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***Luxury Retailers and the Challenges of  
Emerging Markets:  
Loja das Meias Case Study***

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## Abstract (EN)

*Dissertation Title: Luxury Retailers and the Challenges of Emerging Markets: Loja das Meias Case study*

*Author: Mafalda de Sá Couto Antunes*

The luxury industry has been growing strong for the past decade. Luxury is now everywhere and accessible to many more consumers. The present thesis investigates how emergent foreign consumers interact and impact the situation in Portugal, where most retail areas sank in the recession, the luxury market seems to be rising with several international high-end brand opening new stores in Lisbon. Throughout this thesis one question will be answered: "how can Portugal's luxury retailers can be the bridge between international luxury brands and the consumers from emergent countries, with a closer focus on the Portuguese-speaking countries, such as Angola, Brazil, and Mozambique". Loja das Meias, one of the oldest Portuguese luxury retailers, will illustrate which changes, and new strategies a retailer has to undergo to better reach and serve emergent consumers. To support the findings, an interview to the Director of Stores was conducted, as well as a survey to general luxury consumers to help shed some light into the profiles of these new consumers. Thus, consumers can be divided into two groups: (1) Snobs, composed by Angolans and Brazilians who value the internal dimensions of luxury, and attach importance to price as a signal of quality and exclusivity; (2) Bandwagon, featuring Chinese consumers who given their collectivistic culture are more prone to purchase in groups and conspicuous consumption. The majority of luxury retailer is increasingly more depended upon this new customer base, who seeks in Portugal a wider and more affordable offering. Finally, a teaching note is also provided to help scholars and students analyse the case study in a class situation.

**Keywords:** Consumer Behavior, Emerging Markets, Democratization of Luxury, Loja das Meias, Luxury Brands, Retailing

## Resumo (PT)

*Título da Dissertação: Retalho de Luxo e os Desafios dos Mercados Emergentes: Estudo de Caso Loja das Meias*

*Autora: Mafalda de Sá Couto Antunes*

Na última década, a indústria do luxo tem vindo a crescer bastante. O luxo está agora muito mais presente e acessível a muitos mais consumidores. A presente tese estuda a interação e impacto que os novos consumidores de luxo oriundos de países emergentes têm tido no mercado Português, onde as restantes áreas do retalho estão em recessão, o mercado de luxo mostra sinais de crescimento, com algumas das mais prestigiadas marcas internacionais a abrir lojas em Lisboa. Durante a discussão, uma pergunta servirá como fio condutor: “de que maneira conseguem os retalhistas de luxo portugueses ser a ponte entre as marcas de luxo internacionais e os consumidores de países emergentes, nomeadamente os de Língua oficial portuguesa, como Angola, Brasil e Moçambique”. A Loja das Meias, um dos primeiros retalhistas de luxo em Portugal, servirá como exemplo para ilustrar que medidas e estratégias são tomadas para chegar e melhor servir estes novos segmentos. Para sustentar as conclusões, foi feita uma entrevista à Diretora de Lojas da empresa, bem como um questionário a consumidores de luxo, para melhor traçar o perfil dos novos consumidores. Assim, os consumidores podem ser divididos em 2 grupos: (1) *Snobs*, constituído por Angolanos e Brasileiros, que valorizam as dimensões internas do luxo e veem preços como sinal de qualidade e exclusividade; (2) *Bandwagons*, do qual fazem parte consumidores Chineses, que devido a sua cultura colectivista são mais dados a compras em grupo e por imitação. A maioria dos retalhistas de luxo está de facto dependente desta nova base de consumidores, que procura em Portugal uma oferta mais alargada a preços mais acessíveis. Para concluir, é também fornecida uma *Teaching Note* para que professores e alunos possam analisar este estudo de caso no contexto de uma sala de aula.

**Palavras-chave:** Comportamento do Consumidor, Loja das Meias, Marcas de Luxo, Massificação do Luxo, Mercados Emergentes, Retalho

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## Chapter 1: Introduction

In the early twentieth-century, Coco Chanel once said '**Luxury** is a **necessity** that **begins** where **necessity** ends'. This statement still holds true, despite the current economic situation, in which the unemployment rate reaches maximums, consumption indexes sharply drop, and companies are struggling not to drown.

Surprisingly, when most sectors are in recession, the Portuguese luxury market has been growing in the latest years and international upscale brands have opened new stores in Lisbon, such as Miu Miu and more recently Michael Kors in Avenida da Liberdade, which is starting to resemble a small version of the Parisian Champs Elysées.

Many questions come to mind when debating this apparent luxury paradox:

- What is fuelling the growth in the Luxury Market?
- Why are these brands choosing Portugal, when its socio-economic indicators do not look as favourable?
- Is Portugal being the bridge between the brands and emerging markets, mainly Angola, Brazil, but also Mozambique?
- How can one adapt to the product portfolio, and other marketing mix variables to this new reality and type of consumer?

To investigate and answer these theoretical hypothesis, I propose myself to study the real case of Loja das Meias, which recently started a store renovation process and internationalization strategy to such countries. Exploring the triggers and the reasons behind the strategic moves, as well as which actions were undertaken in the process.

As important as studying the supply side may be, my research will also try take a close up picture of the luxury consumer, so as to propose some recommendations, to better fit a brand's offering to its clientele.

Ultimately, the case study aims to help students, professors and overall people interested in Luxury Market, to understand the strategic changes and challenges brands may face due to rising of the emerging countries, and eventually how Portugal plays a role in that transition.

### Problem Statement

How can Luxury brands adapt to respond to the tastes, wants and needs of the new emerging luxury market in Portugal, applied to Loja das Meias, which besides its 3 department stores in the Lisbon area, it has recently given a step forward, anticipating the competition by initiating internationalization process in Angola and Mozambique.

## **Research Questions**

This study aims to provide insights on challenges the rising the new consumers pose to luxury retailers in Portugal, by answering the following questions: **(1)** which are the main behavioural characteristics of the new consumer?; **(2)** To which degree is the success of a luxury brand influenced by this new consumer?; **(3)** How can luxury brands located in Lisbon build up loyal customers in the future?

## **Methodology**

In an attempt to get a better understanding on the question, the study will use primary and secondary data. I will carry on my study by gathering both qualitative and quantitative data. For this research, I plan to conduct surveys to Luxury brand (potential) customers, as well as in-store observations. Furthermore, interviews to sales people will be made to complete the primary data collection. Secondary data from industry reports and data panels will also be used throughout.

## Chapter 2: Literature Review

### 2.1. Luxury Goods Consumption

#### 2.1.1. What is luxury?

Over the years, the notion of luxury has been evolving, mostly because it changes constantly due to people's different perceptions. The definition of prestige may vary due to people's different socioeconomics contexts (Vigneron and Johnson, 1999). "Luxury is particularly slippery to define" (Cornell, 2002) as there are many approaches to its definition reflected on the literature. Grossman and Shapiro (1988) classify luxury "as goods such that the mere use or display of a particular branded product brings the owner prestige apart from any functional utility".

Contrary to the prior train of thought, others present a concept revolving around the beauty of luxury. Kapferer (1997) defines luxury as "art applied to functional items", like Coco Chanel once said "a woman enveloped in luxury has a special radiance".

Nevertheless, to its core, luxury remains basically untouched. The notions of prestige, exclusivity, elegance, and quality that's justify price premiums have been present to some extent in the many definitions of Luxury (Truong, McColl and Kitchen, 2009).

Luxury goods bring esteem and functional utility to the owner, hence these items can satisfy both psychological and functional needs (Vigneron, 2004).

Some might argue luxury simply equals insanely overpriced products, on the contrary Coco Chanel stated "Some people think luxury is the opposite of poverty. It is not. It is the opposite of vulgarity". However, when considering this type of products it is essential to account for their absolute and relative expensiveness (Dubois and Duquesne, 1993).

Scholars have also associated Luxury with a certain superfluosity or excess, related to the idea of purchasing items even when they are not a necessity (Amatulli and Guido, 2012).

Now, it is possible to identify luxury in to levels, the *true luxury*, which still only just a few people are able to afford, nonetheless given the increasing number of wealthy consumers from the emerging markets, this lifestyle is getting more visibility; and the *intermediate luxury* powered by brand propositions which offer middle class consumers the ability to afford something from time to time, fuelling their dream and desire of social recognition, success and prestige (Chevalier and Mazzalovo, 2012).

#### 2.1.1.1 Luxury Industry Overview

The market is composed by four main categories: (1) fashion products, including *haute couture*, *prêt à porter* and accessories, such as Leather goods; (2) perfumes and cosmetics; (3) wines and spirits (4) and jewellery (Fionda and Moore 2009).

**Table 1: Estimates of Business Size and Country Contribution, 2011 (€ billion)**

	Total (€ billion)	French (%)	Italian (%)	Others (%)
<i>Prêt-à-porter</i>	22	20	60	20
<i>Leather Goods</i>	22	16	30	10
<i>Spirits and Champagnes</i>	33	30	5	65
<i>Perfumes and Cosmetics</i>	37	50	10	40
<i>Watches</i>	11	10	5	85
<i>Jewelry</i>	34	10	5	85
<i>Tableware</i>	6	40	10	50
<i>Still Wines</i>	55			
<b>Total</b>	220			

Source: Chevalier and Mazzolovo, 2012

The luxury goods industry is controlled by thirty-five major brands, accounting for more than 60% of the total business (Thomas, 2007), and it is estimated to grow to 217 billion euros (Bain & Company, 2013). Several prestige brands known today, as Louis Vuitton, Prada, Hermès and Chanel were created over a century ago as handcrafted exquisite single-man shops. Years went by, and the industry is has changed dramatically, and though most of these brands are still evoking the legacy of the founders' name, they are now managed as part of multimillion dollar corporations. Below, there is a quick review on the most valuable luxury brand worldwide. Further information about the evolution of the top international brands can be found the Appendixes section, under Exhibit 1.

**Table 2: Top Luxury Brands (2013)**

Brands	Value (\$million)	Change in Brand Value	Top 100 rank
<i>Louis Vuitton</i>	24.893	6%	17
<i>Gucci</i>	10.151	7%	38
<i>Hermès</i>	7.616	23%	54
<i>Cartier</i>	6.897	26%	60
<i>Prada</i>	5.507	30%	72
<i>Tiffany's &amp; Co</i>	5.440	5%	75
<i>Burberry</i>	5.189	20%	77
<i>Ralph Laurent</i>	4,584	14%	88

Source: Interbrand 2013

When Monsieur Louis Vuitton started producing his canvas trunks, in his small workshop in a Paris's suburb, around 1854, little did he know that more than 150 years later his name would be associated to the largest publically traded Luxury conglomerate - LVMH (Thomas, 2007), with revenues exceeding 29,000 million euros (LVMH, 2013). Moët & Chandon, Tag Heuer, Fendi, Bulgari and Céline are just some of the brands in LVMH portfolio.

There are also two more luxury specialized groups. The second largest corporation is the also French company PPR (Pinault- Printemps- Redoute), which represents Gucci and Yves Saint Laurent among others. The third largest player in the marketplace is the Suisse-based group Richemont, holding Cartier and Montblanc for instance.

Additionally, it is important to make the distinction between supply agents: Brand-owned (mono-brand) stores and Luxury retailers (Chevalier and Mazzalovo, 2012).

### *2.1.1.2. Luxury Paradox*

Marketing luxury products is not an easy task and to some extent it can be considered quite contradictory. On one hand, like in any other industry, Luxury brands make use of marketing tools in and attempt to increase demand, sales volume, awareness and ultimately assuring their products are viable and profitable in the marketplace, nevertheless if a brand becomes too mainstream, say over diffused, it may lose its luxury allure (Dubois and Paternault, 1995).

Hence, the difficulty in this category is developing marketing programs which won't endanger the exclusivity and perceived value of a brand. After all, strategies are often centred on boosting demand, whereas in luxury market increasing demands may translate negatively on other pre-established consumers. Further, the present literature review will highlight how come brands can overcome the Luxury Paradox. But first it is necessary to uncover what is behind Luxury goods consumption.

### *2.1.2 Motivations and Perceptions*

Consumer Behaviour is often considered quite a young subject. Yet, much research and progress has been made in order to try to understand and unveil the underlying "processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires" (Solomon *et al.*, 1995).

Meantime, the mechanisms behind consumers' responses towards luxury, referred to as rather impulsive, hedonic or extravagant, still seem to be locked inside the consumers' mind (Dubois, 1995).

Given the increasing importance and popularity of Luxury for the overall economy, many Scholars have dedicated their studies to the subject in an attempt to shed some light into the issues of Consumer Behaviour applied to Luxury goods.

The present chapter gathers some of those studies, most acknowledged concepts and latest research.

Most researchers commonly agree on the five most important factors or values which determine luxury consumption: conspicuousness, uniqueness, sociability and extended-self, quality and finally hedonism (Vigneron, 1999).

### *2.1.1.2. Externalized vs. Internalised Luxury*

Consumers' possessions reflect not only their personality but also their respective economic, political, social standing and self-worth (Tomas, 2007).

One can classify Luxury as either "public" or "private" goods considering when and where consumption occurs (Bearden and Etzel, 1982). Consequently, goods are public when acquired for social recognition or status purposes, as it is "luxury for others", whereas when consumption is triggered by either personal or hedonic intentions, like "luxury for one-self" (Kapferer and Bastien, 2009).

#### External

The External dimension of Luxury comprises: ostentation, materialism and superfluosness. Ostentation refers to the need to display wealth in a wasteful way (Amatulli, 2012), which happens to be related to the concept of conspicuous consumption, on which I will expand further in this research. The idea of Materialism, consuming for consuming's sake only to possess more and more items, somehow has been related to luxury consumption. Finally, as previously mentioned, superfluosness, acquiring something which is not strictly necessary.

Vigneron and Johnson (1999) identified conspicuousness, uniqueness and sociability as the values associated to externalized luxury consumption:

#### **Conspicuousness**

Since 1899, when Thorstein Veblen firstly introduced the concept of conspicuous consumption, in *The Theory of the Leisure Class*, it has generally been accepted that not only income but also cultural aspects influence consumption of luxury goods (Dubois, 1994). Conspicuous consumption refers to the idea that what confers status is not the accumulation of wealth but the evidence of such, instead (Han, Nunes and Drèze, 2010). In other words, the true meaning of status and belonging to a higher wealthier social class is by display one is able to afford nice things, which later can be understand as wasteful exhibition (Veblen, 1899).

Conspicuous consumers often incur in such behaviour because they feel the need to match the consumption patterns of the people who are directly above them in the social hierarchy (Truong *et al*, 2011).

## **Uniqueness**

Also associated with luxury is the idea of scarcity, limited supply increases consumers' preferences and desire towards a brand. Seeking and obtaining something unique and exclusive confers one a certain sense of entitlement and the power of avoiding similar consumption (Vigneron, 2004).

The need for uniqueness lead consumers to pursue differentness relative to others by purchasing luxury goods with the aim of enhancing their both their self and social images (Kastanakis and Balabanis, 2012).

## **Sociability**

Consumption patterns are also affected by the fact that the human being is a "social animal". The interactions within and between groups of individuals influence one's preferences. Therefore, consumers who show high levels of social orientation seek luxury goods as a symbolic sign of belonging to a specific group (Vigneron, 1999).

As a consequence, individuals will purchase and use the brands which are congruent with the reference group's image, whether they already belong to that group or aspire to be part someday, seeking a deeper psychological association between the individual and that group (Escalas and Betman, 2005).

