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EUROPEAN LUXURY BRANDS MADE IN CHINA

**The effect of low-cost country manufacturing on brand image
and purchase decisions**

Master's Thesis
in International Business

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1 INTRODUCTION

1.1 European luxury brands "Made in China"

European luxury brands have an image of manufacturing their products within the European borders. As luxury brands are known for their expensive pricing, it has always been told to be partly due to them being handmade by European artisans (Thomas 2007). The reality, however, is that for some time already, several luxury brands have seen the Chinese potential in manufacturing, and have decided to outsource a part or all of their production to Asia. This used to be the strategy of mass brands with lower prices, but now the phenomenon has reached luxury brands, as well.

Several luxury companies have outsourced their production to countries such as China to remain competitive and lower costs. According to Galloni et al. (2005), some luxury brands have moved the production of even their most exclusive lines to low cost countries. Before, it was mainly the cheaper brands of these companies that manufactured outside their home country, such as Emporio Armani and Armani Exchange of the Giorgio Armani fashion house (Armani and China 2011). Lately the situation has changed, however, and even the most expensive brands are partly manufactured in China (Agin 2005).

The interesting question in this phenomenon is, *what the effects are of "Made in China" on a luxury brand's image, and whether consumers will continue to buy luxury brands despite being "Made in China"*. Chinese manufacturing is commonly perceived as bad quality, and one of the main attributes of luxury is premium quality. China is associated with several other questionable issues, as well, such as bad labour and human rights, low cost production, mass products, and counterfeits. These are all issues that luxury companies should financially be able to control and avoid. However, if the consumers do not mind, it does not matter. This thesis focuses on explaining the phenomenon in more detail first in the theoretical framework, and then with the help of an empirical research.

This thesis is relevant for the management teams of luxury fashion brands. The topic is highly interesting, as nowadays many luxury fashion brands have to deal with increased manufacturing costs in their current locations in Europe. China is among many of the possible, and already existing, outsourcing locations. As this is a hot topic for the management teams when searching ways to remain competitive, it is essential to know what kind of effects an outsourcing strategy might have on consumers' brand perceptions and buying behaviour. This thesis focuses solely on Finnish women as luxury brand consumers.

The main research question of this study is: *What are the effects of European luxury fashion brands manufacturing in China on brand image and purchase decisions?* To find an answer to this main problem, there is a need for clarifying sub-questions that need to be answered:

- What is luxury?
- What kind of an image do luxury brands enjoy?
- What are the motives for buying luxury brands?
- Does the country-of-manufacture/country-of-origin of luxury brands affect their image and/or purchase behaviour?
- Can Chinese manufacturing be associated with luxury? Does it have any effect on the image and/or purchase behaviour?

1.2 Research focus

Luxury is an 800 billion dollar business globally. The luxury business includes seven categories altogether – personal luxury goods, luxury cars, luxury wines & spirits, luxury hotellerie, luxury food, design furniture, and luxury yachts. (Bain & Altagamma 2013.) The focus of this thesis is on the category of personal luxury goods, which accounts for roughly 27 per cent (217B€) of the whole industry. Personal luxury goods include five categories: 1) accessories, 2) apparel, 3) beauty, and 4) hard luxury (jewellery & watches). (Bain & Altagamma 2013.) More precisely, this thesis is concentrated on accessories, apparel, and hard luxury. The reason why the category of beauty is not included is, because the products belonging to this category tend to be more accessible than products included in the other categories mentioned. Also, the category is clearly different than the other three for its physical characteristics. The three other categories (accessories, apparel & hard luxury) can easily be discussed in the same context.

The thesis is concentrated on the European luxury market, because of the long traditions and history in the luxury industry. In addition, Europe still remains an important player in the global personal luxury goods market with a share of 34 per cent, which is the biggest share in the industry (Bain & Altagamma 2013). The main focus is on big European luxury brands such as LVMH (Louis Vuitton-Moët Hennessy), Gucci, Cartier, Chanel, Hermés, Christian Dior, Prada, Armani, Versace, and Dolce & Gabbana.

In this thesis, the main focus is on the outsourcing of European luxury brands to China in particular, as it is a familiar manufacturing location for many. The study, however, does not try to suggest that all of the brands mentioned above have outsourced their production to China, but the theories and interviews are based on these sorts of luxury brands. At least Hermés and Chanel are among those who still maintain control over

their manufacturing, and the “Made in France” label (Chevalier & Mazzalovo 2008, 357).

As this thesis is limited in length and resources, the empirical research concentrated on Finnish women in three luxury consumption categories. Finnish women were chosen as the focus group, as the research is implemented in Finland and in Helsinki in particular. The chosen participants were all somewhat acquaintances of the researcher, to avoid performing too long of a background research prior to implementing the study.

1.3 The selection of research material

Group interviews were chosen as a method for collecting research material. The research was done on a focus group basis. The chosen focus group was Finnish females in general, who have bought or have thought of buying a luxury product. Three comparable groups were chosen for the research: 1) university students, 2) young career women, and finally 3) experienced luxury consumers (40+ years-old). These separate groups were identified as the researcher found that there might be a difference in the opinions when there are: some who are only planning to buy luxury products; some who have only started purchasing them; and some who have longer experience on the subject. It is interesting to see whether there are differences between these groups in how they perceive the topic at hand. Also, according to Danzinger (2005, 15), the two generations that are apt to have the strongest and longest impact on the luxury market are the baby boomers (born between 1946–1964) and the millenials (born after 1977). The interview component of this thesis includes one participant in the experienced luxury consumers group who was born after 1964 while the other two groups included women born from 1983 and onwards; so this distinction is not accurate. The baby boomers and the millenials act only as a guideline for the chosen interviewees. The millenials are an interesting focus group as they tend to marry later than their parents did, so they have more time to spend on themselves and appeal to their self-expressive side before having to share their salary with family members. Then again, the baby boomers are, in fact, the main target for luxury marketers still for another ten to fifteen years. (Danzinger 2005, 16.) This study focuses on the female gender, as they are more likely to have a positive attitude towards buying luxury brands than men, and can be considered an important target group of any research on luxury brands. Women seem to be more interested in the uniqueness, hedonism, and status value of luxury products. (Stokburger-Sauer & Teichmann 2013, 895.)

1.4 Implementation of the study

This study focused on *how Finnish female consumers feel about a European luxury brand manufacturing its products in China – is the brand image affected? And does it affect their purchase decisions?* In more detail, the focus is on Finnish females who have bought or have thought of buying a luxury product. There were three focus groups: female business students, 25–30 year-old women with a promising career, and 40+ women with a longer experience of luxury brands. Helsinki is the main area where luxury brands can be purchased in Finland, the interviewees were therefore mostly women based in Helsinki with the opportunity to buy luxury brands in their home city. The criterion for being appropriate for the interviews was that the interviewee must be of Finnish nationality with a current or future possibility to buy luxury brands.

The focus groups were chosen as they represent three different phases of luxury consumption. First of all, the business students and the young career women are at a stage, where they are getting familiar with luxury brands, and slowly having the chance to buy them. Young consumers are at a point where they try out different brands, and slowly discover which ones reflect their self-image the best. Luxury brands should, therefore, focus on attracting these young consumers, which may well become their loyal customers for a lifetime. (Kim et al. 1998.) The reason why these two groups (business students and career-oriented 25–30 year-olds) are separated is because, before having the chance to buy luxury brands, one's opinion might be different from when one has the actual financial opportunity to buy them. Business students were seen to be an interesting group, as they are generally rather brand-conscious, and they will most likely have the means to buy luxury brands later in their life. Even though it is not actually only the wealthiest that buy luxury products, they are still the biggest consumers as they have the ability to buy luxury more frequently (Husic 2009, 242). The average monthly wage of a Master of Science in economics is 5469 euro (Sefe 2013). Thus, higher education business graduates can be seen to be wealthy on average if compared with the average Finnish monthly salary of 3111 euro (Tilastokeskus.) Also, the career-oriented women were all with a higher-level education due to these same reasons. The older age group of 40 + year old women was chosen as they are already rather routinized in their consumption behaviours, and have seen the development of the luxury sector for a longer period of time. These three groups were seen as likely to have some differences in their opinions.

The study was performed as a qualitative research. The chosen research method was focus group research. The data collecting method was group interviews. The structure of these interviews was open – there was no strict structure in which the topics were discussed, the interviewees were let to be more active in the discussion. The rationale for choosing group interviews as a research method was to create a relaxed setting in which

the interviewees were able to discuss the topic with each other. They could give ideas to each other, rather than having the interviewer influence the answers too much. The research method of this thesis is further discussed and justified in chapter three.

The interviewees were contacted through Facebook, as it is a good method for organising events. The interviewees were sent an invitation in which they could choose an appropriate time for their interviews. The interviews were recorded, and later transcribed. The interviews were performed in Finnish, so the transcriptions are also in Finnish. When describing and analysing the interviews, they were translated into English. This might have, thus, caused some inaccuracy in the results. However, the inaccuracy of the mentioned translation of the interviews was not significant since the comments and opinions were not supposed to be analysed word to word – it was enough to have a general understanding on the opinions of the interviewees.

1.5 Relevance of the study

The main reason for implementing this study is that we need better understanding of *how consumers perceive luxury brand manufacturing in China*. The topic has great novelty value as it is only during recent years that even luxury brands have started to outsource their production to China. It would also seem that this trend is on the rise. As the competition continues to increase, there are certain measures that luxury brands need to take in order to remain profitable. Manufacturing in China is one of them, but it may come at the cost of losing clients and reputation. A luxury brand may even lose its luxury status.

This study *examines whether Finnish female consumers are interested in where luxury products are manufactured, and if the manufacturing location has an impact on the perceived brand image and/ or purchasing decisions of such products*. For luxury brands it would be of great interest to know how their customers react to the decision of outsourcing production to countries with bad reputation in manufacturing such as China. Luxury companies could use the information provided in this research as a part of their strategic work when making decisions on manufacturing locations. This research may be too limited in the number of participants and nationalities represented to be properly implemented in the decisions of big luxury brands, however, this research gives way to further studies concerning the topic, as well as providing an insight into the luxury brand market in Finland.

1.6 The structure of the thesis

The first part of this thesis focuses on the theoretical framework. The theoretical framework is divided into two main chapters: 1) the concept of luxury brands (chapter 2) and 2) European luxury brands “Made in China” (chapter 3). The chapter conceptualising luxury brands (chapter 2) begins with explaining the term luxury, which is followed by a thorough definition of the luxury business, luxury brands, and luxury consumption. The chapter is divided into four main themes: 1) luxury (2.1), 2) the luxury business (2.2), 3) luxury brands (2.3), and 4) luxury consumption (2.4). This chapter gives us a good background for understanding the main topic of the thesis, and discusses the first three sub-questions: *what is luxury? What kind of an image do luxury brands enjoy? And what are the motives for buying luxury brands?*

The second theory chapter focuses on European luxury brands “Made in China”, which brings us closer to the main theme of the thesis. The chapter is divided into three sub-chapters: 1) country-of-origin (3.1), 2) country-of-manufacture of luxury brands (3.2), and 3) luxury brands “Made in China” (3.3). This chapter is focused on the last two sub-questions: *does the country-of-manufacture/country-of-origin of luxury brands affect their image and/or purchase behaviour? And can Chinese manufacturing be associated with luxury? Does it have any effect on the image and/or purchase behaviour?*

The chapter four of this thesis discusses and justifies the chosen research methods. Focus group research was chosen as the appropriate research method, which is a common method in qualitative research. The data collecting method in this thesis was group interviews.

The fifth chapter introduces the empirical research of this thesis. The purpose of the thesis was to get a deeper understanding on the opinions and views the chosen interviewees have on luxury brands, luxury purchase decisions, and luxury ”Made in China”. The empirical part consists of ten interviews with a total of 29 participants in three group categories: the university students (5.1), the young career women (5.2), and the experienced luxury consumers (5.3). The findings are then analysed and compared with each other (5.4). The empirical part is based on the theoretical framework, and brings further insight into all the sub-questions presented. The focus of the empirical part is, however, more on the last two sub-questions concerning the role of the country-of-manufacture of luxury brands on their purchase behaviour and the how a luxury brand image is affected by being “Made in China”.

The sixth chapter is, naturally, focused on the conclusions of this thesis including theoretical implications (6.1), managerial implications (6.2), and the limitations of the research (6.3). After the conclusions chapter (6), a summary chapter (7) follows and finalises the thesis.

The presented sub-questions are a crucial framework all through the thesis. The theory first discusses them in the presented order, and they act as a base for the empirical part as well. Conclusions are then finally made by combining the theoretical framework with the empirical research (see Figure 1.)

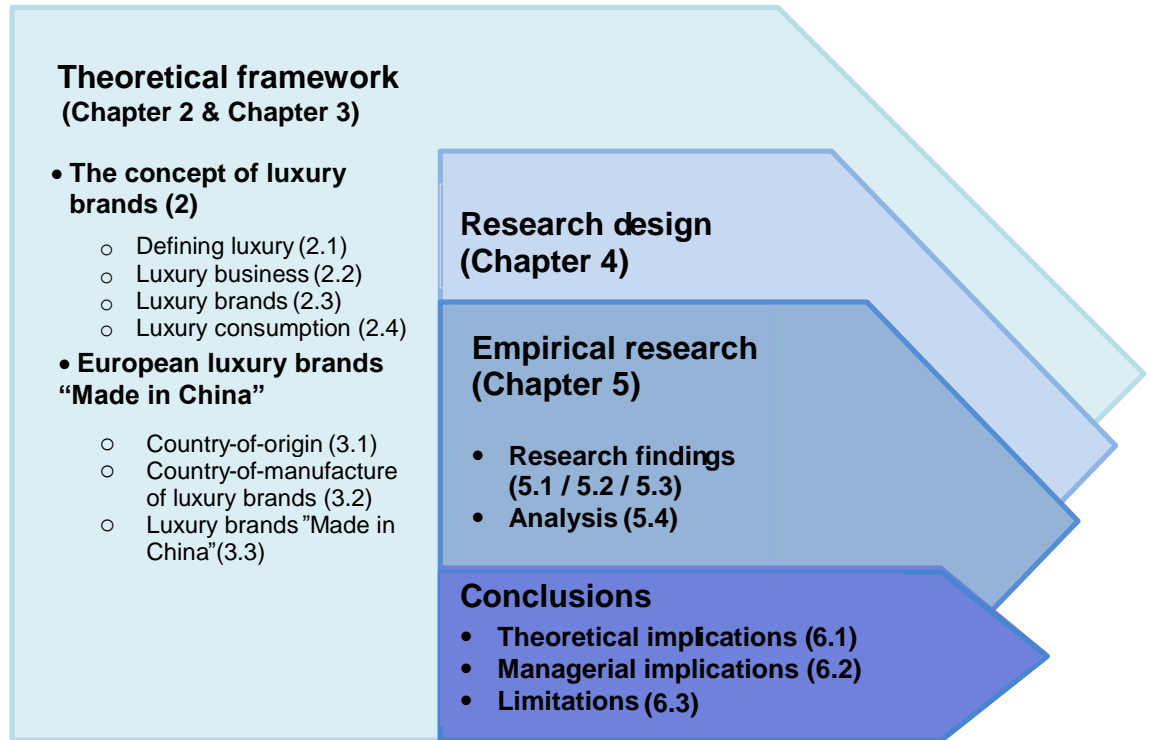


Figure 1 **Structure of the thesis**

2 THE CONCEPT OF LUXURY BRANDS

The theoretical framework of this thesis begins with this chapter, which is focused on discussing the luxury brands and the industry in all its aspects. To begin with, the term luxury is defined in detail. The next sub-chapter discusses the luxury business, from where it is logical to move onto explaining what luxury brands are. The last sub-chapter concerning the luxury industry focuses on luxury consumption. As this thesis is concentrated on understanding the role of country-of-manufacture on the brand image and purchase intentions of consumers, it is clearly very important to have a full comprehension why consumers buy luxury goods in the first place.

2.1 Defining luxury

The word “luxury” derives from the Latin word “luxuria”, which stands for excess or extras of life (Danziger 2005, 17). Danziger (2005, 17) sees luxury as the opposite of necessity. Okonkwo (2009, 288) describes luxury as a dream. Jackson (2004, 157) defines luxury as exclusive, and the owning of a luxury product is seen as drawing attention. Kapferer and Bastien (2009, 314) argue that luxury should include a component that brings personal enjoyment to the consumer, without this aspect the product is no longer a luxury. Luxury goes beyond the actual material possession. It is more of a concept, which differs according to the social context. Luxury is difficult to define, as it has different meanings to different individuals. (Berthon et al. 2009, 47.) The perception of luxury differs according to who perceives it. The mythologies of luxury may be very much different between individual consumers or groups of consumers. What might be one consumer’s luxury may be considered as ordinary to another. (Roper et al. 2013, 393.)

Luxury used to be a product of amazing craftsmen, and the value of luxury was mainly in its functionality. The main focus of luxury was the actual product and its durability. (Berthon et al. 2009, 50.) Only the very best products with extraordinary attributes, features, and quality deserved to be called luxury. Nowadays luxury is more the experience of luxury rather than the product itself being extraordinary. (Danziger 2005, 19.)

According to Berthon et al. (2009, 47), luxury is a combination of material, social, and individual perceptions and beliefs. These dimensions are also known as the *experiential value*, *symbolic value*, and *functional value* (see Figure 2). (Berthon et al. 2009, 47.)

