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SPECIFIC FEATURES OF LUXURY PRODUCTS BRANDING

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In this modern world characterized by rapid change, the role of marketing is increasingly important. Developing a brand is one way in which a competitive advantage can be achieved. The work defines the concept of luxury through the prism of marketing, shows the specifics of marketing in the luxury products market and the key factors that influence the demand for luxury products. The paper found that the key to success is to effectively create a market strategy whose main goal is to create a strong and emotional long-term relationship between the brand and the consumer. Also, the new trend of "abundant rarity" has led companies in the luxury goods sector to strive to strike an optimal balance between exclusivity and affordability.

Keywords: *marketing, branding, luxury, marketing strategies, luxury branding.*

1. Introduction

In today's dynamic business environment, the role of marketing is becoming increasingly important. Market globalization is leading to a large number of providers and consumers requiring organisations to adapt quickly to market demands, a high level of awareness, and following trends to survive in the market and continuously increase their market share. Organisations move from a traditional, profit-oriented approach to an ambience caring approach, thus ensuring continued profit and high quality. (Primorac, 2016)

A brand strategy arises from the marketing strategy that is different for each brand in the organisation's portfolio. The brand has a strong and lasting identity that makes up its personality. A brand personality can be defined as a set of human traits associated with a particular brand. (Sahour & Dragomir, 2018) A brand creates a sense of security, trust, well-being,

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benefits, and knowledge and effort are required to create it. In order for such associations to appear in the minds of consumers, it is crucial to have a brand strategy.

Developing a brand is one way that organisations can gain competitive advantage, however the brand is no longer what it used to be. The brand today is a tool that helps organisations create more value for consumers, build long-term relationships through them, and turn them into their loyal customers. By means of effective planning, creativity and organisation of marketing, a recognisable brand can be devised, which is one of the most valuable intangible assets of an organisation (Brzaković, Brzaković & Brzaković, 2019).

The goal of branding is to create a strong and emotional long-term relationship between the brand and the consumer in a dynamic environment full of competition, where a battle is fought for each product or service (Marijan & Palić, 2014).

The importance of emotions in marketing is emphasised by authors Dlačić, Ribarić & Barna (2016) who say that they are an integral part of the consumer's purchasing decision process. Emotions can arise after purchase or as a result of marketing activities to which the consumer is exposed. Emotions experienced by the consumer about an advertisement have a direct effect on the emotions towards the brand through which the intention to buy or use the service is created.

In the beginnings of branding, the focus was on the benefits that a particular product or service brings while emotions were neglected (Marinković, 2016). Today's notion of branding has acquired a completely different face. Branding (brand management) is a business process which task is to make a product or service recognisable. This process involves the creation of a name, logo or design that differentiates a product from other products and creates an image of the product in the minds of consumers through emotions and takes care of maintaining that image.

This paper will cover the field of luxury brand marketing. Namely, luxury is a market segment that runs counter to economic logic saying that expensive is less sold. It is just the higher price of these products that leads to their higher sales. In all the segments considered, the general luxury market is experiencing continuous growth. The luxury segment has always existed and has been steadily increasing regardless of the state of the economy and cost cutting (Vecchi & Buckley, 2016).

The aim of this paper is to show the specificities of marketing in the luxury goods market while the purpose is to define the luxury brands marketing strategies responsible for their success in the market.

2. The Concept of a Luxury Brand and its Meaning for Consumers

"The origin of the word 'luxury' dates to the mid-17th century and is derived from the Latin word 'luxus', which literally means 'surplus'" (Bajramović, 2018). In fact, luxury is all about offering greater value to consumers that differentiates luxury brands from ordinary brands.

Each of the luxury categories mostly captures the brand's value growth, regardless of recession or expansion time. According to a survey by Bain & Company (2019), the luxury market has grown by 5% to around € 1.2 billion globally, with positive performance in most segments. The average luxury sector growth since 2013 is 6%. Europe is the leading luxury selling region, followed by America and Asia. They also state that younger generations are becoming more and more frequent buyers of luxury products.

Buyers of luxury products expect a higher value for which they are willing to pay more, as evidenced by a 2012 US survey. The survey was conducted on a sample of 2,217 consumer and showed that as many as 86% of consumers were willing to pay a high price for a particular brand if it provided them with a better experience and satisfaction (Rightnow, 2012).

It is very important for buyers of luxury products to satisfy a psychological need. Specifically, buying luxury products gives customers a sense of size, respect, satisfaction, importance, power, recognition, status, etc. By building an image, luxury product buyers emphasise that they are "better than others".

