describe how they limit stock by selling items in low quantities to ensure the exclusive aspect of products sold "*we also buy our shoes and bags in low quantities, which make them even more special*".

ASOS utilizes a similar strategy whereby ASOS sells high-end fashion and luxury brands with limited stock and with very high prices to those who can afford it to achieve that same effect. This however, is accompanied by offering affordable products to target groups with more limited budgets in order to guarantee service to its wide customer range "*Our premium brands are made with time and care therefore costing a little more. Our more high street brands focus on more mass-produced product*".

FINSK also emphasizes this exclusivity and high-quality strategy: "*We provide an aesthetic you can't find anywhere else*", "*Using the highest quality materials and hand-crafted techniques*".

This idea of a limited amount of items available only to a limited number of consumers is a key theme throughout the book of Dana Thomas (2007) *Deluxe, How Luxury Lost its Lustre*.

Despite very high prices and despite the economical crisis of 2007 (discussed pages 22 ff.), evidence thus far suggests that there is still a clear demand for exclusive luxury accessories.

Blundell (2008) stipulates that in the evolution of consumer behaviour, there are very few economical areas affected. Knowledge@Wharton (2008) also describes how luxury is supposed to be immune to market fluctuations. This is true of both ASOS "*Luckily it (the brand) wasn't affected at first and has continued to grow however, we are keen on increasing lower priced items in order to appeal to those who were affected*". Helsinki 10, despite the crisis, insist on having a constant growth in sales and stocks.

This indicates that despite the changes that the recession of 2007 might have induced in other business sectors, the luxury fashion and luxury accessory sector remains relatively unaffected. Helsinki 10 says that one possibility why the sector has remained unaffected is that fashion aficionados always find other ways to save up in order to increase their disposable income dedicated to buying luxury accessories "*(our sales have) not that much (been affected by the financial crisis) as many people who are into luxury products find other ways to save up if necessary*". FINSK recognizes that the recession has been difficult for a lot of brands but they believe that it is their brand's individuality and exclusivity that has kept them unaffected.

As discussed in the secondary data, high pricing is synonymous with high quality. ASOS sells premium brands made with time and care that cost more than more average, mass-produced brands. As raised by Solomon and Thomas p.16, ASOS agrees that the price of a product is synonymous with higher quality, which is often a decisive factor in purchases made by newcomer consumers on the market "*(This equation is) very true and I believe this is translated all over the world, no matter which brand*" and this is something that FINSK agrees is almost universal. "*This applies to most luxury fashion brands. A lot of work and development, and the best materials go in to making every product*". Contrastingly, Helsinki 10 reject this idea. They believe that this equation is not necessarily a true one and that nowadays price is no longer an equivalent for quality

*“This depends a lot on the brands. Some of them ask high prices and sell really poorly made products”.*

Helsinki 10 have built their strategy accordingly, choosing to sell a selection of products with a unique design based on *“durability not only in the quality”* and this is something that FINSK too recognizes as being an important aspect to focus on in their ethos. *“Customers are investing more in luxury pieces. They want a product they can wear for years without it going out of fashion”* The phenomenon of selling items that are made to last follows the idea exposed by Raghavendra (2010 p.23) in which consumers have become more aware since the crisis in 2007 and are increasingly opting to buy one carefully chosen item that is ‘built to last’ as opposed to buying several items. This refers to the Euromonitor International research as exposed in pages 24 and 25, which exposes the slow growth in that sector induced by the crisis in 2007.

The American Express Spend Sights Special Report (2011 p.2), indicates that the top 5% of the *“fashion enthusiasts”* who spend on luxury clothing and accessories have influenced the whole fashion industry contributing to the expansion of the sector. The report indicates that the US average male consumer spent more than 156% more money in an hour in 2011 on luxury fashion goods compared to 2010 and that the same criteria is valid for US average female consumers who spent 125% more per hour.

American Express registered global decreases of 14% in Australia, 10% in France, 1% in Hong Kong, 22% in Japan and 14% in the United Kingdom on luxury among *fashion enthusiasts* however, the *“average consumer”* has increased his spending with 1% in Australia, 13% in France, 3% in Hong Kong, 26% in Japan and 27% in the United Kingdom. ASOS confirm this as although their international sales have grown drastically, their UK Sales have decreased *“International sales have grown massively as have UK but they have slowed in comparison”*.

Helsinki 10 insists good quality is important, specifically when selling more expensive brands as durability also benefits the environment *“Selling long-lasting items is also a benefit for the environment”*. This complements Raghavendra (2010 p.23) and Euro-monitor International pages 24 and 25 who pinpoint that the financial crisis of 2007 has led to the reduction of disposable incomes which no longer permits consumers to in-

dulge into the throw away culture signaling a heightened interest in the luxury market for average consumers and with spending occurring in a more calculated manner.