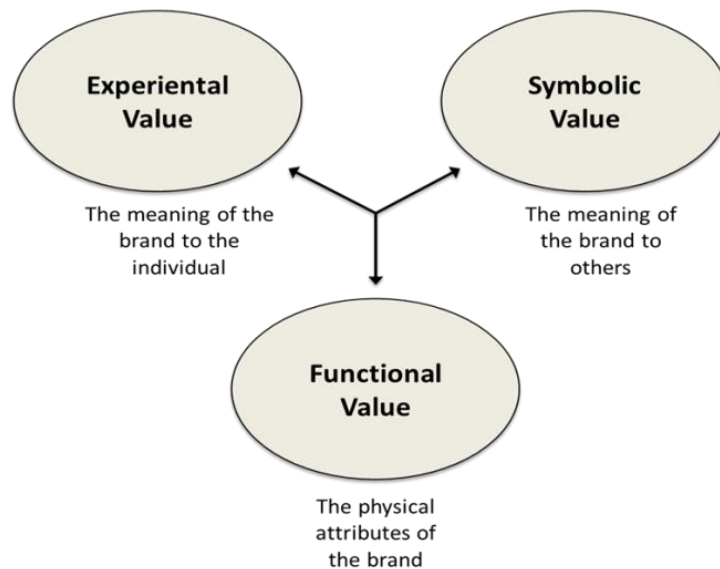


Figure 2 Three dimensions of luxury (Berthon et al. 2009, 48.)

Traditionally, *functionality* or the objective material aspect has been an important dimension of luxury. It was above all *something extraordinary in how it performed* rather than what it stood for socially. In the past, luxury brands made exceptionally good products, such as the Louis Vuitton trunks, or Christian Dior clothes. (Berthon et al. 2009, 48.)

The *experiential* dimension refers to the *individual subjective* value luxury brings to the individual; how the individual feels about luxury - the personal joy provided by a luxury item. The owner gets personal satisfaction from owning something luxurious (Berthon et al. 2009, 48.)

The *symbolic* dimension is the *social collective* aspect of luxury. The value of luxury is what it signals to other people, and the value of that signal to the owner of the luxury item. The symbolic dimension is the social joy provided by the luxury item. The symbolic dimension is a combination of a narrative, myth, or a dream world. (Berthon et al. 2009, 48.)

2.2 Luxury business

2.2.1 The size and characteristics of luxury business

Luxury is a business that was worth 800 billion euro in 2013. The business is made of seven categories: personal luxury goods, luxury cars, luxury hotellerie, luxury wines & spirits, luxury food, design furniture, and luxury yachts. The biggest luxury business is

luxury cars with a total worth of 319 billion euro, up second is the category of personal luxury goods with a market of 217 billion euro. *Personal luxury goods* include four main categories: *accessories*, *apparel*, *beauty*, and *hard luxury* (watches and jewellery). As this thesis is concentrated on luxury fashion, the main focus is on accessories, apparel, and hard luxury. These three categories accounted for 76 per cent of the total personal luxury goods market worth around 165 billion euro. The personal luxury goods market has been growing for the past twenty years, but recently the growth has slowed down to an annual growth of 2 per cent. (Bain & Altagamma 2013.)

Europe has traditionally been seen as the home for luxury. More precisely, Italy and France are the dominant countries with the most luxury brands; they control 80 per cent of the whole ready-to-wear market (Chevalier & Mazzalovo 2008, 22). Italy is strong in the luxury fashion sector and France in the perfumes sector (Chevalier & Mazzalovo 2008, 23). France and Italy are both commonly known for their craftsmanship in cloth and leather manufacturing (Jackson 2004, 161). Europe is also an important market for luxury products (Yeoman 2007, 287), however, China has now grown to being the most important consumer segment for the industry. They buy almost 30 per cent of all luxury products. (Sun 2013.)

The most valuable luxury brands in 2013 were Louis Vuitton, Hèrmes, Gucci, Prada, Rolex, Chanel, Cartier, Burberry, Fendi, and Coach (Miller 2013, 141). The biggest luxury brand group is the LVMH (Louis Vuitton Moët Hennessy) with annual sales of 15 billion euro, 50 brands, and 400 Louis Vuitton stores around the world (Chevalier & Mazzalovo 2008, 2–3). The LVMH has luxury brands in wines, spirits, perfumes, cosmetics, watches, jewellery, retailing, and their most profitable business: leather and fashion goods (Ashok 2005, 69). The luxury business is, not only profitable, but also growing (Sun 2013).

In general luxury companies are relatively small, but possess a strong position in the minds of consumers (Chevalier & Mazzalovo 2008, 2). Luxury may be a risky business for smaller players, but those who are doing well, are extremely successful (Chevalier & Mazzalovo 2008, 9). There are a lot of luxury brands that keep on losing money, but in the long run the effects are rather small, as the brand value is high, and other brands within the same group compensate for the losses. Luxury brands have high brand value, and this is one of the reasons why luxury brands have a lot of capacity to grow through extending the brand. (Chevalier & Mazzalovo 2008, 6.) The revenues of many luxury companies are, in fact, nowadays mostly based on their logo-typed accessories or the cheaper second lines manufactured in larger volumes (Kapferer 2012, 455).

Caniato et al. (2011, 628) recognise four different clusters of luxury companies and their present supply chain configuration and management practices. These clusters are: *large firms with fashionable products*, *large firms with non-fashionable products*, and *small firms with fashionable products* (See Figure 3).

HIGH VOLUMES	<p>Large firms</p> <ul style="list-style-type: none"> ✦ Fashionable products ✦ Symbolic brand reputation ✦ Critical success factors: brand, premium quality, style & design, COO, craftsmanship, emotional aspect ✦ Controlled SC and distribution 	
LOW VOLUMES	<p>Small firms</p> <ul style="list-style-type: none"> ✦ Fashionable products ✦ Technical brand reputation ✦ Critical success factors: premium quality, COO, craftsmanship ✦ Controlled SC ✦ Distribution through official retailers 	<p>Large firms</p> <ul style="list-style-type: none"> ✦ Non-fashionable products ✦ Technical/symbolic brand reputation ✦ Critical success factors: lifestyle, exclusivity, emotional appeal, performances & innovation, style & design ✦ Longterm outsourcing relationships ✦ Distribution: multi-brand dealers, mono-brand DOS

Figure 3 Clusters of luxury brands (Developed from Caniato et al. 2011, 628–629).

First of all, there are the *large firms with fashionable products* and a symbolic brand reputation. These companies typically have low complexity of products, but high sales volumes. The critical success factors of such luxury companies are brand, premium quality, style and design, *COO*, craftsmanship, and the emotional aspect linked to them. They usually control their outsourcing, and have long-term relationships with their subcontractors. The supply channel is controlled, and they have monobrand stores. (Caniato et al. 2011, 628–629.)

Another cluster of luxury companies is made of *small firms with fashionable products* that have a technical brand reputation. Their products are low in complexity, and are sold in low volumes. Their critical success factors are premium quality, *COO*, and craftsmanship. Their manufacturing is based on hand making, and small national outsourcers. They tend to control their outsourcing, and have long term relationships. Their distribution is through official retailers. (Caniato et al. 2011, 628–629.)

The third cluster recognised is *large firms with non-fashionable products*. They have technical and/or symbolic brand reputation. Their products are usually high in product complexity, and low in volume. Their critical success factors are lifestyle, exclusivity, emotional appeal, performances and innovation, as well as style and design. They tend

to have long term outsourcing relationships. Their distribution is through directly operated stores and multibrand leaders. (Caniato et al. 2011, 628–629.)

2.2.2 *Luxury branding and marketing*

No more than twenty years ago, a luxury brand still needed to have full control over their manufacturing and retailing processes to gain success. Typical elements of the complete luxury brand concept have for long been flagship stores combined with strictly controlled retail and wholesale distribution (Moore & Birtwistle 2005, 268). Today, however, the focus has shifted more towards brand management (Jackson 2004, 165). Brand management is crucial in order to maintain profitability. Many of these brands have been built over several years, but the destroying of them can happen a lot faster. (Sun 2013.)

Marketers of luxury brands are, above all, constructing a dream world around their brand (Berthon et al. 2009, 50). In other words this means that instead of focusing on controlling the production of luxury products, all the time more is invested in creating a positive brand image. Brand image for luxury brands is extremely important, as consumers have high expectations for them (Keller 2009, 292). Brun et al. (2008, 568) argue that operational issues are still important for luxury brands for building and supporting their brands. Supply chain control and management decisions can, even today, have an impact on critical success factors of luxury brands. As the brand is the greatest asset of these companies, having a stable management with a long-term perspective is vital (Sun 2013). Cost reductions through looser supply chain control and outsourcing to low cost countries are usually made with a short-term profits vision. These decisions can, thus, in the case of the worst scenario, even destroy a brand.

An important part of creating a better brand image is marketing. Having a premium price is a determinative attribute of the positioning of luxury brands. Also, having iconic products and globally recognised symbols and, most importantly, having them recognised, are important for luxury fashion brands. It is most often these iconic and recognisable products that provide the companies with an essential source of income. (Moore & Birtwistle 2005, 268.) Being recognised also by others than the actual clients is essential. The brand, its products, and prices should be known by many, but available to only a few (Kapferer 2012, 458). Luxury brands tend to use celebrities, prestigious events or desirable country-of-origin associations to help strengthen their image (Keller 2009, 292).

Kapferer (2012, 457) presents a luxury business model that has been developed by dominant luxury brands, such as Chanel, Louis Vuitton, Gucci, Hèrmes, Ferrari, and Rolex. The business model is based on six rules: 1) *do not delocalize*, 2) *do not adver-*

tise to sell, 3) do not license, 4) maintain control over value chain, 5) increase prices annually, 6) communicate beyond target group, and 7) build one-on-one relationships with customers (see Figure 4).

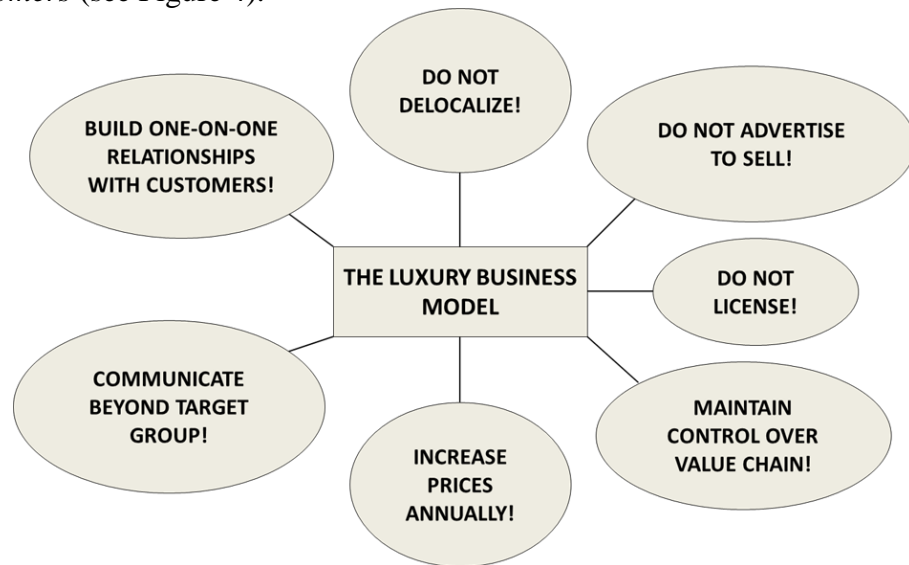


Figure 4 The luxury business model (Developed from Kapferer 2012, 457.)

The first part of the model states that a luxury brand should not delocalize its production, as they act as the ambassador of their local culture and way of life. Secondly, luxury companies should avoid advertising for selling more. The main idea of luxury brands is to communicate a dream, which does not correlate with short-term objectives and sales increases. Licensing is another factor that is forbidden for luxury brands, because it increases the risk of consumers facing with bad experience due to the loss of control. In addition, maintaining complete control of the value chain, from the ingredients to the actual purchasing experience, is essential to provide a luxury experience. Luxury brands should make sure that their prices are constantly on the rise, because there are always a certain number of newly rich consumers willing to pay and dream of the brands. Luxury businesses should also communicate to consumers they are not targeting, as the value of a luxury product is partly due to the recognition of people who do not own such a product. When it comes to actual clients, luxury brands should build one-on-one relationships, as luxury means that all customers are VIPs. (Kapferer 2012, 457.)

2.3 Luxury brands

2.3.1 Brands and brand image

A *brand* is a set of characteristics that go beyond the product. A product is made of scope, attributes, quality and value, as well as its use. A brand, then again, is the combination of the product, users of the brand, country-of-origin, associations linked with the company, brand personality, symbols, brand-customer relationships, emotional benefits, and self-expressive benefits. (Aaker 2010, 73.) A brand is, thus, a distinctive and recognisable name or symbol, which has some meaning and value for its customers (Jackson 2004, 159). The signs of a brand should be recognisable, expressive, and easy to recall (Chevalier & Mazzalovo 2008, 107). Their original idea in fact was to separate the products of one producer from those of others (Keller 2003, 3). A brand represents the sentiments and perceptions that consumers have of a product and how it performs. In short, brands can be described as everything a product or a service represents to a consumer. (Armstrong & Kotler 2005, 241.) They can be seen as a base for action that can produce immaterial values such as experiences, shared emotions, or a sense of community (Arvidsson 2005, 248). Brands are protected by trademark law, and they represent remarkable immaterial value in the world today (Arvidsson 2005, 238).

Strong brands are profitable and their value is relevant for the company (Aaker 2002, 18). Creating positive brand perceptions is essential to be successful (Davis 2010, 15). It is, however, not easy to build a brand, as the world is already full of them (Aaker 2010, 26). The main difficulties in building brands tend to be price competition pressures, the increasing number of competitors, scattered markets and media, complex brand relationships and strategies, prejudice against new strategies and innovation, pressures to invest somewhere else, as well as the pressure of gaining short-term benefits (Aaker 2010, 27).

The value of a brand is impossible to measure, but it can be somewhat estimated (Aaker 2002, 16). A brand's value is often estimated by using brand equity. Brand equity can be described as a function of loyalty of customers, awareness, quality reputation, and associations (Pike 2009, 623; Aaker 2002, 17). Davis (2010, 23) recognises another level that needs to be taken account when measuring brand equity: the market share of a brand. Brand equity in general is regarded as value that benefits both the firm and the customer. The assets and liabilities of a brand should be linked to the name and symbol of the brand in order to be considered a part of brand equity. (Aaker 2010, 8.) Brand equity is high, if customers prefer the product despite its higher price compared to other brands (Armstrong & Kotler 2005, 241). Brand equity is often rather steady, but it can be changed to more negative or positive through launching new products, having prob-

blems with products, changes in the management, competitor behaviour, or legal cases (Aaker 2002, 23–4). These can also be called brand liabilities, and they need to be avoided by keeping customers satisfied as well as by doing business according to ethical and moral standards (Davis 2010, 23). If the equity of a brand is high, it grants the company many competitive advantages (Armstrong & Kotler 2005, 241).

Brand image is described as passive and focused on the past, and is how the brand is perceived among consumers (Keller 2003, 70). It being equal to a brand's identity, as in what the company wants to be, cannot be taken for granted (Nandan 2005, 276). Creating a positive brand image is crucial to any company, and it is achieved through marketing programs that attach strong, favourable, and unique associations to the brand in consumers' memories. (Keller 2003, 70.) Brand associations are created through direct experience, from what the company communicates of the brand, and from word-of-mouth. Associations may also derive from identifying the brand with a company, country, channel of distribution, or a certain person, place, or event. (Keller 2003, 70.)

For a known brand with a positive brand image it is very important to build a positive relationship between the customer and the brand to be able to ensure future purchases. The key factors affecting current and future purchase are brand satisfaction and brand trust, which eventually ends up in brand attachment. (Esch et al. 2006, 103.)

Consumers have a tendency to gather and evaluate information before purchasing a brand. An important factor affecting the decision is the comparison of perceived brand image and self-image. Consumers usually choose those brands that have a similar perceived image as that of the consumers' actual, ideal, social, ideal-social, and situational-ideal-social images. (Ataman & Ülengin 2003, 246.) The most effective brand images tend to be those that match the self-image of most consumers. Additionally, it is essential to identify the situations in which particular products are consumed, and then to create a brand image that matches both the self-image in general, and the self-image the consumer would want to have in those situations. (Graeff 1997, 67.)

The market value of a brand is affected by how consumers perceive the brand and what attitudes they have towards it (Chen et al. 2012, 113). Changes in how a brand is perceived can change consumers' brand preference (Ataman & Ülengin 2003, 246). If a brand is negatively affected by anything, it usually becomes very expensive for the company to regain its status (Chen et al. 2012, 113). The possible costs due to changes in the brand perceptions and preferences in consumers' minds need to be thoroughly evaluated when deciding on new marketing strategies (Ataman & Ülengin 2003, 246). In the cases, however, where consumers perceive the brand positively, the company can enjoy the stable profits with less effort for maintaining the brand image (Chen et al. 2012, 113).

2.3.2 *Luxury brand image and associations*

If brands are perceived as a promise to a customer, luxury brands can be defined as a big promise, and the expectations are high among customers (Keller 2009, 297). Luxury brands must build strong emotional brand attachment with customers for building brand loyalty. This can be achieved through delivering superior functional and symbolical benefits at a continuous level. At a point where brands are perceived as offering superior added value, also customers see them as irreplaceable. (So et al. 2013, 416.) Keller (2009, 291) recognises that for luxury brands it is vital to maintain a premium price, but controlling the company image is a necessity. Fionda and Moore (2009, 357) point out that having high prices as well as restricting the accessibility and distribution of luxury products are both ways to emphasise the exclusivity characteristic of luxury. Consumers tend to understand and organize luxury brands in a different manner (Roper et al. 2013, 393).