## Internal

Taking upon the argument that luxury consumption does not have to be a mere consequence of externalization forces, the three internal dimensions of Luxury are: Individual Lifestyle, emotions/hedonism and culture (Amatulli, 2012).

"Fashion fades, style is eternal", the Yves Saint Laurent wise words exemplify that sometimes consumption is a way to express one's lifestyle, and it is subject to personal assessments of beauty and aesthetics, purchasing a certain brand is done to emphasize a style, given that the brand's lifestyle has to be congruent with one's personal lifestyle (Amatulli, 2012). Consumption can also be driven by emotions or hedonistic needs in which the emotional value of the product or the purchasing experience are the triggers. Lastly, internalized luxury is also related to cultural aspects, as in knowledge, education, beliefs and morals, which may determine the consumption behaviour of a segment.

Internalized luxury consumption's values, pointed out by Vigneron and Johnson (1999) are: extended-self, hedonism and quality:

## **Extended-self**

Linked to the concept of internal dimensions of luxury consumption, previously mentioned, arises the idea of extended-self, the idea that one regards its possessions as part of one's identity (Vigneron, 2004). Individuals' self-esteem and the evaluation of one's self-concept (Leonard *et al.*, 1995) is also a driver for luxury consumption. Meaning, individuals will purchase goods they consider a must for their identity-built (Kastanakis, 2012)

Consumer classify others and distinguish themselves by the usage of certain products from certain brands, trying to transfer that symbolic meaning into their own identity (Holt, 1995). On the other hand, there are people whose desire is to conform to the upper-class lifestyles, and as a consequence it will affect their luxury-seeking behaviour (Vigneron, 2004).

## **Hedonism**

Purchasing an item can be part of a daily routine, meaning low involvement but also the act of acquiring a good can be attached to a great emotional experience (Kronrod and Danzinger, 2013). In other words, some products convey emotions and pleasure to the buyer (Amatulli, 2012). Literature refers to hedonism when consumption is driven by the emotional value of the item or the experience, meaning consumers are willing to pay premium for a product, which will satisfy their subjective needs, focusing on what it represents emotionally rather than the functional benefits (Amatulli, 2012; Vigneron, 2004).

## **Quality**

However, not all consumer acquire luxury products for conspicuous motivations. Some are driven by the desire for higher quality. The strive for better performance, reliability and superiority of materials makes one be willing to spend more money and purchase high-end products, since price often signals quality (Truong *et al.*, 2011). Research has emphasized the role of leadership in quality to ensure perception of Luxury (Vigneron, 2004).

Alternatively, one can analyse luxury by looking at its "two faces", the so called Luxury dichotomy (Amatulli, 2012). Consumption in these categories can be driven by both external and internal motives (Vigneron, 1999). The first set of motives, the interpersonal, are triggered by the desire for social approval and influenced by interaction and the opinion of others. The latter group of reasons, personal, are mostly related to customers' emotions, mind-sets and personal sensations (Amatulli, 2012)

The implications and applications of all this components on the retail sphere will be discussed later on.



### 2.1.3 Segmentation

Prior studies have identified two types of consumers depending on the focus of their self-concept. Individuals focused on the internal domain are more independent, autonomous and display unique personal traits, which concerning luxury consumption translates into focus on hedonic, utilitarian and self-communicating goals (Kastanakis, 2012). Putting it differently, privately self-conscious individuals are centred in developing their inner personality, thoughts and feelings (Vigneron, 1999).

Whereas consumers who fall more into the inter-personal domain value the opinions of others and how society perceives them, these consumers are prone to conspicuous consumption and purchasing this type of goods for social reasons (Kastanakis, 2012). Hence, publicly self-conscious consumers are concerned with how others see them (Vigneron, 1999).

A considerable contribution was given when the Scholars Vigneron and Johnson (1999) developed conceptual framework identifying five types of prestige seekers, and they are as follow: Veblenian, Snob, Bandwagon, Hedonist, and Perfectionist.

Generally, Veblenian consumers are those who pay more attention to price as indicator of prestige, because they are highly prone to conspicuous buying and ostentation and can be considered rather materialistic. Their primary objective is to impress others.

The Snobs, however, use price as an indicator of exclusivity, as their main goal is to differentiate themselves by avoiding popular brands. Snob consumption is considered to be closer to the inner self-satisfaction.

Individuals who attribute less importance to price as a luxury indicator, but emphasize the impact they make on others while consuming luxury goods are designated by Bandwagons. They are driven by the desire to possess luxury brands, as an indicator of group membership.

Hedonist individuals will be more interest on their self-concept, but contrary to snobs, price is not such an important indicator of prestige. As Vigneron and Johnson (1999) defined the “hedonic effect occurs when consumers value the perceived utility acquired from a prestige brand to arouse feelings and affective states”.

Finally, Perfectionists seek mostly quality, and may use price as supporting evidence for quality standards.

More recently, Han *et. al* (2010), presented an alternative, yet conciliatory classification of consumers' segments according to their response to luxury, relating motivations and income. Restricting the number of clusters to 4, the following approach points out Patricians, Parvenus, Poseurs and Proletarians.

Patricians, inspired by the Roman elites, are significantly wealthy and are willing to pay a premium for inconspicuously branded products. They show high levels of financial means but score low on the need to consume for prestige's sake, hence avoiding conspicuous consumption.

This first type of consumers is concerned with associating with other among the same group, not surprisingly their purchases are low on brand prominence (the degree to which a brand is identifiable on an item) and most likely only other Patricians will recognize.

The second group, is derived from the Latin verb to reach. Further, Parvenus aim to be part of the social class above them. These consumers are those who crave status and want more than anything to dissociate themselves from the classes below. They have abundant financial means but lack the necessary connoisseurship to identify subtle brand signals, consequently their preferences tend to more brand prominent and flashy items, with large logos or loud visual trademarks.

The other status-seeker segment is called Poseurs, which literally means one is pretending to be something one is not. They have the desire for luxury but lack the wealth to afford it, therefore they are prone to buy counterfeit goods. Moreover, Poseurs try to imitate what Parvenus' consumption patterns.

Lastly, Proletarians are the least influential cluster, they are neither interested in achieving status and are not concerned with signalling others by using luxury items.

### *2.1.3.1. Managerial Applications*

By crossing both frameworks (Exhibit 2), it is possible to match Patricians (Han et. al, 2010) with Hedonist, Perfectionists and slightly less with Snobs (Vigneron, 1999). This group, excluding Snobs, attaches little importance to price as luxury indicator and their patterns are closer to the internalized dimensions of luxury. As previously mentioned, internalized luxury translates into individual lifestyle, emotions and culture.

These elite consumers engage in luxury consumption as to express their lifestyle, based on their own assessment of beauty. They seek the sensory gratification linked to the purchase or use of the product (Tsai, 2005). Furthermore, the present group can be considered more educated, aware and familiarized with the subtleness of luxury, and they also value quality (Amatulli, 2012; Vigneron, 1999).

In light of those characteristics, Amatulli (2012) suggests retail managers should: (1) determine which are the lifestyle attributes of the target market or main customer base to make a comparison between the lifestyle sported by the brand, exploring their consistency; (2) focus on the opportunity to satisfy the customers' expectations through the POS materials, here mono-branded stores can encapsulate all the brand experience, display should communicate the brand lifestyle showing a large assortment of products; (3) quality through store display and reinforced by the sales force; (4) enhance the in-store shopping experience, creating higher emotional involvement, through the manipulation of stimuli; (5) develop special strategies which will add value to the customer experience such as loyalty programs; (6) highlight the brand culture throughout, whether by creating a cultural space inside the store or association to cultural events.

Respectively, Parvenus (Han et. all, 2010) can be related to Veblenians (Vigneron, 1999). They share the belief that common price is an indicator of prestige, and reveal an externalized luxury behaviour, linked to conspicuousness, materialism, superfluousness and ostentation (Amatulli, 2012).

The applications on the retail sphere are: (1) select merchandize according to the target's need for expensive goods; (2) assortment should have large logo prominence levels, also should be displayed in groups of items and in quantity; (3) improve cross-selling and up-selling by stressing the importance of each product in the line individually, with the sales force reinforcing "the total package". (Amatulli, 2012)

Finally, Poseurs and Bandwagon consumers are related by the little importance to price as a luxury indicator and the externalized luxury dimensions. And have similar implications in the retail context as the group before: (1) ostentatious stores emphasising the brand codes; (2) trend setters and iconic items as important part of the assortment; (3) sales force able to emphasise the prestige of the brand and products as 'must have' items (Amatulli, 2012).

## 2.2. Global Luxury

Emerging markets are becoming increasingly more relevant for the luxury industry. Brazil and Angola are good examples of the high-potential of these markets, with 12% and 11% continent's sales growth, respectively (Bain & Company, 2013).

### 2.2.1. Going Mass Market

The growth of the luxury market has been fuelled by the increasing demand from economic expansion in emerging countries (Shukla, 2012) as well as globalization forces (Kastanakis, 2011). Unsurprisingly, several luxury companies are considering expansion processes to these countries as a salvage for their revenue (Shukla, 2012). Still, many developing economies don't have the necessary infrastructures or a substantial consumer-base.

The biggest challenge faced by Luxury bands nowadays is to find the key balance between maintaining their perceived exclusivity while increasing brand awareness, revenues and market penetration (Kastanakis, 2011).

#### 2.2.1.1. Democratization of Luxury

The explosion of the luxury industry, since the early 1990s (Truong *et al*, 2009), sustainably even in the recession context is known as democratization or massification of Luxury (Kastanakis, 2011; Shukla, 2012). Overall, it is due to the improved economic factors and higher disposable

income from the previous lower classes (Truong *et al.*, 2009). Additionally, massification is also powered by the Bandwagon effect.

Kastanakis and Balabanis (2011) referred to the bandwagon phenomenon as “the positive effect that a general increase in the consumption of a product has to the preference of other consumers for that product”. Basically, consumption increases because consumers observe others purchasing a certain item, and they follow, to satisfy the need for affiliation. On the other hand, observers suggest some brands are losing their luster due to the increasing massification, all over developed markets (Thomas, 2007). There are hints that the improved penetration is increasing the bandwagon effect, and even though short-term revenues are increasing, this may have a negative impact on the long-run (Shukla, 2012).

### *2.2.1.2. Masstige Brands*

The Massification of Luxury is both a result and a leading factor for the emergence of a new luxury brand positioning strategy where high perceived prestige is combined with reasonable price premiums, making it accessible the middle classes – Masstige brand positioning (Truong, *et al.*, 2009).

In an attempt to expand their client base, some brands are developing different lines and labels to attract middle classes, without jeopardizing their prestige image. Note that, traditional luxury goods, which are still under their realm shielded by price and scarcity.

The benefit brought by this new positioning is the target broadening, pursuing more niches than the purely traditional brands, enabled by the customers' ability to recognized their mid-level prestige (below traditional brands) and be sold slightly above mid-range (Truong *et al.* 2009).

### *2.2.1.3. Consequences*

#### **Brand dilution**

As previously introduced, luxury reaching the masses can endanger brands. Since their diversified portfolios, which now offer goods affordable to several social classes, may lead to brand dilution. Losing their intrinsic prestige positioning is more likely to occur when middle-classes start purchasing more and more often, becoming relatively usual (Truong *et al.*, 2009).

In *Deluxe: How Luxury lost its Luster* (2007), Thomas shows evidence of how Dior's product portfolio diversification, mainly through licensing, led US consumers to believe the brand was then too mainstream.

To avoid brand dilution, it is necessary to reach a balance between luxury and price accessibility. Truong *et al.* (2009) suggest brands to continue advertising in high fashion magazines, design luxurious displays and POS materials in department stores, to keep the dream

alive. While, assuring price levels maintain, to prevent purchase of this new luxury brand to become too frequent.

### **Decrease in quality**

Furthermore, past research indicates while luxury goods were priority acquire for their versatility, performance and functionality (Berthon *et al.*, 2009), given the massification and market growth, quality and endurance standards which were linked to luxury goods has decreased (Thomas, 2007).

### 2.2.2. Perceptual and Behavioural differences across cultures

Even though the global luxury boom has awakening the interest of researcher in the subject, there is still little research on how culture directly impact the perceptions across cultures.

Shukla (2012) suggests a link between the Collectivism and Individualism dimensions of Geert Hofstede (1991). Individualistic societies are positively correlates with self-gratification, personal achievement and material possessions, hence one may infer consumers will be focused on the independent self-concept (Kastanakis, 2012). Whereas, collectivistic cultures are more prone to value achievement as a group, sharing and equality, approaching the interdependent self-concept, stated by the same author, which also means conspicuous consumption is more likely to occur in this segments.

## Chapter 3: Case Study

### 3.1. The Portuguese Luxury Market

#### 3.1.1. Evolution

While the majority of sectors, especially in retailing, are suffering the consequences of the late economic downturn, the luxury market appears to be holding on steady, suggesting luxury goods are somehow crisis-immune.

According to estimates of the *Luxury Goods Worldwide Market Study*, 2013 global revenues will increase between 4% and 5%, at constant exchange rates. Given that recently, many renowned high-end brands have entered the Portuguese market, one is prone to believe Portugal is contributing positively to the European market growth.

**Table 3: Luxury Market Revenues (2013)**

	<i>Estimates Revenues (€billion)</i>	<i>Variation (2012- 2013)</i>
<i>Europe</i>	74	2%
<i>Americas</i>	69	4%
<i>Japan</i>	17	-12%
<i>Rest of Asia</i>	46	4%
<i>Rest of the World</i>	11	6%
<i>Overall</i>	217	2%*

Source: Bain & Company - *Luxury Goods Worldwide Market Study* (October 2013)

\*current exchange rates (the devaluation of the yen is partially responsible for the gap)

With the exception of Japan, China and South America, all markets are fuelled by tourists and their spending (Bain & Co, 2013). Tourism in Portugal has been growing greatly in the latest years, and it is now one of the most important foundations of the national economy, with a positive balance of 5.4 billion euros, until October 2013, a 7,8% increase comparing to the same period last year (Bank of Portugal, 2013). These levels, somehow provide evidence for the growth in the luxury market.

Considering only the luxury sector, the top 4 foreign consumers come from Angola, Brazil, China and Russia, which is can be justified by the lack of supply in their country of origin and by the lower retail prices in Portugal. It is estimated that non-EU tourist spending now drive more than half the Portuguese luxury market, in some cases representing 60% to 70% of monthly sales, taking into consideration that their spending is up to 5 times greater than the domestic consumers (Global Blue, 2013).

In the 2012 *Mediterranean Rim Tourism Monitor Report*, foreigners visiting Portugal spent €475m, according to credit card information. Moreover, both Angola and Mozambique spending

rose sharply comparing to the previous year's numbers, over 50% and 75% respectively. Retailing was the second biggest category in which foreigners spent their money, over €90m euros (Visa Europe, 2012).