All the companies investigated agree with the idea that consumer behaviour is influenced as to reach a desired state or goal (Bagozzi & Dholakia 1999). Helsinki 10 comments: *“I think that consumers do that a lot in order to access a piece of the dream”* FINSK describes such consumer behaviour as *“to feel closer to a lifestyle they aspire to”* The companies’ verdict is unanimous that consumers are buying a piece of the dream with accessories as they are more accessible than couture clothing. ASOS adds that this phenomenon has been a long lasting one that has emerged prior to e-tailers as a general trait of consumer behaviour *“I believe that this happens all the time, due to celebrity lifestyles etc. but I suppose this has been happening for many years, even prior to e-tailers”*. FINSK are planning the growth of their company around accessories for this reason. *“(to develop the brand) over the next few months to also provide accessories like scarves and purses in order to make us more accessible.”*

The importance of Internet retailing, (Okonkwo p.20, 21 and the Global Luxury Goods Market Report p.21), globalization (Kotler *et al.* p.19, Solomon p.19 and De Mooij p.19) and celebrity advertising (Okonkwo p. 21 and Thomas p.22) are major influences in consumer buying behaviour for all three companies. One of the major changes incurred, as Helsinki 10 points out, is that consumers are already aware of brands and products they want to buy, thanks to the spread of advertising and communication of specific brands and their products *“Definitely a positive effect, internet retailing and globalization have helped smaller and more unknown brands to step up to people’s knowledge and that is one reason why we don’t need to advertise new brands that much. People already know about them.”* The heightened communication channels are a positive influence on consumer behaviour for FINSK. *“I think it helps our products reach more people and a broader range of people, which is good for us because we make a wide range of shoes.”*

The Internet has undoubtedly brought changes in consumption habits. Solomon p. 16 states that consumer behaviour is a young and dynamic field affected by exterior influences, like the Internet. The Global Luxury Goods Market report (2011) p.13 empha-

sizes that e-commerce makes luxury available to all and Solomon (p. 17) indicates that the Internet brings upon fast accessibility and a quick spread of information. Helsinki 10 and ASOS states that e-tailing is a great way to reach an international customer base “Internet retailing is good for reaching people outside Finland” comments Helsinki 10. FINNSK articulates how more of their stockists are choosing to retail the brand through their online platforms as well as in store that has had an obvious positive effect on sales.

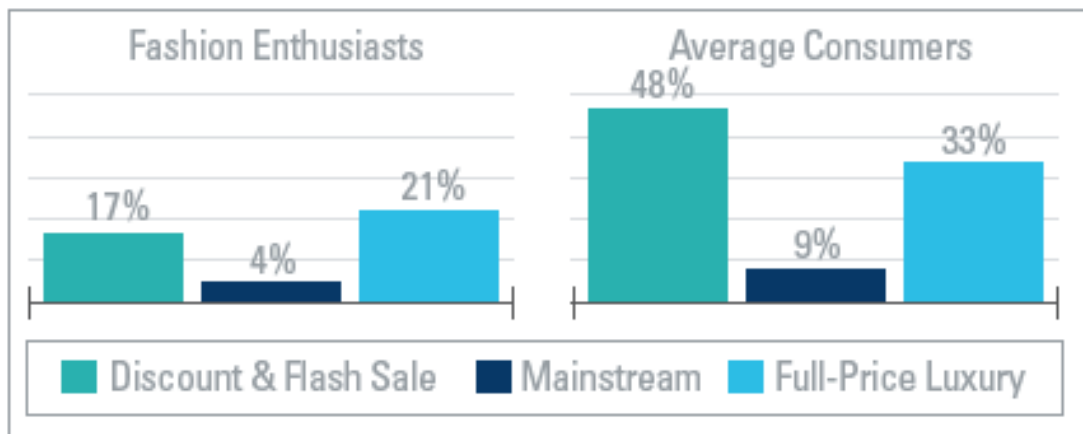


Figure 6 - Change in US Online Speed: Fashion Enthusiasts & Average Consumers (1 hour spending in 2011 compared to 1 hour spending in 2010). Copyright American Express.

Indeed, Figure 6 displays that the Internet luxury shopping experience is growing as numbers demonstrate that their customer base, buying online fashion, is feeling more comfortable spending larger amounts of their income online. Figure 6 indicates the rise in amount spent per hour per consumer, in percentages from 2010 to 2011 of their “fashion enthusiasts” but also their “average consumers” on full-price luxury as respectively 21% and 33% increase.

The Amex Report (2011 p.5) also remarks that “fashion enthusiasts” from ages 18 to 45 have decreased their in store spending in 2011 as opposed to 2010 but that instead their “average consumers” have highly increased their spending habits during that period. In fact, “average consumers” from the age group 18 to 29 increased their spending by 100% and from the age group 30 to 45 increased their spending by 142%, between 2010 and 2011. American Express also indicates that the “fashion enthusiasts” in countries such as Japan and Australia, are following trend. As a matter of fact, Japanese consumers from ages 18 to 29 have decreased their spending from 13% and consumers

from ages 30 to 45 have decreased their spending from 23%; Australian consumers from ages 18 to 29 have decreased their spending from 12% and consumers from ages 30 to 45 have decreased their spending from 15%.