Eight key characteristics of luxury brands can be identified such as *high end quality*, *details*, *heritage*, *design*, *craftsmanship*, *global recognition*, *premium price* and *exclusivity* (see for example Chevalier & Mazzalovo 2008; Jackson 2004; Fionda & Moore 2009; Keller 2009) (see Figure 5).

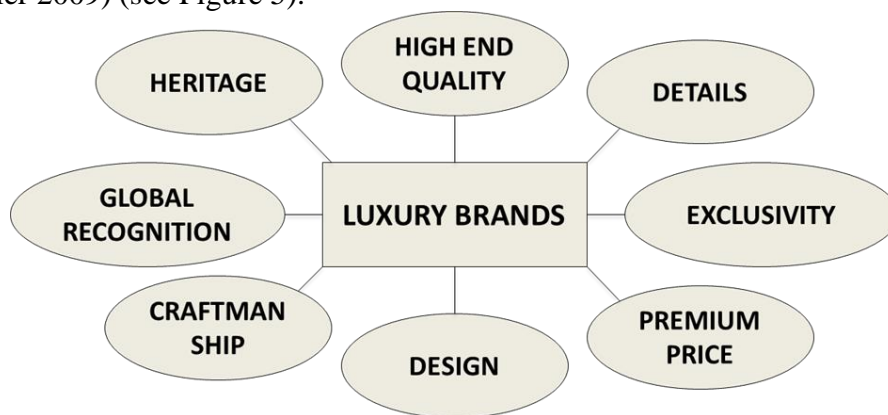


Figure 5 The characteristics of luxury brands (Developed from Chevalier & Mazzalovo 2008; Fionda & Moore 2009; Keller 2009)

Global recognition means that luxury brands must be present all over the world to demonstrate power and wealth (Chevalier & Mazzalovo 2008, 7). This is usually achieved by having brand stores in the best locations. The service of brand stores must be of superior quality and the environment suitable. (Fionda & Moore, 357–8.)

Heritage of a brand refers to the brand signature and iconic products (Fionda & Moore 2009, 357), for example the Hermès Birkin bag – an item that has been in the collection for a long period time, and is recognised all over the world. The term also refers to the long and written history, as well as the rich traditions, of luxury brands (Keller 2009, 291). The founders of luxury brands are traditionally well known, and

many luxury companies have started out as family businesses. The history of a traditional luxury brand is authentic and has roots deep in the history. The aspect of heritage is an essential attribute of luxury brands. It has an impact on the perceived luxury of a brand. (Hennigs et al. 2012, 129.) The tradition and heritage are an essential part of luxury brands. Leather products have always been made in Italy, watches made in Switzerland, and perfume in France. (Sun 2013.)

Maintaining *high end quality* at all times is a must for luxury brands, as luxury is commonly associated with great utilitarian and hedonic values (Amatulli & Guido 2011, 128; Choo et al. 2012, 98). Quality is seen to be a result of craftsmanship (Amatulli & Guido 2011, 128). The common thought is that if a product is made by hand, it must be done well (Amatulli & Guido 2011, 132). Products of high quality are expected to be creative and of good design (Amatulli & Guido 2011, 130).

Details refer to all the particular aspects of purchasing and owning a luxury product. Every minor detail from entering the store, to purchasing the product, and finally consuming the product must bring value to the customer. (Keller 2009, 291.) Luxury brands are expected to also have every detail considered – from the service pre and post purchase to the actual product design and quality.

Exclusivity often means that not everyone has the same product. This is secured by producing small volumes of each product, which then makes the unit costs very high (Chevalier and Mazzalovo 2008, 44–45). Exclusivity stands for something very rare and extremely unique. To acquire an exclusive product, one must have outstanding resources. (Berthon et al. 2009, 59.) Luxury brands tend to be very selective in their distribution strategies to avoid overflow of their products. It is common for them to have their own company stores and retail outlets. One of the key issues for luxury companies is to hold on to their exclusive image, but still continue on increasing their revenues and profitability. (Keller 2009, 292.) The CEO of Hermès, Patrick Thomas (Interbrand), says that the biggest paradox in the luxury industry is that the more exclusive the distribution, the more desirable their products are; the more they sell the less desirable they become.

Premium price helps the luxury brand to retain its status. Luxury brands should avoid giving discounts or having sales to remain precious in their customers' minds. Price is still perceived as being the most powerful sign of quality. Luxury companies must maintain the internal and external values their brand offers to a customer to justify their high price. (Keller 2009, 292.) People who buy luxury goods usually expect them to be highly priced (Okonkwo 2007, 140). If a brand is strong and attractive, it is able to have greater price premium (Chevalier & Gutsatz 2012, 7).

Design, alongside the brand (Aiello et al. 2009, 332), is the most important factor of luxury. Each brand should have their own unique and distinctive style that is recognised immediately by consumers (Chevalier & Mazzalovo 2008, 17). Investing in innovation

and creativity are also important (Fionda & Moore 2009, 357). All these make the role of the designer central, as luxury companies must reinvent themselves every season by renewing their product range (Cerruti 2006, 4). The director of LVMH, Bernard Arnault said in an interview (Ashok 2005, 69) that when a company has effective directors matched with creative and powerful designers, it might be what separates the star brands from failures in the luxury business.

Many luxury brands are based on *craftsmanship* (Hennigs et al. 2012, 129). It is about the set of skills and traditions certain people or nationalities have on producing luxury items. The Italians and the French are well known for being traditionally good at craftsmanship, especially of leather goods and clothing. Before, luxury goods were also produced individually by hand. Even today the most exclusive lines are, but the more reasonably priced ones are now mass-produced industrially.

Luxury often refers to different types of luxury brands based on the expertise they require to be understood, and what their meaning is in the social set up and / or to the individual. Berthon et al. (2009, 54) identify four types of luxury brands: *modern*, *post-modern*, *classic*, and *wabi sabi* (See Figure 6).

<p>MODERN LUXURY BRANDS</p> <ul style="list-style-type: none"> • offer status to the owner • symbolic value • lower in the price range • conspicuous possession 	<p>POSTMODERN LUXURY BRANDS</p> <ul style="list-style-type: none"> • at the cutting end of latest trends • relies on the taste of others • conspicuous consumption
<p>CLASSIC LUXURY BRANDS</p> <ul style="list-style-type: none"> • grow their status over time • aesthetic possession 	<p>WABI SABI LUXURY BRANDS</p> <ul style="list-style-type: none"> • experiencing the brand important • aesthetic consumption

Figure 6 Types of luxury brands (Berthon et al. 2009, 53.)

The most important aspect of *modern luxury brands* is to offer status to its consumers, and they are used as a symbolic value. These products do not need any kind of expertise to be understood or appreciated. They are usually lower in the price range, and are part of the democratisation of luxury (Berthon et al. 2009, 51). The products that fall into this category usually lack the aspects of exclusivity, identity, and perhaps even quality

due to mass production. Luxury in this category is a conspicuous possession (Berthon et al. 2009, 52).

Postmodern luxury brands are usually at the cutting edge of latest trends. These brands are used by consumers who easily adapt to new trends. Consuming these brands is unstable, and it relies on the style and taste of others. (Berthon et al. 2009, 55.) In this category, luxury is the latest trend, and no expertise is needed for understanding or appreciating the brands. This category is about luxury as conspicuous consumption. (Berthon et al. 2009, 53.)

Classic luxury brands grow to their status with time (Berthon et al. 2009, 55). These brands need expertise or extraordinary aesthetic understanding to be appreciated properly (Berthon et al. 2009, 52). Luxury is seen here as an aesthetic possession (Berthon et al. 2009, 53).

Wabi sabi luxury brands require an aesthetic eye developed over time to be fully appreciated and understood. Owning a wabi sabi brand is not the issue, but experiencing it is. Luxury is, hence, here an aesthetic consumption. (Berthon et al. 2009, 53.)

Chevalier and Gutsatz (2012, 5–6) have come up with a somewhat different categorisation of luxury. According to them, there are four types of luxury: *intermediary luxury*, *authentic luxury*, *eccentric luxury*, and *sensible luxury* (See Figure 7).

<p style="text-align: center;">INTERMEDIARY LUXURY</p> <ul style="list-style-type: none"> • mass production • lower price • i.e. a logo-typed bag 	<p style="text-align: center;">AUTHENTIC LUXURY</p> <ul style="list-style-type: none"> • craftsmanship essential • timeless design • highly priced • i.e. Hermès Birkin bag
<p style="text-align: center;">ECCENTRIC LUXURY</p> <ul style="list-style-type: none"> • individual creations • i.e. haute couture 	<p style="text-align: center;">SENSITIVE LUXURY</p> <ul style="list-style-type: none"> • creative products • fast life-cycle • i.e. ZARA, H & M

Figure 7 Four types of luxury (Chevalier & Gutsatz 2012, 5–6).

Intermediary luxury refers to products that are not handcrafted individually, but rather produced in large quantities. A bag branded with the logo of the luxury company would be an example of this category. (Chevalier & Gutsatz 2012, 5–6.) In the previous categorisation of Berthon et al, this would probably stand for modern luxury brands.

Authentic luxury is created as a result of craftsmanship, it has great durability, and it is timeless in its design. These products are highly priced, aesthetic, and they bring emotional value to the owner. (Chevalier & Gutsatz 2012, 5–6.) A Hermès Birkin bag would be a good example of this – timeless, expensive (prices starting from 6800 euro)

and durable. This would be closest to the category of classic luxury brands according to Berthon et al.

Eccentric luxury products are individual creations. They truly stand out from other luxury products. (Chevalier & Gutsatz 2012, 5–6.) Haute couture would be a good example of this – evening gowns made exclusively to Hollywood stars with several details and prices reaching tens of thousands of euro.

The last and the least important in the context of this thesis, of the categories *is sensitive luxury*. This refers to creative products that have fast life cycle, also known as fast fashion such as Zara or H&M. These products bring psychological satisfaction in the purchase situation. (Chevalier & Gutsatz 2012, 5–6.) This last category is not treated as luxury in this thesis. In this thesis, luxury is a combination of intermediary luxury, authentic luxury, and eccentric luxury.

2.4 Luxury consumption

2.4.1 *The role of brands in consumption*

The influence of brands on consumers' purchasing intentions can be analysed through investigating the basic elements and the specific features the brand fulfils – brand personality, and the brand image (Aiello et al. 2009, 324). People have strong emotional values attached to strong brands (Chevalier & Mazzalovo 2008, 81). Consumers perceive and evaluate brands differently, and their relationships with them vary according to a number of factors (Davis 2010, 51). Signs or brand recognition involve the name, logo, slogan, cult products, colour, packaging, and labelling (Chevalier & Mazzalovo 2008, 107).

It is said that price is not the most important factor in selecting brands (Serow & Scotti 2010, 3), but when consumers have a preference for a brand they are ready to pay more for it (Chevalier & Mazzalovo 2008, 81). There is a pattern that consumers tend to relate to powerful brands. In general people purchase brands that relate to their lifestyle and self-image. (Davis 2010, 237.) Western consumers appreciate brands from their own home country more than products from elsewhere. The same applies to preferring products from developed countries to products from the developing ones (Armstrong & Kotler 2005, 344).

The most attractive offer is usually the one that catches the customer's attention. The brand with the best offer might result in a long lasting customer relationship (Davis 2010, 345). If a person has had positive perceptions of a brand, it usually leads to preferring to buy that brand later on as well (Davis 2010, 16). It is common to purchase

products from the same brand. This phenomenon can be explained by inertia, which means that people buy the same brand out of habit because it is easier than testing other different brands (Armstrong & Kotler 2005, 349). Being loyal to a certain brand may also be a way to reduce risks; if a brand has proven to perform well, the customer usually purchases the same brand to avoid taking risks by choosing another brand (Sheth & Parvatiyar 1995, 266). Brand loyalty is, however, not self-evident – companies need to develop the brand and offer long-lasting experiences to customers (Davis 2010, 321). Company behaviour, such as relocating manufacturing, may have a major impact on the way the brand identity is perceived (Chevalier & Mazzalovo 2008, 288).

2.4.2 *The luxury consumer*

Traditionally luxury consumption has been based on the actual product and its superior qualities. The new luxury consumers, however, define luxury as the feeling or experience. There has been a clear shift from defining luxury as being the actual product to the experience of owning it. (Danziger 2005, 19.) When discussing the gender of luxury fashion consumers, women stand out as a slightly more important group than men. Women tend to have a more positive attitude on luxury brands, and respond better to the attributes of luxury brands such as uniqueness, hedonic value, and status value. (Stokburger-Sauer & Teichmann 2011, 895.)

Vigneron and Johnson (1999, 5) identify five distinct categories of luxury consumption: *the Veblen effect, the snob effect, the bandwagon effect, the hedonic effect, and the perfectionism effect* (See Figure 8).

LUXURY CONSUMPTION				
Veblen Effect	Snob Effect	Bandwagon Effect	Hedonic Effect	Perfectionism Effect
- Price important - Main purpose: impressing others	- Price is a sign of exclusivity - Avoiding popular brands	- Luxury brands used as visible signals of social status	- Emphasis on own feelings and thoughts when buying luxury brands	- Own instincts important when evaluating products - Price used as an indicator of quality

Figure 8 Categories of luxury consumption (Developed from Vigneron & Johnson 1999, 5.)

The Veblen effect refers to consumers who place more importance on price as a measurement of luxury, as their main purpose is to impress others (Vigneron & Johnson 1999, 5). *The snob consumers* find price as a measurement of exclusivity, and they try to avoid purchasing brands that are very popular (Vigneron & Johnson 1999, 6). *The bandwagon consumers* are not too interested in price as an indicator of luxury, but are mostly interested in making an impression on others with their consumption of luxury goods (Vigneron & Johnson 1999, 7). Bandwagon consumers use luxury items as a visible signal of the hierarchical status they are aiming at. They are not too interested in being unique. (Kastanakis & Balabanis 2012, 1405.) *The hedonist consumers* focus less on price, but rather put emphasis on their own feelings and thought when purchasing luxury goods (Vigneron & Johnson 1999, 8). *The perfectionist consumers* trust in their own instincts of a product's quality, and might use the price of a product as supporting evidence for the quality of the product (Vigneron & Johnson 1999, 9).

Luxury consumption has gone through a remarkable change during the past decades. Luxury used to be the privilege of the wealthiest elite, as they were the only ones who could afford buying luxury brands. Nowadays luxury brands have come closer to the regular consumer and middle classes with brand extensions and new product lines. The middle classes are now one of the important target groups of luxury brands. The products aimed at this social class are usually less expensive than the most exclusive lines, also known as modern luxury brands. These products may lack some of the aspects of luxury brands, though. (Berthon et al. 2009, 51.) An outlook of the luxury consumption today compared with the past can be seen from Figure 9.

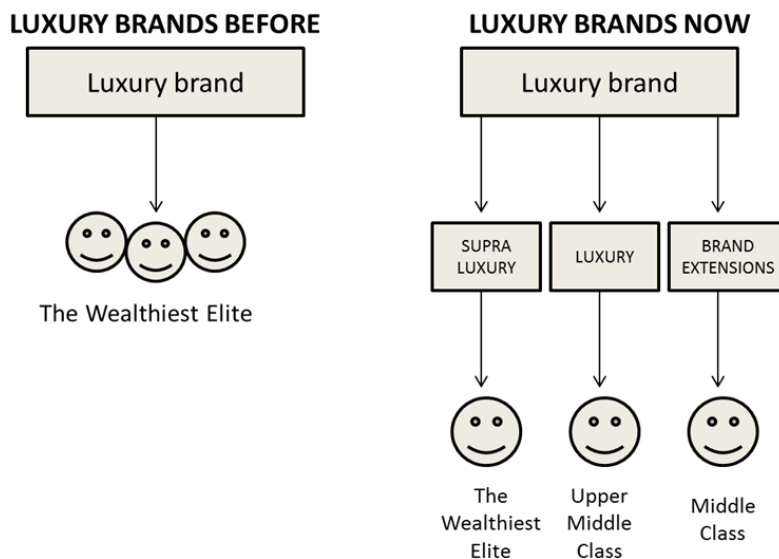


Figure 9 Democratisation of luxury

During the last decades luxury has slowly been democratised. *Democratisation of luxury* means that it has been made available to more people (Nueno & Quelch 1998, 63). Luxury used to be made exclusively to the richest of people, but with product extensions and new brands they have been attracting the middle-class as well. (Vigneron & Johnson 2004, 487–8.) This has caused luxury to lose a part of its exclusivity aspect (Nueno & Quelch 1998, 63). A luxury item available to a wider customer base is considered less luxury than a product that is available exclusively to the wealthiest. This is a key problem for luxury brand managers, as they need to find the right balance between the exclusivity of the brand, but still generate all the time more revenues. Revenues are linked to volume, but exclusivity means the opposite. (Berthon et al. 2009, 54.) When luxury products become too used and available, it might drive away the elite consumers. In order to maintain the wealthiest elite in their clientele, many luxury brands have been forced to establish so called supra-luxury products, services, and even events, available exclusively to the wealthiest consumers. (Kapferer 2012, 461.)

