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Where Do Consumers Think Luxury Begins? A Study of Perceived Minimum Price for 21 Luxury Goods in 7 Countries

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Abstract

Consumers associate luxury with being expensive. But where do they perceive expensiveness to begin? Based on large representative samples from seven major countries this research reveals an extreme dispersion across consumers in their perceived minimum price of luxury, with a large majority citing very low price thresholds. This structure appears consistently for 21 different luxury products in all seven countries. This apparent contradiction between defining luxury as expensive and the prevalence of low price thresholds should not be seen as paradoxical but likely results from decades of "trading down" by luxury brands and "trading up" by consumers. Rather than grouping luxury consumers into distinct classes, these results suggest a continuum from the "happy few" to the less privileged. The findings contribute to academic research on luxury, as well as offer promising implications for luxury managers.

Keywords: luxury, consumer price perception, lognormal distributions

1. Introduction

This study unveils a striking paradox about the perception of luxury price. It shows empirically that, despite the general agreement that luxury products are expensive, the perception of the minimum price of luxury is highly idiosyncratic, with enormous variations across consumers regarding where the frontier or "limen" of luxury begins, and a large number of respondents defining this limen as very low indeed. Therefore, enormous variations also exist in people's beliefs about whether a specific product should be categorized as "luxury" on the basis of its price. These discrepancies likely result from decades of "trading down," downward pricing extensions decided by firms in the luxury sector to increase sales and of "trading up" by consumers, as luxury has spread beyond the traditional target segment of the "happy few" (Silverstein and Fiske 2005). Rather than contrasting the "happy few" with the "happy many" (Dubois and Laurent 1998), our analysis suggests to think in terms of a continuous, underlying distribution of the minimum price of luxury across consumers, such that the density decreases monotonically as a function of price.

Moreover consumers are consistent in their vision of the minimum prices of luxury. Each consumer provides correlated answers for 21 different product categories. Consumers are consistent in their perception of the price hierarchy of different luxury products, in each country and across countries.

The next sections present our conceptual framework and a series of testable hypotheses, before describing our data and test results. Finally, we discuss our contributions to luxury research, some limitations, and avenues for further research.

2. Conceptual framework and hypotheses

2.1 Changes in luxury consumption

Luxury has grown substantially in recent decades, though it also is an ancient concept. In many languages, the term resonates with a Latin origin, found in classics written more than 2000 years ago. For millennia, luxury had been associated with the "happy few," the aristocracy, or the very rich and powerful (Castarède 2009). Yet the recent growth of luxury as an industrial sector challenges these notions. Despite a global economic crisis, the sector grew at a 7% annual rate during 1995–2013, earning total revenues of 217 €billion in 2013; predictions suggest it will grow at a 9% annual rate to 2020 (Bain & Co. 2014). The reason is largely because modern luxury has broadened its consumer base well beyond the "happy few." Today, the "happy many" (Dubois and Laurent 1998), consisting of a vast number of new, occasional clients, do not need to be rich to buy goods made by luxury brands. Luxury traditionally relies on rarity (e.g., Ferrari made and sold only 7,318 cars in 2012), but objective rarity prevents growth in the luxury sector, which is a concern for the large luxury groups (e.g., LVMH, Kering, Richemont).

To attract more new consumers, existing brands thus have adopted an "abundant rarity" strategy (Kapferer 2012) expanding their product portfolios, typically through downward vertical extensions to more affordable items which are also more profitable (e.g., accessories with a luxury brand logo, including watches, eyewear, bags, perfume, and shoes, made by the brands' own craftspeople or, more often, produced under licenses). For example, the Italian Group Luxottica offers a Chanel eyewear line, sold for around 350 €, available even in nonselective shops. Furthermore, to expand sales while protecting their brand equity, several classic luxury brands have created secondary lines to offer goods at more accessible prices, leading to the emergence of "mass prestige" (e.g., Marc Jacobs's limited edition of plastic boots at 90 euros); simultaneously, new, more accessible brands have developed.

On the demand side, the appeal of luxury offerings also has expanded. More consumers purchase what they perceive as luxury products, though for occasional buyers (called "excursionists" by Dubois and Laurent 1995) such a purchase remains an exceptional experience. This positive interaction of "trading down" supply and "trading up" demand has created a large "new luxury" segment (Silverstein and Fiske 2005).

2.2 Analyzing the Perceived Minimum Price of Luxury

Identifying the frontier of luxury, such as determining if a specific handbag is or is not a luxury product, is a subjective judgment made by each potential buyer. Qualitative consumer interviews and everyday experience reveal that an example of luxury spontaneously offered by one consumer might not be described as luxury by another. This study seeks to assess quantitatively, and if possible explain, consumer heterogeneity in their assessments of luxury price thresholds. For luxury managers, understanding the structure of the frontier across consumers is essential, because moving below it may threaten a brand's status as a perceived "luxury."