FINSK appreciates the *“ease and accessibility of a good online retailer”* yet is aware of the lacking kinesthesia *“you don’t get the experience of shopping at a boutique”* Helsinki 10, owning both a web-shop but also a physical shop, as opposed to ASOS being an online retailer only, insists that having an actual shop is essential to the customer luxury buying experience despite the growing changes in consumption and consumer behaviour that have occurred, as the result of globalization, Internet expansion and the growing popularity of online shopping (see Solomon p.17) *“the customer service and shopping experience of being in the store, feeling fabrics and actually trying on the garments cannot be found in the online experience”*. Helsinki 10 sets a premium on adding that, the customer buying experience is magnified by the sense of touch, sight and feel as exposed by Okonkwo in 2005 p. 20 and 21; as far as being able to touch the fabric of the garments and by being able to try them on *“Online stores lack in the human aspect of the shopping experience but also lack in sensory experience such as feeling the fabric or fitting into a certain garment”*. Okonkwo p. 20 says that high-end fashion luxury goods are sensory (sight, touch, feel) and draws a parallel of the experience the consumer gets in Helsinki 10 as the senses are stimulated in the store atmosphere which contributes to the buying experience. Helsinki 10 mentions the presence of perfumes they use to contribute to the experience.

In order to minimize the loss of sensory experience, ASOS uses strong visuals such as videos or slideshows in which, each garment is presented on the catwalk and accompanied by up-tempo music as to enhance what has the potential to be a sterile shopping experience. Other tactics to overcome the potential downfall of e-tailing as described by the Global Luxury Market Overview Report of 2011 include listing the products’ attributes such as fabric composition, sizing comparison and suggesting other items to complete ‘the look’.

As with internet retailing, the case studies underline the importance of social media as a change in advertising fashion luxury accessories as exposed by Solomon pages 17 and 28; but also as an interesting direct communication platform of advertising and mutual



constructive exchange between consumers and brands. Helsinki 10 says “(social media platforms are an) easy way to reach people and the advertisements in Facebook are more like a dialogue with the customers”. Helsinki 10 says that its Facebook page has proven itself as an easy way of communication and advertising “our Facebook page has risen in popularity and has proven itself as a really easy forum to advertise”. ASOS says that social media is a vital way of advertising as this means reaches millions of people daily “these sites being used by millions of people daily, this type of advertising is vital”. Euromonitor p.24 states that in order to be more active with their websites and social ways of promoting brands and connect with their consumers.

The importance of advertising and how it is executed seems to differ between online retailers and physical store retailers. ASOS solely having an online market presence relies heavily on advertising in media as opposed to Helsinki 10, which relies on word-of-mouth “We don't advertise that much in common media. Good customer service and printed shopping bags are enough advertising for us”. Word-of-mouth is an important factor in consumer behaviour buying influences when it comes to reference groups and psychographics as exposed by Solomon p.14 and p.15 and by Thomas p.22 exposes French luxury shoe brand Louboutin who, like Helsinki 10 rely on their reputation and quality products solely as a means of advertising.

Solomon p. 17 states that social networking has been established one of the biggest consumer development in recent years, fact which both ASOS and Helsinki 10 agree on. Solomon also says p. 18 that this phenomenon has a big impact on brands and on how they promote themselves.

Included in the global consumer culture as exposed by Solomon p. 19 are celebrities who are known worldwide to a same consumer culture. Helsinki 10 and ASOS agree that celebrity advertising and branding helps selling the products but also help the luxury reputation of brands having celebrities wearing them. About that matter at hand, Helsinki 10 says that “Celebrity advertising helps also giving the luxury reputation because everyone knows how big the budgets are in these kinds of commercials/adverts/editorials. They give an extra special aspect to the product”. ASOS says that the influence of celebrity branding on their sales is very big especially when “it's an exact product. We tend to see this item fly out!

Solomon p. 22 refers to the importance of celebrities as reference groups and style icons as influences selling brands. Both companies agree that celebrity branding and endorsement as researched by Okonkwo p. 21 and Thomas p.22 is an important tool in influencing a consumer's purchase behaviour when it comes to luxury fashion and accessory buying, as agreed by ASOS and Helsinki 10. Items worn by celebrities are known to excel in selling out at a swift pace in the high-end fashion business as supported by ASOS in its questionnaire answers. ASOS also says that celebrity endorsement equals high sales for their brand. In fact, at its origin, the acronym ASOS stood for *As Seen On Screen* and the company focused on providing consumers with access to identical or near copies of garments worn by celebrities on and off screen. FINSK stresses the effect of American pop-singer and song-writer, Lady Gaga wearing the brand. *"(When she) wore a pair of our wedges they sold out straight away, and we got a lot of new interest"*.