**Table 4: Top 10 Foreign Spenders in Portugal (2012), million euros**

<i>Country</i>	<i>2011 (1st quarter)</i>	<i>2012 (1st quarter)</i>	<i>Variation</i>
<i>France</i>	88,292	98,886	12,00%
<i>Angola</i>	56,949	87,264	53,23%
<i>UK</i>	76,470	74,137	-3,05%
<i>Brazil</i>	34,160	39,472	15,55%
<i>Spain</i>	40,341	36,622	-9,22%
<i>USA</i>	15,886	16,884	6,28%
<i>Germany</i>	11,716	13,821	17,97%
<i>Mozambique</i>	5,755	10,256	78,21%
<i>Luxembourg</i>	3,386	9,339	175,75%

Source: Visa Europe Card Data

**Table 5: Where Foreigners Spent their Money in Portugal (2012), million euros**

<i>Category</i>	<i>Position</i>	<i>2011 (1st quarter)</i>	<i>2012 (1st quarter)</i>	<i>Variation</i>
<i>Cash Withdrawal</i>	1st	184,412	219,547,591	19.05%
<i>Retail</i>	2nd	76,883	91,228,589	18.66%
<i>Hotels</i>	3rd	53,692	57,801,172	7.65%
<i>Entertainment</i>	4th	28,495	31,529,073	10.65%
<i>Travel</i>	8th	6,137	7,356,138	19.86%
<i>Airline</i>	10th	4,196	3,750,467	- 10.63%
<i>Health</i>	11th	3,154	4,051,225	28.42%
<i>Utilities</i>	14th	1,201	2,022,696	68.35%
<i>Insurance</i>	15th	75	123,744	63.18%

Source: Visa Europe Card Data

### 3.1.2. Consumers

The numbers available, and a quick stroll down the streets where most upscale retailers are located, underline the importance of foreign consumption in the Portuguese luxury market. The referred new consumers – Angolan, Brazilian, Chinese, and Russian – have different influences and most importantly, unlike profiles which may oblige retailers to develop certain strategies depending on consumer segment.

An interesting finding published on the *2013 BrandZ Top 100* (Global TGI, 2013) shows that more than 50% of Chinese and Russian consumers and 41% of Brazilian consumers believe that prestige brands enhance their personal image, comparing to much lower values for countries such as the US (13%) reflects the importance luxury has as symbol of status in emerging markets. The fact that these nationalities, together with Angola, are the top 4 foreign luxury consumers in

the Portuguese market is not random: it can be explained by their increasing disposable income; their proneness to luxury; accessible luxury (lower prices and tax refunds); and in Angola and Brazil's case the cultural and language proximity.

According to Global Blue, a Tax Refund Company, consumers from Angola are those who benefit more from the service. In first semester of 2013, Tax free purchases from Angolans represented 41% overall, more than Brazilian, Chinese and Russians combined (23%; 11%; 6% accordingly). Nonetheless, experts point out sales to Angola have been stabilizing and the true growth potential is in other geographies, for instance China and Brazil. The same study refers that purchases by Chinese consumers have rocketed 129%, and their expenditure per visit also increased, being the only group to do so.

These emergent consumers from outside Europe, called *Globashoppers*, perceive shopping as an integrated part of their travel experience, reserving 30% of their budget for those activities. Many prepare their shopping spree in advance, making lists with the items they plan to buy and search in which stores the products will be at their disposal. Moreover, they try to maximize their welfare due to lower prices and tax refunds.

Consumers from Angola were mostly perceived as middle age men, in the construction sector, with expensive tastes for Hugo Boss suits and golden Rolex Watches. However, that tendency is slowly fading, as more and more women and families visit the stores, looking for reference brands like Prada or Dior and purchase several items, to offer family member or friends. Their average spending per visit is 389€, and they are also purchasing in middle range stores.

The second most important group comes from Brazil. Brazilian customers are mostly couples and their spending is around 220€. They seek to buy cheaper products and overcome import taxes and credit card is the preferred payment method.

Whereas, the Chinese customer tends to go shopping in large groups, and items purchases are generally the same, as if it was "copycat buying". Their average spending of 1242€ is higher than the other 3 groups, because they buy mostly watches and jewellery, but also shop fashion.

### 3.1.3. Locations

The main locations in Lisbon are Avenida da Liberdade, Rua Castilho and Chiado, which are very important arteries of the city either known either as upmarket consumption areas and prime business district locations. Besides, there are two upscale shopping centres in Lisbon, El Corte Inglés and Centro Comercial Amoreiras, in which Luxury brands can also be found.

Avenida da Liberdade has been chosen by most international brands as place to be, because it grants visibility and prestige to be in such street. Through the years, with increasingly high number of luxury retailers located in the avenue, it has become synonym of elite, exclusivity and glamour. Astonishingly, from the total retail area over 17.700 m<sup>2</sup>, 86% are assigned to



international brands, with 59% clear dominance of fashion stores (Cushman and Wakefield, 2013). As a consequence, one always associates Avenida da Liberdade with the ultimate luxury, in Portugal.

Regarding Rua Castilho, even though the commercial area is significantly smaller, 2.400m<sup>2</sup>, it is extremely relevant for upscale retailing. The trend was initiated by Loja das Meias, and many other stores followed. In this street, multi brand retailers are dominant by 55% and fashion stores account for 89% of the space (Cushman and Wakefield, 2013).

### 3.1.4. Main players

In this sector, there are Multi brand stores and mono brand retailers, some represented by a bigger conglomerate or corporation. In the first dimension the biggest players to take in consideration are Fashion Clinic, Loja das Meias and Stivali. On the mono brand stores there are those which are owned by the international company, for instance Louis Vuitton, Miu Miu and Prada (Prada Group) and those which are attached to other organization for instance Burberry, Furla and Tod's, all part of Group Brodheim.

## 3.2. Loja das Meias

### 3.2.1. History and Evolution

In the beginning of the XX century, Portugal was going through one of the most interesting periods of its history. With the monarchy broke and on the verge of ending, the upper classes were also under major changes. It is in the first decade of the 1900 when the concept of department stores, bazaars or *galleries* arrives to Portugal, for instance Grandes Armazéns do Chiado, combining shopping a vast range of products with the glamour of its *décor* and assortment.

In 1905, Loja das Meias opened its first store, at the corner of Rua Augusta with Rossio, in the very centre of Lisbon. It started by selling only corsets and socks, and by 1933 Loja das Meias had taken over most of the building adding new sections as Perfume and Cosmetics, Accessories and Women's and Men's wear (Exhibit 3). Soon, Loja das Meias starting expanding its customer base by offering a wide range of imported luxury brands, such has Christian Dior and Mary Quant. Today, it company represents over 30 luxury brands, including Fendi, Valentino, Armani, Lanvin, and Givenchy.

Throughout the years, Loja das Meias became an icon and a reflection of Lisbon, and has the city evolved so did Loja das Meias. Hence, store expansion began adding two more to

the directory, as Director of Stores Manuela Saldanha pointed out “*we strive to be close to our customers, we need to be where our target customers are*”.

Nowadays, Loja das Meias has a total of 3 stores: the flagship store at Rua Castilho and the newly renovated store at Amoreiras Shopping Centre, both located in Lisbon, and another store in the heart of Cascais. Closing down the “mother” store in Rossio, was a difficult and emotional decision yet necessary, due to change in the dynamics of that specific area, Loja das Meias' customers were no longer around those streets.

In sum, Loja das Meias is often considered one of the first truly Luxury retailers in Portugal, and almost celebrating its 110<sup>th</sup> anniversary, it continues to offer premium products and excellent customer service, while carrying on a “*constant and permanent pursue for the best the world of fashion has to give*”, as mentioned by Manuela Saldanha.

### 3.2.2. The Business

Managing a centennial renowned company is not an easy task. Despite its great heritage, Loja das Meias continues to define strategies to maintain its relevance for today's consumers. In this rapidly changing world of fashion, where new trends or products rise everywhere and information flows much quickly, companies must understand these dynamics to stay on the pulse.

Loja das Meias' product assortment is divided by 3 categories, namely *prêt-à-porter* (both men and women's wear), accessories (bags, belts, leather goods) and perfumes and cosmetics. The offering diversification was a consequence of the market's evolution, “*for company to maintain its sales, it has evidently to always keep evolving, creating and studying the upcoming market trends and demands*”, as mentioned by Manuela Saldanha. For instance, there is a recent addition of gadgets and more technology related items to the product portfolio, following the visible trend among this type of retailer worldwide.

To do so, it requires much experience and attention. Moreover, visiting bigger markets outside Portugal, one will be given a whole new and greater perspective of the fashion world new upcoming trends. Loja das Meias has been developing its experience and following such plans almost ever since the beginning.

Additionally, while Loja das Meias constantly seeks the latest consumption trends aiming to have the trendiest items the display and merchandising of such products is never neglected. Sales people receives training on the collections and professional teams are responsible for the window display, which are changed on a weekly basis (Exhibits 4 to 6).

### *3.2.2.1. Assortment Selection*

Once Loja das Meias is a multi-brand retail company, defining which are the reference brands and products to be featured in its assortment, can dictate whether the business is successful or not. Even though it is a determinant document, it can be subject to alteration, given the market conditions.

The process is quite complex: six months in advance, the purchasing team sets the budget by categories and suppliers, after carefully analysing both quantitative and qualitative data, taking into account past records of a brand's success and its future growth potential. Furthermore, sales force also plays an important role, once they are the ones closer to the final customer they can give relevant insights of what was demanded and some hints why a certain item did well in sales. In Manuela Saldanha's words *"the combination of the empirical feeling and analytical data is fundamental"*.

As a retail chain, Loja das Meias presents a consistent and unique concept throughout its stores. Even though some stores serve different markets, and each one having slightly different characteristics, the products available are generally the same in all 3 stores. The predefined budget already contains considerations of the differences stores may have, regarding a product likelihood of success. Director of Stores refers to *"(...) an image unit regarding the offering in the 3 stores, however, due to each store intrinsic characteristics, the portfolios are individually adapted to the markets, once each store has a certain market and consumption patterns fluctuate"*.

### *3.2.2.2. Advertising and Communication Tools*

In Portugal and directed to the Portuguese consumers, Loja das Meias does not advertise nor promote itself through the more traditional marketing means, such as printed adds on high-end fashion magazines, say Vogue or ELLE. Instead, the company is investing in their own marketing tools, some of which more digital media based. As Manuela Saldanha indicates *"Digital Marketing is becoming more and more relevant and devolved, enabling us to undertake many actions. It is an area is progressively gathering many users and other agents"*. This Digital Marketing era opens many opportunities, and one of them is the so called Customer Relationship Management (CRM).

CRM has helped Loja das Meias to be closer to its customers and design tailored actions for specific segments within its customer database. Further, the database is created by the customers' purchases, and while they continue shopping at Loja das Meias, the detail level of the information will be enriched, hence the company will know better their consumers and eventually develop strategies which will meet their expectations. Evidently, *"even though CRM, is less visible it can have deeper impact, because it enable us to directly work the customer based on its purchasing profile. It requires a fully and exhausting dedication"*.

To illustrate what Loja das Meias is able to connect with the customer due to its CRM system, there is a Newsletter; several initiatives on a regular basis, such as Father's Day, which are communicated directly to the customers through SMS; and finally specific brand actions targeted to consumers who are identified as users of that brand.

Apart from its website, Loja das Meias has also a Facebook and Instagram pages where consumers can follow the store latest collections and promotions. Moreover, the company invested on an e-commerce platform, to be launched later this year, which is believed to increase sales not only in Portugal but also Angola.

Outside of the digital sphere, Loja das Meias has its own semi-annual Magazine (Exhibit 7), distributed to customers and available in stores and online, featuring events, collections, editorial productions but also lifestyle articles and interviews.

In the fashion world, Public Relations are essential. Hence, the company participates and sponsors fashion related events, such as Castilho Pink Day and Vogue's Fashion Night Out, and even promotes their own private events, for instance the reopening of the Amoreiras Store, counting on media coverage. Also, there is a trend in the business to which is attached major brand visibility: dressing public figures or celebrities to red carpet and other situations. When asked about the importance of PR, Manuela Saldanha answered *"It is also because of our PR efforts, through events, partners or media, that people are still talking about Loja das Meias (...) in several means, granting [the company] better visibility"*.

### *3.2.2.3. The Challenge*

Luxury consumers are now much more informed and educated about what each brand stands for. Information and trends travel at a fast pace, much due to the influence of internet. Manuela Saldanha states *"before, we presented fantastic products to the consumers but now there are many who seek specific brands, specific items and know exactly what they want. (...) we, as a company, simply must have it (...) it is no longer just the brand it is detailed to one particular product"*. To respond to this challenge, Loja das Meias invests on training its sales force so they can quickly respond to any request, knowing exactly what a certain brand has to offer, while maintaining an outstanding customer service.

### *3.2.3. Loja das Meias and the New Luxury*

While other sectors are struggling due to recession, the luxury market seems unaffected by the crisis, and one of the possible reason behind the rise of a new consumer: foreign customers, some from emerging markets, kept luxury sales steady. Dr. Manuela Saldanha says Loja das Meias is *"(...) fully aware that the "plus" is done through sales to foreign people(...)"*.

Even though there are still more domestic customers than foreigners in Loja das Meias customer base, there is a clear trend for this segment to increase. The company doesn't hold an accurate estimate but it believes that foreign consumers represent 5% of the total number of customers but are accountable for more than 15% of sales in value. The available data leads to the perceptual conclusion that for Loja das Meias, foreign consumers can spend up to 3 times more than domestic customers.

For Loja das Meias, the most important foreign customers come from Angola and Brazil. Which does not necessarily mean Chinese and Russian customers do not potential. According to the Tax Refund Company numbers given to Lojas das Meias, Brazil was slightly ahead of Angola last year. However, the importance between these two countries often fluctuates.

Following the worldwide trend, which dictates the category of accessories has grown 4%, becoming the largest segment, representing now 28% of revenues (Bain & Company, 2013), for Loja das Meias this category is the one which has grown the most lately. Foreign customers in Portugal buy mostly accessories, prêt-à-porter and finally perfumery. Whereas for Portuguese consumers there isn't such difference across categories. This trends translates itself in the organization of the space in the point of sales, therefore higher rotation items – accessories, perfumes and cosmetics - are located mainly at the entrance level of the store, and as one gets deeper inside the store or go up the upper levels one will find first the women's wear and then the men's.

### *3.2.3.1. The Emergent Consumer*

Despite being a relatively new audience for luxury, both Angolans and Brazilians are very knowledgeable in the matter. Although these countries are considered emerging economics, their luxury-seeking consumption patterns differ. Consequently, Dr. Manuela Saldanha draws two different profiles, indicating that “*it is completely different to serve each one*”.

Thus, Angolans are usually a very pleasant and thoughtful customer. Contrary to some misconceptions, they are quite low profile and demure and an increasing number of customers knows exactly what they want, coming to Loja das Meias to get it. Some do prefer more visible brands but it isn't a fact one can generalize.

Regarding customers from Brazil, they are more discount-oriented and demand more attention or some sort of special treatment. Somehow, comparing to customers from Angola, Brazilians seek more identifiable brands, for instance Pucci.

Regardless of their country of origin, these consumers come to Loja das Meias because they know which brands are present in the assortment, as the company cleverly places the reference labels in its ads directed to this segment.

Given the growing number of foreign customers, Loja das Meias has been recruiting new sales people, with a special concern to what foreign languages do are they able to speak, besides other training which is given by the retailer itself.

### *3.2.3.2. Advertising and Communication Tools*

The only institutional, paid advertising efforts *per se* undertaken by the company are directed to foreigners. The advertising strategy was defined considering the cost-benefit relationship and the ability to reach the consumer. Due to budget restrictions and proximity issues, Loja das Meias has decided to use other less costly, marketing tools for Portugal and focus the advertising spending for foreign consumers, by placing ads in luxury lifestyle magazines, on board magazine for TAAG, and renowned travel guides (Exhibits 8 to 10).