Research shows expensiveness to be central to consumers' perception of luxury; as Dubois and Paternault (1995) find, large consumer samples in the United States, Japan, and France cite "expensive" as the first characteristic of luxury. De Barnier, Falcy, and Valette-Florence (2012) compare three proposed scales to assess perceptions of luxury brands (Dubois, Laurent, and Czellar 2001; Kapferer 1998; Vigneron and Johnson 1999) and find that all three agree on a same defining factor, elitism, which includes items such as expensive and very expensive.

Additional arguments also reinforce the role of price as a key dimension consumers use to evaluate luxury. Prices are expressed in monetary units, an easy-to-understand benchmark that

is common to all types of luxury goods; in contrast, few consumers are sufficiently competent to evaluate the technical quality of luxury items (e.g., who has the expertise to evaluate the quality of a Burmese ruby?). Price also is a continuous variable, in contrast with categorical classifications of luxury (e.g., number of stars for a restaurant), which makes it a more viable and precise means to assess heterogeneity across consumers. Other criteria used to identify luxury often induce high prices, such as rarity, quality materials, lengthy manual production, or uniquely qualified craftspeople. Needlessly excessive prices have long been a central argument put forward by religious and ethical critics to condemn luxury, beginning with Aristotle (1998) (see Berry 1994). Finally, price decisions have been central to the strategic downward moves by luxury suppliers, reflecting their desire to grow by expanding their customer base.

Despite this widespread agreement that expensiveness is central to consumers' perceptions of luxury, we lack any consensus about the precise price at which they think expensiveness begins, and therefore whether a specific object should be included in the luxury domain. What appears expensive for one person may not seem expensive to another. Not to speak of international differences. This study therefore does not investigate whether in principle an expensive price characterizes luxury—which has been largely supported over time by published research—but rather the precise price level, or limen, below which each consumer considers a product can no longer qualify as luxury. To our knowledge, this is the first endeavor of this kind.

In practice, we simply ask consumers what is, in their opinion, the minimum price for a luxury [watch]. We focus on this perceived lower frontier, because luxury has no upper price limit and because, as we show, the average perceived minimum price of luxury across consumers can be highly misleading. Thus, we analyze where each consumer believes luxury begins.

To analyze and model this perceived minimum price of luxury, we rely on a well-established theoretical framework: Dehaene's (1992, 2011) theory of triple number coding and the "number line," as well as its application to the perceived prices of everyday products (Dehaene and Marques 2002). Dehaene (1992, 2011) proposes that, when faced with a number, such as seeing 29 people in front of us in a line or noting a highway sign that says the next city is 29 km away, we automatically and simultaneously code these numbers in three different forms: the digital form ("29"), the verbal form ("twenty-nine" for native speakers of English), and an analog form, which appears on an internal logarithmic "number line" ("somewhere below 30"). The analog coding explains why errors, when recalling the distance left to drive or estimating the number of people in the line are distributed logarithmically, such that the standard deviation of errors is proportional to the original true value. That is, the estimated number x follows a lognormal distribution. Dehaene and Marques (2002) apply this triple coding theory to the specific case of prices. The analog coding leads them to hypothesize and verify that perceived prices for 40 common, frequently purchased products follow a lognormal distribution across consumers. This will be also our hypothesis for the threshold price of luxury.

2.3 Hypotheses

H_1: Across consumers c, the perceived minimum price P_{ck} of a luxury product k follows a lognormal distribution.

However, we expect these lognormal distributions to differ greatly between everyday and luxury products. For the former, Dehaene and Marques (2002) find limited variations around a central, modal value. In contrast, considering the evolution of the luxury market, we anticipate that the happy few and less privileged consumers should provide widely divergent answers (very high and very low, respectively), with much greater heterogeneity. We also expect many more

answers at the low end, from the less privileged, than from the high end. In addition, luxury purchases are relatively less frequent than those of familiar goods, and dispersion is greater for infrequently purchased products. Finally, the downward extension of luxury goods has created substantial variance in their actual prices, which likely has granted consumers more diverse experiences with luxury prices. Thus we expect much higher skewness for luxury products than for everyday products.

H₂: Skewness is higher for the perceived minimum price P_{ck} of a luxury product k than for the perceived price of an everyday product.

Dehaene and Marques (2002) did not analyze the correlation between the perceived prices of different everyday products by a single respondent. Because we deal with luxury, we expect within-consumer consistency: Consumers who cite high prices for some luxury items should also cite high prices for other luxury items; other consumers may cite low prices for all luxury items. Therefore:

H₃: The logarithms of the perceived minimum prices for different luxury products k are correlated across consumers c.