The blogging phenomenon as detailed by Solomon p.18, explains how individuals present their lives in diary form. Wiseman p.18 elaborates on the influence of fashion bloggers such as Tavi Gevinson. The opinion on the influence of blogs on consumer buying behaviour seems to differ from ASOS and FINSK to Helsinki 10. ASOS states that blogging is a growing trend that is very influential on their consumers purchasing habits and that also inspires the brand in their creations *"very influential and it only keeps growing. We often look at blogs for inspiration"*. Similarly FINSK comments, *"style bloggers are very influential in today's market. They generate a lot of buzz for us when they wear or feature our shoes"*. Helsinki 10's opinion contrasts saying that their customer base is not influenced by fashion blogs *"In our opinion it doesn't affect our customers buying behaviour that much since our customers are trying to avoid the hype"*. Despite this opinion, it is interesting to note that Helsinki 10 has its own blog.

The amount spent on luxury fashion from 2010 to 2011, amongst US consumers alone, has rapidly grown in the *"average consumer"* group, with an increase for the men of 156% and women of 125%; as opposed to the *"fashion enthusiasts"* of which the spending amount of men dropped 11%.

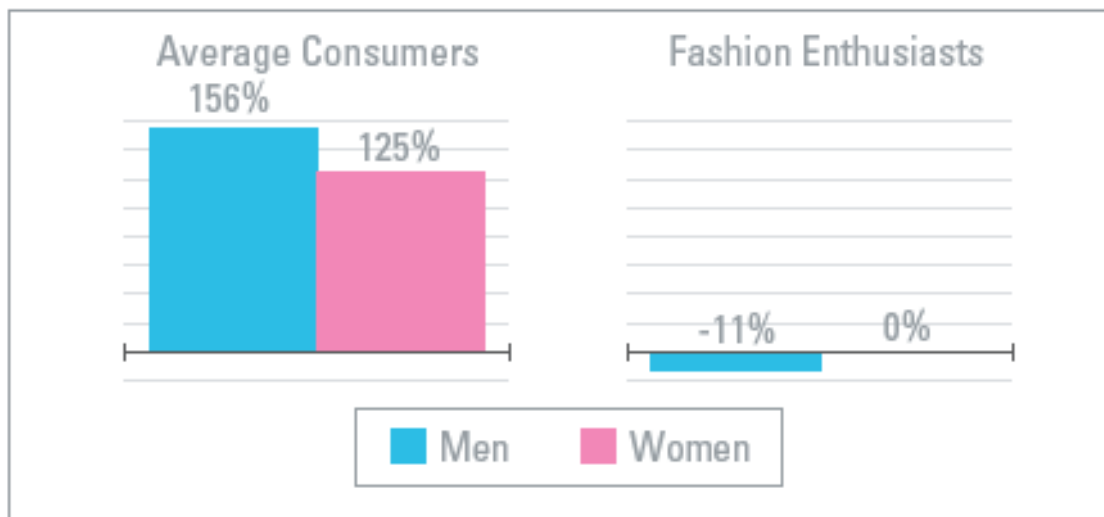


Figure 7- Luxury fashion Spend by US Average Consumers and Enthusiasts per hour from 2010 to 2011. Copyright American Express.

The case studies agree that changes in consumer behaviour in recent years have given a rise in the accessibility of luxury and the American Express Report supports both companies' opinions. Helsinki 10 says that "due to changes like globalization and the Internet being more widespread over the years, luxury goods are available to more people". Kotler p. 19 introduced the idea of a global market place, in which multinational companies see the world as one big market with a standardized way of marketing, so-called global marketing. For example, the introduction of low-priced accessories that a bigger market segment can afford (Thomas 2007) is a clear example of this.

In the same vein, Solomon p. 19 brings forth the concept of global consumer culture, with the same products, brands and goods appealing to a same market. The companies all agree that globalization has permitted to the launching to and expansion of international markets, which have widened their consumer base.

Due to changes certain brand names are broadcasted on a wider scale and consumers have now understood that luxury products and specifically accessories are a good value to invest on.

Helsinki 10 states that consumers have understood that luxury is not only for wealthy individuals, as investing in luxury accessories is a good investment for the future. ASOS adds, concerning international designers, that the wider accessibility of broadcasting the brands on a wider scale means that luxury is more available but that the prices of luxury

accessories are still the prices of luxury so by definition not affordable by all *“the prices are still that of a luxury brand so they don’t become common”*. American Express’ Spend Insights Report supports that idea by indicating that *“fashion enthusiasts”* have decreased spending on mainstream fashion. Thomas p.19 indicates that corporate branding has branded luxury accessories to the middle market linking to the notion of mass consumption in which, high-end luxury is turning into a more accessible and democratic market with the lower prices for luxury accessories so that a bigger market segment can afford them. FINISK believes that although *“designer fashion has become much less exclusive”*, the *“owning of luxury goods is still an inspiration for many people”* and therefore limits the depreciation.

As indicated by Thomas and the Global Luxury Goods Market p.10, the increase of demand of luxury accessories has increased the phenomenon of getting the impression of instant wealth to a certain social class which brings the bigger profit for brands Solomon p.19, which all companies agree is the biggest developing and most profitable area for the luxury fashion industry business.