There are two stages to attain such customers while advertising: first, performed still in their home country; and second, while visiting Portugal. For the first stage, Loja das Meias is currently advertising and collaborating in editorial spreads for several magazines, for instance Villas & Golf, which has a highly qualitative distribution and readership in Angola. For the second stage, the efforts are directed towards being present in hotels, through the Loja das Meias own magazine, when allowed; featured in non-exclusive publications, as Essential; and in the upscale travel guide The Golden Book (Lisbon and Cascais). Nevertheless, there are also partnership with smaller travel guides worldwide.

The e-commerce platform which Loja das Meias is developing will also serve the emergent consumer, generating proximity even when it physically doesn't exist, hence building up loyalty and ease the problem of many existent emergent consumers are "one time sales", once they are tourist and given their fleeting nature, most won't be returning to Portugal in an immediate future.

### *3.2.3.3. Internationalization of Loja das Meias*

While luxury brands are seeing Portugal as a bridge to Portuguese-speaking emerging countries, Loja das Meias has gone beyond. A few years ago, Loja das Meias started its expansion process across borders, namely to Luanda. After some consideration, Angola was chosen given the rising importance of the Angolan consumer and the strong bonds between Portugal and Angola, which consequently led to the opportunity to develop a business with a local partner. Moreover, the existent brand awareness, ease to do business and the common language were also influential factors.

In 2007, a Loja das Meias pop-up store opened in of the most important street of Luanda. The total investment was around 800 thousand Euros and lasted for two years. One of its goals

was to learn and test the market. According to Manuela Saldanha “(...) *it went very well, exceeding our expectations (...)*”.

After this experience, Loja das Meias had sufficient evidence that a permanent store and a long term project would be sustainable, therefore the company has recently decided to formalize a franchising agreement with a local partner, and the new store is expected to open later this year. The Director of Stores states “(...) *there is unarguably a substantial market to justify such investments (...)*” and even though the lack of infrastructures and security may be alarming, Dr. Manuela Saldanha also said that “*the logistics are extremely evolved and it is now easier to operate a business than it was 4 years ago, when we first considered entering Angola*”.

Regarding the concept and the unit of image, the Luanda store tries to be as true to the original concept as possible. Hence, the service and ambience are similar and the assortment is generally the same, adapted to the market conditions and import restrictions, for instance in terms there is the need for bigger sizes and more relative importance of the Men's wear category, once in Angola sales are greater in this department relatively to Portugal.

Furthermore, the company is also planning to open a store in Maputo, Mozambique, increasing its presence in the Portuguese-speaking emerging countries. However, given the fact that the top two foreign consumers are Angolan and Brazilian, the question of whether the expansion process should proceed to Brazil instead arises. The Director of Stores explains that even though Brazil is a much more developed market luxury-wise, the company “*chose not to enter, not because of the size of the market, not because of the tastes and consumption patterns not because of the language, but because of the tax and customs legislation are highly complicated (...)* It is extremely difficult to enter Brazil and to operate a business”.

The importance of having a local partner is also stressed by Manuela Saldanha considering Loja das Meias has “*never considered the hypothesis of entering a new market without a local partner, neither in Angola nor Mozambique*”.

#### *3.2.3.4. The Challenge*

Given the fact the Portuguese market is increasingly more dependent on the emerging markets consumption and if luxury brand will eventually expand to these referred markets, making the product available, Portuguese luxury retailers have to be prepared for that threat.

Comparing to those markets, luxury is much more affordable in Portugal, the retail price base line is lower plus the opportunity consumers have to benefit from Tax refunds, makes purchasing an item in Portugal even more appealing, and in some cases, like Brazil the difference can be almost less 40% of the retail price.

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Nevertheless, Loja das Meias plans to maintain its expansion strategy, which will benefit the company as a whole, yet not neglecting the importance foreign consumers have to the main market, which is Portugal.

Finally, it is in Loja das Meias' best interest to try to understand the new consumer characteristics by conducting a market study, so that the company can evaluate the impact of the current marketing efforts and develop the right strategies for the emergent segment. The following chapter features a market research which attempts to find some insights for this matter.



## Chapter 4: Market Research

### 4.1. Methodology

Despite the recent growth of the Portuguese luxury market, little information is yet available either about the supply or the demand sides. In an attempt to gather as much data as possible to profile the new luxury consumer, it was necessary to conduct a market study.

Given that the purpose of the research to characterize who is buying in Portuguese high-end stores, making the sector defy the recession pressures, those specifications of the population shaped the questionnaire approach. The population from which information will be collected are both females and males, ages from 20 to 55 years old, Portuguese residents and tourists (foreigners), who consume luxury goods in Lisbon, with a special focus on the last group.

To better reach the target, two people conducted the surveys by intercepting people on the high-end luxury locations, some already identified – Avenida da Liberdade and Baixa, during 4 days.

The questionnaire (Exhibit 11) was structured according five different sections. The first category was **purchasing habits**, aiming to know if the buyer is the user, the frequency of luxury item purchases and which categories do consumers mostly have or buy.

On the second set of questions the goal was to shed some light on **preferences** towards certain items relating them to the concept of conspicuous consumption, also testing market knowledge and brand awareness. Therefore, participants were presented with two sets of products, one featuring bags other featuring watches. Each set showed four products that differ on the brand prominence and price levels, and it was design as such that the item with the lowest brand visibility was the most expensive (Exhibit 12). The concept of this test was taken from Han, Nunes and Drèze (2010).

To better understand the underlying motivations there was also a **psychographic** set of questions, in which respondents are asked their level of agreement with seven statements about how they position themselves with luxury ad fashion trends.

The final two sections of the survey were **demographic** related questions, and a final set directed only to **foreign participants**.

### 4.2. Sample Description

Over 130 people were approached, but only 45 agreed to participate in the research, roughly a ratio of 1 to 3. People who refused to answer the questions often said they were not interested in sharing their information or were in a hurry, some simply avoid.

Even though, the final number of surveys was 45, it can reflect more than one point of view, meaning some questionnaires were answered in tandem, especially by Brazilian couples.

Before advancing into a deeper analysis, it is important to describe the sample, mainly because its characteristics will influence the final results. Other important aspect to take into account is the limitation which arises from sample's relatively small size inhibits the generalization of the findings.

Without further ado, the sample is constituted by 75,5% females and 24,4% males. The majority of the respondents follows in the age categories of 31 to 40 years old and 20 to 30 years old, representing 46,7% and 40% respectively. (Exhibit 13, Tables 1 and 2)

A total of 8 nationalities figure in this study, the most relevant are Brazilian, with 35,6% and with 31,1% of Angolan. (Exhibit 13, Table 3). Considering the importance of foreigners, they were asked how a final set of questions. Hence, the average number of visits to Lisbon was 2,4 times and the 53,3% of them travels to the city for Tourism (Exhibit 14, Tables 1 and 2).

### 4.3. Findings

In this research, it was important to find out who was the purchaser and the user of the luxury item and the frequency which purchases are made. Therefore, 73,3% have said to be the buyers of their luxury items, and 26,7% purchases between 1 and 3 times in a year, followed by 24,4% who make their purchases between 3 and 6 times yearly. Further, over 42% of the participants purchases high-end product for both themselves and as a gift for others, whereas around 24% buys only for their personal usage (Exhibit 15, Tables 1 to 3).

#### 4.3.1. Luxury Product Categories

To learn which were the most commonly purchased or owned products, individuals were asked to indicate which items they mostly purchase, in a 5-point Likert Scale (1= none; 2=little; 3=some; 4=a lot; 5=all the time). Following the insights of the case study and the current market trend, the most purchase or owned category was Purses and Handbags, and it is followed by perfumes and cosmetics; shoes; other accessories (belts, ties, scarves, cufflinks); ready-to-wear; jewellery; watches and finally the category of luxury wines and spirits (Exhibit 15, Table 4).

However, the importance of some categories may be linked to the gender of the respondent. For instance, relatively to watches, 45,5% of men had some against 5,9% of women who also considered to have some products of the category. Running a Chi-Square test of association there is statistical evidence to reject the null hypothesis that the variables are statistically independent, and the Cramer's V coefficient shows some strength in the association ( $V=0.480$ ), however because 62,5% of the cells have expected count less than 5, there are some reservations to the significance of this result (Table 6.1 to 6.3)

**Table 6.1: Crosstab – Watches and Gender**

			Gender		Total
			Male	Female	
Watches	None	Count	2	15	17
		% within Gender	18,2%	44,1%	37,8%
	Little	Count	4	16	20
		% within Gender	36,4%	47,1%	44,4%
	Some	Count	5	2	7
		% within Gender	45,5%	5,9%	15,6%
	A Lot	Count	0	1	1
		% within Gender	0,0%	2,9%	2,2%
Total	Count	11	34	45	
	% within Gender	100,0%	100,0%	100,0%	

**Table 6.2: Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10,384 <sup>a</sup>	3	,016
Likelihood Ratio	9,346	3	,025
Linear-by-Linear Association	4,892	1	,027
N of Valid Cases	45		

a. 5 cells (62,5%) have expected count less than 5. The minimum expected count is ,24.888

**Table 6.3: Symmetric Measures**

		Value	Approx. Sig.
Nominal by Nominal	Phi	,480	,016
	Cramer's V	,480	,016
	Contingency Coefficient	,433	,016
N of Valid Cases		45	

Applying the same logic to the other categories, for all categories except Purses and Handbags, there isn't enough statistical evidence to deny the non-existent association between each category and gender, hence no inferences can be taken about their independent status (Exhibit 15, Tables 5 to 16). However, the Chi-Squared test for Purses and Bags shows enough evidence to reject the fact that gender and the ownership of a certain number of items in this category is independent. Likewise, the Cramer's V also indicates a considerable strength in the

association of the variables (Tables 7.1 to 7.3). Another interesting fact about this luxury product category is the fact that 54% of men indicated they had just a little number of these items, and on the contrary 50% of women said they had a lot, or 32,4% who indicated that they would buy purses and handbags all the time (Table 7.1).

**Table 7.1: Crosstab Purses and Bags and Gender**

			Gender		Total
			Male	Female	
Purses and Bags	Little	Count	6	2	8
		% within Gender	54,5%	5,9%	17,8%
	Some	Count	2	4	6
		% within Gender	18,2%	11,8%	13,3%
	A Lot	Count	3	17	20
		% within Gender	27,3%	50,0%	44,4%
	All of the Time	Count	0	11	11
		% within Gender	0,0%	32,4%	24,4%
Total	Count	11	34	45	
	% within Gender	100,0%	100,0%	100,0%	

**Table 7.2: Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15,852 <sup>a</sup>	3	,001
Likelihood Ratio	16,510	3	,001
Linear-by-Linear Association	14,626	1	,000
N of Valid Cases	45		

a. 5 cells (62,5%) have expected count less than 5. The minimum expected count is 1,47.

**Table 7.3: Symmetric Measures**

		Value	Approx. Sig.
Nominal by Nominal	Phi	,594	,001
	Cramer's V	,594	,001
	Contingency Coefficient	,510	,001
N of Valid Cases		45	

#### 4.3.2. Locations and Store Awareness

Further, this questionnaire also wanted to find out to what degree consumers can make the link between luxury and certain areas in the city, and which are the most well-known stores.

Keeping in mind most surveys were performed at Avenida da Liberdade, it is expected that this street will be among the most popular answers. Acknowledging that bias, the results were as follow: 95,6% of the respondents pointed this busy avenue as the place they would most likely go for luxury items; El Corte Inglés comes next with 55,6% of the responses; and finally Rua Castilho and Centro Comercial Amoreias accounted for 33,3% and 31,1% respectively. It is interesting to refer that Loja das Meias only has spaces in this two last locations, which don't seem to be on the top that comes to mind when thinking about luxury (Exhibit 16, Table 1).

Then, participants were asked to rank from 1 to 5, the stores they were more familiar with, 1 being the most and 5 the least. Moreover, they were also requested to name a mono branded store and place it among the listed 4 luxury retailers. Fashion Clinic was the retailer which the majority of participants considered to be the one they knew best, followed by El Corte Inglés and Stivali (Exhibit 16, Table 2). Considering brand awareness, Loja das Meias scored the lowest among the respondents, fact that can also be related to where the surveys were conducted. In reality, the mode was the 4<sup>th</sup> place, however a cumulative percentage of 71,1% is concentrated in the bottom 3 ranks (Exhibit 16, Table 3).

Mono-brand stores scored a considerable good result falling just behind Fashion Clinic, as they mostly ranked second most familiar luxury store (Exhibit 16, Table 2). Topping the list of international luxury stores, was the newly opened Michael Kors, followed by the power houses Louis Vuitton, Armani and Prada (Exhibit 16, Table 4).

#### 4.3.3. Preferences and Awareness

Taking upon the experiment conducted by Han, Nunes and Drèze in the article *Signalling Status with Luxury Goods: the Role of Brand Prominence* (2010), where findings showed evidence that those who are more used to true luxury can recognize brands and prices, reading only subtle cues, hence preferring less obvious and loud products, and also for luxury goods, on average, as the price goes up, brand prominence goes down.

In an attempt to mimic such experiment, in the present study individuals were presented with two different sets of items - Handbags and Watches. Each one with 4 elements which inversely varied in price and conspicuousness, meaning the loudest item was the cheapest (Exhibit 12). From the results, one can read the level of brand awareness and knowledge as well as get a hint of what kind of consumer these individuals mostly likely are and the inherent underlying luxury motivations - internal dimensions vs. external dimensions.

First, participants were asked what item they would probably purchase, and which one they believe had the highest price. At a second stage, they had associate a brand to each product.

For the Handbag set, 31,1% and 28,9% of the respondents chose Louis Vuitton's Alma and Saint Laurent's Classic Y, respectively, as the bag they would prefer to buy (Exhibit 17, Table 1). Note that these items have conspicuous connotations, despite that Alma has a high brand prominence level whereas Y is considerable medium low brand prominence level, both are loud and *statement* pieces. One can read as a result, **individuals present in this sample opted for well-known bags, items which are easily recognizable.**

When questioned about which handbags was the most expensive, it is impressive to see that none of the participants selected the Gucci item, and even though Fendi's 2journs had little to almost no visible cues, 37,8% of the inquired individuals correctly chose the bag as the one with the highest price (Exhibit 17, Table 2). Further, only 28,9% believed LV's Alma, which was the preferred product, was the most expensive. These results suggest that the **respondents have good knowledge about the price and products, even without visible logos or trademarks.**

Bag n<sup>o</sup>1 was the item which cause more confusion in the answers, as over 15 other labels were mentioned and only 26,7% named the correct brand – Fendi. In Bag n<sup>o</sup>2's case, the majority, 97,8%, correctly associated the item to Gucci, as some said the brand canvas print and traditional Italian colors made it easy to consumers to identify the brand. Also with some uncertainties, 44,4% were able to state Saint Laurent as the correct brand. Finally, participants had no trouble whatsoever identifying bag n<sup>o</sup>4 as a Louis Vuitton (Exhibit 17, Table 3). Given their answers, one can say **their market knowledge and brand awareness level is good, as they easily identified the most conspicuous products and also performed reasonably well naming the products with lower brand visibility.**

Additionally, by running another analysis it is possible to investigate the existing relationship between participants being able to recognize the correct handbag's label and the degree of brand prominence of each. In this first experience and based on this sample, there is statistical evidence to claim **that recognition varies positively as the visibility level also increases**, meaning as products display more visual cues about the brand the easier it gets for people to identify it correctly (Table 8.1 and 8.2).