Finally, we need to determine the factors that lead consumers to their idiosyncratic perceptions of luxury prices. Researchers note how consumers make judgments about the prices of items they consider buying, though we find no such studies in the luxury sector. Most studies highlight the importance of reference prices, which serve as comparisons against observed prices (Blattberg, Briesch, and Fox 1995; Monroe 1973) and detail the formation, retrieval, and use of internal reference prices (Kalyanaram and Winer 1995; Niedrich, Sharma, and Wedell 2010). Different theories describe the processes consumers use to form price judgments (Niedrich, Sharma, and Wedell 2010). But whether it is Helson's (1964) adaptation-level theory or

Janiszewski and Lichtenstein's (1999) range of acceptable prices, the consensus outcome is that consumers form internal reference prices mostly on the basis of their prior purchase experience, and recent purchases have greater weight (Mazumdar, Raj, and Sinha 2005). Therefore, personal experience should be the basis of a consumer's representation of luxury prices. The experience depends on consumers' degree of immersion in luxury, including purchases or ownership (i.e., received as a gift) of luxury products. The happy few and less privileged consumers likely have had very different experiences, in terms of the number and price levels of luxury purchases, so their perceptions of these prices should differ. Two fundamental antecedents of luxury immersion may have an impact: consumers' income, which affects the feasibility of luxury purchases, and age, because all other factors being equal, experience with luxury should increase over time. Perceived minimum prices should also depend on different facets of consumer attitudes toward luxury: Do they emphasize the traditional traits of luxury based on high quality, on the hedonistic rewards it provides, or on its symbolic, conspicuous role? Finally do they criticize and reject luxury altogether?

H$_4$: The general vision of the price of luxury by each consumer c's improves with the consumer's previous experience with luxury, income, and age and depends on the consumer's attitude toward luxury.

We test these hypotheses with consumers across seven countries, such that we replicate the tests with seven independent data sets, which helps establish their reliability.

3. Data

Luxury items have different prices. To assess the personal, concrete vision that each consumer has of the abstract concept of luxury, we asked for their limit, below which the

consumer believes the product no longer can be considered a luxury product. That is, "In your opinion, what is the minimum price for a luxury product in each of the following categories?" To address our various hypotheses, we ask the question in reference to a varied set of 22 luxury products (Table 1). In accordance with the evolution of the luxury sector, this set comprises both traditional items (e.g., necklaces, watches, men's suits) and less traditional accessories (e.g., wallets, pens, key rings).

To ensure generalizability, the data set covers five large European countries with different luxury traditions (France n = 1,068; Italy n = 1,013; United Kingdom n = 1,011; Spain n = 1,006; Germany n = 1,004), the United States (n = 2,009), and Japan (n = 1,259). To include new consumer targets, the sample does not limit itself in each country to the "happy few" but instead is representative (quota sampling) of the top half of the population in terms of household income (2009 Ipsos World Luxury Tracking Survey).

The multi-client usage and attitude survey consists of a common core and six specific sections related to distinct product families, each of which comprises multiple items, for a total of more than 1,000 items. This research uses a subset of these responses. Members of the Ipsos consumer panel respond to the computer-assisted questionnaire in their homes, in their local language, and in their national currency (€, $, £, or ¥). We convert open-ended answers into €, using the exchange rate at the time. The average online survey duration is 45 minutes.

The survey relies on a series of filter questions regarding whether respondents personally own, have purchased for themselves, or have presented someone else with a luxury product in specific categories (glasses, shoes, handbag, pen, watch) or broader product families (jewelry, small leather goods, clothes). Questions about a specific product category or product family, including the focal question—"In your opinion, what is the minimum price for a luxury product

in each of the following categories?"—focus only on those respondents who fulfilled at least one of the three conditions for each relevant product category or family.

Table 1 here

We also collect demographic information and assess how many items each respondent owns, out of a set of 13 expensive items (e.g., plasma or LCD TV, portable computer worth at least 2,000€, vacation home), as well as asking questions assessing attitudes toward luxury.

4. Results

4.1 Respondents quote minimum prices for luxury

Our analysis is predicated on one preliminary condition. Has the evolution of the industry so blurred the view of luxury by individual consumers that they could no longer identify what luxury is and what it is not and could no longer specify a price frontier for this separation? The first result of this study is that most consumers are able to answer our focal question. Across the seven countries, the percentage of respondents who quote a minimum price is greater than 95.6% for 21 of the 22 categories (Table 1). The only exception is pen cases (71%), perhaps because respondents are unfamiliar with the product. We therefore exclude this outlier from our subsequent analyses. Furthermore, one country stands apart: Germany's response rate (across 21 products) is only 77%, much lower than the rates for the other six countries (all above 93%).

These results reveal that almost all respondents (a large majority in Germany) can convert the abstract and qualitative notion of luxury as expensive into a quantitative perception, manifested by specific minimum prices. We therefore proceed to test our hypotheses. However, our survey includes only a representative sample of the population above the median in terms of income and the focal question addresses only respondents who own or have purchased the product or the product family. The percentage of respondents who can quote a minimum price

might be lower for the population that earns less than the median household income or consumers without any luxury ownership or purchase experiences.