Therefore, although luxury fashion goods are more available on the global market, luxury and luxury brands and their products still have luxury prices and are still, as before, available to a restricted consumer base with a certain income.

Another point indicating that luxury is not depreciating is that the luxury items can remain unique if precautions are taken. ASOS secures this by having taken up measures to ensure the exclusivity of their luxury accessories by using methods in order to prevent counterfeits through online and high-street researching. This is not just restricted to product lines but includes all aspects of the brand. Helsinki 10 agrees that counterfeits are damaging to luxury brands as brands lose their profits and can get a bad image of a brand whilst seeing counterfeits with a brands logo on them *“Counterfeits are very damaging to luxury brands as brands lose some of their profits or a customer might alter his opinion about a brand seeing a low quality representation of a certain brand”*. FINISK treats counterfeiting very seriously for similar reasons *“(it) reflects very badly on us”*, *“We will pursue legal action against anyone faking our shoes.”*

The companies of this research share an opinion regarding the benefits of changes in communication and globalization (Solomon p.17) that have led to the emergence of consumer forums, consumption communities and comparative search sites. Whereby, they have a positive effect on the fashion industry by improving the understanding that companies and fashion houses have of their target consumer base. ASOS says that consumer forums are important to reply to customer's needs and thus give them what they want *"I'd say it's a positive effect because it shows those who plan to buy something other people's views. Whether positive or negative, our comments are truthful & will help us gain understanding to what our customers want"*. Helsinki 10 states that effective is positive as it shows that customers have specific needs and that these forums improve the customer experience. FINSK believes that whilst *"testimonials and reviews from customers are positive"* sites such as comparative price sites *"can make it difficult for small boutiques."*

As regards to luxury being devalued in the high fashion industry, the companies agree that the value of luxury has remained the same despite the evolution of consumption and consumer changes in recent years. ASOS, FINSK and Helsinki 10 sell high-end accessory brands and set a premium on the fact that these brands make quality items made with time and expertise, which will ensure that the product will last throughout the years. ASOS insists that the value of luxury has at least stayed the same if not increased and Helsinki 10 agrees by pinpointing that luxury is still very much appreciated in the industry *"I think that the value of luxury has stayed the same over the years. Luxury is still appreciated as much as it used to be in previous years in the fashion industry"*.

In regards to the future, Helsinki 10 makes a point of remaining tuned into the time people live in and to constantly remain au fait with novelties as well as to change their stocks at least every season. ASOS also tries to stay ahead of the fashion elite by ensuring the fact that they sell new brands that are unique.

ASOS believes that the biggest emerging market for the company in the future is China and the Far East. Their progress in conquering the international markets will therefore focus largely on Asia. Similarly, FINSK plan to target *"China, India, Russia and South Africa"*. It seems that this is an industry wide prediction as The American Express Spend Sights Special Report of 2011 also noted that Asia Pacific consumption of luxury

fashion is increasing. As described previously in this research, in 2010 Japan increased its spending of 26% (AmEx 2011) and in 2004 Japanese consumers accounted for 41% of luxury sales (Thomas 2007 p.10).

The Global Luxury Goods Market Research (2011) report hypothesizes that China will eclipse the already booming Japanese market due to their growing economy enabling a considerable rise in living standards which further provides evidence that ASOS' strategy is founded.

It is interesting to note that despite the American Express report and other results suggesting that people are decreasing their spending on average fashion and increasing their spending on luxury fashion, ASOS and FINSK are considering expanding their "average consumer lines". FINSK has already launched a sister brand 'Skin by FINSK' aimed at the accessory market as well as aiming to make the brand "*aesthetic more accessible to a wider market*" with a more "*casual and day-wear*" touch. Helsinki 10 predicts a future that supports the AmEx report indicating the continuous sale of high-end fashion indicating no depreciation of luxury.

## **6 CONCLUSION AND FURTHER RESEARCH POSSIBILITIES**

This study aimed to find out whether changes in consumer behaviour in recent years have given a rise to wider accessibility of accessories in the luxury fashion market and if so, assess whether or not this phenomenon has created a depreciation in the perception of luxury.

Reliable academic sources such as books, journals, articles and other literature were studied in order to list and analyze the general influences of consumer buying behaviour. The main changes in consumer buying behaviour from 2005 to 2011 were there after listed and analyzed.

Relying on qualitative methods, the author conducted interviews with selected employees of the companies chosen and targeted for this research.

Results of the interviews were contrasted, compared and analyzed in the results and discussion part in order to reply to the research questions asked and hypotheses established in the introduction.

According to the results and discussion, it has been established that there is a greater availability of luxury accessories on the high-end fashion market due to changes in consumer behaviour and due to the expansion of the Internet and Internet retailing, but that despite this factor luxury has not been depreciated in value.

Further research could comprise suggestions and solutions for this specific industry e.g. to professionals of the sector and on how to maintain a certain standard, quality and strong image for luxury accessories.