Luxury consumers today vary according to their income level and social class (Husic 2009, 242). Even though luxury consumption is no longer a privilege of the upper classes, it is still the wealthiest that are the biggest consumers of luxury. Consumers with lower income usually award themselves with a luxury item couple of times a year. (Husic 2009, 242.) According to Husic (2009, 243), luxury consumers can be separated into two segments: the aristocracy and the new money. Even if these two segments have a different way of spending their money, they still have the same intention when buying prestige items: improving their self-portrait in one way or the other.

2.4.3 Motives of luxury purchases

Luxury is consumed for two main reasons: 1) *external motivations* and 2) *personal pleasure* (Amatulli & Guido 2011, 131; Husic 2009, 242). External motivations refer to consuming luxury for their social, symbolic value. Luxury consumers who are motivated for this social aspect usually buy products that can be recognised easily. Luxury is consumed also for personal pleasure. Personal pleasure usually derives from owning a product that is truly of high quality and high aesthetic value. (Chevalier & Mazzalovo 2012, 121.)

Husic (2009, 242) argues that luxury consumption is common among people who are worried about making an impression on other people. They use status symbol products as a way to signal meaning of themselves to other people in their reference group (Husic 2009, 242.) According to Vigneron and Johnson (1999, 1), luxury brands are consumed to signal wealth and status, as they are products that not everyone has or could afford, they possess social value, they satisfy certain emotional values, and their production is

superior. The conspicuousness, popularity, and exclusivity of a luxury brand are all powerful means for signalling wealth, status, and power (Tsai 2005, 450). Trong et al. (2010, 352) recognise a strong association between preferences for a luxury brand and external motivations. Those who find external factors important tend to purchase luxury brands. The social motives of consuming luxury brands are, however, only a part of the whole luxury consumption phenomenon (Tsai 2005, 450).

Amatulli and Guido (2011, 131) show that in general luxury is seen, above all, as a personal pleasure. It helps the consumer to feel more self-confident, self-fulfilled, and to have a better self-esteem. They argue that status symbols and showing off to other people are not as important as product quality, and personal, internal motives when buying luxury products. These products are not bought to fulfil any need; they are above all desires not necessities (Okonkwo 2007, 63). The motivation to buy luxury products usually is due to its conspicuousness (Godey et al. 2012, 1462). It is the hedonic personal experience deriving from the usage of luxury products that acts as a motivation for luxury consumption (Tsai 2005, 450). Luxury purchasing is not about the money, but the experiences and feeling money can bring. It is about making life easier, more pleasing, and more satisfying. (Danziger 2005, 238.)

According to Okonkwo (2007, 61), luxury brands work as a means for consumers to emphasise their personality, or relate to who they would like to be. Differentiating oneself from others is a motivation for acquiring luxury items. Wearing and owning a luxury item might enhance one's self-image and the feeling of being unique. (Mills 2013, 477.) The brand has, therefore, an important meaning when choosing to buy luxury goods (Godey et al. 2012, 1468). As luxury goods are important ways to define personality, they are also used rather often (Okonkwo 2007, 63). When a person chooses to purchase a certain brand, the goal is to be associated with other people who usually buy the same specific brand (Husic 2009, 243). It is a way of strengthening the membership of a certain peer group (Tsai 2005, 450). The consumption of luxury products signals advanced taste, and they act as social markers (Kapferer 2012, 458).

The reasons for buying luxury can, according to Amatulli and Guido (2011, 132), be shortened to four characteristics: *enhancing customers' self-confidence*, *lasting for a relatively long period of time*, *signalling status* and *being of high quality*. Godey et al. (2012, 1463) present the list of reasons for buying luxury brands as even shorter: for the consumer's own pleasure, or as a symbolic success. Achabou and Dekhili (2013, 1902) show that product quality and brand reputation are the main criteria when choosing to buy luxury products. Davies et al. (2012, 46–47) adds the elements of value and price to these two criteria. Ethical conditions are not seen as important in the list of buying criteria of luxury products, despite the growing trend of sustainability and responsibility among all industries (Davies et al. 2012, 46; Achabou & Dekhili 2013, 1902).

2.5 Summarising the concept of luxury brands

This chapter has looked deeper into the concept of the luxury brands. Luxury is clearly a main topic in this thesis, so it is important to start from the very beginning by explaining what luxury means. Luxury depends on who perceives it – knowing this helps us in the empirical research to interpret why some viewpoints might differ. Some might consider cheaper luxury items luxury, while others see luxury as something completely out of reach. Three dimensions of luxury were defined; the symbolic value, the functional value, and the experiential value. Knowing that luxury is nowadays more the experience of owning a luxury product (the experiential value), rather than being something extraordinary in itself, is essential to later comprehend the reasons why consumers buy luxury products – if the functionality is less important, perhaps elements such as the COM do no matter.

The sub-chapter concerning luxury business makes the reader comprehend how big of an industry it is, and what it is about. This section supports the research focus of European luxury brands, and brings further insight into the business. This part continues with explaining luxury branding and marketing. In the luxury business, the focus has shifted from direct control of the manufacturing and sales to brand management. Communicating a favourable COM is one of the ways to improve brand image. However, many luxury brands are investing on creating an improved brand image instead of controlling the production, and actually maintaining the COM they are associated with. This might bring revenues in the short term, but in the long term a decision to loosen up supply chain control might result in a negative brand image. A negative brand image is not easy to fix, and a luxury brand may lose their whole reputation with it. Also, the luxury business model created in co-operation by the biggest luxury brands forbids delocalization all in all – a luxury brand should manufacture its products in its homeland to have the privilege to be called a luxury brand.

Having a full understanding on the associations and elements of luxury brands helps us with comprehending the basis of the research presented in this thesis. First, it is essential to have an understanding on what the terms brand and brand image mean. What we have learned is that a brand is formed of other attributes that go beyond the actual product. A brand has great power, and having a strong brand may result in consumers ignoring other elements of the product such as quality or country-of-origin. Brands, however, need to keep up a positive brand image in order to continue making profits. Marketing is a key element in maintaining a positive image. A strong brand image is an asset that companies should stick to with everything they have. Sometimes the marketers of great brands trust in the brand image blindly, and make decisions that might cause negative attention such as change the country-of-manufacture of a product.

For luxury brands, it is important to concentrate on the listed luxury brands elements in order to remain authentic. These elements include details, design, high end quality, exclusivity, and craftsmanship. With outsourcing production to China, all these five might be threatened. This means that the luxury of the products might be put under question, which then might put the premium price under evaluation. The heritage and global recognition would certainly remain the same for the moment, however.

Berthon et al. (2009, 54) identified four different types of luxury brands; modern, post-modern, classic, and wabi sabi. For the empirical research, it is important to understand that there is not only one type of luxury brands, but several, and they each have their own characteristics. For example modern luxury brands are usually in the lower price range, and they are part of the democratization of luxury – they are not exclusive nor of great quality due to mass production (Berthon et al. 2009, 54). These brands, thus, lack some of the elements of luxury brands such as exclusivity, premium price, and / or high end quality. When a part of the luxury brand elements are missing, one might surely question whether it is a luxury brand at all. However, according to some they might still be, and to some not. This brings us back to the subjectivity of luxury – it depends on the perceiver what is luxury and what is not. The same applies to the theory of Chevalier and Gutsatz – it gives us an understanding that there are several types of luxury brands, and they all have their own characteristics. In the empirical research, it is important to keep this in mind: the interviewees might talk about different types of luxury brands, which means that they might require different characteristics from these brands.

The sub-chapter on luxury consumption helps us to understand luxury consumers, and their motives for buying luxury brands. To fully investigate what effects manufacturing in China might have on luxury purchase decisions, it is crucial to have a comprehension on what kind of people buy luxury brands in the first place, and why they buy them. If the motives for buying luxury brands lack the dimension of country-of-manufacture, then the brands might not be negatively affected at all, at least in the short term.

To begin with the topic, consumers and brands are discussed in general. This helps the reader to have a basic view on how consumers view brands, and what kinds of effects they have on buying behaviour. How a consumer views a brand depends on a set of variables and each person evaluates brands differently (Davis 2010, 51). Generally, consumers have a tendency to relate to strong brands (Davis 2010, 237). When a consumer has a preference towards a certain brand, they are willing to pay more for it (Chevalier & Mazzalovo 2008, 81). Even though consumers tend to stick to the same brand, brand loyalty cannot be taken for granted (Davis 2010, 321). Company behaviour such as relocating manufacturing may have a major impact on how the brand identity is perceived (Chevalier & Mazzalovo 2008, 288).

The next section discusses the luxury consumer. As this thesis is focused on the consumer point of view on the topic, it is essential to understand who the luxury consumers are. Today, being a luxury consumer does not automatically mean one is part of the wealthiest elite, even though they are still the most profitable target group (Husic 2009, 242). Luxury has now been democratised through brand extensions and cheaper product lines (Nueno & Quelch 1998, 63). Luxury brands are strongly linked with external motivations (Trong et al. 2010, 352). Vigneron and Johnson (1999, 5) have shown us as there are five different types of luxury consumers: the ones who buy to impress others (the Veblen consumers), the ones who buy to show off their exclusivity (the snob consumers), the ones who buy to be members of a higher social class (the bandwagon consumers), the ones who buy for their own pleasure (the hedonic consumers), and the ones who buy for the promised quality provided by high prices (the perfectionist consumers). This categorisation brings us closer to having a full understanding on the differences between luxury consumers.

The motives for buying luxury brands are a main point of interest for the topic of this thesis. If the purchase decisions are made based on attributes that have nothing to do with the country-of-manufacture, then luxury brands can safely continue on outsourcing their production without any harm. Based on previous research, luxury brands are purchased for two reasons: 1) for external motivations, and 2) personal pleasure. External motives for buying luxury brands include aspects such as showing off and making an impression on other people (Shukla 2011, 249; Husic 2009, 242; Vigneron & Johnson 1999, 1). Personal joy is more linked with product quality, and the good feeling owning a luxury product brings (Amatulli & Guido 2011, 131). When a consumer is more attracted to the social aspect of luxury, attributes such as quality or COM might not pop up as crucial determinants when making purchase decisions. Then again, when a consumer appreciates the quality and beauty of luxury products, negative associations with a COM may affect the perceived quality of luxury. In the next chapter, the concept of COM and its weight in luxury purchase decisions are discussed in more detail.

3 EUROPEAN LUXURY BRANDS “MADE IN CHINA”

This second theory chapter brings us closer to the actual topic of this thesis – the country-of-origin of luxury brands and its importance in purchase decisions and brand perceptions. The chapter begins with explaining what country-of-origin thinking is in general – how do consumers generally feel about the country-of-origin of products, and when and how much it affects their purchase decisions and product evaluations. Secondly, the country-of-manufacture of luxury brands is discussed in detail. The last part of this chapter revolves around the concept of luxury brands “Made in China”. The last part first concentrates on China as a manufacturing location in general, and then moving on to luxury brands made in low-cost manufacturing locations.

3.1 What is country-of-origin thinking

As the competition in many industries is increasingly high, reducing manufacturing costs is a matter that needs to be thoroughly discussed in any company. Manufacturing costs are usually in line with the manufacturing country. This means that outsourcing production to low-cost countries has become the reality for many companies wanting to maintain their position and have competent prices. However, many of these low cost - manufacturing countries have a questionable reputation especially concerning their ability to manufacture products of high quality.

Country-of-origin (COO) refers to the country where a product originates from. In this context, *country-of-manufacture* (COM) is used as a synonym. There are certain rules in the European Union according to which the origin-label can be attached to goods. In the EU, when labelling the country-of-origin of a product, it must either be made of components or raw materials made in the claimed country, or at a minimum go through a certain amount of processes or work hours in the labelled country (European Commission, 2013). When there are more than two countries involved in the process, the rule for made in country –labelling is determined by the country, which makes the last, most valuable, phase of the product. The value added rule is based on the increase of value to the product by assembly operations. (European Commission 2, 2013.)

Choosing where to manufacture is an important question for companies. The COO of a company may lead to improved quality or reduced costs compared with other locations. (Brodowsky et al. 2004, 744.) The role of COO might be significant when consumers evaluate products (Grappi 2011, 114; Verlegh & Steenkamp 1999, 538). This is especially true when evaluating product quality – the link between the COO and the perceived quality is strong. If a product is made in a low development country, it may easily be associated with bad quality, thus having a greater risk of performing badly and

bringing dissatisfaction. (Verlegh & Steenkamp 1999, 538.) According to Laroche et al. (2005, 109), product evaluations are affected by the country image of where the products are made in regardless of whether consumers are actually familiar with the country's products.

According to Thakor and Lavack (2003, 401) consumers are more highly influenced by the *country-of-brand* (COB) or *country-of-design* (COD), than its *country-of-assembly* (COA) or COO when evaluating the quality of a product. Especially in cases where the production requires a low level complexity, the COO is not as important as with high complexity products. Consumers recognise the difference between COD and COM, but their roles are very different according to the product category in question. (Hamzaoui & Merunka 2006, 151.)

Pecotich and Ward (2007, 292) find a difference between marketing to new customers or older, more experienced customers. They believe that new customers tend to rely on the country image of the COO or the brand name. For more experienced customers, quality plays a bigger role when making purchase decisions alongside the COO image. The COO is important when evaluating the price and quality of a product; however, it might not necessarily affect the value or intention to buy the product (Pecotich & Ward 2007, 291). According to Knight and Calantone (2000, 139), when a consumer has more knowledge on a product, their attitudes are influenced by both product beliefs and the COO. However, when the buyer has little knowledge, their attitudes towards the products are mainly based on the COO image stereotype, and in this case the beliefs have a minor role.

Different countries have different images on what they do best. Hamzaoui and Merunka (2006, 51) argue that a product's COD or COM may influence the quality perception of a product in three ways: the country's global image, the fit between the product and the country image, or both of these at the same time. If a country has a positive country image, there is a chance that it could reflect from one product category to another. The same vice versa – if a country has bad reputation in the manufacturing of certain products, this image may reflect to all the other things they manufacture. Usually this spill, however, is likely to reflect to categories with similar characteristics. (Lampert & Jaffe 1998, 75.)

The image consumers have of products made in certain countries is also influenced by the country's economy, workforce, and culture. When a person buys something made in a particular country, it may be regarded as a signal of how the person feels about the country's policies and practices. (Verlegh & Steenkamp 1999, 537.) As an example, the recent news about employees of some clothing subcontractors having been killed because of bad working conditions in Bangladesh has to some extent made consumers aware and unwilling to buy products made in Bangladesh as a sign of protest.

Buying products made in Bangladesh now seems to be synonymous with buying products that kill people.

If the made-in - or assembly-country is, thus, badly chosen, it may have negative consequences on consumer perceptions (Hamzaoui & Merunka 2006, 151). For this reason, managers must evaluate the possible perceptions consumers may have of the made-in country before transferring their production abroad (Brodowsky et al. 2004, 744). As the COO may have negative effect on how consumers perceive the product, it is extremely important to have a well-managed communications strategy regarding the COO (Grappi 2011, 114). In cases where the COO is seen as negative, the manufacturer should avoid referring to the COO of the product (Knight & Calantone 2000, 140).

The effects of COO are undoubtable, but the important question is whether it actually affects consumers' purchasing decisions, and to what extent. There seems to be a difference whether the discussion is about weak or strong brands. If a brand is weak, the effects of COO are stronger. Then again, if a brand is strong, the COO is not as important. Weak brands could, thus, improve their brand image by manufacturing in high quality countries. (Jo et al. 2003, 644–5.) It seems to be that when brand names are not known, the country-of-manufacture effects are very important. When ignoring brand names, consumers evaluate a product's quality and value through its made in country. (Iyer & Kalita 1997; Scafefer 1997, 68.) There also seems to be a trend, that when a consumer trusts a particular brand or store, the negative COO has less impact on product evaluations and purchase intentions (Kabadayi & Lerman 2010, 120).

3.2 Country-of-manufacture of luxury brands

Luxury fashion items present an image of having been manufacturing in their home country. They are assumed to have the possibility to pay for higher wages for local employees, and maintain superior quality through local production. Due to increased competition, many luxury companies have, however, abandoned one of their most important obligations: not to delocalise production (Kapferer 2012, 456). As many luxury brands have started to outsource their manufacturing abroad to countries such as China, it is of great interest to know whether the country of production actually has an influence on luxury consumers, and to what extent.

The nationality of the brand seems to be strongly recognised as an important characteristic of a luxury brand (Aiello et al. 2009, 333). Pike (2009, 623) reckons that attributes such as brand loyalty, awareness and quality undoubtedly overlap with the producer and the country of production. Hamzaoui-Essousi et al. (2011, 977) agree, and highlight that the locations of manufacturing of branded products are mutually important with where the brand originates for consumers' perceptions of quality. According to

Aiello et al. (2009, 333) the actual impact of country-of-manufacture on purchasing decisions is between neutral to medium.

Agrawal and Kamakura (1999, 265) point out that the made in –label is only one piece of information among other attributes, when customers make purchases. Ganesh and Lee (1998, 36) stress the importance of brand image on consumer behaviour rather than the information of where the product was made in. Phau and Prendergaust (2000, 167) follow the same path with emphasising that customers perceive brands through factors such as brand personality, or name – the country-of-manufacture does not affect the quality of the product nor the brand image.