4.2 Lognormal distributions of minimum prices across consumers

According to H_1, the minimum price of a luxury product should follow a lognormal distribution across respondents. A simple visual inspection of the distributions of minimum prices supports our hypothesis. Figure 1, Panel A provides the distributions of the minimum price for a luxury watch in four countries; Panel B shows the distributions of the Napierian logarithm of the minimum price for a luxury watch in the same countries (we obtained similar histograms for all 147 cases = 21 products × 7 countries). In Panel A, the typical characteristics of extremely skewed lognormal distributions appeared for the raw prices: The highest frequency occur in the left-most bar of the histogram, observed frequencies decline constantly as the price increases, only a handful of extremely high prices arise, and skewness is far from zero (respectively, 4.08, 2.28, 3.72, 5.66). In Panel B, we find typical characteristics of Gaussian distributions for the logarithms of the prices: a symmetrical shape with the highest frequencies in the middle of the distribution and skewness close to zero (respectively, –.40, –.25, .23, .20). Furthermore, across all products and countries, extreme observations are very few (1.4% of the standardized logarithms of the minimum prices are below –2.576 or above 2.576, compared with an expected frequency of 1% in a standardized Gaussian distribution). One systematic discrepancy occurs though: Instead of smooth distributions, the histogram bars exhibit unequal heights, likely due to a well-known social norm (Nieder and Dehaene 2011). When estimating a quantity (e.g., number of member states in the United Nations), people use odd numbers (e.g., 193) to indicate an exact value and round numbers (e.g., 200) to indicate an approximate order of magnitude. In our survey, respondents mostly quote minimum prices in round numbers. For

example, 80% of the French respondents note a minimum price for a luxury watch that is an exact multiple of 100€ Thus they answer our questions with an order of magnitude for the minimum price, rather than quoting the exact price of a specific product from memory.

Figure 1 here

Two tests replicating those of Dehaene and Marques (2002) confirm that raw minimum prices for luxury products follow a lognormal distribution, supporting H_1. Their standard deviation should be proportional to their mean. A regression, across all 147 cases, of the standard deviation on the mean provides such evidence with a very high effect size. The coefficient of the explanatory variable is highly significant ($t = 24.63$), whereas the coefficient of the constant does not differ significantly from 0 ($t = -1.06$), so the standard deviation of the minimum price is proportional to its mean (adj. $R^2 = .81$). An alternative test regresses the logarithm of the standard deviation on the logarithm of the mean (adj. $R^2 = .93$). As expected, the constant is not significant ($t = -1.17$) and the slope (1.063) differs only slightly from 1 ($t = 2.54$).

4.3 Extremely skewed distributions of minimum prices for luxury across consumers

Strikingly, the shapes in Figure 1, Panel A, differ completely from the shape obtained by Dehaene and Marques (2002) for everyday products. In both cases, the distributions are lognormal, but the skewness is very much higher for the perceived price of luxury than for the perceived price of everyday products. A formal test confirms that this apparent finding, supporting H_2. Because skewness and the so-called Weber ratio (SD/Mean) are perfectly related for a lognormal distribution, we perform the test on the Weber ratio. Following Dehaene and Marques (2002), we compute this ratio for each of the 147 cases. The values range from .59 to 4.04, with a mean at 1.27, a median at 1.20, and quartiles at 1.00 and 1.50. In comparison, for everyday products, Dehaene and Marques observe values between .13 and .67, with a median at

.30. Our observation at .59 (glasses in Italy) is the only one to take a value (slightly) lower than the two highest observations by Dehaene and Marques (.67 and .61). A Wilcoxon-Mann-Whitney test rejects the hypothesis of identical distributions (t = 16.93, $p < 10^{-16}$) and provides support for H_2: The Weber ratio and skewness are higher for the minimum price of a luxury product than for the perceived price of an everyday product.

A few intuitive statistics illustrate this dispersion. Table 2 displays, for each country, the highest and lowest prices cited for watches. Their ratio varies from 200 (Italy) to 5,000 (Japan). Such heterogeneity persists even when setting aside extreme answers. For each item and each country, we identify answers at the 95th percentile (only 5% of respondents quote a higher minimum price) and the 5th percentile (only 5% of respondents quote a lower minimum price), then divide the former by the latter to evaluate heterogeneity across consumers. A higher ratio indicates stronger heterogeneity. In France for example, consumers in the 95th percentile state that a watch must cost at least 3,000€ to be considered a luxury watch, whereas consumers in the 5th percentile indicate a minimum price of only 100€, or 30 times less. The differences are even greater in the United States, where the minimum prices were $5,000 in the 95th percentile and $75 in the 5th percentile, for a ratio of 67. For watches, the average ratio over the seven country values is 37.5.

Table 2 here

Several factors explain this wide dispersion. Unlike standardized, familiar stimuli (e.g., baguette, postage stamp), our stimuli create dual abstraction, not only because luxury is an abstract concept, but we also refer abstractly to "a necklace" rather than to a specific, concrete necklace displayed in a photograph. For any luxury product, a minority of respondents may be knowledgeable about the technical costs of production (e.g., materials, design, handcrafting), but

most respondents are not. Therefore, we should expect a smaller standard deviation among the minority and a larger standard deviation among the majority. The downward extensions for new luxury have increased the proportion of the latter, in that the happy few should be more knowledgeable than less privileged consumers. Finally, although everyone agrees that luxury is expensive, personal factors such as income and wealth may lead respondents to different interpretations of expensiveness, as we detail subsequently.