**Table 8.1: Bag Recognition and Bag Visibility Crosstabulation**

			<i>Bags_Visibility</i>				<i>Total</i>
			<i>Low</i>	<i>Medium Low</i>	<i>Medium High</i>	<i>High</i>	
Bags_Recognition	No	Count	33	25	0	1	59
		% within Bags_Visibility	73,3%	55,6%	0,0%	2,2%	32,8%
	Yes	Count	12	20	45	44	121
		% within Bags_Visibility	26,7%	44,4%	100,0%	97,8%	67,2%
Total		Count	45	45	45	45	180
		% within Bags_Visibility	100,0%	100,0%	100,0%	100,0%	100,0%

**Table 8.2: Chi-Square Tests**

	<i>Value</i>	<i>Df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson Chi-Square	85,197 <sup>a</sup>	3	,000
Likelihood Ratio	104,124	3	,000
Linear-by-Linear Association	73,420	1	,000
N of Valid Cases	180		

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 14,75.

Regarding the statistical relationship between recognition and retail price, respondents identified better the brands which corresponded to lower priced items, hence recognition levels tend to decrease as price goes up (Table 8.3 and 8.4). This result is in compliance with the findings of Han *et al* (2010).

**Table 8.3: Bag Recognition and Bag Price Crosstabulation**

			<i>Bags_Price</i>				<i>Total</i>
			<i>Low</i>	<i>Medium Low</i>	<i>Medium High</i>	<i>High</i>	
Bags_Recognition	No	Count	1	0	25	33	59
		% within Bags_Price	2,2%	0,0%	55,6%	73,3%	32,8%
	Yes	Count	44	45	20	12	121
		% within Bags_Price	97,8%	100,0%	44,4%	26,7%	67,2%

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Total	Count	45	45	45	45	180
	% within					
	Bags_Price	100,0%	100,0%	100,0%	100,0%	100,0%

**Table 8.4: Chi-Square Tests**

	<i>Value</i>	<i>Df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson Chi-Square	85,197 <sup>a</sup>	3	,000
Likelihood Ratio	104,124	3	,000
Linear-by-Linear Association	73,420	1	,000
N of Valid Cases	180		

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 14,75.

For the second set of images, featuring watches the preferred item was the Cartier’s Louis Tank by 33,3%, followed by the Tag Heuer Formula 1 with over 26% (Exhibit 17, Table 4). These products were the lowest on brand prominence, even though the Cartier is a rather well-known piece. Results may suggest, when it comes to watches these participants opt **for timeless pieces with low key aspects**.

Regarding the price of the watches, over 82% correctly chose item n°2, however 11,1% said to be the Gucci watch comparing to the 6,7% who identifies the last product as the most expensive (Exhibit 17, Table 5). As a reminder, watch n°4, the Tag Heuer was the second most expensive item, not the Gucci.

When identifying the brands, individuals were torn between Gucci and Guess for the watch n°1, taking the cue from the visible G, and 60% correctly selected Gucci as the correct label. Watch n°2, raised some questions but the majority, over 77% identified the product as being a Cartier. The next item was the one where the band was clearly visible, therefore participants had no problem recognising Dolce and Gabbana, note that they were required to state the entire name not just the short form “D&G”, as seen in the display. Watch n°4, was the item in which respondents had more trouble identifying the brand, only slightly above 46% were able to state Tag Heuer and 15,6% didn’t give any answer to what brand the watch was even though it was the second most purchase item (Exhibit 17, Table 6).

After investigating the association between recognition and brand prominence levels for this particular set, it became clear that perhaps the product choice for the low visibility item was not the most appropriate. Even though the Cartier’s Louis Tank respects the restriction of no logos or visual trademarks, because it is a classic and very popular piece, participants had no trouble identifying it. Nevertheless, if one tries to distance from that issue there seems to be a **positive relationship between brand visibility and prominence level** (Exhibit 17, Tables 7 and 8).



Additionally, similar to the handbags set, for the category of watches there is enough statistical significance to claim a existing association between the variables price and recognition, as **recognition levels tend to decrease when retail prices are higher** (Exhibit 17, Tables 9 and 10). Such finding is also consistent with Han *et al* (2010).

Summing up, the luxury consumers who took part in this study can be considered as knowledgeable in the industry, being able to associate products to brands and to some extent point out price levels. Also, they show evidence of **preferring well-known classic items such as LV's Alma and Cartier's Louis Tank**.

Comparing these findings with the study by Han *et al* (2010), even though it may seem that the respondents who purchase luxury items more often can better identify the correct brands, the results of this research do not provide statistical evidence supporting the hypothesis that there is a relationship between frequency of purchase and luxury knowledge.

#### 4.3.4. Segmentation

One of the goals of the present market research, as to collect enough data to help profile the luxury consumers from emerging countries, especially Angola, Brazil, China and Russia. However, based on the data collected from the 45 participants, not including much about the Chinese and Russians, and the fact that the focus of the present thesis is also on the Portuguese-speaking emerging countries, the following section will describe in greater detail the purchasing habits, preferences and psychographic profile of Brazilian and Angolan individuals.

To assess the psychographic profile of the sample, participants were asked to evaluate with a Likert scale a set of 7 statements related to both external (number 2, 4 and 7) and internal (number 1, 3, 4 and 6) Luxury dimensions. Acknowledging the significance limitations arose from the sample's small dimension, the findings are as follow: internal dimension related sentences seem to characterize better the sample, once on average people agreed more leading to a higher mean, comparing with the external dimension statements. It is also remarkable to see that the participants perceive price as an indicator of quality and luxury (Table 9).

**Table 9: Psychographic Statements Descriptives**

	Mean	Std. Deviation	Minimum	Maximum
<b>Nr 1:</b> <i>Luxury goods change my attitude and the way I feel about myself</i>	3,76	0,679	2	5
<b>Nr 2:</b> <i>Wearing luxury goods changes how people perceive me</i>	3,78	0,67	3	5
<b>Nr 3:</b> <i>I am aware of the fashion trends and I want to be the one of the first to try them</i>	3,29	0,815	2	5
<b>Nr 4:</b> <i>I think carefully before purchasing</i>	3,73	0,78	2	5
<b>Nr 5:</b> <i>Extravagant items are the most appealing</i>	2,91	0,733	1	4
<b>Nr 6:</b> <i>The higher the price of an item, the better the quality will be</i>	4,07	0,58	2	5
<b>Nr 7:</b> <i>I would buy a product because I saw someone wearing it (magazine, online...)</i>	3,73	0,863	2	5

Revisiting the segmentation theories presented earlier in the Literature Review Chapter, it is possible to classify the sample as members of the Snob group (Vigneron, 1999). Such consumers attach significant importance to price as an indicator of luxury, quality and exclusivity. However, their purchases are considered to be closer to the inner self-satisfaction. Nevertheless, the participants also highly agreed with wearing luxury good changes how others perceive them, and even though statement number 2 represents an external dimension, it illustrates another interesting fact about Snobs, who most of all want to differentiate themselves.

Considering the differences between Angolan and Brazilian consumers, there aren't many which can be considered statistically significant, at least based on this dataset. Still, we can consider Angolans to purchase more frequently than Brazilians (Exhibit 18, Tables 1 and 2). Regarding product categories it does not seem to be any particular preference by any Nationality.

Concerning locations and store awareness, only the competitor Fashion Clinic presents significant evidence that Brazilian do identify this store as the one which they are most familiar with (Exhibit 18, Tables 3 and 4). Looking at Loja das Meias' data even though there isn't enough statistical significance, it seems that Angolans also consider to be less familiar with the store (Exhibit 18, Tables 5 and 6).

## **Chapter 5: Conclusions**

The ultimate objective of this research was to find out how can a Portuguese luxury retailer adapt to respond to the tastes and needs of increasing number of consumers from emerging countries, finding out their main behavioural traits and luxury motivators.

The Portuguese luxury retailing context is being fuelled by consumer from Angola, Brazil, China, and Russia. Loja das Meias is currently developing strategies to draw more of these consumers to one of its stores placing advertisements in travel and tax refund guides, hotel magazines, and in flight magazines. Such ads, always list the reference brands available at Loja das Meias. To some extent, it can be considered that the company is over relying on those flagship brands, once most efforts on communicating to foreign consumers is pretty much restricted by this message. Unarguably, having the right exclusive brands and products is what can turn a potential customer into sales value, nevertheless Loja das Meias can cease this opportunity to diversify the message, the channels and the way to reach foreign consumers in a more creative, effective and measurable way.

The foreign consumers are surprisingly well-informed about the industry as both the market study revealed and Loja das Meias perceived. More than knowing the brands they know exactly what product they want to acquire. Angolans and Brazilians attribute significant importance to price as an indicator of quality and luxury, but are considered discrete and private people who show evidence of being closer to the internal dimensions of luxury. Whereas, the Chinese engage in shopping by imitation, and the collectivist aspect impact on the likelihood of conspicuous consumption. Summing up, they can be classified as Snobs and Bandwagons respectively (Vigneron, 1999), as introduced in the Literature Review chapter.

The main differences between consumers from Brazil and those from Angola are: the purchasing frequency and relative spending are higher for Angolan customers; the Brazilian customer is slightly more price sensitive and looks for discounts; Brazilians often shop in couples as Angolans are mostly business men, although this tendency is fading, given the increasing number of women and families purchasing luxury goods.

Revisiting one of the main research questions, the degree to which luxury retailers' success is defined by the new emergent consumers is difficult to access. On one hand, there is enough evidence to support that these new customers are the enabling the sector's growth and minimize any domestic consumption drop, meaning even if Portuguese customers purchases tumble, retailers can count on purchases to foreign people to remain steady.

On the other hand, there are some discrepancies to what this segment represent in sales volume. Unlike some luxury retailers where foreign consumers can represent more than half of their total sales volume, for Loja das Meias this isn't the case. Even though the company is fully aware that the "plus" in sales is done through these new consumers, Loja das Meias' customer

database is still mostly composed by domestic consumers, roughly estimated at 95% of customers and 85% of sales volume.

The fact that consumers from emerging countries are not the main customer to pursue, Loja das Meias directs its attention and changes its marketing mix according to worldwide trends, not only focusing in catering to this specific segment alone. Meaning, the company opts to follow a more global strategy to cover most segments, pleasing not only the existing customers but also inviting possible consumers, for instance by introducing technological goods and gadgets and making use of the latest CRM and digital marketing techniques to create buzz and communicate directly to its clients.

Additionally, the Loja das Meias' store awareness among the respondents of the survey was lower comparatively to other luxury retailers present in the area, for instance Fashion Clinic. However, Loja das Meias is the only retailer in study which has begun an internationalization process, namely to Angola and Mozambique, being existing awareness one of country selection factors, among other. Therefore, it seems that regardless of scoring worse than other retailers concerning awareness does not stop, in fact it may be encouraging Loja das Meias to expand abroad. The company is aware of the substantiality of the emergent markets and if it is unable to attract consumers to its stores in Portugal where competition is higher, internationalization appears as a strategy to overcome this issue and tackle the new emerging consumers in their own markets where competition levels are lower, and eventually the company can benefit from the first movers' advantage, securing the market at an early stage and building up loyalty among those consumers.

As the markets of Angola, Mozambique, and Brazil are striving for luxury, Portuguese retailers can benefit greatly from this trend. Due to the language and cultural bonds it is easier for Portugal to establish a connection between these emergent consumers, who see in the Portuguese market an opportunity to satisfy their luxury needs for more affordable prices than those which they would face in their home countries, with the possibility of also profiting from tax refunds. Nonetheless, and especially in this business, not everything is about money, Portuguese retailers are well experienced in the luxury business and prime for of their customized service and excellence.

Finally, as markets evolve it will be interesting to make a comparative analysis between the recent "Asian deluxe love affair"<sup>1</sup> and if Angola and Brazil have the potential to follow the same path. If so, what's in for Portugal?

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<sup>1</sup> Japan, China and Taiwan are considered the countries responsible for the exponential growth of the demand for luxury items, in the past two decades, and ultimately those which led Luxury to mass market. In *Deluxe – How Luxury Lost its Luster* by Dana Thomas

## 5.1. Recommendations

Once Loja das Meias' main customer is still the domestic the main marketing efforts are still directed to them. Moreover, distance is a key aspect in this matter, it is less expensive to pursue Portuguese consumers using non-traditional means, for instance CRM and digital media. Currently, Loja das Meias tries to reach foreign consumers through printed adds tax refund travel guides, and in hotel and inflight magazines.

Further, the company can partner up with Destination Management Companies (DMC). DMCs basically draw and manage corporate events or activities for large groups of people, taking care of transportation, logistics, hotels and itineraries, creating a total "travel package" based on the experience and expertise they have in a particular territory. By introducing Loja das Meias in a certain DMC's programme many foreign customers would visit and get to know the store, resulting in sales increase.

To increase the shopping experience, Loja das Meias can develop a "save the date" program, enabling customers to book an shopping appointment in the store of their choosing (or designated hotel), listing some products or brands they might be interested in. This program would meet their *Globalshopper* profile, where shopping is part of the entire travel experience, and it would give the company the opportunity to get a deeper understanding of the customer wants and tastes while creating a relationship which eventually will lead to a stronger loyalty.

Regardless of the Angolan and Brazilian's combined importance, the Chinese are one segment to keep on the watch. According to Global Blue, they have the highest spending and comparing to later years it has skyrocketed. For Loja das Meias, this poses an interesting opportunity, even though the company does not sell high-end jewellery, which is the preferred category by the Chinese, Loja das Meias can push to these customers prêt-a-porter important brands, classic items and technological/fashion gadgets. Tackle the Chinese can prove to be harder than Brazilians, Angolan or Mozambican due to the language and cultural gap, yet this is a very wealthy consumer who can represent more sales volume.

As Loja das Meias follows new strategies to attract more emergent customers, and tries to accommodate to their needs, it is better for the company to maintain one single strong concept, making the store recognizable as a luxury icon in Portugal and among the luxury foreign communities.

## 5.2. Limitations and Future Research

A common challenge to everyone who decides to tackle the luxury industry is the availability of market information. Given some of its intrinsic characteristics, it is quite difficult to collect data both from the supply and demand sides.

Operating in a business where discretion and consideration are key, Loja das Meias seeked foremost to protect their clients' privacy and integrity. Their customer-base, especially those from emerging countries, are very private people, and sharing any quantitative data on their purchase

could result in the break of trust between the customers and Loja das Meias. Therefore, the information willingly granted by the company is to some extent limited to protect clients' interests.

On a broader scope, there aren't many aggregated quantitative studies about the luxury retailers and overall market, particularly for the Portuguese context, hampering the task of describing the market and its evolution as well as to unveil upcoming trends.

Since one of the core goals of this thesis was to understand and define segments composed by new luxury consumers from emerging countries according to their demographic and psychographic profiles, consumption preferences and habits, and data wasn't available, it was necessary to conduct a market research study meeting that target population.

The main limitation of the survey is the sample size and response rate. As the questionnaires were performed face to face with very limited human resources and time, it became difficult to reach a high number of willing participants. The sample could be much more representative of the actual population and also there is the issue of social desirability bias in the answers. In sum, most of the findings cannot be generalized to the entire population of emergent consumers.