2.1. Features Of A Luxury Brand

In his paper, author Heine (2012) states that luxury products have six characteristics that distinguish them from ordinary products, namely:

- Price - The most common feature related to the concept of luxury, usually the ratio between the price of a luxury product and the price of an ordinary product of similar performance is very high,
- Quality - most consumers consider the product to be of high quality,
- Aesthetics - perceived as the main distinguishing component between luxury and ordinary products, luxury products are most often associated with radiance and glamour,
- Rarity - one of the important characteristics because less availability increases added value, it is achieved by limiting production or handmade production,
- Extraordinariness - refers to a different design or innovative way of functioning,
- Symbolism - A luxury product has a symbolic meaning for the customer, it evokes positive associations in it.

Luxury brands that have a long history have their "brand code" or brand DNA they remain true to. This "brand code" must vary from others, that is, it must have its own peculiarity that makes it different and therefore more attractive. The goal of luxury branding is to get consumers to identify with their brand and its attributes (Derval, 2018).

Luxury is no longer what it used to be. The greatest problem lies in the over-availability of luxury products that are no longer available only to high society but also to the middle class. This conclusion was confirmed in their paper by Kapferer & Valette-Florence (2016), who said that the concept of luxury was usually associated with the concept of rarity, but it is time for organisations to rearrange their business and move from rarity to "abundant rarity".

2.2. Models Of Luxury Brand Building

Lately, the luxury segment is facing a whole new set of challenges and changes that require a modification in the organisation's strategy and business model. Consumer preferences are changing, and they want authentic products that are good for the environment and personal health (green brands). A key element of today's luxury brands is the building of symbolic and cultural capital and the unique identity and brand style. Organisations should not only offer features and performance, they need to offer consumers the path to self-realisation and personal growth. Digitalisation also plays an important role for luxury brands, forcing brands to engage in virtual space through social networks and e-commerce (Gutsatz & Heine, 2018). 31

In their work, Greenberg et al. (2019) point out that, according to the latest research, design extravagance is important in building a luxury brand design. The affection for extravagance stems from the consumer's desire for status and the need for uniqueness.

Creating every new brand is a challenge for an organisation. In order to create and build a brand it is necessary to have an original idea and to "brand it out" it in the right way. Marketing experts need to find creative solutions that will separate the product from the saturated market and make it recognisable.

3. Luxury Product Marketing Strategies

When an organisation sets out to build a new product, its perception of the product is usually based on exploring the expectations of the target group. However, a luxury brand is expected to be original, authentic and have its own unique personality and vision; it must not be built according to strictly defined consumer preferences. Consumers expect "the unexpected" from luxury products. They expect a product that is highly creative and innovative. This kind of legality is called a luxury production paradox (Heine, 2017).

The prices of luxury products are often illogical, they are much higher than the prices of consumer goods. The high price is not justified by the functionality of the product, but by the emotions and feelings that occur with consumers (Amatulli, De Angelis, Costabile & Guido, 2017). Such pricing is interpreted as a paradox of luxury pricing. The goal of setting too high prices is to make the brand inaccessible to the general public and market it only to few. In this way, the brand emphasises its quality and exclusivity, which makes it even more attractive (Keller, 2017).

The paradox in promoting luxury products explains that increasing awareness of luxury brands is detrimental to their demand. Consumers who use luxury brands want to emphasise their status and differentiate themselves from others, and with increasing awareness of the luxury product, an increasing amount of the population wants to possess it, which discourages original consumers who cease to use the product (Heine, 2017).

Ultimately, it can be said that the task of marketing professionals is to devise a marketing mix that will create positive associations in the minds of consumers and attract them to buy a luxury brand.

According to Boisvert & Ashill (2018), the traditional luxury brand marketing strategy is brand extension. "Brand extension is the use of elements of an existing (parent) brand to introduce a new product into the range and market it" (Krupka & Butara, 2016). This strategy is used by organisations that produce luxury products because in this way their new product has already acquired a built image and personality. The brand extension can be horizontal or vertical. Horizontal expansion involves the marketing of a new product within the same or a new product category, which will be of similar quality level or similar price, but for a new market segment. Yet, the increasing competition and the trend towards the "abundant rarity" of luxury products has led organisations to embark on a vertical expansion. Vertical expansion refers to brand expansion within the same category, but with different prices and qualities relative to the parent brand (Krupka & Butara, 2016).

Corporations that produce luxury products are increasingly using vertical extensions to lower levels, where price and quality are lower than their parent brand, to reach consumers who are more price sensitive. Still, the problem is that they do not take into account the

proper use of different types of marketing strategies and are at risk of losing their luxury position (Boisvert & Ashill, 2018).