4.4 Consistent minimum prices across different products

H_3 predicts that consumers should perceive correlated minimum prices for different luxury products. For a formal test, we analyze the correlations among the logarithms of perceived prices, pooling data over the seven countries. The 21×21 correlation matrix reveals significantly positive correlations in all cells. In addition, three families of products indicate especially high correlations ($>.6$) within each family: (1) small leather goods and pens; (2) jewelry and watches; and (3) clothing items, handbags, and glasses. To assess this consistency precisely, we perform a principal components analysis and compute the Cronbach's alpha for each product family and each country (Table 3).

Table 3 here

Consumers' estimates of the threshold price of luxury are highly consistent across the different products within each family, such that consumers have a consistent vision of the luxury frontier. Furthermore, the logarithms of the prices correlate well across the three families. Within each country, we compute factor scores for each of the three families, which themselves are highly correlated across families (Table 3). Consumers thus express reliable visions of the price of luxury not only within the three families but also across them.

4.5 Consumers share a consistent hierarchy of products, within and across countries

In each country, we combine the price ratios across all pairs of products to obtain a hierarchy of luxury prices for the 21 products, as we display in Table 4 as an index, such that the average over all products and countries is 100.

Table 4 here

In another paradox, in spite of very strong idiosyncratic variations, consumers worldwide share a same hierarchical vision of the minimum price for luxury. The index values for a product correlate highly across the seven countries: In a principal components analysis, the first factor (6.49) explained 92.8% of the variance; the Cronbach's alpha was .958.

An ANOVA of the logarithms of the perceived minimum prices for luxury, using products and countries as factors (n = 67,542), reveals that products explain more of the variance (36.1%, $F(20, 67395) = 2,255$) than do countries (5.78%, $F(6, 67395) = 1,203$) or the interaction between products and countries (2.32%, $F(120,67541) = 24.0$). The overall adjusted R-square equals 46.0%. Since the interaction between country and product explains only 2.32% of the variance, a combination of two main effects, for the country and for the product predicts well the average minimum price for a product in a country. The hierarchy across countries also is clear. With a base index of 100, the average index for each country is highest for Italy (153) and Japan (138), then falls through median values for France (100) and Spain (95), down to Germany (78), the United Kingdom (69), and the United States (66). This hierarchy is approximately the same for all products, with only minor deviations.

4.6 Factors affecting the perceived price of luxury by individual consumers

We develop an index to assess each consumer's general vision of the minimum price for luxury. We standardize for each product the logarithm of its perceived price, so that worldwide, it has a mean of 0 and a standard deviation of 1. The index for each respondent is equal to the

average of these standardized logarithms over all the products for which the respondent cites a price. The worldwide distribution of this index is nearly Gaussian.

Table 5 contains the results of a regression explaining this index. The minimum price is higher for consumers with a broader immersion in luxury, as indicated by the number of luxury categories he or she owns or has purchased recently (t=9.40); for consumers with higher financial means, as indicated by their income (t=8.71) and ownership of costly but non-luxury items (t=5.61); and for older consumers who, *ceteris paribus*, have benefited from more opportunities to experience luxury (t=9.89). These elements all reflected a person's accumulated experience. This trend in turn suggests a "rainbow" effect: Like a mythical pot of gold, luxury is located at the end of the rainbow. Moving closer to the rainbow makes it appear ever farther, so no one can ever reach this end. A consumer with some experience of luxury similarly may believe that the minimum price is farther away, beyond the point already reached. Luxury is dream-like, and after their purchase, luxury products often lose some of their value, which had depended on a desire for something dreamed of but not yet possessed. Drinking the best grand crus may not appear as luxurious if the experience is common, but wine drinkers still may keep alive the dream of drinking a rare, vintage bottle.

Contrary to our hypothesis though, consumer attitudes toward luxury have no significant impact on the perceived price of luxury, with one exception: Consumers who reject luxury perceive that it begins at a lower threshold price. This perception could be due to their practical ignorance of luxury goods or to a tendency to include within a luxury category (and reject) products that other consumers would not deem luxury goods. It is perhaps more meaningful to express this result in reverse: Consumers who like luxury more (reject luxury less) tend to cite higher minimum prices for luxury.

Finally, dummy variables for six of the seven countries (with France as the country of reference) indicate strong country differences.

Table 5 here

5. Discussion

5.1 Contributions to Luxury Research

Our findings indicate we should describe the highly heterogeneous vision of luxury limen expressed by consumers by a continuous distribution, rather than by a contrast between two groups, such as the "happy few" versus the "happy many," or a few groups. The distribution across respondents of the perceived minimum price for a luxury product (the limen) is an extremely skewed lognormal, with an inverted J-shape that contrasts with the relative homogeneity of internal reference prices for everyday consumer goods.