Therefore, in a later stage of the research it would be interesting to continue and expand the data collection to many other participants and locations. Eventually, as the response rate increases the significance of the findings it will take this multi-cultural research to a whole new level, enabling the inference of real conclusions about the luxury consumer in Portugal.

Other possible source of error encompassed by questionnaires may lie in the design itself and the subjective selection of the brand prominence level of the products – handbags and watches.

Despite all the downsides of the present study and the numerous future research possibilities and requirements, this thesis sets a solid starting point for all those who pursue to study similar topics in the new luxury challenges' sphere, by providing a concrete literature review with the most important issues about consumption drivers, and the threats and opportunities for brands and retailers related to massification of luxury, while illustrating with a real case study. It establishes a framework to better identify new consumers and design tailored marketing strategies to better fit these upcoming segments.

## Chapter 6: Teaching Notes

### 6.1. Synopsis

The present case study aims to study the relationship, adaptations and ultimately the impact that the new emerging luxury consumers have in the Portuguese market, taking a closer look to Loja das Meias.

Loja das Meias was one of the first multi brand upscale stores to ever been established in Portugal, representing elite brands such as Dior, Fendi, Céline and Givenchy, among many others, spread by five departments: men and women's *prêt-à-porter*, bags and accessories, perfumes and cosmetics, and more recently small gadgets.

Within over a century of history, three stores in Lisbon and internationalization plans in the works for Angola and Mozambique, Loja das Meias strives for product quality, innovation and exclusivity alongside with a premium service, this retailer has become a true reflection of luxury and fashion in Portugal.

In the last decade, the worldwide luxury industry has been sturdily growing, such fact can be explained as a result of the economic development of emerging markets, especially in the BRIC, and also by the creation and rising of a wealthier middle class, who can afford some intermediate luxury items exceptionally. These two forces combined lead to the democratization of luxury.

Following the growth trend and the increasing importance of emerging countries, the Portuguese market is particularly attractive to consumers from Angola, Brazil and Mozambique, due to the cultural and linguistic proximity as well as the tight bonds between countries. In the perspective of Portugal as the bridge between luxury brands and emerging consumers, it is interesting to investigate how Portuguese retailers are accommodating their offering to these new consumers.

### 6.2. The Target Audience and Teaching Objectives

The present case study can be introduced to many Marketing and Brand Management courses, either undergraduate or master level. Despite it is relatively a fresh new topic, its relevance hails from the luxury market growing trend and the numerous opportunities luxury retailers can benefit from due the emerging consumers.

The in-class analysis of this case will enable students to experience first-hand the challenges imposed on high-end retailers by the ever changing competitive forces and the emerging luxury consumer, looking upon the example of Loja das Meias.

Additionally, while debating the case students will have the opportunity to:

- Learn about the luxury market characteristics, evolution, and trends, unveiling which factors make it "crisis immune", with a focus on the Portuguese context;

- Understand the concept of Segmentation, as well as the importance of Consumer Behaviours to uncover patterns, intrinsic motivations, and needs;
- Explore the consequences of the rising new segments have on the retailing environment, aligned with the core strategy;
- Recognize Loja das Meias' differences in serving and reaching domestic customers and foreign consumers;
- Discuss the future success and relevance of Loja das Meias as a luxury icon, assessing the opportunities and threats imposed by the new economic environment and market trends;

### 6.3. Relevant Theory

Alongside with the information available in the case study, literature review and market research results, in order to take the most of this learning experience, students should be given the following articles to take in consideration and to prepare in advance for when discussion takes action:

- Amatulli, C., and Guido, G., (2012). "Externalised vs. internalised consumption of luxury goods: propositions and implications for luxury retail marketing". *The International Review of Retail, Distribution and Consumer Research* Vol. 22, No. 2, May 2012, 189–207
- Han, Y. J., Nunes, J. C., and Drèze, X. (2010). "Signaling Status with Luxury Goods: The role of Brand Prominence". *Journal of Marketing* Vol. 15 74 15–30
- Kapferer, J.-N. (1997), "Managing Luxury Brands," *Journal of Brand Management*, 4, 251–260

### 6.4. In Class Discussion

The purposed teaching plan advises students to be given the materials some day prior to the discussion, so they can prepare a small briefing summarizing the most relevant takeaways and challenges of the case, to be handed over to the Professor later.

The following questions address the most important issues raised by the case, also they work as a suggested guideline for in class debate.

#### **1. Explain the sentence "*Luxury has lost its luster*", by Dana Thomas**

In order to answer this question there are three key concepts one must keep in mind, namely luxury paradox, democratization of luxury, and bandwagon effect.

In other words, the statement says that today's Luxury is different, somehow along the way it lost some of its true characteristics: its *allure*, its exclusivity, and its shimmering and dazzling properties that made it so unique. But first, one has to know what in fact luxury stands for.



Many authors have different perspectives, some take a hedonic approach related to the beauty and aesthetic appeal of things, while others believe craftsmanship and quality are in the central point. Defining luxury is a problematic task, yet there are some aspects one can use to classify luxury: something that brings prestige to its owner; exclusivity; high quality levels that support the premium pricing claim; not a necessity *per se*.

The evolution and recent growth of the luxury industry has been powered by both the economic prosperity of emerging countries, most importantly China, and the improved economic situation resulting in a wealthier middle class. As a result, luxury has become more affordable to new consumers, such phenomena is often called **democratization** or massification of luxury, meaning that having a Louis Vuitton bag is no longer only possible for a small elite but something a lot of people can actually accomplish.

Also contributing to the democratization of luxury is the what authors Kastanakis and Balabanis refer to as the **bandwagon effect**, which acknowledge that often consumers observe others using a certain item, and they follow, to satisfy the need for affiliation. Moreover, the massification lead to a new brand positioning strategy, that strengthens the phenomena itself, called Masstige brands, which at their core claim high perceived prestige is combined with reasonable price premiums, making it appealing the middle classes.

Contemporary luxury is surrounded by a **paradox**. There is no denial that one of the luxury's pillars is, among other things, the social distinction, yet like in any other industry companies seek to increase their profit and sales volume. The issue here, is how to use marketing tools in such way that they won't endanger the exclusivity and perceived value of a brand by its pre-existing consumers, preventing it from becoming mainstream, resulting in brand dilution. As Kastanakis (2011) pointed out the task is find a balance between maintaining the brand value and perceived exclusivity while increasing revenues, brand awareness and market penetration.

Luxury to the masses isn't necessarily a negative thing, as companies see their revenues increasing sharply, however, as explained it can have negative effects from the brands, especially in the long run, not only can they be risking degrading the brand value but ultimately consumers will shift their notion of luxury, if someone buys a high-end item because it is perceived to be unique to fulfil their need for status, and then suddenly it is available to lower social groups to whom the initial consumer doesn't want to affiliate, what was exclusive in the first place becomes ordinary, ultimately losing all the appeal and the basis for premium pricing.

**2. The democratization of luxury has changed the industry, giving rise to new strategies brands had to design in order to keep up. What are the consumer behavioural trends which followed?**

In the past two decade we have been observing he democratization of luxury. What was then a restricted market only exposed to small elites, it is now available to the masses.

Chevalier and Mazzalovo (2012) suggest a two way differentiation of luxury: the *true luxury*, which is still only reachable by the wealthy elites, yet a growing number due to the increasing number of wealthy consumers from the emerging markets; and the *intermediate luxury*, which enables middle class consumers purchase a luxury item from time to time, fuelling their dream and desire of social recognition, success and prestige.

The industry has now a greater dimension and its customer base a whole new substantiality. Evidently, such evolution has had its impact on consumer behaviour as new segments and consumption patterns emerged.

Depending on the focus of their self-concept, consumers will have different purchasing motivations and perception of what is in fact is luxury (Kastanakis, 2012). The usual basis of segmentation, meaning the variables upon which individuals are associated to a particular cluster which displays common behaviors, are related to inner vs inter personal domains; income level; attention to price as indicator of quality; need of exclusivity or affiliation.

Overall, luxury seeking consumers can be generally classified into three segments. In the literature, scholars have used the terminology of Patricians, Parvenus, and Poseurs (Han et. al, 2010).

First, the **Patricians**, or wealthy elites, those who are closer to the *true luxury*, tend to value the internal domains of luxury - Individual Lifestyle, emotions/hedonism and culture (Amatulli, 2012), but are also considered more educated about the industry and knowledgeable on the quality of the products. These consumers engage in luxury consumption to express their lifestyle, based on their own assessment of beauty, while avoiding “loud items” in which the brand is particularly visible. Additionally, they prefer brands which are only identifiable by people in the same group.

Similar to these behaviors, Vigneron (1999) suggest three other profiles: Hedonist, Perfectionists, and Snobs. Such segments, excluding the last one - Snobs, attach little importance to price as luxury indicator and their patterns are closer to the internalized dimensions of luxury. The particularity of the Snobs is that they avoid brands well known to the masses, making them slightly dependent on the external dimensions of luxury.

The second group, the wealthy status seekers or **Parvenus** (Latin for the verb to reach), aim to be part of the social class above them, wanting more than anything to dissociate themselves from the classes below. They show externalized luxury behaviour, linked to conspicuousness, materialism, superfluosness and ostentation. These consumers engage in luxury consumption to try to separate themselves, “the haves”, from the “have-nots”, showing others they can affords expensive products, however they lack the necessary knowledge to identify subtle brand signals, consequently their preferences tend to more brand prominent “loud” items, easily identifiable.

Again, adding to this, Vigneron (1999) identifies the Veblenians. Named after the author of the conspicuous consumption theory, Thorstein Veblen, these consumers’ main goal is to impress

others. Also, Veblenians pay more attention to price as indicator of prestige, as what confers status is not the accumulation of wealth but the evidence of such, instead (Han, Nunes and Drèze, 2010).

Third, the not so wealthy status seekers Poseurs, who try to build their image pretending to be someone they are not. They have the desire for luxury but lack the wealth to afford it. Evidently, **Poseurs** are closer to the external dimensions of luxury, and they'll imitate the behaviors of Parvenus.

Vigneron (1999) presents the Bandwagon consumers: those who attribute less importance to price as a luxury indicator, but emphasize the impact they make on others. They are driven by the desire to possess luxury brands, as an indicator of group membership. Though this group can also be associated with the Parvenus, Poseurs and Bandwagon consumers are related by the externalized luxury dimensions and little importance attached to price as a luxury indicator, since they are prone to buy counterfeit goods, since what really matters is the display of luxury goods.

**3. Using the descriptive information present on the case study and the results from the research, describe the profiles of the new luxury consumer indicating their demographic and psychographic characteristics, underlying motivations and preferences as well as consumption patterns.**

The new luxury consumer is much more complex than what can be initially predicted or commonly perceived. According to market information, the top 4 foreign consumers of luxury in Portugal come from Angola, Brazil, China and Russia, though very little is known about the last two nationalities.

Demographically speaking, Angolans represent the majority of foreign consumers, over 40%, and are those who purchase more often and have the second highest spending per visit, around 386€. Note that, consumers from Angola, also purchase in middle range stores, as Zara, to acquire basic items which cannot be found in their home country. They were usually middle aged businessmen, but there is a new trend of women and families looking for reference brands.

The second most important group are Brazilian customers, who are probably more price cautious, as they value and ask for discounts or promotions, seeking to buy cheaper products and to overcome import. Their average spending per visit is 220€, according to Global Blue.

Besides the language they share and some common cultural values, both Angolans and Brazilians attribute significant importance to price as an indicator of quality and luxury, and are considered discrete and private people who show evidence of being closer to the internal dimensions of luxury. Summing up, they can be classified as Snobs (Vigneron, 1999) as introduced in the Literature Review chapter.

The particularity about Chinese consumers arises from the fact that they often go shopping in big groups and end up purchasing the same products, some might call it “copycat buying”. This isn’t a surprising fact, given that the Chinese culture is one of the supreme examples of a collectivistic society, which are more prone to value achievement as a group and equality, the self is defined by external forces as an interdependent self-concept, which also means conspicuous consumption is more likely to occur among Chinese consumers. Their average spending is over 1200€, higher than the other 3 groups, because they buy mostly watches and jewellery, but also shop fashion. Crossing these characteristics with the classification suggested in the literature review chapter, one can identify the Chinese as Bandwagon consumers (Vigneron, 1999).

Overall, the new luxury consumer is very educated about the industry, and perceive shopping as an integrated part of their travel experience, reserving a significant part of their budget for those activities. It isn’t unusual for customers to visit store looking for a specific item as many prepare their shopping beforehand, making lists with pictures with the items they plan to buy and search in which stores the products will be at their disposal.

**4. Taking into consideration the previous consumer profiles explain how Loja das Meias has to adapt to the needs in the customer service, POS activities and communication tools. Also, should Loja das Meias adapt and customize its service and its offering to the needs of each consumer segment?**

According to Brazil and Angola’s classification as Snobs, these consumers believe in the price as an indicator of quality and luxury, engaging in luxury consumption as to express their lifestyle, based on their own assessment of beauty, considered to be rather educated, aware and familiarized with the industry.

As suggested by Amatulli (2012), in order to meet their retail expectations, Loja das Meias can : (1) determine which are the lifestyle attributes of the target market or main customer base to make a comparison between the lifestyle sported by the store; (2) focus on the opportunity to satisfy the customers’ expectations through the POS materials, Loja das Meias’ concept and in-store atmosphere should encapsulate an outstanding shopping experience, the layout should communicate the company’s lifestyle showing a large assortment of products and categories; (3) quality through store display and reinforced by the sales force; (4) enhance the in-store shopping experience, creating higher emotional involvement, through the manipulation of stimuli with music and scents; (5) develop special strategies which will add value to the customer experience, such as a customized newsletter or even add the special “save the date” feature enabling foreigners to book and plan in advance their shopping in store; (6) highlight the brand culture throughout, whether by creating a cultural space inside the store or association to cultural events.

Summing up, serving Angolan and Brazilian customers requires understanding what are they looking for, matching Loja das Meias identity to their lifestyle attributes. Sales force plays a key

role, mainly because it is not only necessary to know the product but also what does an entire brand has to offer.

As for communication tools, advertising in travel guides, hotel and inflight magazines seems to be a logic options. Also, these consumers are heavy users of internet and social platforms, hence being present in the main networks is crucial.

On the other hand, the Chinese are characterized as Bandwagon consumers, meaning they are particularly prone to conspicuous consumption (Amatulli, 2012). Therefore, Loja das Meias has to slightly change the approach, by: (1) ostentatious stores emphasising the brand codes, to same extent without going against the store concept and ideology; (2) trend setters and iconic items as important part of the assortment; (3) sales force able to emphasise the prestige of the brand and products as 'must have' items (Amatulli, 2012).

**5. Indicate the foreseen opportunities and threats imposed by the foreign consumers' awakening for Loja das Meias in Portugal and internationally.**

The awakening of emergent economies towards luxury is a great deal responsible for the growth and the sustainability of the market, especially for a small market, such as the Portuguese, where other sectors and retail segments struggle not to sink.

As referred in the case study, in some Avenida da Liberdade's high end stores, sales to foreigners already represent 30% of the monthly volume. Correspondingly, Loja das Meias is fully aware that the "plus" in sales is made through to non-domestic customers, who roughly represent 15% of the sales volume.