In general, the country-of-design is considered more important than the country-of-manufacture. When evaluating luxury brands, the most important characteristics are brand and design (Aiello et al. 2009, 332–334). Products with a fashion or status symbol meaning tend to be judged more by their COD than COM (Hamzaoui & Merunka 2006, 151). The country, in which the brand is based in, is a better evaluation tool than the COM; customers tend to be aware of the fact that the brand country might not be the country where the products are manufactured (Phau & Prendergaust 2000, 167). According to a Bain & Company study (Serow & Scotti 2010, 12), 70 per cent of women were willing to purchase brands, which have a strong tradition of quality and craftsmanship. Only 30 per cent were willing to buy a product based on where the product was made in. Aiello et al. (2009, 334) agree that the majority would buy a luxury product based on the COB. When it comes to luxury items, it seems that the brand is of much higher relevance than the COM, when evaluating and making purchasing decisions (Aiello et al. 2009, 335). According to Godey et al. (2012, 1465-1468), the most important criteria for purchasing luxury products are design, brand, and guarantee, whereas the COO came fifth in the listing of most important attributes.

Yeoman (2007, 290) argues that consumers truly understand the difference between "Made in China" and "Made in Italy". For this reason luxury brands should consider thoroughly before outsourcing. Bryson et al. (2013, 401) agree, and argue that COO, consumer dissatisfaction, customer service, and negative stereotypes of a brand are all key predecessors of brand hate in the luxury sector. Ganesh and Lee (1998, 23) point out that changing the manufacturing country alone is not likely to influence the minds of consumers. Luxury brands are generally expected to act responsibly to avoid negative perceptions among consumers. Luxury brands should, thus, focus on building a strong positive image to avoid the risk of facing brand hate among consumers. In the event of brand hate, previous attempts to building a strong image may help to overcome the phenomenon in shorter period of time. (Bryson et al. 2013, 401.)

Phau and Prendergaust (2000, 167) argue that the characteristics of a brand are not apt to change when relocating the manufacturing to another country – customers still relate to the brands. Even though it might not make a great difference for consumers

whether a product is "Made in China", luxury brands can benefit from being associated with a national identity of their home country due to the country's heritage, focus of the industry, and popular perceptions on the country (Jackson 2004, 159). Also, if a luxury brand has strong associations with the brand origin, which consumers also assume to be the country-of-manufacture, the brand might face damages to their image from manufacturing elsewhere, independent of the image of the COM (Hamzaoui-Essousi et al. 2011, 977). In general, when it comes to luxury goods, the impact of COM is weaker than the impact of the brand (Godey et al. 2012, 1668). When a luxury brand, thus, evaluates branding strategies, they should first establish their brand well, and then think about moving their production abroad (Ganesh & Lee 1998, 34).

3.3 Luxury brands "Made in China"

3.3.1 Chinese manufacturing

The power of China in the global economy is undoubtedly very strong. China is the global leader in manufacturing operations, and globally the second largest economic power (Li 2013, 4). Even though today the stereotype of China as a low cost production country might not be the whole truth, the image of Chinese manufacturing is generally still poor. China's competitive advantage has been low labour costs for the past 30 years (Li 2013, 11), moving beyond this image and stereotype is, thus, difficult. Products that have been "Made in China" are linked with being of low cost and low quality. In companies and brands where the quality is vital, products with low quality can endanger the reputation of the company. China's image as a manufacturer is often associated with *bad quality, mass production, bad labour conditions, fakes, and cheap* (see Figure 10).

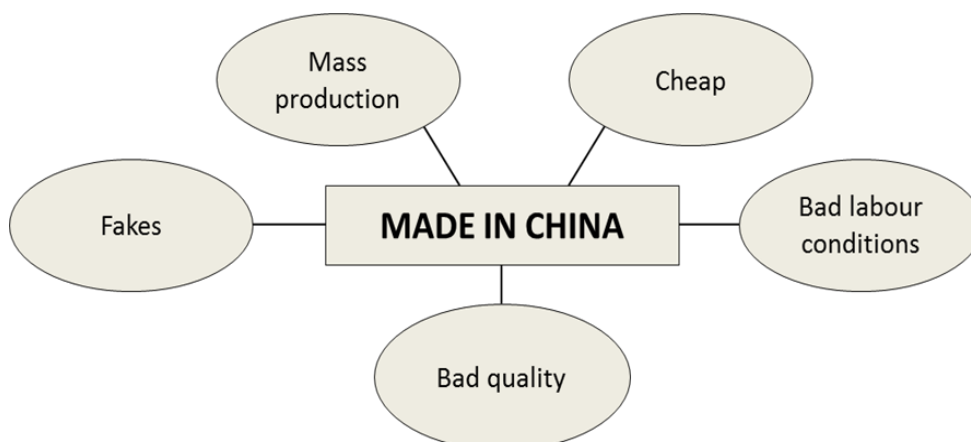


Figure 10 The image of "Made in China"

The image of Chinese manufacturing is weak, especially when linked with luxury (Aiello et al. 2009, 330). Products "Made in China" are often associated with attributes such as *cheap, bad quality*, and even *unsafe*. Hardly ever is production in China thought of as being innovative, luxurious, or technologically advanced (Zhang & Su 2009, 317–8). Products manufactured in China are perceived as having a lower quality and less value than products not "Made in China" (Schniederjans et al. 2011, 62).

China is the world's largest textile exporter with a share of 16 per cent (Sarasin 2006, 9), but has the *worst records of human and labour rights* (Sarasin 2006, 3). Chinese textile manufacturers use dangerous chemicals, which are hazardous to their workers' health, and they ignore environmental issues (Sarasin 2006, 3). The country is also well known for low wages, long labour hours, and lousy working conditions (Zhang & Su 2009, 318), or even child labour; issues that are arguably important for ethically oriented customer segments. The problem for foreign companies is that even if they wanted to improve the working conditions in the subcontractors' manufacturing facilities, they have only limited power under the Chinese rule (Sarasin 2006, 9).

In addition, China has a reputation of being the home for *counterfeits* (Pendle 2009, 52). Often Chinese manufacturers that produce authentic products for luxury brands also manufacture fake products as well (Segre Reinach 2005, 49). This might cause harm to companies manufacturing in China, as their subcontractors may take advantage of the knowledge offered to them on making luxury products. By manufacturing in China, companies might even unwillingly encourage the counterfeiting of their products. It is not only a problem of having counterfeits made with the same machines as the authentic ones, but consumers might feel uneasy with buying a luxury bag "Made in China", as they know fake products are made there as well.

Workmanship is not often associated with Chinese manufacturing. Workmanship is seen as a combination of how reliable a product is, how long it lasts, how well it is made, and the quality of manufacturing. These characteristics are associated with the Italian and French manufacturing. (Aiello et al. 2009, 330.) The overall country image affects the business side of the country as well – France has a strong image internationally, which then affects the image of its luxury brands as well (Loo & Davies 2006, 199). Italy, then again, is globally known for its culture of quality and aesthetic understanding (Snaiderbauer 2009, 64). China's reputation is having a lot of low cost manufacturing facilities (Loo & Davies 2006, 201).

Despite the country's questionable reputation, China, in fact, has improved the quality of its manufacturing. This improvement can be explained by reasoning: the more the Chinese produce, the better they are at it; the less the Europeans produce, the worse their skills will become. (Chevalier & Mazzalovo 2008, 361.) At the moment, China is investing in research and development to improve their production quality. China has

huge potential in their traditional values such as hard work and paying attention to details. However, the Chinese are not very well known for their design. (Loo & Davies 2006, 207.)

For success, local manufacturers should also try to improve their quality, raise their innovation level, and improve their manufacturing image (Zhang & Su 2009, 318). In the global economy today, it is not enough to have low cost products – they must also match the quality requirements (Li 2013, 12). The Chinese manufacturers understand their potential, and have started to buy the same textile machines that the Italians use, and they have even hired retired Italian artisans to teach the right methods. This has allowed them the possibility to start parallel production of their own brands alongside Italian export brands. (Segre Reinach 2005, 52–3.)

A country's positive image as a manufacturer may be related to producing good products, such as leather items in Italy or cars in Germany, but also to producing good brands. Certain countries, such as China, are in a position where they have a weak brand-centric image, as well as weak product-centric image; China has a bad reputation in building brands, but also in manufacturing good products. This situation is definitely very challenging. If the country wants to improve their image, they must focus on strengthening their brands or products. (Diamantopoulos et al. 2011, 520–521.) Additionally, building a better country image is very much related to upgrading the local industrial knowhow. The image of a country is related to the perception consumers have on their innovation, workmanship, design, and prestige. Industrial upgrading, then again, is based on upgrading processes, products, functions, and intersectors. This means that the tasks related to building a country image are the same as with industrial upgrading. This then results in the statement that country image can be improved through upgrading the industrial knowhow. China can, thus, improve its image by improving its workmanship and innovation by inserting itself into global networks and cooperating with importer SMEs. (Hongmei & Jingyu 2010, 400.) All in all, if China wants to improve its image as a producer, it needs to develop national brands in the long run (Loo & Davies 2006, 207).

3.3.2 *Outsourced luxury brands*

According to the luxury business model presented by Kapferer (2012, 457), a luxury brand should not delocalize its production, as they act as the ambassador of their local culture and way of life. Outsourcing production might have an effect on the credibility of luxury brands. It can be seen as not respecting brand identity, ethics, and values – attributes essential for a strong brand. (Chevalier & Mazzalovo 2008, 289.) Associating a brand with a certain country provides an image that the brand offers consumers higher

quality. Usually the country the brand is associated with promises high quality for its products due to its long traditions of manufacturing the best products within a certain product group (Aaker 2010, 82; Nueno & Quelch 1998, 63). Manufacturing a brand anywhere other than its home country may cause negative effects on consumers' judgment on the quality. When a brand is manufactured in its home country, the quality ratings are usually high. (Haübl & Elrod 1999, 213.) According to Phau and Leng (2008, 85), products made in low cost countries, China especially, are perceived as being of low quality, but low prices compensate for the quality. For luxury brands, lowering prices is not an option.

If combining the two, luxury brands and "Made in China", there is an enormous misfit in the image of these two. The image of "Made in China" is of producing cheap products with bad quality in large quantities (Zhang & Su 2009, 317; Schnieder et al. 2011, 62). Luxury brands are known for their premium prices, good quality, and exclusivity (see for example Chevalier & Mazzalovo 2008; Jackson 2004; Fionda & Moore 2009; Keller 2009). China is also familiar for producing counterfeits (Pendle 2009, 52), whereas important characteristics of luxury brands are details and design (Chevalier & Mazzalovo 2008; Jackson 2004; Fionda & Moore 2009; Keller 2009) – as in being unique and careful in what they do. Chinese manufacturing is not associated with craftsmanship. Craftsmanship is seen as a combination of how reliable a product is, how long it lasts, how well it is made, and the quality of manufacturing. (Aiello et al. 2009, 330.) China is also well known for low wages, long labour hours, and questionable working conditions (Zhang & Su 2009, 318).

The recognised characteristics of the "Made in China" image are: *fakes, cheap products, bad quality, mass production, and bad labour conditions* (Zhang & Su 2009; Schnieder et al. 2011; Pendle 2009; Aiello et al. 2009). Whereas the characteristics of luxury brands are: *craftsmanship, heritage, design, details, premium price, top quality, exclusivity, and global recognition*, as well as being made in Italy or France (see for example Chevalier & Mazzalovo 2008; Jackson 2004; Fionda & Moore 2009; Keller 2009). There are, thus, several misfits in the images of these two (see Figure 11).

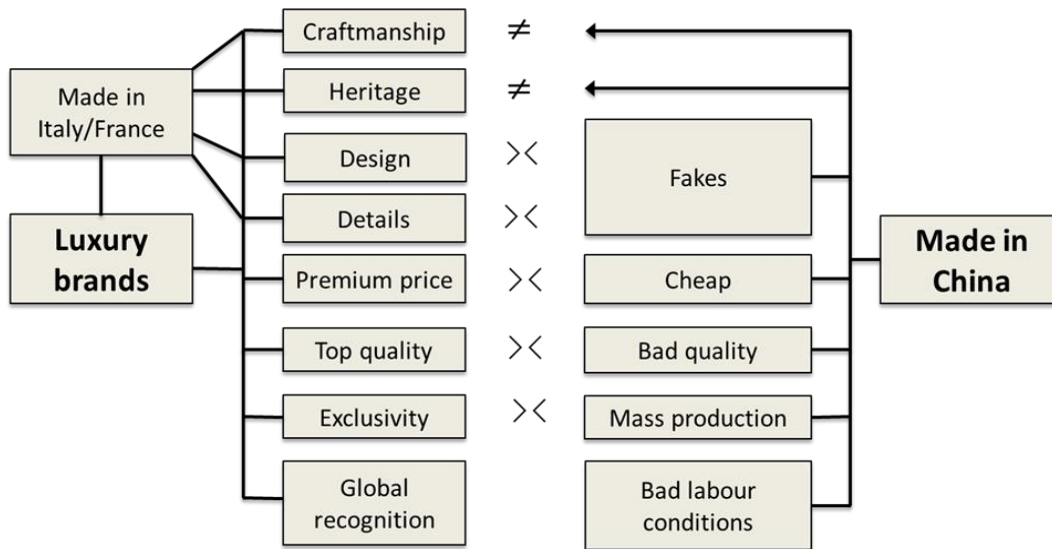


Figure 11 The misfit between luxury brands and "Made in China"

The image of "Made in China" is very far from the image luxury brands enjoy. However, if a brand has managed to build a strong brand image, the COM might not have such great effects on purchase decisions. In cases where consumers have had positive experiences of a brand's products, there might not be negative made in –associations. (Tse & Lee 1993, 44.) Also, in many cases, even though luxury brands outsource to China, they still have control over their quality management. All the goods manufactured in a subcontractor's facility need to go through an inspection by the internal quality department, which ensures the best premium quality of the final products. (Luzzini 2010, 13.) Many companies manufacture a certain amount of some product in China, and some other amount of the same product in the home country, but for the customer the two products made in different countries look precisely identical (Cerruti 2006, 5). This means that the products sold at the final sales points are of premium quality, so the probability is very low that a product "Made in China" by a luxury company was of bad quality.

According to Koromyslov et al. (2013, 36), the off shoring of design or manufacturing of luxury brands has a negative impact on the perceived quality and the brand evaluation of the product, but it does not affect the intention to purchase the products. Backe et al. (2005, 69) agree that even though the "Made in China"-label has a negative echo among people, it does not mean people did not buy them – a lot more significance is given to other attributes, such as brand name. Chinese manufacturing is, however, seen less in a negative way by younger adults than by older ones. Aiello et al.'s study (2009, 335) endorses this finding: for young people the brand and the home country of the brand seems to be much more important than the country-of-manufacture.

It seems clear, that luxury brands understand that for customers there might be a difference if a product is "Made in China" or in Italy. Some luxury brands have avoided the reputation of manufacturing in China by placing "Made in Italy"-labels on their

products when they are actually manufactured in China (Segre Reinach 2005, 49). Brands try to maintain the justification of attaching the “Made in France” or “Made in Italy” label by completing the final assembly of the products themselves even if most parts are manufactured abroad. This is due to them being insecure about how their customers might take the information. (Chevalier & Mazzalovo 2008, 360.)

It is not only a matter of the reputation of producing low quality products, but there are several risks for companies due to poor labour conditions and other ethical issues that are for the moment being ignored. There are possible social risks, as the power of consumers may result in boycotts, followed by financial risks (Sarasin 2006, 4). Luxury brands can avoid the risks involved with outsourcing to China by retaining their production under direct control (Sarasin 2006, 10).

3.4 European luxury brands “Made in China” summarised

This chapter opened up the concept of country-of-origin, and its importance in relation to luxury brands. It is essential to discuss the effect that the country-of-origin has on purchase decisions and product evaluations to understand the meaning of the “Made in” label. This part justifies the importance of the topic of the thesis – the COM does matter, but the extent to which it does depends on the product, price, and the strength of the brand.

The country-of-manufacture (COM) or the country-of-origin (COO) has an impact on the perception of product quality (Verlegh & Steenkamp 1999, 538). However, in many cases consumers are more interested in the country-of-design or country-of-brand (Thakor & Lavack 2003, 41). Also, even if the COM had an impact on the price and quality evaluation of a product, the intention to buy might not be affected (Pecotich & Ward 2007, 291). All the same, outsourcing production to a country with a bad reputation might harm the brand image, which is why all outsourcing plans should be thoroughly considered (Brodowsky et al. 2004, 744). Also, when a COM is perceived negatively, all communication related to the issue should be managed carefully (Grappi 2011, 114). Strong brands, however, have a benefit compared to weak brands – when a brand is strong the importance of COO is less important (Jo et al. 2003, 644–5).

According to previous research, the “Made in” -country is an important attribute of a luxury brand (Aiello et al. 2009, 333; Pike 2009, 623; Hamzaoui-Essousi et al. 2011, 977). However, it seems that the actual impact on purchases might not suffer from a negative COM (Aiello et al. 2009, 333; Agrawal & Kamakura 1999, 265). The brand image is usually more important when making purchase decisions (Ganesh & Lee 1998, 36; Phau & Pendergaust 2000, 167). The country-of-design tends to play a bigger role in purchase decisions than the country-of-manufacture (Aiello et al. 2009, 334; Ham-

zaoui & Merunka 2006, 151; Phau & Pendergaust 2000, 167). Some, however, argue that the COM may have negative effects on a luxury brand's image, which is why outsourcing should be carefully considered beforehand (Yeoman 2007, 290; Bryson et al. 2013, 401). There are also risks when luxury brands are strongly associated with their COB. Consumers might assume that the COB is equal to the COM, and discovering the truth can damage the brand severely (Hamzaoui-Essousi et al. 2011, 977). Also, according to the luxury business model presented by biggest European luxury companies, a luxury brand should never delocalize production (Kapferer 2012, 456).