Our results illustrate, using the concrete, evaluable dimension of prices, luxury's paradox of subjectivity: a highly idiosyncratic definition of the lowest frontier of the concept, despite a nearly universally accepted name with a similar Latin root in most languages. This study's evidence bears only on perceived prices, but we predict that consumers would offer equally idiosyncratic responses when asked whether a specific object or brand represents luxury on the basis of a non-price dimension (e.g., quality of silverware in a restaurant, vehicle equipment, watch complexity).

The proper question for luxury research is no more to identify the dimensions that should be considered to define luxury. Previous research converges on those dimensions: expensiveness, high quality, excellent raw components, highly qualified craftsmanship, rarity, and so on. Rather,

the key question is where luxury begins on each dimension, because this level varies across consumers and countries.

The privileged feeling of buying luxury is no longer reserved for the privileged. Excursionists, as first described 15 years ago, buy at rare intervals, or only once, objects that belong to a traditional luxury domain (Dubois and Laurent 1998). A newer notion is the more frequent purchase of accessories, secondary brands, or lower-priced brands that advertise themselves as luxury and for which less privileged consumers perceive sincerely and rightfully they are buying luxury. This is because –beyond the brand itself and its magic aura- no legitimate authority exists to decide whether a personal definition of luxury is accurate, even if it differs from another's personal definition of luxury. Luxury is in the eye of the consumer.

Research on luxury needs to take this paradox of subjectivity into account. When collecting data from consumers, it is essential to ask respondents to answer on the basis of their own personal definition of luxury, rather than imposing a conceptual or operational definition on them. To perform luxury research, it also is necessary to analyze consumers' own perceptions, rather than insights from managers of luxury companies or marketing gurus, especially if those sources tend to propose a single, personal view of luxury.

The highly skewed distribution of perceived prices for a luxury product implies strong differences between the mean, the median, and the mode. Marketing research or decisions based solely on the mean perceived price of a luxury product in a particular country thus would be dangerous because there are very few consumers answering around this simple mean, which does not represent any "typical" or "representative" case. Indicators of dispersion are as important as indicators of central tendency such as the mean. This rule applies beyond perceived prices, to other quantitative aspects of luxury, such as the price of the last luxury item bought, total yearly

expenses in a specific luxury category, the price of the most expensive luxury item ever bought, and so on. Consumers' perception of luxury is highly structured in terms of price. The prices quoted by a single consumer for different luxury products are well correlated, indicating a consistent vision. Consumers also share a common hierarchy of luxury products, in terms of perceived prices, which remains similar across the seven countries we investigate, despite the differences in national median price perceptions. A consumer's personal perception of the price of luxury also increases with the respondent's immersion in luxury, income, possession of costly durables, and age.

5.2 Implications for luxury managers

After decades of downward extensions, we find a continuum of idiosyncratic perceptions of luxury prices, distributed along an extremely skewed lognormal distribution. Luxury managers must recognize this high diversity of potential consumers and decide which segment to target, according to the specific traits of their brand and product. Should they be ultra-exclusive or very accessible? Because luxury is a signal of a consumer's standing, in terms of purchasing power, multiple signals are needed to cover the social spectrum. For example, the prestigious jewelry brand Mauboussin has totally changed its business model to offer accessible prices to young and less privileged buyers, advertising its low prices to this target market, who may still be impressed by the reputation of the name. The brand extends its still active luxury aura over these newly accessible products. Such consumers are not the targets of Tiffany or Cartier.

Our results also show that consumers have internalized the concept of a vertical cascade of luxury products, such that they accept that diverse products belong to the luxury domain at different price levels. Dresses are less expensive than necklaces, handbags are less than dresses, shoes are less than handbags, and pens cost less than shoes, but all of them can belong to a

luxury domain, and the hierarchy of perceived minimum prices for these products is consistent across consumers and countries. This hierarchy makes it possible for brands to develop, under the same name, a portfolio of products at widely different price levels but which consumers still consider consistent with one another and with the brand (e.g., eyewear line from Chanel selling for 350€). It also allows consumers to access products that correspond to their means and motivation and, for some of them, to follow a series of steps for penetrating the luxury realm, according to a sort of *cursus luxuriae*.

Typically, as consumers age and earn more, their perceived threshold of luxury increases. However, we speculate that during economic crises or personal financial difficulties, the threshold may shift downward (e.g., "for me today, shoes for €200 are already a luxury"). The Tokyo office workers who carry luxury handbags might live with their parents and thus enjoy a relatively high threshold, whereas if they were to move into their own apartments, that threshold should decrease markedly.