As an interesting outlook on the future and as claimed by the company ASOS, emerging markets such as the Far East and China will be the growth leaders for brands selling designer and luxury products. Further research could thus include a study examining the luxury fashion market and its development in these countries.

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## APPENDICES

### Appendix 1/3(3) ASOS questionnaire and answers

1. How would you define the image and personalities of the luxury brands your website is selling?

*We tend to sell emerging, newly discovered talent as well as well known established brands. We often nurture designers to appeal to a wider customer.*

2. What would you say are the main values that your brand represents?

*Our premium brands are made with time and care therefore costing a little more. Our more high street brands focus on more mass-produced product so are less inclined to do so.*

3. What consumer group does your brand target?

*High street and more towards women aged 16-40.*

4. To what extent would you say have your sales increased your from 2005 to 2011?

*International sales have grown massively as have UK but they have slowed in comparison.*

5. To what extent do you think that celebrity endorsement and/or advertising has increased your sales?

*Largely, especially if it's an exact product. We tend to see this item fly out!*

6. Do you think that Internet retailing, globalization and celebrity advertising have had a positive effect on the luxury reputation of your company?

*Yes of course, the launch of our international markets has seen some brands not willing to sell internationally however.*

7. For your company, what have been the main changes in consumer behaviour/consumption patterns from 2005 to 2011/in recent years?

*Our buying patterns have changed because we now have to buy and bear in mind the season changes around the world. So sunglasses being bought for the Winter for our Australian customers.*

8. Do you think the changes in consumer behaviour in recent years has given rise to a wider accessibility of luxury and if so why?

*Quite possibly, especially where international designers are concerned. By broadcasting certain names, they are launched on a major scale.*

9. What influence do you think that fashion blogs and bloggers have on consumer buying behaviour?

*Very influential and it only keeps growing. We often look at blogs for inspiration*

10. Do you think that advertising on social media platforms such as Facebook is an effective way to advertise?

*Yes because with these sites being used by millions of people daily, this type of advertising is vital.*

11. Do you think that value of luxury in the fashion industry has depreciated?

*Not at all. The value has either remained the same or increased.*

12. Do you think luxury fashion goods are available to more people due to the changes in the high-end fashion industry?

*They are but not in an overpowering way. The prices are still that of a luxury brand so they don't become common.*

13. Do you think that the financial crisis of 2007 has had any effect on the sales of your brand if so what?

*Luckily it wasn't affected at first and has continued to grow however, we are keen on increasing lower priced items in order to appeal to those who were affected.*

14. Where in the world are the biggest markets and the emerging markets for your brand?

*I'd say the next place to conquer is the Far East/China.*

15. How true do you think that price equals quality in the luxury fashion world is?

*Very true and I believe this is translated all over the world, no matter which brand.*

16. How valuable a source of information do you think consumer forums, consumption communities, comparative search sites are? Do you think that the effect is a positive or a negative one in relation to the fashion industry?

*I'd say it's a positive effect because it shows those who plan to buy something other people's views. Whether positive or negative, our comments are truthful & will help us gain understanding to what our customers want.*

17. How damaging are counterfeits for your brand and the brands your company is selling? If any, what measures does your company employ to prevent this?

*They are damaging and we have the occasional legal battle. We are constantly on the look out through online & high street research to find anything we feel may be damaging.*

18. To what extent do you think that consumers buy high-end fashion accessories (e.g shoes) in order to access a desired or dreamed lifestyle?

*I believe that this happens all the time, due to celebrity lifestyles etc. but I suppose this has been happening for many years, even prior to e-tailers.*

19. What do you predict for the future of the high-end fashion industry and in regards to your brand?

*I see ASOS launching in many more European & International countries and the company expending even more. We'll see more affordable brands come in to match the current climate.*

## Appendix 2/3(3) Helsinki 10 questionnaire and answers

1. How would you define your store image and personality?

*Unique designer and high fashion brands. Some more expensive but still also affordable items.*

*No matter what the price is, the customer gets a feeling of luxury and sees the experience as an "inspiring experience from outside Finland".*

2. How would you define the image and personality of high-end fashion brands you are selling?

*Show off garments mixed with more classic ones.*

*The common thing is the durability not only in the quality that the garments last long, but also in the design. We want to offer our customers a special selection of products that they won't see "on the next person walking by".*

3. What would you say are the main values that your shop represents?

*We want to stay step ahead of everything and inspire who ever visits the store.*

*Good quality is really important especially with more expensive brands. Selling long-lasting items is also a benefit for the environment.*

4. What would you say are the main values of the high-end fashion shoe brands that your store sells?

*Durability, quality, a unique design, being avant-garde and unique.*

*We also buy our shoes and bags in low quantities, which make them even more special.*

5. What consumer group does your shop target? And to what extent would you say are your customers part of this group.



*Our store has three parts. Main part is for all the designer and high-end brands, then we sell high-street fashion brands Topshop and Topman in specially dedicated area inside our store and a room specially dedicated to selling jeans in various price categories from high-street to designer.*

*Because of the wide price range our customer group is really diverse. We have customers from ages 15 to 75 visiting the store frequently. Everyone can find something suitable to his or her style and budget.*

6. What consumer group do the luxury shoe brands you are selling target?

*People who are interested in fashion and understand the quality in design and sustainability.*

7. What is your opinion of Internet retailing and what effect would you say Internet retailing has had on people buying brands in your store?