The third sub-chapter was concentrated on China as a luxury brand manufacturing location. This part brings us closer to the actual title of the thesis – “European luxury brands made in China”, and helps us understand that the phenomenon is not black and white. There is a clear distinction between the previous research findings on whether it matters for consumers where luxury brands are made. Most, however, agreed that having a strong brand helps overcome issues such as negative COM perceptions. The COD and COB seems to be more important when consumers make purchase decisions.

The chapter was divided into two parts, first China is discussed as a manufacturing location in general and then it is discussed in the context of luxury brands. Here we get a deeper understanding of China's image in manufacturing and how it fits with luxury brands. China has a weak image in manufacturing. Generally, “Made in China” is associated with bad labour conditions, bad quality, cheap, mass production, and fakes. Even though China has in fact improved in its manufacturing, the image has been poor for decades, and it is not easy to change.

The luxury brand model forbids delocalisation of production (Kapferer 2012, 457). Outsourcing luxury production might endanger the credibility of the brands (Chevalier & Mazzalovo 2008, 289). Manufacturing brands in countries other than their home country might cause negative effects on consumers' perceptions on the brand (Haübl & Elrod 1999, 213). Also, as China is known as a low cost, mass production country with questionable labour conditions, there seems to be a clear misfit in relation to luxury brand manufacturing, which is thought to be ethical and sustainable. However, it cannot be denied that possessing a strong brand image may overcome the negative luxury “Made in China” -associations.

The following empirical research looks deeper into this phenomenon, whether it matters if a luxury product is “Made in China” or not, and how this affects the brand. The previous studies have shown that there might be negative connotations to the idea of making luxury in China, but the actual purchase decisions might not be affected. This is a good starting point for an empirical research. The following part of the thesis continues from this, and tries to understand how “Made in China” affects the perceptions of luxury consumers in Finland – does the brand image suffer? Are luxury consumers will-

ing to buy luxury fashion items "Made in China"? These questions are answered in the following chapters.

4 RESEARCH DESIGN

4.1 Focus group research

Focus group research is a popular data collecting method in the field of qualitative research. It is a technique in which a topic is given to a group of people, and they freely discuss the topic as the researcher observes. (Morgan 1996, 129.) A focus group research is not the same as a group interview (Liamputtong 2011, 31). The method is useful for collecting shared life experiences. This is an element that other methods have difficulty in reaching. The interaction of the focus group discussions is in the hands of the participants, the researcher is there to observe rather than actively participate. This method emphasises the opinions and views of the participants. (Liamputtong 2011, 4.) Focus groups are useful when the subject at hand is complex, and there is little existing information on the topic (Powell & Single 1996, 499–50). It is a method for data collecting, and it is essential to understand that the data is collected from the interaction between people (Morgan, 1996, 129–30).

An important aspect of focus group research is symbolic interactionism (Liamputtong 2011, 16). It is the study and analysis of the developmental sequence of actions in which two or more people join their individual actions into a joint action (Flick et al. 2004, 82). According to social interactionism, individuals do not understand social phenomena alone, but as a result of discussions and interaction with other people (Liamputtong 2011, 16). In focus group research, the participants belong to a social group in which they interact with each other (Liamputtong 2011, 17).

In focus group research, in depth conversations are allowed as they usually involve a relatively small number of participants. They are often focused on a specific theme, which allows the participants to have a conversation on the topic in more detail. Interaction is the most unique and special characteristic of a focus group interview. The group's point is to help the participants to explain themselves better and come up with new ideas. In each discussion a moderator (in this case also the researcher) is, however, important, and the moderator's role is related to introducing the topic and assisting in keeping up the conversation. In a focus group research, the participants should usually have a similar background in their social and cultural experiences, such as age, social class, gender, or educational background. (Liamputtong 2011, 4–5.)

Focus group research is a very popular approach to qualitative research mainly due to its economic usage and convenience (Boateng 2012, 54). Focus groups are said to be most useful when they produce information that would not be possible to gather with more standard methods (Morgan 1996, 136). The method is used to explore and understand what people think, how they think, and why they think about the research topic

without any pressure from the researcher's side (Liamputtong 2011, 5). One of the benefits of focus group research is that it does not limit the answers of the members of the group. The conversation is open, and it is not limited to a certain framework. (Morgan 1996, 137.) The participants are allowed to express their thoughts, feelings, and perceptions in their own words. This method helps researchers to find answers to why certain perceptions exist among the participants as individuals or groups. (Liamputtong 2011, 6.) A focus group research tends to be more productive than individual interviews – the participants have more ideas, and the conversation is more vivid. In a focus group research the participants explain themselves to others, and they challenge each other in their opinions. Moreover, the interviewer can ask the participants about their experiences and agreements, and ask them to compare them with each other. (Morgan 1996, 138–139.)

The selection of participants in focus group research is based on their relevance to the topic. The reason why a certain set of people was chosen in this thesis was because they were thought to bring valuable contributions to the research. In this research, it was of interest to interview people with similar consumer behaviour patterns. In focus group research the participants should also have similar backgrounds and experiences to ensure a flowing discussion. When the participants have similar background, they are more likely to discuss the topic more openly. (Liamputtong 2011, 36.) The topic of this thesis was clearly such that the interviewees discuss it more openly if they are in a comfortable context. More ideas and views were brought up when the interviewees were good friends with each other. This is exactly what is crucial in focus group research – the discussion between the participants allows the researcher to engage in topics, which might not come up with a single interviewee (Liamputtong 2011, 4). The discussion should, thus, be as natural and open as possible.

The discussion between the participants is most important in a focus group research. Still, the moderator of the discussion has a crucial role as well. It is the moderator who makes sure that all the participants are active in the discussion. The moderator should also make sure that the discussion is fluid, and is allowed to move flexibly in any direction. However, the moderator should make sure that the topic is discussed thoroughly. Being in charge of the conversation, and aiming at getting open and full answers, the moderator should be sensitive to whatever the participants need, not judge the responses, respect the participants, be open-minded, have full understanding of the topic, be good at listening, and have patience and flexibility (Liamputtong 2011, 60–61). Even though the point is to let the participants discuss the topic freely, for clarifying certain issues, the moderator is allowed to ask directly. These questions should, however, be presented at the last part of the discussions. (Liamputtong 2011, 78.)

Even though a focus group research is an efficient way to gain valuable in depth knowledge, there are a few weaknesses that need to be taken into consideration while

performing the research. First of all, the other interviewees might impact others' opinions, the interaction with individuals is not as focused, and the data might be affected by the situation. Also, it has been acknowledged that the interviewer's efforts in trying to control the discussion might actually disrupt the group interaction. (Morgan 1996, 139–140.) In a focus group discussion, the so-called groupthink might affect the answers of individual respondents. Groupthink refers to how individuals wish to be in harmony with other people's thoughts, and thus, without even knowing, change their opinions into being more in line with others. (Boateng 2012, 54–55.) According to Guest et al. (2012, 121), the participants might also change their opinions during the conversation. What other people think and say might have a strong influence on an individual participant's opinions. In addition, some of the participants might simply be more active than others. In these cases, the opinions of the dominant participants are the ones that are emphasised. (Guest et al. 2012, 119–121.) Also, in some cases the focus group discussion might not be in depth enough for the researcher to have a full understanding on the experiences of the participants. Another obstacle in using this method is, when the topic is too intimate or when there is a risk of strong arguing opinions. (Liamputtong 2011, 8.)

In this thesis there were no ethical risks such as harming or exploiting the interviewees, or revealing confidential information without their consent (Liamputtong 2011, 29). First of all, the topic was not intimate or disturbing, so the interviewees felt at ease discussing the topic. Secondly, no names are mentioned, and no direct citations are shown.

4.2 Data collecting method

Data for the empirical part is collected through focus group interviews. As this is a qualitative research, the interviews resembled more everyday conversations rather than a collection of closed questions and answers. The interviews served as a base for data collecting, so there still existed a theme around which the conversation should focus on. The interviewer's role was, therefore, to keep the discussion in line with the topic. (Eriksson & Kovalainen 2008, 78.) The ideal number of people in a focus group discussion is from four to ten participants (Liamputtong 2011, 43). In this thesis, the focus group interviews each had 2–4 participants, to avoid making the conversations too long. They were recorded with a smart phone recorder application to avoid interruption from taking notes (Eriksson & Kovalainen 2008, 85). Beforehand, the researcher wrote down the backgrounds of each participant to then understand the conversation better. There was also a need to clarify the dynamics in the group to see whether the thoughts and opinions of some individuals affect the other participants in their opinions and thoughts (Eriksson & Kovalainen 2008, 174). In this case, most of the groups involved people

who were already friends with each other, so they felt comfortable to say whatever came into their minds.

The interviews were based on an emotionalist research approach. This means that the goal was to get the interviewees to talk about their own emotions and experiences with the topic. Here the interview questions focused on the perceptions, conceptions, understandings, viewpoints, and emotions of the interviewees. (Eriksson & Kovalainen 2008, 79.) All the same, a somewhat a constructionist approach was utilised as well, as the interviewer used questions as triggers for the conversation between participants when necessary (Eriksson & Kovalainen 2008, 80).

The interviews were unstructured as in there was no strict framework for the conversation. The conversation between participants was let to move freely in any direction. The benefit of an unstructured interview is that it may give the researcher new ideas and thoughts, which would not come up otherwise. These kinds of interviews are also relevant to the participants, not only the researcher. An important part of these interviews was that the questions were neutral; they did not lead the participants in any particular directions. (Eriksson & Kovalainen 2008, 82–84.) The interviews in general did follow a certain pattern, even though they were unstructured. There was a set of eight questions that acted as a framework. The questions or themes were discussed in all of the interviews, but they did not always follow the same order. In some cases, the interviewer did not have to lead the conversation in certain directions, but the interviewees brought up the topics by themselves. However, it was sometimes difficult to avoid presenting direct questions. In cases where the desired topics did not come up on their own, it was unavoidable for the interviewer to interrupt and ask.

The number of focus group discussions varies from the complexity and nature of the topic. Usually after ten discussions the answers tend to replicate one another. (Powell & Single 1996, 501.) The same applies to this thesis. There were a total of ten interviews, as already at this point the answers started repeating each other.

4.2.1 The interview framework

The interviews concentrated on the following themes: *how luxury brands are seen and what is expected from them, the reasons for buying luxury brands, the role of COO in purchase decisions, and luxury brands "Made in China"*. These themes were discussed one at a time, with the help of eight questions:

- 1) What does luxury stand for?
- 2) What do luxury brands mean?
- 3) What is expected from luxury products?
- 4) Why would someone buy a luxury product?

- 5) What area or country is associated with luxury?
- 6) What is the role of COO in the purchase of luxury products?
- 7) What is the image of Chinese production?
- 8) What kind of feelings does the idea of luxury "Made in China" arouse?

These questions were not asked directly, but they acted as help for the interviewer to keep the conversation somewhat logical. The discussions were relaxed and authentic, so an open structure served the purpose of this study best. The discussion ended up being very different between each of the groups interviewed. The main focus was to include all of the four themes in the discussion, but there was no need to specify how the discussion should move forward. The interviewer tried to find answers to the presented themes without interfering with the conversation too much, and let the interviewees discuss the topic.

4.3 Analysis method

A common initial data analysis of face-to-face focus groups is transcribing the interviews (Liamputtong 2011, 165). The following analysis method in this thesis was comparative analysis, which is a method of applied thematic analysis. In this thesis the goal was to identify and describe certain major themes, rather than focus on minor details. The approach used in this thesis was to write down all the themes in the discussions, and then to analyse which themes were different and which were similar. According to guest et al. (2012, 40), data collecting should be similar and comparable in all the interviews in order for them to be meaningful for the research. In this thesis, the questions and themes were the same in all the discussions.

In a qualitative thematic comparison, the similarities and differences that exist between the data sets are highlighted and narrated. In this thesis, the most basic level of comparison is used, meaning that the themes discussed in each group are either similar or different, and these are then examined. (Guest et al. 2012, 162.) A thematic comparison always requires that theme frequencies be established. At this basic level of comparison, the themes are presented as absent or present. This strength is measured by using the percentage of all the participants coming up with the give opinion or view. Only the most important themes are presented as frequencies. (Guest et al. 2012, 172.) The frequencies of answers are usually reported at a group level rather than individual level (Guest et al. 2012, 119).

A qualitative matrix was used to segment the most important themes in the interviews. It is often used to present qualitative data in a quantitative way (Guest et al. 2012, 174). This is a good way to systematically compare the differences and similarities between the groups (Guest et al. 2012, 171). The matrix includes coded text with

the most important demographic and personal characteristics of the respondents. They can be of great help when presenting an overview of the collected data. (Guest et al. 2012, 130.) The matrix presented in the analysis part (see table 4 and figure 16 on page 80) includes all the most important viewpoints and opinions that were repeated in the interviews. Onwuegbuzie et al. (2009, 8) presented an excellent example of presenting and analysing the data. The matrix presented in the article has the focus group questions on the rows, whereas the participants and their answers are on the columns of the question row. In addition, the matrix showed the levels of opinions (strong, moderate, weak) of the participants. (Onwuegbuzie et al. 2009, 8.) The matrix was somewhat modified, however, as the need of this thesis was to simply show the opinions of the interviewees rather than the levels of their opinions. Also, the rows and columns were switched in a way that the columns present the research questions, whereas the rows present the answers of each participant. This was thought to be a clearer way to show the results. This matrix presented in the analysis chapter is used as a tool to show the most relevant research findings.

4.4 Evaluation of the study

For any research, it is important that it is as trustworthy as possible. In qualitative research, reliability is usually used as the measurement of trustworthiness. The reliability of a study refers to its repeatability – the likelihood that the method used for measuring the results does not contain random errors (Aalto & Puusa 2011, 153). Reliability is focused on understanding whether the researcher can rely on the collected data (McKinnon 1988, 36). Reliability concentrates on the logic of observations and it can be approached by repeatedly taking measures of the same variable with similar methods (McKinnon 1988, 42).

4.4.1 Credibility

The credibility of the study is an important aspect of reliability. The meaning of the term refers to how well the interpretations and conceptualisations of the researcher actually correspond to the how the respondents of the research feel about the topic (Eskola 1998, 213). Credibility can be enhanced by using mixed methods, or actively seeking for deviations during the research (Koskinen et al. 2005, 257).

The interviews were all recorded with a smart phone recorder application, making it easier to analyse the discussion afterwards. Using a recorder helps the researcher to write everything down as they are. The topic was important to the researcher, so at some

points there were difficulties in understanding opinions that were different from the researcher's own. However, as the topic is current, and no difficult terms were used, there was not any miscommunication or misunderstanding between the participants, or between the participants and the researcher. When something was not understood perfectly, the researcher always asked the participants to explain themselves better. The credibility of the research was, thus, good. The data collection could have, however, been wider, and with more participants to have an even better view of the topic.

4.4.2 *Transferability*

Transferability means transferring the results of the research to some other environment, as in making generalisations (Eskola 1998, 213). Transferability refers to how well the same method used in this research could be transferred to other studies. Transferability can be improved by giving a rich description of the observed target (Koskinen et al. 2005, 257).

The observed topic was explained rather widely, and it was based on previous research. The data collecting was performed rather differently than in the previous studies, as it was conducted as a qualitative method using a small number of people, when the others have mainly been quantitative studies of a larger number of people. All the same the method used in this research was good, as it did not limit the answers too much. Interviewees were mostly not asked directly, except for some parts when the topics did not come up by themselves. In a quantitative study the questions might lead the respondents too much in a certain, preferred direction. To have a proper view of the topic, it would be useful to use mixed methods, as in combining qualitative and quantitative research. The used method for data collecting, through group interviews, was useful as it brought up discussion between the participants, and ideas came up naturally. As such, the method could be transferred to other topics as well. In addition, the group interviews could bring more information on the topic if there were more respondents. This method could be easily used by companies, for example, if they wanted to know more about how consumers feel about their products and production sites. The qualitative method used is excellent for getting new ideas and thoughts from consumers, but it is time consuming, as it would need to be performed to many people to get an appropriate outlook of the topic.

4.4.3 Dependability

Dependability examines how much the research is connected with external factors. A study should be such that it is easy to repeat. This is performed through logical reporting. (Lee 1999)

In this research, there was a clear logic in how it was performed. An interview framework was created as a basis for the interviews, which helped the researcher at performing a similar situation with each of the groups involved. Anyone performing a research based on the interview framework would most likely get similar results. However, in some cases the discussion was let freely to move into different directions, and the ideas and opinions concerning the actual topic were results of these. If some other researcher performed the same interviews, they might not let the discussion move as freely, and some of the important opinions might be left out. All the same, the participants were honest in their responses, and many came up with the topic without even asking. In cases where the participants had strong opinions, they would certainly come out no matter who is the researcher. The dependability of this study was, thus, satisfactory.

4.4.4 Confirmability

Confirmability refers to the neutrality and objectivity of the study. The study should not be dependent on the researcher – any researcher should get similar results. (Lincoln & Guba 1985, 323.)

This research was based on group interviews, where the researcher chose the participants of the discussions. They were all somewhat acquaintances of the researcher. This fact makes the research somewhat dependent on the researcher. If a different researcher, within the same focus group, performed the same research, the answers might be different at some parts. Surely people with familiarity with the luxury market have same kind of ideas, but it cannot be generalised as such. For making the research less dependent on the researcher, there would be a need for more interviews also with people who were not familiar to the researcher at all. It can, thus, be stated that this research was dependent on the researcher to some extent. However, it cannot be ignored that this thesis does bring further insight in to the field of research of luxury brand country-of-origin preferences.