Hereafter, the economic prosperity of countries like Angola, Brazil, Mozambique, China and Russia can open many doors and **opportunities** for the Portuguese luxury retailer. Besides the mentioned increase in sales, balancing an eventual downturn by domestic consumers, Loja das Meias can cease this moment to build up brand awareness and loyalty, which will prove to be extremely helpful in the future. By offering exclusive upscale brands there have high demand, as the example of Céline bags, the company assures a high conversion rate ( the percentage of people entering the store who buy something) and has the opportunity to through excellence in customer service and attention to detail generate a good relationship, proximity and loyalty with non-EU customers, who enjoy Portuguese luxury's more affordable prices and tax refunds.

A solid brand awareness will prove to be helpful for the international expansion opportunities. Loja das Meias considerers that there is a substantial market namely in Angola and Mozambique, hence the company has already established itself in Luanda, and a plan for a store opening in Maputo is also on the works. In both cases, Loja das Meias has decided to work with a local partner, who knows its domestic market and has business experience in the country. Moreover, Dr. Manuela Saldanha also pointed out that even though the linguistic and cultural proximity seem

to be the more obvious reasons for the country's choice, the existent brand awareness among consumers was also a crucial factor to take into account.

Another interesting opportunity to develop Loja das Meias' Business arises when combining the emergence of such countries with the evolution and spread of the IT and internet-based businesses. One of the characteristics of the new luxury consumer their knowledge and high usage of the internet, from social networks and blogs to online stores and services. Information and fashion trends travel much faster and the new consumer is always updated and on the pulse of the latest styles. In the past few years, Loja das Meias has been investing on its presence online (website, facebook page, Instagram) and it is preparing to launch an e-commerce platform, which is believed to increase sales not only in Portugal but also Angola.

Finally, communicating and reaching such consumers is a challenge, but it can also be faced as a source of opportunities to be explored. For instance, partnering up with Destination Management Companies [DMC]. DMCs are not regular Travel Agencies or Conference Bureaus, instead their business is more comprehensive once they offer a wide range of event and tourism services using their extensive local knowledge, expertise and resources, specializing in the design and implementation of events, activities, tours, transportation and program logistics oriented to companies and professionals. Loja das Meias can both be a user, in terms of using their services to boost the international visibility their hosted events, and also a supplier, meaning such DMCs would create packages or itineraries featuring Loja das Meias and after sell those proposals to international companies or groups of professionals who wish to spend some time in Portugal.

However, this market evolution where foreign customers are promptly gaining more and more importance as a segment can also take along several **threats**.

First, the dependence upon non domestic consumers can be alarming and result on neglecting the needs of the domestic market which is closer and easier to understand, hence more reachable, while being subject to the volatility of the foreign customers and their domestic economies' environments, and once they are further away the retailers actions and efforts may not be strong enough to hold their loyalty.

Also, if Loja das Meias focuses too much on pleasing foreign consumers, adapting the brands and products to their tastes, the entire concept of the company and existent brand image may end up damaged, causing Loja das Meias to be no longer relevant for the Portuguese consumer.

Pursuing foreign consumers is no easy task. Communicating to them is more institutional and less interactive, when comparing to the communication tools available for the domestic market. Building loyalty is also challenging mainly due to the fact many foreign customers are what in retail is known as one time sales, meaning as many are tourist they won't return to Portugal in the near future. Likewise, once it takes more effort to reach them and the cost of obtaining a customer is higher, emergent consumers their profitability may be at stake.

Finally, there is the smouldering question of what will happen to Portuguese luxury retailers, such as Loja das Meias, when these countries gather the necessary infrastructures and safety levels which will male international brands to expand and domestic retailers to arise? After all, one of the main purchasing motivations for the emergent consumer is the lack of supply in their home country, hence the question what will change when supply is granted in emergent countries?

Such fact as lead Loja das Meias to anticipate competition and start an internationalization process to the strategic markets of Angola and Mozambique, guaranteeing the store's presence and importance for those markets. In the upcoming years, competition will unarguably increase in emerging markets, however industry studies and evidence generated from the temporary Loja das Meias Pop Up store in Luanda have proven that there is and will be a sufficient and substantial market.

Also, the growth luxury stores in such countries doesn't necessarily translate in no more sales abroad, consumers will cease the opportunity to get the same item for a more affordable price and benefit from the tax refund on top. The example of Brazil illustrates quite well this scenario: there are many luxury brands being represented in the country but due to customs and tax laws the prices of the items rise exponentially, so many consumers take the opportunity to purchase their products while visiting Portugal.

## Appendixes

Exhibit 1 – Evolution of the Top Luxury Brands, Interbrand 2013

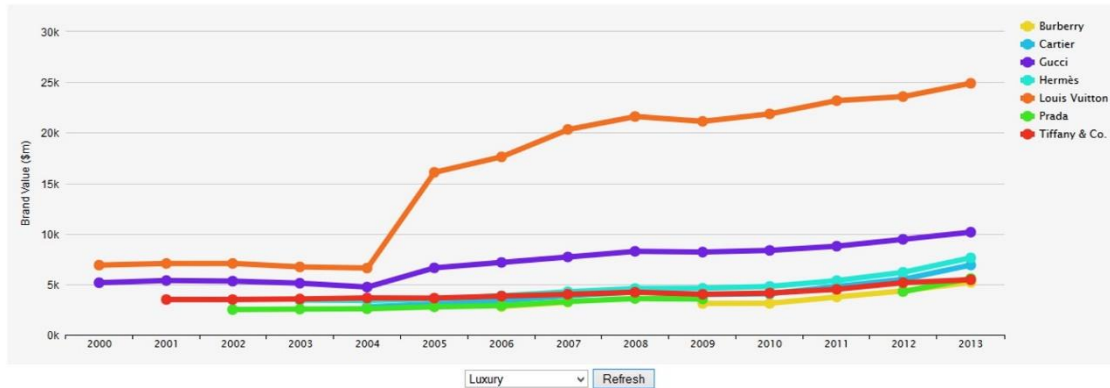


Exhibit 2 – Classification of Luxury segments – similarities between theories

Type of Consumer (Han et al, 2010)	Type of Consumer (Vigneron, 1999)	Key Characteristics
Patricians	Hedonists, Snobs* Perfectionists,	<ul style="list-style-type: none"> <li>• Little importance to price as luxury indicator*</li> <li>• Importance to quality</li> <li>• Internal dimensions of luxury</li> <li>• Luxury as lifestyle</li> </ul>
Parvenus	Veblenians	<ul style="list-style-type: none"> <li>• Importance to price as luxury indicator</li> <li>• External dimensions of Luxury</li> <li>• Conspicuous consumption</li> </ul>
Poseurs	Bandwagon	<ul style="list-style-type: none"> <li>• Little importance to price as luxury indicator</li> <li>• External dimensions of luxury</li> <li>• Imitation</li> <li>• Status seeker</li> </ul>

Exhibit 3 – Loja das Meias first store in Rossio



Loja das Meias circa 1905



Loja das Meias circa 1933



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Exhibit 4 – Store display Rua Castilho and Loja das Meias Concept Store at C.C. Amoreiras



Loja das Meias – Rua Castilho

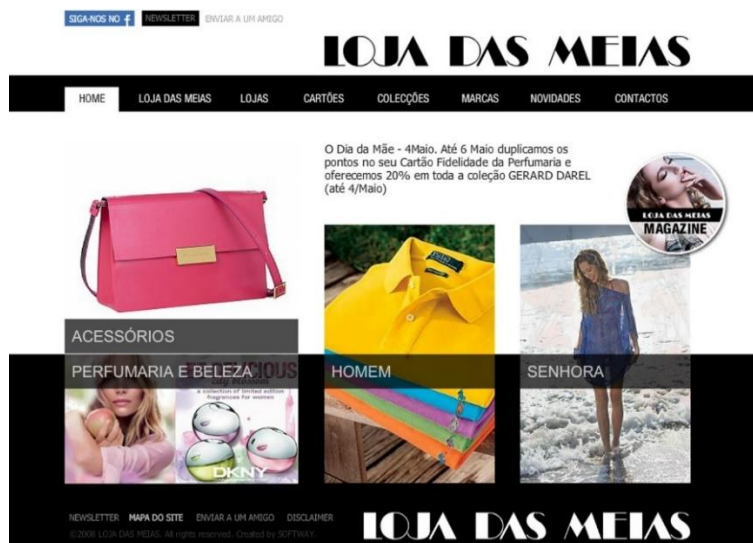
Loja das Meias Concept Store

Exhibit 5– Store windows



Loja das Meias Concept Store Window

Exhibit 6 – Website www.lojadasmeias.com



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Exhibit 7 – Loja das Meias Magazine



Exhibit 8- LM Advertising on Austral, TAAG's On Board Magazine

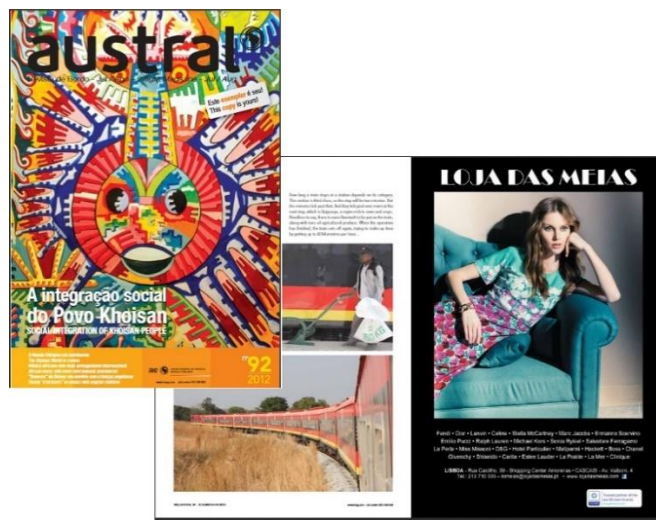
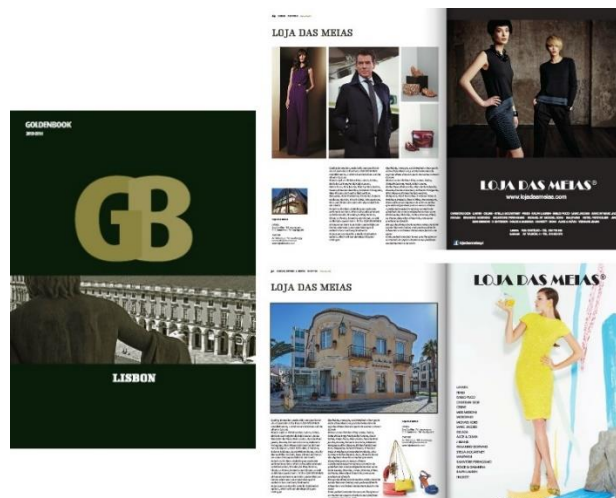


Exhibit 9 - LM Presence on The Golden Book



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Exhibit 10- LM Editorial Cover on Essential



Exhibit 11: Questionnaire

**PART I (purchasing habits)**

1. Do you own or purchase any luxury product?  
Yes  
No (if no stop the questionnaire here)

2. If yes, did you purchase it yourself?  
Yes  
No (if no jump to question 5)

3. To whom do you purchase?  
For myself  
As a gift for other

4. How often do you purchase, for you or for someone else, in high-end store, yearly?  
Never  
Less than once  
Between 1 and 3 times  
Between 3 and 6  
More than 6

5. From the following list of Luxury products indicate those which you mostly purchase (or own), for you or for someone else?

	None	Little	Some	A Lot	All the time
Watches					
Jewellery					
Clothing					
Purses and Bags					
Shoes					
Other accessories (belts, cufflinks)					
Perfume and cosmetics					
Wines and spirits					

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6. From the following list of stores, rank in order those you are more familiar with? (1-more familiar – less familiar)

Boutique dos Relógios  
El Corte Inglés  
Fashion Clinic  
Loja das Meias  
Stivali  
Mono brand 1 – specify

7. When purchasing a luxury good, where do you go?

Avenida da Liberdade  
Rua Castilho  
Centro Comercial Amoreiras  
El Corte Inglés  
Other

**PART II (preferences)**

Now, look at the following sets of pictures and answer the questions.

Set 1. Bags



1. From this set of Bags chose the one which you would most likely purchase?

Nº1  
Nº2  
Nº3  
Nº4

2. From this set of Bags select which one do you believe it is more expensive?

Nº1  
Nº2  
Nº3  
Nº4

3. Please identify the brands of the bags:

Nº1: \_\_\_\_\_  
Nº2: \_\_\_\_\_  
Nº3: \_\_\_\_\_  
Nº4: \_\_\_\_\_

Set 2. Watches



Watch nº 1    Watch nº 2    Watch nº 3    Watch nº 4

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1. From this set of Watches chose the one which you would most likely purchase:

- Nº1
- Nº2
- Nº3
- Nº4

2. From this set of Watches select which one do you believe it is more expensive:

- Nº1
- Nº2
- Nº3
- Nº4

3. Please identify the brands of the watches?

- Nº1: \_\_\_\_\_
- Nº2: \_\_\_\_\_
- Nº3: \_\_\_\_\_
- Nº4: \_\_\_\_\_

**PART III (psychographics)**

To what extent do you agree with the following statements (1- strongly disagree; 5-strongly agree):

	Strongly disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
Luxury goods change my attitude and the way I feel about myself					
Wearing luxury goods changes how people perceive me					
I am aware of the fashion trends and I want to be the one of the first to try them					
I think carefully before purchasing					
Extravagant items are the most appealing					
The higher the price of an item, the better the quality will be					
I would buy a product because I saw someone wearing it (magazine, online...					