*Internet retailing is good for reaching people outside Finland and getting them to know the actual shop.*

*Our customers still respect a lot of the customer service and the shopping experience they get in our store. It is also essential to get the feeling of the fabric and the fit of the garment.*

8. How do you think that buying brands sold in your store compare to buying these same brands online?

*The customer service and shopping experience of being in the store, feeling fabrics and actually trying on the garments cannot be found in the online experience.*

*We also stock and sell fragrances and magazines, in our store, which are much easier to buy from an actual shop than online.*

9. Has your number of stocks in shops from 2005 to 2011 increased? If possible please indicate numbers/percentages.

*It is important to remain tuned into the times we live in.*

*We have few constant brands and besides them alteration is important and we have almost every season a new brand in stock. This is one of the main reasons why our customers want to visit our store every season.*

*Unfortunately we cannot offer any specific information about the sales.*

10. To what extent do you think that advertising has increased your sales?

*We don't advertise that much in common media. Good customer service and printed shopping bags are enough advertising for us. It's also part of the concept that we don't make that big deal of ourselves and we let the shop speak for itself. In the past few years, our Facebook page has risen in popularity and has proven itself as a really easy forum to advertise.*

11. Do you think that Internet retailing, globalization and celebrity advertising have had a positive effect on the luxury reputation of your company?

*Definitely a positive effect, internet retailing and globalization have helped smaller and more unknown brands to step up to people's knowledge and that is one reason why we don't need to advertise new brands that much. People already know about them.*

*Celebrity advertising helps also giving the luxury reputation because everyone knows how big the budgets are in these kinds of commercials/adverts/editorials. They give an extra special aspect to the product.*

12. For Helsinki 10 what have been the main changes in consumer behaviour/ consumption patterns from 2005 to 2011/in recent years?

*People are so aware of the collections even before they arrive to the shop that they already know which items they want for themselves. This needs to be considered when doing the buyings. There is not that much spontaneous shopping anymore.*

13. Do you think that the changes in consumer behaviour in recent years have given rise to a wider accessibility of luxury and if so why?

*Yes. Consumers have understood that luxury is not only for wealthy people and that it is a good investment for the future. They also understand that it includes much more than just clothing and accessories and are ready to invest home and lifestyle products.*

14. What influence do you think that fashion blogs and bloggers have on consumer buying behaviour?

*In our opinion it doesn't affect our customers buying behaviour that much since our customers are trying to avoid the hype that bloggers do.*

15. Do you think that advertising on social media platforms such as Facebook is an effective way to advertise?

*Easy way to reach people and the advertisements in Facebook are more like a dialogue with the customers.*

*Its not that conservative but more of a relaxed way.*

16. Do you think that value of luxury in the fashion industry has depreciated?

*No, I think that the value of luxury has stayed the same over the years. Luxury is still appreciated as much as it used to be in previous years in the fashion industry.*

17. Do you think luxury fashion goods are available to more people due to the changes in the high-end fashion industry?

*Due to changes like globalization and the Internet being more widespread over the years, luxury goods are available to more people. Although luxury fashion and especially haute couture or prêt-a-porter is only affordable by a given elite. Accessories such as shoes for example are much more accessible than luxury clothing.*

18. Do you think that the financial crisis of 2007 has had any effect on the sales of your shop, if so which?

*Not that much as many people who are into luxury products find other ways to save up if necessary.*

19. How true do you think that price equals quality in the luxury fashion world is?

*This depends a lot on the brands. Some of them ask high prices and sell really poorly made products. A good example is brands, which are in away re-invented.*

20. How valuable a source of information do you think consumer forums, consumption communities, comparative search sites are? Do you think that the effect is a positive or a negative one in relation to the fashion industry?

*These sources are valuable as consumers exchange their opinions about products and are able to compare different products to satisfy their needs to the fullest. This effect is mainly positive as it shows that customers have specific needs and this might help companies improving their customer experience.*

21. How damaging do you think counterfeits are to luxury brands?

*Counterfeits are very damaging to luxury brands as brands lose some of their profits or a customer might alter his opinion about a brand seeing a low quality representation of a certain brand.*

22. To what extent do you think that consumers buy high-end fashion accessories (e.g shoes) in order to access a desired or dreamed lifestyle?