4.5 Research design summarised

In this chapter, I have justified the chosen methods for implementing and analysing the research. The following empirical part of this thesis is based on focus group research, which is a method in the field of qualitative research. The chosen data collection method was group interviews, and an interview framework was presented to support the interviews. Thematic analysis was chosen as proper method for analysis. The reliability of the study was proven to be satisfactory with some points that could have been better. The findings of this research are presented and analysed in the following chapter.

5 RESEARCH FINDINGS

The research included three groups of interviewees: 1) the university students, 2) the young career women, and 3) the experienced luxury consumers. There were 10 interviews in total, each with 2–4 participants. Three interviews were with the university students, three with the young career women, and four with the experienced luxury consumers. The interviews included, in all, 11 university students, 10 young career women, and 8 experienced luxury consumers, thus the total number of interviewees was 29. The university students were between 23–26 years-old, the young career women 27–30 years-old, and the experienced luxury consumers mostly 49–54 years-old, with an exception of one 41 year-old. The age division can be detected from Figure 12.

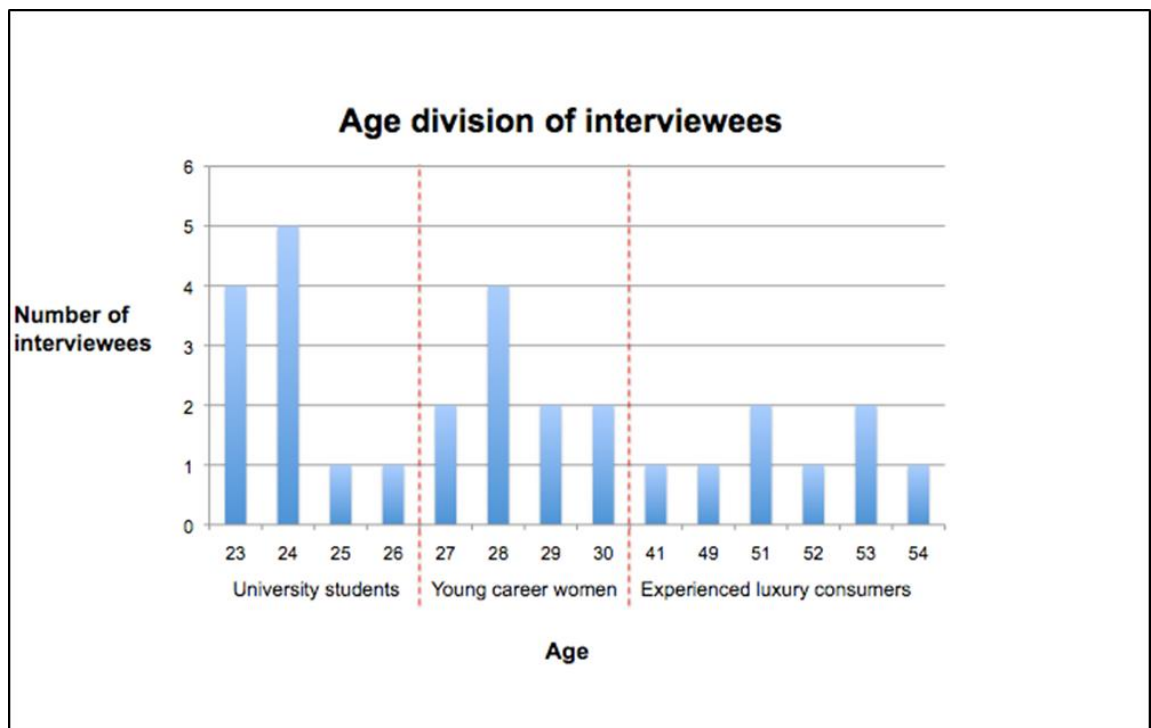


Figure 12 Age division of the interviewees

What was clear in this research was that the interviewees had a different idea of what is luxury depending on their means to buy them. The ones, who were not that routinized consumers of luxury goods, would easily see products that were not that expensive as luxury; whereas the wealthier participants, who were used to buying more expensive products, would not see the same products as luxury. However, the idea of luxury was seen similarly. Perhaps, the interviewees preferred to think of brands, that they actually could purchase, rather than something that was completely out of their reach. It is, clearly, easier to relate to buying a Louis Vuitton monogram bag for 500 euro rather than a Hermès Birkin bag starting at 6800 euro – there is a difference between these two cate-

gories of luxury. Also, as these intermediary or modern luxury brands are usually in the cheaper range with their price, and they often lack many aspects of luxury such as exclusivity or even quality, the interviewees might not expect as much from them. For this reason certain aspects such as the COO does not play a remarkable role in these purchase decisions, or even the brand image. If they were considering the idea of buying luxury products with prices they could not afford without saving for a long time, these aspects could easily become more important.

5.1 The university students

5.1.1 Interview 1

The first interview took place in a relaxed setting with three interviewees. To understand the group interaction and opinions, it is important to list a few points of the backgrounds of the participants. One of the participants had a background in working in luxury business, as well as being a frequent consumer of luxury products. One of the interviewees was Chinese born and she enjoyed luxury products. The third of the interviewees had a few luxury products, but no other familiarity with the topic in further detail. The three participants were university friends, but not that close with each other. At the beginning the participants were a little shy of their own opinions.

This first interview served also as a trial of whether the number of participants was correct, and on how the discussion advances, and how much participation the topic requires from the researcher. During the first interview, the researcher was active, but gave room for the participants to openly discuss the topic with each other.

Luxury brands were linked with attributes such as craftsmen, valuable raw materials, high quality, recognition, timelessness, and experiences. For luxury brand consumers it was seen important that people recognise the product, which makes them attractive. Luxury products are showcased to other people, as everyone knows what a Chanel bag means and costs. They are also thought to be as investments, as they last for a long time.

Luxury consumers were seen as people who see luxury as something worth seeking. Luxury consumption is a lifestyle, which characterises the consumers. Luxury products are seen as treasures. They have been made with precision and time, and, thus, consumers should appreciate the effort. Buying a luxury product is seen as an experience starting from the customer service to the display of the products. From luxury products it is also expected that if something were to happen to the product, they would do their best to repair or replace it. Luxury brands are expected to have superior service compared with cheaper brands.

The country-of-origin of luxury brands was associated with Europe, especially Italy, France, and England. Luxury brands were seen to be European, and they reflect the European lifestyle. However, when talking about luxury consumers, Asia and emerging cities such as Shanghai were brought up. Traditionally, and as a manufacturer, Europe is seen as the main area of luxury; whereas when talking about consumption Asia is important.

Moving on to China as a luxury manufacturer, it was said that even though there must be great manufacturers there as well, getting to the level of the Europeans in the craftsmanship and quality is still out of reach. It might also be that it is a European way of thinking that we are the only ones who are able to manufacture luxury. One of the interviewees knew that *Hérmès*, a well-known French luxury brand, had brought a Chinese enterprise that manufactures leather bags and shoes.

One of the interviewees wanted to know, whether the others could buy a luxury bag "Made in China". The luxury business professional said that she could, but to the Chinese it would be difficult, as they only want to buy products made in Europe. She also pointed out that in Asia there are plenty of exotic animals, and it would make sense to produce for example crocodile skin bags in Asia, as the raw materials come from the same area. Now the leather might be bought in Asia, but it must be transported to Europe to actually make the product there. Then these products are brought back to Asia to be sold. She said that she could buy a luxury product "Made in China" if she knew the story behind the product, and it was made in a small, controlled process, and the manufacturing would be documented in some way.

The interviewee, who asked the question about luxury products "Made in China", said that she could never buy a bag from *Hérmès*, for example, if she knew it was "Made in China". The one with strong Chinese familiarity said that she could buy a product "Made in China". However, she pointed out that fake products come strongly into her mind when talking about Chinese manufacturing. She still thought that luxury brands have very strict quality control and quality management, and that everyone knows how to manufacture if they have been taught correctly. She believes that a luxury brand has a strict quality control whether their products were manufactured in Italy, France, or China. And even though she believes that European manufacturing is better than Chinese, there is a change taking place. The interviewee might not even question where a product is made and why, when buying something luxurious, whereas the other two were keen to know the background.

5.1.2 *Interview 2*

The second interview had four interviewees. Three of the participants had a similar background – a shift from student to working life had recently started, and they were all occasional consumers of luxury products. The fourth participant had future plans to buy luxury products, but with a strict ideology of ethical manufacturing and business. All of the women were good friends with each other, which meant that they were straightforward in their opinions. The interviewer took a more passive role, as the participants were familiar with each other, and were excited about the topic.

Luxury brands were seen as superficial, but also as being aesthetic and being of good quality. It was seen as a something to show a person's status with to the others. What makes luxury is that not everyone can afford it, and by having a luxury product a person can show how wealthy he or she is. However, luxury was also viewed as a way to bring satisfaction to oneself. For normal people with normal income, luxury is filled with pleasure, and it was associated with situations that are above the routines and daily life. When a person is wealthier, they might buy luxury for the quality.

The reasons for buying luxury brands were several. Mainly, luxury consumption is based on the idea of how precious the product is, and the feeling it brings to the owner. The quality was seen to be important, but more a necessity that comes with the product – after a certain price, the quality does not improve dramatically as the price increases. Buying luxury is a way to show status, and improve self-esteem. The interviewee with clear ethical standards brought up that for her the whole supply chain and manufacturing process were extremely important when buying something expensive. She was the one to bring up that she would not want to buy a bag made by Chinese people in unethical conditions. The others admit to have paid little thought on the manufacturing process in their purchases. When talking about their most expensive items, it was clear that they had not thought about the made in country whatsoever.

When talking about countries associated with luxury, Paris was brought up first. Made in Italy is a sign of quality, when buying products. Italy is a promised land of leather, and manufacturing in Italy was believed to be ethical. Chinese manufacturing was perceived as easy, fast, and cheap mass production. The ethical consumer was convinced that almost anything that was "Made in China" has something unethical in the manufacturing process. It was also brought up that there exist no well-known Chinese luxury brands. On top of this, luxury products were thought to be handmade, which argues strongly against the mass production reputation of China. The interviewees thought that a product made in Europe is more precious than a product "Made in China", even though the brand was not a luxury brand. Luxury brands were associated with Western Europe.

Asking whether the interviewees would buy a bag "Made in China", three of the four interviewees said that they would trust the luxury brands to manufacture ethically and well, no matter what the made in country. The three interviewees said that the brand is the most important, but the discussion made them think more about the made in country, as well. It is more important how the brand is seen, and what the brand's reputation is in general. The ethical consumer wanted to point out to the others, that if a product is "Made in China", the profits made are even greater than when they are made in Europe – they should afford to manufacture in Europe, as the prices are high. She wanted to emphasise that buying something "Made in China" means bringing directly more money to people who are already rich. The others saw that, still, the bag might be worth the high price, and that there are companies that manufacture ethically also in China. There is nothing that proves that luxury products "Made in China" were of less quality than the ones made in Europe, so a *Hérmes* bag is a *Hérmes* bag no matter where it was made. For the ethical consumer it was still very important that the whole manufacturing process was recorded and see-through, and the country brand of China argues against ethical manufacturing. It was agreed that luxury brands are above all related to the image of owning something luxurious.

The interviewees then started to look whether their own clothes were "Made in China", and they understood that actually many of the items were. They believed it was mainly due to their status as students, that later on they would buy more ethical products. Still, it was clear that they had not before had any interest in where their clothes were made. China as a country was seen as a cheap and mass production area. European luxury brands were thought to have branded themselves well, and they were associated with long tradition and stories. It was commonly thought that the Chinese wish to match the level of the European luxury, but it was deeply doubted whether they could match the level even in the next decades due to the fact that they have no history of luxury production.

5.1.3 Interview 3

The third interview included four participants. One of them was already somewhat a luxury product consumer, and the three others were planning to buy something luxurious when they have the chance. They were all good friends with each other, which meant that they were not shy about saying their own opinions out loud. The interviewer could easily let the participants discuss with each other without participating too much. The beginning was more passive on the part of participants, but the later parts were full of active discussion.

Luxury brands were associated with exclusivity, quality, expensive, design, investment, and collector's item. Luxury brands were seen as something extraordinary and festive. Luxury was related to foreign countries – Finland was not seen as a luxury country. In specific, France and Italy were associated with traditional luxury.

Luxury consumption was mostly seen as showcasing one's status to others – creating a certain image of oneself to other people. Luxury brands were thought of being precious and something that brings pleasure to the owner. It was seen as something the participants could expect to buy or get on special occasions, such as graduation. In the future, after shifting to work life, the interviewees thought that they would want to buy more quality products due to the fact that they are of excellent quality, which then brings satisfaction. Luxury products are well known to be of top quality, and to last for a long time. When buying cheaper brands, one would not even expect it to last for long. The interviewees believe that a big part of the price is made up of the brand, not only the quality. The topic of Asia was brought up, as one of the participants mentioned that she did not feel at ease when buying things that were made in Asia, but for the moment it was seen as impossible to buy only expensive things. It was seen as pleasing to buy something that lasts for long and is done precisely and ethically.

When introducing the topic of luxury brand manufacturing, one of the participants said that she has heard a lot of terrible things, but would want to believe that it was ethical. She found that it was surely difficult to know exactly where all the materials came from, and who made them. Still, it was thought that many brands know exactly that their products are made by hand in France. Europe was seen traditionally as a luxury manufacturing area, and Asia could not reach the same level in their manufacturing. It was strongly believed that European luxury companies have managed to build a powerful image around their brands, and that they all have a story behind them.

The idea of manufacturing luxury products in China was seen as a dreadful thought. When buying something expensive, it should definitely not be "Made in China". The idea of luxury is that it is made ethically, and in Europe. Luxury consumption brings a feeling that the consumer is doing everything correctly; no one should have been hurt or taken advantage of in the process. Manufacturing in China was seen as fooling the customer, as it has clearly been made cheaper than what it would have cost in Europe. At that point it is mainly the brand that people pay for; the profits become too high compared with the quality. When a product is expensive, it should be made according to ethical standards where the employees are paid sufficiently. When a luxury product is manufactured unethically, it fights against all the images luxury brands communicate of themselves.

Presenting the participants a question on how much it matters where a product is made the common thought was that it does matter, even though for the moment they did not act accordingly. There are not that many options, and in addition it might not be

informed properly where a product is made in. When asking about China as a manufacturing country, the first thing that came up in the discussion was cheap labour. However, as the standard of living in China is increasing, it might not be as cheap as in some other countries such as India. China was also associated with fake products, and no one knew about any famous Chinese brands. Another viewpoint was that anything that the Europeans export to China would surely be copied to the pirate markets. A "Made in China" –label was seen as a sign of bad working conditions and even child labour. It was believed that even if in the big Chinese cities the labour conditions were improving, there would always be some smaller places where labour standards would be inexistent. When it comes to supply chains, it was commonly thought that they could not be tracked down all the way. Chinese were not thought to be bad workers, but good rules would be needed to make sure the quality is superior. Luxury brands were not seen to be ethical in what they do, even if the quality was great.

When talking about buying luxury brands, and being interested to know whether it was "Made in China", the participants said that it would depend a lot on how many products one buys – when buying one specific product, it would not be as important as when buying a lot of luxury items. The label "Made in China" would, however, certainly take away a part of the preciousness of the product. Seeing a "Made in China"-label inside a luxury product was seen as unlikely. Also, when asking whether the participants would ask where the products were made in when visiting a luxury boutique, they all said that they would not, that they would trust the brand. They were even uncertain about on what purpose a product is said to be "Made in country X" – is it the design or the manufacturing location.

5.1.4 University students summarised

The university students recognised many of the attributes often associated with luxury brands such as craftsmanship, top quality, global recognition, premium price, design, and exclusivity. However, they did not mention the characteristics of heritage or details. Instead they pointed out attributes such as timelessness, valuable raw materials, experiences, and beauty. They were seen as something extraordinary, fine and precious. Luxury brands bring satisfaction for the owner. They are products that are treated well and appreciated, and they bring a good feeling. The experiential value was seen as very important.

Luxury brands were seen as being superficial, and it was generally perceived as a way to show one's status. An important part of luxury consumption is that not everyone can afford it. For luxury brand consumers it was thought to be important that other peo-

ple recognise the products. The symbolic value had, thus, a lot of meaning. Luxury products are showcased to other people, but they also bring satisfaction to oneself.

The interviewees strongly stressed the symbolic and experiential values of luxury brands, but did not put much emphasis on the functionality. Functionality was seen perhaps as a logical part of luxury – luxury products should have the functionality aspect as well, but it is not the main reason for buying them. The material and personal joy of consuming luxury are the most important. In this category, thus, the actual brand plays an important role. Surely, they are expected to have good quality and functionality, as well, but the brand was given most stress.

The university students attached strong emotions to luxury brands, and they tended to believe in them. Luxury brands were expected to have superior service compared with cheaper brands, and they were seen as having higher ethical standards than cheaper labels. An ethical and fair manufacturing process and supply chain were for some extent seen as important associations with luxury brands.

According to all of the interviewees, Europe is the home for luxury, Italy and France in particular. This does make sense, as most of all luxury brands are from these two countries. China was, however recognised as a rising market in consumption. The traditions and knowhow in Europe were seen as something unique by slightly over a half of the interviewees (6/11), and any other area could not easily reach the status of being the home of luxury. The idea of luxury is that of the traditional way of thinking – craftsmanship and quality.