Although the hierarchy of luxury products in terms of prices is similar across countries, the median level differs, from the high of Italy (153) to the low of the United States (66). These vast differences across countries create a managerial problem: A luxury clientele likely travels a lot and can compare prices in different countries for identical items. To resolve this concern, Hermès stocks only about 8,000 of its products in each store, even though its product portfolio includes almost 50,000 items. All Hermès stores share the same atmosphere, but their assortments differ widely. This tactic reflects an understanding that for the same luxury brand, the price of an access product differs, from 2,000€ in Paris to 4,000€ in Dubai.

5.3 *Limitations and Further Research*

We investigate the minimum perceived price in a category, without mentioning a brand. It could be interesting to investigate possible interactions between the minimum price and brands. A product from a highly prestigious brand could still be perceived as luxury in spite of a lower price while a little known brand could need a higher price to be considered as luxury.

We analyze consumer perceptions in seven developed countries. Extending our research to emerging countries such as Brazil, India, or the United Arab Emirates would be interesting. However, the lesser penetration of luxury in those countries might suggest the need to survey a smaller fraction of the population, such as the top 10% or 5% in terms of income.

The heterogeneity of prices on the supply side also could be invoked to explain the heterogeneity of price perceptions by consumers, such that perceptions of minimum prices of luxury simply mirror the varied prices offered by luxury brands. However, an empirical analysis of this link is logically impossible. To create a database of actual luxury prices for each of the 21 products, we would need a list of luxury brands selling those products, which creates a circular reasoning trap: Who would decide which brands are luxury brands and which are not? Different consumers would provide different answers, because a brand regarded as a luxury by one might not be by another. Again, luxury is a subjective category, and consumers' perceptions are key.

Noting the hierarchy of prices among the 21 products we study, it would be interesting to study over time how the portfolio of products of a specific brand, the prices at which they are sold, and the variance of those prices influence the luxury image of the brand. Is there a long-run impact of selling too many lower priced accessories or of introducing a second-level brand? What impact would selling products at relatively high (low) prices, compared with the products in the brand's portfolio, have? What is the impact of consistent prices for all the products it offers rather than discrepancies across products? Is there an impact of offering, in a specific

product category, a broad versus a narrow range of prices, such as handbags that are all about the

same or very different prices? In this case, what is the impact of the most expensive handbag?

The least expensive handbag?

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Table 1

PERCENTAGE OF RESPONDENTS QUOTING A MINIMUM PRICE FOR LUXURY

By product category, data pooled over seven countries					
Product	**Percentage**	**Product**	**Percentage**	**Product**	**Percentage**
Handbag	98.0%	Pendant	97.1%	Purse	96.4%
Men shoes	97.9%	Women jackets	97.1%	Tie clip	96.2%
Glasses	97.8%	Earrings	97.1%	Diary	96.0%
Women shoes	97.5%	Bracelet	96.8%	Card holder	96.0%
Men suits	97.5%	Wallet	96.8%	Key ring	95.6%
Watch	97.4%	Necklace	96.8%		
Pen	97.2%	Cufflinks	96.7%		
Dress	97.2%	Ring	96.4%	Pen case	71.3%

By country, data pooled over 21 product categories							
Country	USA	UK	Spain	France	Japan	Italy	Germany
Percentage	94.8%	94.7%	94.7%	94.0%	93.9%	93.1%	77.2%

Table 2

MEASURING HETEROGENEITY ACROSS RESPONDENTS

Dispersion across respondents for minimum price of luxury watches							
	USA	**Germany**	**UK**	**Japan**	**France**	**Spain**	**Italy**
Lowest answer	7.41€	20€	14.90€	6.02€	10€	10€	50€
Highest answer	7,407€	8,000€	7,450€	30,120€	10,000€	10,000€	10,000€
5th percentile	53.7€	100€	74.5€	180.72€	100€	100€	200€
95th percentile	3,704€	3,500€	2,682€	6,024€	3,000€	3,000€	5,000€
Ratio 95th percentile/5th percentile	69.0	35	36	33.3	30	30	25

Ratios of 95th percentile over 5th percentile					
Product	Ratio	Product	Ratio	Product	Ratio
Necklace	54.5	Tie clip	34.8	Wallet	13.7
Ring	47.3	Pen	23.9	Handbag	13.3
Pendant	42.5	Diary	19.7	Women jackets	12.0
Bracelet	41.5	Key ring	15.9	Men suits	11.4
Earrings	41.2	Dress	15.3	Glasses	9.3
Watch	37.5	Purse	15.3	Women shoes	8.2
Cufflinks	36.9	Card holder	14.8	Men shoes	7.3

Notes: Data pooled across seven countries.