*I think that consumers do that a lot in order to access a piece of the dream.*

23. How do you think online stores compare to the experience of visiting boutiques?

*Online stores lack in the human aspect of the shopping experience but also lack in sensory experience such as feeling the fabric or fitting into a certain garment.*

24. What do you predict for the future of the high-end fashion industry and in regards to your shop?

*I predict the future of high-end fashion to maintain and our shop to continue selling the same high quality and hand picked items.*

## **Appendix 3/3(3) Finsk questionnaire and answers**

1. How would you define your brand image and personality?

*FINSK is about providing something different. We create bold pieces combining elements of architecture with wood and high quality leathers to achieve a modern yet natural look. The shoes are designed to be wearable and covetable as well as challenging preconceptions of what a shoe should be.*

2. What would you say are the main values that your brand represents?

*A strong design aesthetic, using the highest quality materials and hand crafted techniques, all our leathers are by-products of the meat industry.*

3. What consumer group does your brand target?

*FINSK is for anyone that appreciates fashion and design, and wishes to express themselves through interesting and unusual clothes and accessories.*

4. To what extent would you say Internet retailing has increased your sales from 2005 to 2011?

*Yes, Internet retailing helps us reach a broader range of customers.*

5. What share of sales can be attributed to Internet retail during the same period?

*Most of our direct sales are made through the Internet, as we have no physical store.*

6. Has your number of stockists in shops from 2005 to 2011 increased? If possible please indicate numbers.

*Yes, we are now stocked in small boutiques and large stores worldwide.*

7. Have you increased your number of online stockists from 2005 to 2011? If possible please indicate numbers.

*Again yes, more of our stockists choose to retail our products online as well as in store.*

8. To what extent do you think that celebrity endorsement and/or advertising has increased your sales?

*Celebrity endorsement definitely increases sales. When Lady Gaga wore a pair of our wedges they sold out straight away, and we got a lot of new interest.*

9. Do you think that Internet retailing, globalization and celebrity advertising have had a positive effect on the luxury reputation of your company?

*I think it helps our products reach more people and a broader range of people, which is good for us because we make a wide range of shoes. Some are show-stopping pieces and some are designed to be very wearable. There is a shoe for everyone in our collections.*

10. For Finsk what have been the main changes in consumer behaviour/consumption patterns from 2005 to 2011/in recent years?

*Customers are investing more in luxury pieces. They want a product that they can wear for years without it going out of fashion, and that people will notice and comment on, but that is also ultimately wearable.*

11. Do you think the changes in consumer behaviour in recent years have given rise to a wider accessibility of luxury and if so why?

*We launched a sister brand (Skin by FINSK) this year to make our brand and aesthetic more accessible to a wider market. The shoes are still edgy, but are designed to be casual and day-wear.*

12. What influence do you think that fashion blogs and bloggers have on consumer buying behaviour?

*Style bloggers are very influential in today's market. They generate a lot of buzz for us when they wear or feature our shoes.*

13. Do you think that advertising on social media platforms such as Facebook is an effective way to advertise?

*I think it is a great way to reach new customers and spread word about the brand as young people spend more and more time on the Internet. I think it can be very useful, as long as it targets the right people.*

14. Do you think that value of luxury in the fashion industry has depreciated?

*I think people want more for their money, but they still appreciate a really high-quality product as long as they can't find the same thing for cheap on the high-street.*

15. Do you think luxury fashion goods are available to more people due to the changes in the high-end fashion industry?

*I think owning luxury goods is still an aspiration for many people, but it's easier to access designer looks through high-street collaborations. Designer fashion has become much less exclusive.*

16. Do you think that the financial crisis of 2007 has had any effect on the sales of your brand if so what?

*The recession has been difficult for a lot of brands. As we provide an aesthetic you can't find anywhere else people will still buy the shoes.*

17. Where in the world are the biggest markets and the emerging markets for your brand?



*China, India, Russia, and South Africa are countries we are targeting at the moment.*

18. How true do you think that price equals quality in the luxury fashion world is?

*I think this still applies to most luxury fashion brands. A lot of work and development, and the best materials goes in to making every product because it has to perfect.*

19. How valuable a source of information do you think consumer forums, consumption communities, comparative search sites are? Do you think that the effect is a positive or a negative one in relation to the fashion industry?

*I think good testimonials and reviews from customers are positive, when people are thinking of buying a product from a brand that is new to them. Especially if it's online and they can't actually see the products first-hand. I think comparative price sites can make it difficult for small boutiques.*

20. How damaging are counterfeits for your brand and if any, what measures does Finsk employ to prevent this?

*We will pursue legal action against anyone faking our shoes, because they use such low quality materials this reflects badly on us, as we take a lot of care sourcing the best leathers that are right for each design.*

21. To what extent do you think that consumers buy high-end fashion accessories (e.g shoes) in order to access a desired or dreamed lifestyle?

*I think some people do buy designer good to feel closer to a lifestyle they aspire to.*

22. How do you think online stores compare to the experience of visiting one of your boutiques/stockists?

*I like the ease and accessibility of a good online retailer, but you don't get the experience of shopping at a boutique.*

23. What do you predict for the future of the high-end fashion industry and in regards to your brand?

*We intend to further develop the Skin by FINSK sister brand over next few months to also provide accessories like scarves and purses, in order to make us more accessible.*