

American Preference for European Luxury Goods

European luxury goods have a high value to American consumers. We see American consumers wearing Luis Vuitton bags and Chanel “eau de parfum” while driving a sporty Audi S5 or perhaps a powerful Range Rover. Although these seem like regular consumer habits, one must wonder how most of these goods are not from America but rather from Europe. We must ask why are European luxury goods so highly sought after by North American consumers and why these goods succeed in the United States. By observing the history of luxury and the behaviors of consumers, we can answer these questions and understand what marketing and branding strategies these companies do to effectively compete in the United States market.

For thousands of years, luxury has had an everlasting presence in life. The ancient Egyptians are a prime early example, as they upheld luxury during life and death to ensure they were well off throughout their life and after life (Kapferer and Bastien 7). This luxury could be seen in tombs in exclusive pyramids, surrounded with gold and jewels that only royalty and the wealthy could afford. Even as history has progressed, the embodiment of luxury in life has remained present for thousands of years as sturdy pyramids transformed to gaudy mansions, such as Louis the 14th's marble structured Palace of Versailles that sits on many acres of France's beautiful meadows. As portrayed by these examples, luxury had a great part in higher class wellbeing, from domicile to death.

However, the social behaviors and accessibility to luxury has changed to a broader range of consumers through Adam Smith's liberalism movement. This movement notes that luxury provides means to promote economic growth and wealth for all because of the industrial revolution, when people gained the financial means to afford luxuries; the one historically true behavior of luxury is that it has always had a undertaking of a society which defines it (Kapferer and Bastien 9-10). As told by history, luxury has always had a place in upper class society. However, this has changed as certain luxuries in some cultures have become standard in others. In the United States, we associate the economic growth of luxury and increase in its presence to post-war production, where factory workers that spent years producing war time tanks and aircrafts and were able to move up in the corporate ladder could afford luxury cars that became in demand, such as Cadillac and Lincoln, that were produced in those same factories. Today, western cultures such as North America may view luxuries as high-end goods, such as diamond encrusted jewelry. In some other cultures, such as third-world developing countries, going to college and getting a degree in order to work and be able to afford electronics such as iPhones or live in a well-built house with air conditioning is the ideal luxury. It is the society that ultimately defines luxury; in the United States, however, our sense of luxury is much more advanced because economic prosperity has allowed us to afford what other societies may deem as high luxury, such as smartphones or newer model cars.

Beyond the society defining what is luxury, the society's culture gives luxury value. Rooted in culture, luxury can take on the form of new emotions and desires brought about by items from its original culture, such as spices from India or wine from France. (Kapferer and Bastien 13). This is what separates a French wine from a California wine or a Cuban cigar from an American cigar. Although they fall under the same category, these products hold a certain kind of distinctive quality because of its origins. A North American would likely emphasize where a product came from; if they bought chocolate from Belgium, they are likely to say they have Belgian chocolate, not just ordinary chocolate. Although one could buy regular chocolate from the grocery store, this Belgian chocolate seems to have a special value worth distinction. This is because these goods stand out as unordinary, or something not bought on a regular basis.

For a luxury product to have value because of its culture, it must stay true to that culture. Luxury segments markets and positions products: what many define as luxury may, in reality, be a premium product if it is more so devoted to an evaluative scale and material goods rather than a self-contained entity than holds symbolic and cultural value (DuBois and Laurent). This suggests that we take luxury for granted as we label premium products as luxury when, in reality, luxury holds much higher standards not obtained on a casual basis. A product that is relocated loses this identity because it shows to have taken cost cutting methods in production and therefore cannot justify its price level; a product that does relocate manufacturing location yet maintains quality and service is considered premium. (Kapferer and Bastien 14). This is why Rolls Royce has remained a highly valued luxury product, because it has kept production in England. Another example of a luxury product that is faithful to its origins that can withstand cultural changes and globalization is Mini. Despite being bought by German manufacturer BMW, Mini still maintains its British roots with manufacturing and assembly operations in England and styles such as the John Cooper trim, which comes with British flag taillights and other customizable options.

The most recent product to challenge this concept is the American based luxury jewelry brand Tiffany, which Bernard Arnault of French LVMH recently bought to save the brand from historically low sales. Already, Tiffany is now producing perfumes and soon hopes to release more products such as women's watches. LVMH has been known to keep their acquired brands close to the product's culture after acquisition, such as keeping Bulgari's association to Rome and Tag-Heuer's Swiss markings. However, LVMH does not plan to label Tiffany as a luxury brand. This could possibly save the product both in North America and in other countries, as keeping the brand close to American culture will give it appeal to outsiders and refusing to label the products as luxury could keep Americans from automatically assuming the product is unobtainable to the average consumer before even looking at the product.