According to research, such a segment is designated as so-called HENRY segment (high earnings, not yet rich) (Ćorić Sinčić & Roglić, 2015). The rule that luxury products are only available to elites is no longer valid. Profit eager organisations are expanding their range of luxury products to suit their new target audience (Kiygi-Calli, 2018).

Building a luxury brand requires a lot more effort than before due to the rapid changes in the market and globalisation. Today, it is not enough for a product that wants to stand out among the masses to have a recognisable name and high quality, it has to offer a much higher value for the future customer. A new brand has to influence the culture, actually the lifestyle. When consumers identify with that brand, when it enters their subconscious, then the power of marketing, social media and technology can be harnessed (Brezar, 2015).

4. The Challenges of the Global Environment and the Luxury Products Success Factors

Marketing through new technologies, that is, digital marketing, is a new trend in advertising luxury products. As newer generations of consumers have grown up in the digital age, it would be logical to assume that they are also looking for luxury brands to be purchased online, although this was not the case before, since buying luxury products was based on the luxury experience during the buying process (Yu, Hudders & Cauberghe, 2017).

Luxury brands have started to use digital commerce slower than other brands. Their stumbling stone was the struggle to create a digital environment as attractive as their stores (Okonkwo, 2007).

Luxury product marketing must adapt to new market trends and use digital marketing to promote the brand. Luxury brands have to offer consumers a more sophisticated form of purchase through their websites that will stand out from the majority. For this reason, luxury brands provide consumers with an individual experience through a variety of digital technology (Ozuem & Azemi, 2017).

One of the increasingly popular marketing strategies is retargeting. Retargeting is a form of action on a target group based on their behaviour. Specifically, consumers are shown specific ads based on their search history. Consumers are offered products that are similar to what consumers have searched for (Yu et al., 2017).

Globalisation can be equated with the modern economy. It would not have been possible without the rapid development of technology, innovation and change. Globalisation is automatically linked to the liberalisation and opening-up of markets in the world economy, which includes greater mobility and competition (Kesic & Bertoncelj, 2008).

Market globalisation provides organisations with numerous advantages and disadvantages. The advantages of entering the global market are the achievement of economies of volume, economies of scale, low labour wages and low cost of production resources, while, on the other hand, the organisation must take into account the various cultural differences between consumers abroad (Cojocar, 2010). According to a study by Godey et al. (2013), there are strong cross-cultural differences between different groups of countries (developed

and developing) in the perception of luxury. The authors point out the importance of examining each market separately by determining their perception of luxury. They point out that luxury brands cannot have a global strategy that addresses a comprehensive market, but that it must be tailored to each market separately.

Regardless of marketing customisation that varies from country to country, the brand must retain its own identity. Therefore, the marketing strategy in different countries must be similar, that is, with small modifications in different markets. Today, there is great competition and market maturity in the global market. For this reason, the primary goal of an organisation must be to retain existing customers and build emotional relationships with them. The fact is that it is much more expensive to look for new customers, that are getting fewer than retaining old loyal customers (Dorotić, 2005).

According to Maslow's Pyramid of Needs, self-fulfilment and respect are at the top of human needs, and luxury products are precisely what meet these needs (Ward & Chiari, 2008). Rosa (2012) states that key success factors for luxury brands are: people, product, passion, satisfaction, purpose and price. It is crucial for a luxury product to be excellent, so its products are distinguished by quality and excellence at all levels. It is important to constantly innovate and be authentic in the face of competition. On the other hand, the history and heritage of the brand give the brand depth and timelessness. Another item that makes a luxury product more desirable is the time. Specifically, some brands use waiting lists to increase consumers' desire for the product and to highlight its rarity.

Passion and satisfaction are also essential elements in the success of luxury brands. The authors Dlačić et al. (2016) state that there is no doubt about their importance. A luxury brand is more than just a product, it brings psychological satisfaction. The emotions that the consumer feels about the product actually "drive" him or her to buy a particular product.

Although the purpose of luxury products is solely to contribute to luxury living (Čorić Sinčić & Roglić, 2015) and bring respect to their owners, luxury products must excel in all areas. It can be said that they need to fulfil both the functional part (easier use, higher quality, simplicity) and the psychological part.

5. Discussion and Conclusion

Appropriately applying marketing and marketing strategy, luxury brands must create a marketing mix that is linked to the main characteristics of luxury products consisted of: symbolism, price, quality, aesthetics, rarity and extraordinariness.