Table 3

HIGH CONSISTENCY OF MINIMUM PRICES

Within Product Families					
Leather Goods		Jewelry		Clothing	
Percentage of Variance from First Component	Cronbach's Alpha	Percentage of Variance from First Component	Cronbach's Alpha	Percentage of Variance from First Component	Cronbach's Alpha
France	75.5%	.94	82.4%	.97	73.9%	.94
UK	71.9%	.93	79.8%	.96	75.2%	.94
Italy	73.7%	.94	78.4%	.96	74.7%	.93
Spain	77.4%	.95	86.2%	.98	74.7%	.94
Germany	70.7%	.93	80.1%	.96	72.1%	.93
USA	78.4%	.95	72.7%	.95	75.5%	.94
Japan	68.0%	.92	75.8%	.95	68.4%	.92

Correlations of Minimum Prices across Product Families			
	Clothing–Jewelry	Clothing–Leather	Jewelry–Leather
France	.65	.58	.62
UK	.47	.32	.57
Italy	.70	.62	.57
Spain	.70	.61	.60
Germany	.72	.70	.66
USA	.78	.71	.57
Japan	.65	.52	.49

Table 4

HIERARCHY OF PRODUCTS: AVERAGE MINIMUM LUXURY PRICES
FOR PRODUCTS AND COUNTRIES

Product	Average over Countries	Italy	Japan	France	Spain	Germany	UK	USA
Ring	260	360	428	259	162	154	233	222
Necklace	255	546	296	245	207	195	149	149
Watch	231	362	392	182	191	214	138	135
Bracelet	166	302	182	187	165	111	101	115
Men's suits	144	182	181	142	142	130	121	111
Pendant	140	155	215	155	156	95	100	102
Earrings	131	246	142	135	148	88	74	87
Dress	119	144	219	101	126	98	71	71
Women's jackets	101	179	122	93	92	90	67	65
Cuff links	93	166	115	96	112	57	53	53
Handbags	80	87	153	78	71	66	56	51
Glasses	66	53	87	64	53	87	69	50
Tie clip	66	111	88	68	79	42	35	36
Men shoes	54	65	58	70	52	53	47	36
Women shoes	54	65	59	65	52	55	49	35
Pen	36	54	32	40	46	34	29	17
Wallet	30	36	50	36	36	19	20	16
Purse	21	23	24	24	28	22	14	10
Diary	19	26	22	24	29	13	12	10
Card holder	18	18	25	25	23	13	13	10
Key ring	15	23	19	16	20	10	8	8
Average	**100**	153	138	100	95	78	69	66

Notes: The hierarchy is based on a value of 100 for all products and countries.

Table 5

DETERMINANTS OF EACH RESPONDENT'S MINIMUM PRICE FOR LUXURY

| Variable	Standardized Beta	t
Age	.115	9.89
Gender	.008	.71
Ln(income)	.111	8.71
Immersion in luxury	.127	9.40
Possession of durables	.080	5.61
Hedonic view of luxury	.026	1.75
Traditional view of luxury	-.007	-.49
Conspicuous view of luxury	.016	1.07
Rejection of luxury	-.059	-4.70
Japan	.129	8.03
Italy	.083	5.25
Spain	.049	3.25
Germany	-.037	-2.59
UK	-.141	-8.95
US	-.255	-15.45
Constant		-14.08

Notes: The data were pooled over all countries.

adj. R^2 = .200

$F(15, 6431) = 108.58$

$p < 10^{-300}$

Figure 1
DISTRIBUTIONS OF MINIMUM PRICES FOR LUXURY WATCHES
(FRANCE, GERMANY, USA, JAPAN)

a. Raw Prices: Highly Skewed, Prevalence of Low Values
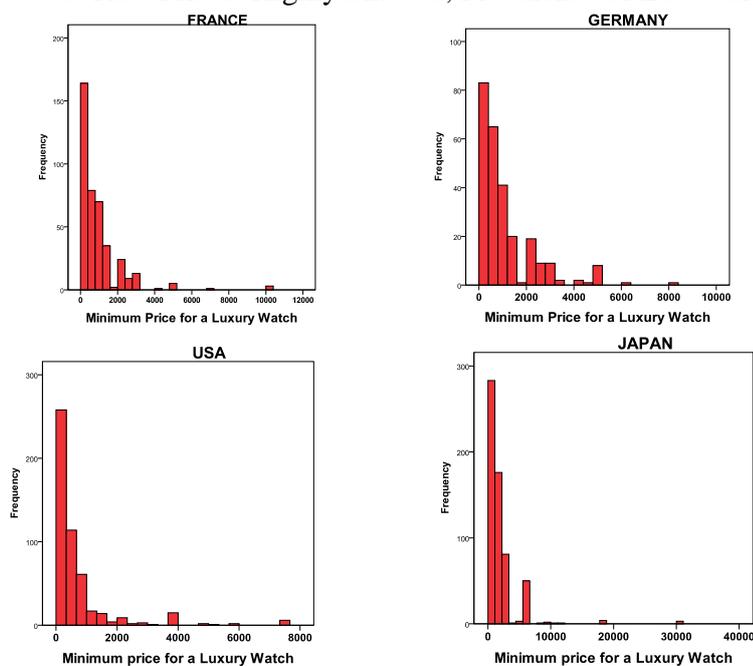
b. Napierian Logarithm of Prices: Gaussian with Concentrations on Round Prices