Historically, Louis Vuitton has been a prime example of this concept. In World War II, the Vuitton family was faced with the threat to leave Paris due to German occupation. However, the Vuittons refused to leave the capital of haute couture and, to stay in business, the oldest son of Gaston-Louis Vuitton worked with nazi-backed regime in France while Vuitton opened a factory to produce Nazi propaganda items, including clothing and luxury goods for Nazi generals and their wives (Thomas). Today, this brand is still associated with Parisian luxury fashion. This is because of the brand's dedication to preserving Paris' fashion culture, despite almost losing it due to the German occupation and upholding it after the end of World War II.

The reason these culturally rooted luxury products continue to have value to American consumers heavily due to the emotions brought about from travel. More Americans have travelled to Europe and gained a taste for European goods that combine technology and elegance, therefore purchasing goods that relate to their travel experience and heighten their sense of curiosity and sophistication (Silverstein and Fiske). Like the Belgian chocolate, such products are distinct compared to others in its category. A consumer who travels to Paris and brings back a Louis Vuitton purse or Chanel parfum will likely want to do so to show off to others their sophistication and cultural taste, perhaps to have an item that will spark conversation about their travels.

Even without travel, luxury has transitioned as a way to improve life and personal fulfilment by experience that can transform oneself. In today's economy, this is usually done by purchasing a particularly special item by means of birthright and upgrading quality rather than accumulate quantity. This is because of premiumization, or growing less motivated by the ordinary; today's youth would pay more for a car or jeans if they belonged to the luxury category (Yeoman). This idea can be held by the brand itself if it has a good background story, like how Louis Vuitton held on to its shop in Paris throughout the German occupation or Pappy Van Winkle sells Whiskey made from the same pre-prohibition distillery. In the most common sense, this can be depicted as heirlooms such as a grandmother's jewelry or a recipe passed down from generations that one swears to be the best of its kind. For today's consumer, we see this as perhaps a bright blue Tiffany bracelet gifted by a parent, or maybe a very expensive bag purchased as a gift to oneself or a high quality bourbon bought but yet to be opened in case there is a special occasion—both products that stand out despite the fact one could have the same item, such as a cheaper purse or lower quality bourbon. It is because we could have a cheaper purse and abuse it, or we could have a high-quality purse that stands out and has sentimental value.

However, not all products fall under this behavior. People pay more for what they are willing to spend more on, habits not necessarily dependent on income. In daily consumer behavior, we see many people of different incomes shop at Kroger or Costco because they offer low prices on groceries, but the same high income earning people may have driven there in a

luxury sports car. The key is to understand who your target audience and how much value your product has over cheaper options to where buyers are willing to choose your product.

Brands that fall in the middle rather than identify as low cost or new luxury/premium do not align with the normal extremes of buyer behavior. (Silverstein and Fiske). The best way to visualize these segments is by vehicles. A brand may fit the top extreme like Rolls Royce, fall in the upper-premium end, like Range Rover, or fall at the bottom extreme like Honda. Brands like Chevy or Ford position in the middle, with some products, such as trucks and SUVs on the upper range and some, such as sedans and hatchbacks, at the lower middle range. This could potentially be reasoning as to why foreign brands, such as high end Rolls Royce or Range Rovers or low cost Hondas and Toyotas, trump the American market in comparison to mid range priced Ford or Chevys, which some may see as the product's cost outweighing its benefits.

A good example of this is with BMW and Chevy. BMW 325 sedans had higher sales than the Chevy Malibu despite the fact the car was \$10,000 more than the Malibu. This is because Malibu and other GM products ultimately failed to comply with the three rungs of a product's ladder of benefits: technical features, functional features, or emotional benefits; BMW offered advanced technology, hard work hard play image, and excitement of driving them (Silverstein and Fiske). Because BMW was able to meet these criteria, they offered more value to consumers than Chevy and therefore made more sales because consumers were willing to pay more for this vehicle.

The key to keeping this success is the fact that luxury products stay ahead of the game with high end models with innovative features for those willing to pay more, then fall to middle market consumers with time. BMW offered breakthrough features such as touchscreen and Bluetooth capabilities for its high end customers, and by the time Chevy was able to catch up BMW was already adding newer features such as Apple CarPlay and lane assist.

Overall, European luxury has attracted North American consumers by the masses because of the value such products bring to consumers. Historically speaking, luxury was a means for the upper class to live a better life than the lower classes. As history progressed, North Americans have been able to become regular consumers and transform luxury to that which is above the ordinary for our society. A product that has luxury status is normally that which symbolizes the culture it is from and represents the spirit and craftsmanship of that culture without cutting corners to make production cheaper. As consumers grow tired of the ordinary, these products stand out because they represent their culture and allow North American consumers to hold something extraordinary that represents their travels or other cultural experiences and acquired tastes. The way these products ensure success is by having a definite segment, for this case luxury, and become a product consumers would be willing to spend their money on by

pioneering innovative technical and functional features that provide emotional benefit. Business is a difficult game to play when catering to consumers, yet European goods have continually trumped the North American luxury market because of the ongoing strategy these products have used.

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