Regardless of marketing customisation that varies from country to country, the brand must retain its own identity.

Therefore, the marketing strategy in different countries must be similar or adapted to different markets. The specificity of the luxury product marketing strategy is the phenomenon of being characterised by anti-laws or paradoxes in product creation, pricing, distribution and promotion.

The marketing mix influences perceptions about the characteristics of luxury products while the task of marketing experts is to design a marketing mix that will create positive associations in the minds of consumers and attract them to buy a luxury brand.

Today, companies in the luxury goods sector are striving to strike the optimum balance between exclusivity and affordability. On the one hand, a luxury brand must be exclusive enough to be desirable, and on the other hand it should be accessible enough to be profitable.

The key success factors of luxury brands are: people, product, passion, satisfaction, purpose and price. For the success of an organisation, it is crucial to look at the potential customers and try to offer something new that will exceed their expectations (an unexpected product). It is necessary to personalise the offer to consumers in order to attract and retain them, create an emotional connection and adjust the price to the target group.

The fact is that brands are facing new challenges. At the same time, the current circumstances of the pandemic are accelerating changes and, as stated by Triefus (2020) who is Executive Vice President of the Gucci: "The pandemic has, in a way acted as a catalyst". Brands, and thus luxury brands, in the pandemic and post-pandemic era become digital-first, but they also accept values-first philosophy, which can be expressed by the phrase "being inclusive, being diverse, being substantial, being digital". This leads to a new paradigm of marketing and branding, and even a new virtual economy. "In a year where we have seen \$9,500 spent on a digital dress that only exists on Instagram, voices the rise of virtual luxury in rhythm with a remote virtual world". All these changes lead to the necessity of re-examining the existing business models of branding, but also to the re-examination, with the necessary multidisciplinary approach, of the following questions: What will follow in the post-pandemic era? What will be the new normal when it comes to marketing communication? How will companies in those times bridge digital and physical? And, most important, how will homo economicus behave in these new, changed conditions? What will drive the energy of a brand? How will this change the organizational and brand culture of companies? These are all guidelines and recommendations for further research in various fields of science, but also for empirical research based on new business models of branding.

When it comes to brand emotion, *the emotional quotient* is the one that defines a distinctive criteria for success for a brand. Some research with a group of Generation Z showed fascinating results: One comment that they mentioned is that the reason that they are engaged with Gucci is that they see a *perfect imperfection* in what brand does (Triefus, 2020).

Furthermore, as Sotheby's diamonds CEO Charles Stewart (2020) says about a research study on the psychology of luxury possession: "On the moment the bid is with you – you feel a moment of possession, and then an immediate sense of loss when the bid is elsewhere. It's the anticipation of that moment of possessing your object, of putting your hands on it."

This paper presents an overview of the specifics of branding and marketing of luxury products, with a brief overview of the latest trends caused by the current situation of the global pandemic. The limitation of this paper is that it relies on theoretical discussions and qualitative research. It is suggested that future research focuses on the analysis of new business branding models and their effectiveness, advantages and limitations, as well as on quantitative analysis that explores the correlation between new consumers and global trends and brand values. This and similar research, as well as this paper, should add new insights to branding theory and practical guidance to brand managers, so that brands and their companies fulfil their basic purpose, which is - to get closer to the individual - the consumer and enrich his life, but also facilitate the buying process and at the same time be as actively

involved in community life as possible, especially to include marginalized groups. This goal itself seems to be as challenging and intriguing as research in this new area and a new subject of marketing theory, which is the phenomenon of brands and brand management as a process and business function.

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Sažetak

SPECIFIČNOSTI BRENDIRANJA LUKSUZNIH PROIZVODA

U suvremenom svijetu kojeg karakteriziraju brze promjene, uloga marketinga sve je važnija. Razvijanje brenda jedan je od načina na koji se može postići konkurentna prednost. Ovaj rad definira pojam luksuza kroz prizmu marketinga, prikazuje specifičnosti marketinga na tržištu luksuznih proizvoda te ključne faktore koji utječu na potražnju za luksuznim proizvodima. Rad je otkrio da je ključ uspjeha učinkovito stvaranje tržišne strategije čiji je glavni cilj stvaranje snažnog i emocionalnog dugoročnog odnosa između marke i potrošača. Također, novi trend "obilne rijetkosti" naveo je tvrtke u sektoru luksuzne robe da teže optimalnoj ravnoteži između ekskluzivnosti i pristupačnosti.

Ključne riječi: marketing, brending, luksuz, marketing strategije, luksuzni brending.