**PART IV (demographics)**

1. Gender

- Female
- Male

2. Age

- <20
- 20-30
- 31-40
- 41-50
- 50>

3. Nationality

\_\_\_\_\_

**PART V (If foreign)**

1. How many times have you been to Lisbon?





First time

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2  
3  
4  
>5

2. What is the reason of your visit?  
Tourism  
Business  
Other

Exhibit 12: Set of Bags and Watches by retail price and brand prominence level (values from net-a-porter.com; nordstom.com; louisvuitton.com)

Item	Brand Prominence Level	Retail Price
 Bag nº 1 "Fendi 2jours"	Low	€1990
 Bag nº 2 "Gucci GG Canvas Boston Bag"	High	€860
 Bag nº 3 "Saint Laurent Classic Y Tote"	Medium Low	€1590
 Bag nº 4 "Louis Vuitton Alma Tote"	High	€990




Item	Brand Prominence Level	Retail Price
 Watch nº 1 "Gucci Interlocking G"	Medium High	€910
 Watch nº 2 "Cartier Louis Tank"	Low	€7950
 Watch nº 3 "D&G Classic "	High	€150
 Watch nº 4 "Tag Heuer Formula 1"	Medium Low	€1850

Exhibit 13 – Sample’s Demographics

		Frequency	Percent	Valid Percent	Cumulative Percent
id	Female	34	75,6	75,6	75,6
	Male	11	24,4	24,4	100,0
	Total	45	100,0	100,0	

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	2	4,4	4,4	4,4
	20-30	18	40,0	40,0	44,4
	31-40	21	46,7	46,7	91,1
	41-50	3	6,7	6,7	97,8
	>50	1	2,2	2,2	100,0
	Total	45	100,0	100,0	

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		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Brazilian	16	35,6	35,6	35,6
	Angolan	14	31,1	31,1	66,7
	Chinese	4	8,9	8,9	75,6
	Portuguese	4	8,9	8,9	84,4
	Spanish	3	6,7	6,7	91,1
	USA	2	4,4	4,4	95,6
	Italian	1	2,2	2,2	97,8
	South Korean	1	2,2	2,2	100,0
	Total	45	100,0	100,0	

**Exhibit 14 – Questions for foreigners**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	8	17,8	19,0	19,0
	2	19	42,2	45,2	64,3
	3	9	20,0	21,4	85,7
	4	4	8,9	9,5	95,2
	>5	2	4,4	4,8	100,0
	Total	42	93,3	100,0	
Missing	System	3	6,7		
Total		45	100,0		

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Tourism	24	53,3	57,1	57,1
	Business	8	17,8	19,0	76,2
	other	10	22,2	23,8	100,0
	Total	42	93,3	100,0	
Missing	System	3	6,7		
Total		45	100,0		

**Exhibit 15 – Purchasing Habits**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	33	73,3	73,3	73,3
	No	12	26,7	26,7	100,0
	Total	45	100,0	100,0	

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Myself	11	24,4	34,4	34,4
	Others	2	4,4	6,3	40,6
	Both	19	42,2	59,4	100,0
	Total	32	71,1	100,0	
Missing	System	13	28,9		
Total		45	100,0		

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than once	9	20,0	27,3	27,3
	Between 1 and 3 times	12	26,7	36,4	63,6
	Between 3 and 6 times	11	24,4	33,3	97,0
	More than 6 times	1	2,2	3,0	100,0
	Total	33	73,3	100,0	
Missing	System	12	26,7		
Total		45	100,0		

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		Watches	Jewellery	Clothing	Purses and Bags	Shoes	Other Accessories (belts, cufflinks)	Perfumes and Cosmetics	Wines and Spirits
N	Valid	45	45	45	45	45	45	45	45
	Missing	0	0	0	0	0	0	0	0
Mean		1,82	2,09	2,71	3,76	3,31	2,89	3,49	1,69
Std. Deviation		,777	,793	,895	1,026	1,041	,885	,968	,733

			Gender		Total	
			Male	Female		
Jewellery	None	Count	3	8	11	
		% within Gender	27,3%	23,5%	24,4%	
	Little	Count	6	14	20	
		% within Gender	54,5%	41,2%	44,4%	
	Some	Count	1	12	13	
		% within Gender	9,1%	35,3%	28,9%	
	A Lot	Count	1	0	1	
		% within Gender	9,1%	0,0%	2,2%	
Total			11	34	45	
			% within Gender	100,0%	100,0%	100,0%

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5,448 <sup>a</sup>	3	,142
Likelihood Ratio	5,677	3	,128
Linear-by-Linear Association	,183	1	,669
N of Valid Cases	45		

a. 5 cells (62,5%) have expected count less than 5. The minimum expected count is ,24.

			Gender		Total	
			Male	Female		
Clothing	None	Count	0	1	1	
		% within Gender	0,0%	2,9%	2,2%	
	Little	Count	7	15	22	
		% within Gender	63,6%	44,1%	48,9%	
	Some	Count	1	11	12	
		% within Gender	9,1%	32,4%	26,7%	
	A Lot	Count	3	6	9	
		% within Gender	27,3%	17,6%	20,0%	
	All of the Time	Count	0	1	1	
		% within Gender	0,0%	2,9%	2,2%	
Total			11	34	45	
			% within Gender	100,0%	100,0%	100,0%

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3,366 <sup>a</sup>	4	,499
Likelihood Ratio	4,190	4	,381
Linear-by-Linear Association	,102	1	,750
N of Valid Cases	45		

a. 6 cells (60,0%) have expected count less than 5. The minimum expected count is ,24.

			Gender		Total	
			Male	Female		
Shoes	None	Count	2	1	3	
		% within Gender	18,2%	2,9%	6,7%	
	Little	Count	1	5	6	
		% within Gender	9,1%	14,7%	13,3%	
	Some	Count	4	10	14	
		% within Gender	36,4%	29,4%	31,1%	
	A Lot	Count	4	14	18	
		% within Gender	36,4%	41,2%	40,0%	
	All of the Time	Count	0	4	4	
		% within Gender	0,0%	11,8%	8,9%	
	Total			11	34	45
				% within Gender	100,0%	100,0%

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4,564 <sup>a</sup>	4	,335
Likelihood Ratio	5,007	4	,287
Linear-by-Linear Association	2,173	1	,140
N of Valid Cases	45		

a. 8 cells (80,0%) have expected count less than 5. The minimum expected count is ,73.



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			Gender		Total
			Male	Female	
Other Accessories (belts, cufflinks)	None	Count	0	3	3
		% within Gender	0,0%	8,8%	6,7%
	Little	Count	2	9	11
		% within Gender	18,2%	26,5%	24,4%
	Some	Count	3	16	19
		% within Gender	27,3%	47,1%	42,2%
	A Lot	Count	6	6	12
		% within Gender	54,5%	17,6%	26,7%
Total		Count	11	34	45
		% within Gender	100,0%	100,0%	100,0%

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6,218 <sup>a</sup>	3	,101
Likelihood Ratio	6,413	3	,093
Linear-by-Linear Association	4,192	1	,041
N of Valid Cases	45		

a. 5 cells (62,5%) have expected count less than 5. The minimum expected count is ,73.

			Gender		Total
			Male	Female	
Perfumes and Cosmetics	None	Count	2	0	2
		% within Gender	18,2%	0,0%	4,4%
	Little	Count	2	2	4
		% within Gender	18,2%	5,9%	8,9%
	Some	Count	2	12	14
		% within Gender	18,2%	35,3%	31,1%
	A Lot	Count	4	16	20
		% within Gender	36,4%	47,1%	44,4%
	All of the Time	Count	1	4	5
		% within Gender	9,1%	11,8%	11,1%
Total		Count	11	34	45
		% within Gender	100,0%	100,0%	100,0%

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8,646 <sup>a</sup>	4	,071
Likelihood Ratio	8,005	4	,091
Linear-by-Linear Association	3,712	1	,054
N of Valid Cases	45		

a. 8 cells (80,0%) have expected count less than 5. The minimum expected count is ,49.

			Gender		Total
			Male	Female	
Wines and Spirits	None	Count	4	17	21
		% within Gender	36,4%	50,0%	46,7%
	Little	Count	5	12	17
		% within Gender	45,5%	35,3%	37,8%
	Some	Count	2	5	7
		% within Gender	18,2%	14,7%	15,6%
Total		Count	11	34	45
		% within Gender	100,0%	100,0%	100,0%

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	,623 <sup>a</sup>	2	,732
Likelihood Ratio	,630	2	,730
Linear-by-Linear Association	,453	1	,501
N of Valid Cases	45		

a. 2 cells (33,3%) have expected count less than 5. The minimum expected count is 1,71.

**Exhibit 16 – Locations and Stores**

	N	Percentage
Avenida da Liberdade	43	95,6%
Rua Castilho	15	33,3%
Centro Comercial Amoreiras	14	31,1%
El Corte Inglés	25	55,6%
Other	24	53,3%
Valid N (listwise)	1	

		Boutique dos Relógios	El Corte Inglés	Fashion Clinic	Loja das Meias	Stivali	Mono Brand (specify below)
N	Valid	45	45	45	45	45	45
	Missing	0	0	0	0	0	0
Mean		4,1333	3,3556	2,0889	4,2667	4,1111	3,0444
Median		4,0000	4,0000	2,0000	4,0000	5,0000	2,0000
Variance		3,209	3,189	1,446	1,655	1,874	2,862

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Table 3: Loja das Meias					Table 4: Please specify the Mono Brand Store you indicated above						
		Frequency	Percent	Valid Percent	Cumulative Percent			Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	1	2,2	2,2	2,2	Valid	Michael Kors	6	13,3	13,3	13,3
	2,00	2	4,4	4,4	6,7		Louis Vuitton	5	11,1	11,1	24,4
	3,00	10	22,2	22,2	28,9		Armani	4	8,9	8,9	33,3
	4,00	13	28,9	28,9	57,8		Prada	4	8,9	8,9	42,2
	5,00	9	20,0	20,0	77,8		Cartier	3	6,7	6,7	48,9
	6,00	10	22,2	22,2	100,0		Gucci	3	6,7	6,7	55,6
	Total	45	100,0	100,0			Burberry	2	4,4	4,4	60,0
							David Rosas	2	4,4	4,4	64,4
							Furla	2	4,4	4,4	68,9
							Hermès	2	4,4	4,4	73,3
							Hugo Boss	2	4,4	4,4	77,8
							Adolfo Dominguez	1	2,2	2,2	80,0
							BCBG	1	2,2	2,2	82,2
							Carolina Herrera	1	2,2	2,2	84,4
							D&G	1	2,2	2,2	86,7
							Ermenegildo Zegna	1	2,2	2,2	88,9
							Longchamp	1	2,2	2,2	91,1
							Marc Jacobs	1	2,2	2,2	93,3
							Max Mara	1	2,2	2,2	95,6
							Miu Miu	1	2,2	2,2	97,8
							Tod's	1	2,2	2,2	100,0
						Total	45	100,0	100,0		

Exhibit 17 – Preferences and Brand Awareness

Table 1: Preferred Bag for purchase					Table 2: Most expensive bags						
		Frequency	Percent	Valid Percent	Cumulative Percent			Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bag n°1	10	22,2	22,2	22,2	Valid	Bag n°1	17	37,8	37,8	37,8
	Bag n°2	8	17,8	17,8	40,0		Bag n°3	15	33,3	33,3	71,1
	Bag n°3	13	28,9	28,9	68,9		bag n°4	13	28,9	28,9	100,0
	Bag n°4	14	31,1	31,1	100,0		Total	45	100,0	100,0	
	Total	45	100,0	100,0							

Table 3: Handbags' Brand Recognition				
		Frequency	Percent	Cumulative Percent
Valid	FENDI			
	No	33	73,3	73,3
	Yes	12	26,7	100,0
Total		45	100,0	
Valid	GUCCI			
	No	1	2,2	2,2
	Yes	44	97,8	100,0
Total		45	100,0	
Valid	YSL			
	No	25	55,6	55,6
	Yes	20	44,4	100,0
Total		45	100,0	
Valid	LV			
Yes	45	100,0	100,0	

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		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Watch nº1	10	22,2	22,2	22,2
	Watch nº2	15	33,3	33,3	55,6
	Watch nº3	8	17,8	17,8	73,3
	Watch nº4	12	26,7	26,7	100,0
	Total	45	100,0	100,0	

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Watch nº1	5	11,1	11,1	11,1
	Watch nº2	37	82,2	82,2	93,3
	Watch nº4	3	6,7	6,7	100,0
	Total	45	100,0	100,0	

		Frequency	Percent	Cumulative Percent
<b>GUCCI</b>				
Valid	No	18	40,0	40,0
	Yes	27	60,0	100,0
	Total	45	100,0	
<b>CARTIER</b>				
Valid	No	10	22,2	22,2
	Yes	35	77,8	100,0
	Total	45	100,0	
<b>D&amp;G</b>				
Valid	Yes	45	100,0	100,0
<b>TAG HEUER</b>				
Valid	No	24	53,3	53,3
	Yes	21	46,7	100,0
	Total	45	100,0	

		Watch_Visibility				Total	
		Low	Medium Low	Medium High	High		
Watch_Recognition	No	Count	10	24	18	0	52
		% within Watch_Visibility	22,2%	53,3%	40,0%	0,0%	28,9%
	Yes	Count	35	21	27	45	128
		% within Watch_Visibility	77,8%	46,7%	60,0%	100,0%	71,1%
Total		Count	45	45	45	45	180
		% within Watch_Visibility	100,0%	100,0%	100,0%	100,0%	100,0%

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	35,048 <sup>a</sup>	3	,000
Likelihood Ratio	45,988	3	,000
Linear-by-Linear Association	6,971	1	,008
N of Valid Cases	180		

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 13,00.

		Watch_Price				Total	
		Low	Medium Low	High	High		
Watch_Recognition	No	Count	0	18	24	10	52
		% within Watch_Price	0,0%	40,0%	53,3%	22,2%	28,9%
	Yes	Count	45	27	21	35	128
		% within Watch_Price	100,0%	60,0%	46,7%	77,8%	71,1%
Total		Count	45	45	45	45	180
		% within Watch_Price	100,0%	100,0%	100,0%	100,0%	100,0%

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	35,048 <sup>a</sup>	3	,000
Likelihood Ratio	45,988	3	,000
Linear-by-Linear Association	6,971	1	,008
N of Valid Cases	180		

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 13,00.

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**Exhibit 18- Segmentation**

			Nationality1			Total
			Brazilian	Angolan	All Others	
How often do you purchase, for you or for someone else, in high-end store, yearly?	Less than once	Count	2	0	7	9
		% within Nationality1	18,20%	0,00%	63,60%	27,30%
	Between 1 and 3 times	Count	5	5	2	12
		% within Nationality1	45,50%	45,50%	18,20%	36,40%
	Between 3 and 6 times	Count	4	5	2	11
		% within Nationality1	36,40%	45,50%	18,20%	33,30%
	More than 6 times	Count	0	1	0	1
		% within Nationality1	0,00%	9,10%	0,00%	3,00%
Total		Count	11	11	11	33
		% within Nationality1	100,00%	100,00%	100,00%	100,00%

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13,439 <sup>a</sup>	6	,037
Likelihood Ratio	15,501	6	,017
Linear-by-Linear Association	3,031	1	,082
N of Valid Cases	33		

			Nationality1			Total
			Brazilian	Angolan	All Others	
Fashion Clinic	1,00	Count	11	8	0	19
		% within Nationality1	68,8%	57,1%	0,0%	42,2%
	2,00	Count	4	2	5	11
		% within Nationality1	25,0%	14,3%	33,3%	24,4%
	3,00	Count	1	4	4	9
		% within Nationality1	6,3%	28,6%	26,7%	20,0%
	4,00	Count	0	0	5	5
		% within Nationality1	0,0%	0,0%	33,3%	11,1%
	6,00	Count	0	0	1	1
		% within Nationality1	0,0%	0,0%	6,7%	2,2%
Total		Count	16	14	15	45
		% within Nationality1	100,0%	100,0%	100,0%	100,0%

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25,176 <sup>a</sup>	8	,001
Likelihood Ratio	32,712	8	,000
Linear-by-Linear Association	17,608	1	,000
N of Valid Cases	45		

			Nationality1			Total	
			Brazilian	Angolan	All Others		
Loja das Meias	1,00	Count	0	0	1	1	
		% within Nationality1	0,0%	0,0%	6,7%	2,2%	
	2,00	Count	1	1	0	2	
		% within Nationality1	6,3%	7,1%	0,0%	4,4%	
	3,00	Count	4	2	4	10	
		% within Nationality1	25,0%	14,3%	26,7%	22,2%	
	4,00	Count	5	4	4	13	
		% within Nationality1	31,3%	28,6%	26,7%	28,9%	
	5,00	Count	3	4	2	9	
		% within Nationality1	18,8%	28,6%	13,3%	20,0%	
	6,00	Count	3	3	4	10	
		% within Nationality1	18,8%	21,4%	26,7%	22,2%	
	Total		Count	16	14	15	45
			% within Nationality1	100,0%	100,0%	100,0%	100,0%

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4,740 <sup>a</sup>	10	,908
Likelihood Ratio	5,584	10	,849
Linear-by-Linear Association	,001	1	,970
N of Valid Cases	45		

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