When talking about China and luxury brands, they were generally thought to be a misfit. Slightly over half of the interviewees associated China with low costs, bad quality, mass production, and fakes. Only a third of the interviewees associated China with unethical labour conditions. Luxury products were thought to be handmade, which argues strongly against the mass production reputation of China. It was also said that even though in China there must be great manufacturers as well, getting to the level of the Europeans in the craftsmanship and quality is still out of reach. A few recognised that there exist no well-known Chinese luxury brands. Slightly over a half (6/11) of the interviewees thought that a luxury product should not be "Made in China" – the same people thought that manufacturing luxury in China has a negative effect on both the brand image as well as the purchase decision. If a product is very expensive, the idea of making even more profits by transferring production to China seemed unfair to the customer. Over half of the university students (6/11), thus, said that they would care where luxury products are made, and if they were "Made in China", the product would seem less prestigious. This half of the group preferred buying products made in Europe, especially France or Italy, but only a few said they would actually check where the products are made in (2/11) when making the decision.

The other half of the interviewees in this group said that they would trust the quality and control of luxury brands so much that they would not see a real problem in luxury "Made in China". The negative COO effects are, thus, not as important as the brand and perceived design of the product. All in all eight out of eleven of the interviewees of the university students said that they believe luxury brands have a strict quality control, and they would trust them in their manufacturing even though six out of ten would perceive "Made in China" negatively.

interview	age	Luxury COB = France & Italy	France & Italy: Craftmanship, traditions	Luxury made in China - neg. effects on brand image	Ethical supply chain important	China = low cost, bad quality, mass production, fakes	Luxury made in China - neg. effects on purchase decisions	China= bad labour rights	Trust in luxury brand control & quality	Luxury COM = France & Italy	I would ask where a luxury product is made in
1.1	23	X	X						X		X
1.1	26	X				X			X		
1.1	23	X		X			X			X	X
1.2	26	X	X	X	X		X	X			
1.2	24	X	X		X	X			X	X	
1.2	24	X							X		
1.2	24	X				X			X		
1.3	23	X		X	X		X		X	X	
1.3	23	X	X	X	X	X	X	X	X		
1.3	24	X	X	X	X	X	X	X	X	X	
1.3	23	X	X	X		X	X	X	X		
TOTAL %		100%	55%	55%	46%	55%	55%	36%	82%	36%	18%

Table 1 Qualitative matrix - University students

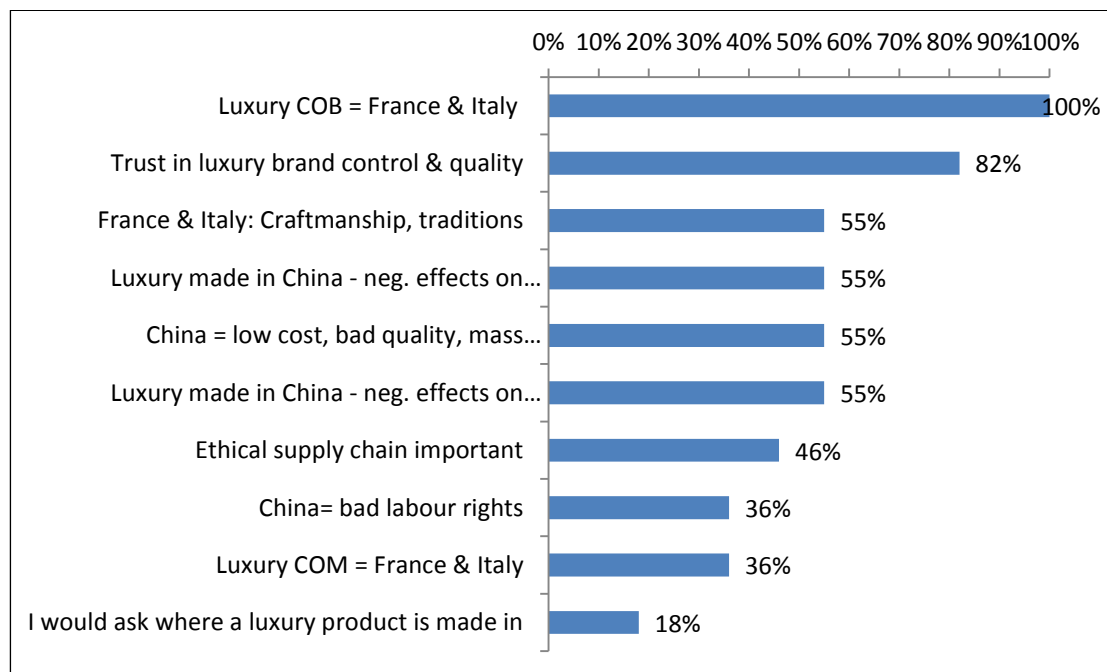


Figure 13 Qualitative matrix answers - University students

5.2 Young career women

5.2.1 *Interview 1*

The first interview with the career-oriented women was with a group of three participants. The three were all 28-years-old, and they had known each other since childhood. For this reason, they were happy to discuss the topic with each other, and the interviewer was left as a follower almost completely. Two of the interviewees were more familiar with buying luxury products, whereas the third one had just recently started familiarising herself with the category.

Luxury was associated with luxury bags, most of all, and other fashion items. Luxury was seen as something extraordinary, something to reward oneself with. Luxury is something extra, something that a person does not need – anyone could survive without luxury. The image of luxury is what people pay for. The product should, however, also have a good design. The history of luxury brands was seen as interesting, and an important part of them. Also, receiving extremely good customer service was seen as essential. This would, naturally, include an easy process for making reclamations.

The quality might not necessarily be that much better, but the idea of owning something luxurious makes people want to pay for it. When buying luxury, it should be something that lasts; something classy that does not go out of style the following year. Luxury items are also treated differently – they are precious, and they are seen as treasures. As luxury products are bought for a high price, the purchase decision is more thorough. The word investment was used – a luxury item can be sold later on for a good price. Luxury is something people brand themselves with, something that makes them feel better with. Luxury was seen partly as subjective – it means different things for different people with different levels of wealth. When a person is extremely wealthy, products that are luxury to others might seem ordinary to them. Also, this wealthier luxury consumer group could be seen as a good reference when buying luxury products.

The topic of which country is associated with luxury was brought up by the interviewer. When talking about the country-of-origin of luxury brands, Italy and France were the first countries mentioned. Also England was thought of as a luxury country. When it came to consumption of luxury brands, Russia and Asia were seen as important. Two of the interviewees thought that the brand was more important than the country of the brand in general.

When talking about the country-of-manufacture, the third interviewee with only recent experience in buying more expensive products, brought up the concept of "Made in China" as being something to avoid. When a bag costs over 1000 euro, it should be made in France, according to her. The two others, with longer experience with buying

luxury brands, thought that it is first of all difficult to even know where a luxury bag is made, and that they are probably all "Made in China". Surely, they both thought that it feels better to know that their luxury products would be made in Europe, but the brand image is what is the most important. Knowing that a product is authentic is enough. They felt that generally people do not check where the product was made, and assume the brand is being trustworthy with their quality. The two thought that luxury brands made sure that their products would not suffer from quality problems when outsourcing their production to China. They all, however, agreed that eventually the brand might suffer problems from the combination of outsourced production and lower quality. If the quality really remained the same, the consequences would not be severe.

When the interviewees talked about their own purchase behaviour, the first with several luxury products, said that she does check where the products are made in, but it does not affect her purchase behaviour. She was also convinced that the Chinese have no trouble in reaching the same quality standards as Europe – the manufacturing process is what matters rather than where the product is made. She thought that if a brand has managed to establish itself so well that consumers do not care about where it is made, then, they have done well. The second interviewee, also with long experience of luxury consumption, said that she is more concerned about the material of the product combined with the design, and the relationship between the quality and price. Her purchase decision would not be affected by the "Made in" -country if the experience of the brand had been good. The third, most critical interviewee agreed that in general people do learn to manufacture in the same manner as anywhere else, but she was not too convinced regarding the quality control in China. She argued that when people are forced to work 18-hours-a-day, with few rests, the quality is sure to suffer. Also, when the workforce is not educated, and not paid well, the work results usually are affected. She felt bad about luxury brands outsourcing their production to China and using worse materials than before, and it would affect her purchase decision without a doubt.

5.2.2 Interview 2

The second interview included three participants, two aged 28 and one 29. They had all graduated from university a few years previously. One of them was already actively consuming luxury products, whereas the two others had only a few luxury items in their wardrobe. They were all friends with each other, so they were comfortable in the situation.

The first attributes associated with luxury were wealth, quality, status symbol, elegance, and style. They were associated with handicraft and details. The luxury product itself should be classy, timeless, and top quality. Luxury was thought of as an investment. A

luxury product should also be of good material, for example leather or silk. The design should also be spectacular and practical. A luxury brand was not perceived as luxury if the luxury status was only based on image rather than real quality. Luxury brands were also expected to have good service, and the possibility to make reclamations without fuss.

Europe was seen as the main area for luxury brands – France, Italy and England as the main luxury countries. This was mainly due to the long traditions and history of handicraft and luxury production, especially in leather products. For generations, these countries have been producing luxury products. A product made in France or Italy is made carefully.

Asia was generally seen as having few luxury brands, especially known ones. Chinese manufacturing was associated with bad labour and human rights, as well as polluting and destroying the environment. China was also linked with effectiveness and mass production. Chinese made products were thought of being less luxury in the eyes of the interviewees. This topic was brought up by one of the interviewees with several luxury items. Outsourced luxury products were seen as having changed their fabrics into cheaper ones. The overall image of the whole phenomenon was, thus, very negative, and it seemed to influence the overall idea of the luxury brand. Manufacturing luxury products in China was seen as being deceptive and cheating the customer. The thought of increased revenues for the luxury companies due to low labour costs seemed unfair. When introducing the idea of buying luxury products "Made in China", everyone agreed that it would not seem as much luxury as a product made in Europe, even if it was the same product. They all said that the price should then be lower as well. They would, thus, not be happy to buy luxury products "Made in China".

5.2.3 Interview 3

The third interview included four participants. Two of the interviewees were aged 30, one 28, and the fourth one 27. They all had a master's degree in business. They had all been working already for several years in good positions. They were good friends with each other, so they felt at ease in the discussion. They all owned some luxury items, and had a tendency to treat themselves sometimes with luxury purchases.

The word luxury was associated with terms such as 'exclusivity', 'high-end', 'good quality', 'expensive', 'upper class', and 'status symbol'. One of the interviewees pointed out that luxury is not necessarily of good quality, but they have managed to create an image of good quality. There is something unequal about luxury brands, and there seems to be an idea of proving ones status through luxury products. Someone might buy a luxury brand to pretend that they belong to a higher social class. In a way, showing off

expensive brands might, in fact, act the opposite way; people who show off brands communicate to others that they are trying to be something they are not. This has led to an increasing popularity of products with hidden branding – only the ones who know, and can afford them, recognise these products.

Louis Vuitton was seen as the ultimate luxury brand. It was recognised as having a long history and traditions, but also having the problem of being copied widely. The same applies with Burberry. They both have, certainly, suffered from the counterfeits, but have managed to keep their positions. Luxury brands were seen to have several brands, under the main brand, for different target groups. Also, the idea of easy access products was seen as typical: almost anyone could buy a Louis Vuitton key ring if they truly wanted one, but it comes with a high price for such an item. Luxury fashion brands should be forerunners and innovative in their designing. Sustainability should be carefully thought of in these companies, but most of the interviewees thought that it probably was not. The manufacturing facilities and conditions were thought to be good in general, but having ethical values were not seen as a part of luxury brands. One of the interviewees said that in her eyes the image of a luxury brand would decrease dramatically, if she were to find out that their working conditions would be bad. One of them said that she expects everyone to have bad working conditions and that she does not think about it at all.

Luxury brands were seen as something to express ones identity with. The interviewees recognised the aspect of feeling like a better person when owning a luxury product. Also, the idea of belonging to a certain group through owning these products was seen as essential. A luxury purchase would have to be something that shows: a bag, watch, or a cashmere sweater. When buying a luxury bag, for example, it was important that it was carefully thought of beforehand. Luxury items were treated better than ordinary belongings. The interviewees recognised that their classic touch and top quality are important when buying luxury items. An important aspect was the idea of giving them on to the next generations later on. A luxury product was seen as something truly luxurious, if it lasted for long time in good condition. The last thing that should happen is that the product would break somehow – and if it were to happen, it could be returned and fixed by the seller.

Italy and France were associated with luxury. Japan was also brought up as a newcomer in the luxury fashion scene. Europe in general was seen as the home for luxury with Paris and Milan being the most important cities. England was partly also seen as a luxury country. Europe's position as the ultimate luxury brand region derived from its long history and traditions. Italy was seen as a country with a lot of handicraft skills, which was seen as essential for luxury brands. Asia was seen as the continent most likely to manufacture all the luxury products. The most luxurious handcrafted items were considered to perhaps be still made in Europe, but the rest was seen as Asian made. One

of the interviewees was aware of the problem of on what basis European brands can attach the “Made in” -label – if the most value-adding process is made in Europe, it is justified to attach the “Made in Europe” -label. For this reason, she did not even believe on the “Made in” -labels to start with. Three of the four interviewees did not really care where their future luxury products were made in. They said that it is the norm these days that everything is ”Made in China”. They trusted the luxury brands to keep up with the good quality and to have thorough quality controls. One of the interviewees disagreed, and hoped that her luxury purchases would still be made in Italy or France, and she would feel disappointed if that was not the case.

5.2.4 *Young career women summarised*

Among the 25–30 year-old career women, luxury was defined as extraordinary. It was associated with characteristics such as good design, quality, craftsmanship, details, exclusivity, premium price, and good materials. Luxury was seen as something extra, something that is not needed, but wanted. It is a way to show ones status. It was mainly associated with the upper class and people who are wealthy. Luxury is seen differently among different people – the wealthiest have a different idea of luxury than people of average income. For the interviewees, a luxury item would be an investment. Image was recognised as an important aspect of luxury.

Luxury brands were seen as having a long history and traditions in handcrafting and designing good products that last for a long time. They were expected to have superior service, and there should be no problems in making reclamations if a product failed to meet the luxury standards. Four of the interviewees recognised that the quality of luxury brands was not necessarily superior, but the image of having good quality was more important. Here, the brand is emphasized over other attributes. One of the interviewees argued that a luxury brand with only the image, without the quality requirements, was not a luxury brand to start with.

The interviewees would buy a luxury product if they wanted something that lasts. They would buy something that is classy, and can later be passed on to the next generations. Luxury purchases are thoroughly estimated before making the decision, and they are treated better than any other belongings. Luxury brands are purchased, first of all, to reward oneself; secondly, they are ways to brand oneself with, express ones identity, and belong to a certain group. The social, or symbolic, side of luxury brands is important. If a brand is generally acceptable, it is sometimes enough. The interviewees also bought luxury products to feel better about themselves. Showing off one’s status was recognised as an important aspect of luxury brands, but none of the interviewees

admitted to buying them for that particular reason. The emotional and social aspects were the most important when purchasing luxury brands.

Europe was generally seen as the home of luxury, with France and Italy with the most luxury brands. England was also mentioned. Japan was partly seen as a newcomer to the luxury sector. Over half (6/10) thought of Europe as having long traditions and history with the production of luxury items. The same portion saw that the handcraft skills in Italy and France are particularly good. Russia and Asia were, then again, seen as the big markets for luxury brands with many potential customers. Only a third (3/10) of the participants perceived Europe also as the manufacturing location of luxury brands, whereas the other two-thirds were convinced that everything is made in Asia nowadays. However, a few recognised that there exist no known Chinese brands. The ethical supply chain was seen as an important characteristic by less than a third of the interviewees.

Most of the interviewees recognised that the image of luxury brands is their most important aspect. Around a half of them argued that the brand is what matters the most when buying luxury products. If the brand was liked, they would buy the product despite where it was made in. If the brand is good and trustworthy it is all that matters. Less than a third, however, would assume that the luxury brands make sure that quality control is strict, and labour conditions are good enough. The Chinese were thought of as being able to manufacture to the exact same quality as in Europe by most. Two of the interviewees said that it was difficult to even say where a product was made. The other one pointed out that even if the "Made in" -label said Europe, it necessarily was not, due to the value-added dimension of the country-of-origin labelling.

The other half argued that luxury and "Made in China" do not fit with each other. If a bag costs over a thousand euro, the price should be partly justified by its European manufacturing. Chinese labour conditions were seen as bad and the wages unfair by a little a third (3/10) of the interviewees. These conditions would eventually affect the luxury brand image, even if they did not already. A little over a third (4/10) thought that China is an effective manufacturing location with a lot of mass production. They were also seen as a country that pollutes and destroys the environment. Even this half of the interviewees, however, knew that the Chinese could deliver the same quality as the Europeans, but their image as a manufacturing location is so bad that it does affect the image of outsourced brands. Also, when a brand manufactures in countries with lower costs, it would imply that the prices would be lower also. The case, all the same, is that the prices remain same, meaning that the luxury companies make more profit. More or less the same interviewees, who saw China negatively as a COM, would also check where their products are made (5/10). All in all, the idea of luxury "Made in China" seemed like deceiving the customer.

inter view	age	Luxury COB = France & Italy	France & Italy: Craftmanship, traditions	Luxury made in China - neg. effects on brand image	Ethical supply chain important	China = low cost, bad quality, mass production, fakes	Luxury made in China - neg. effects on purchase decisions	China= bad labour rights	Trust in luxury brand control & quality	Luxury COM = France & Italy	I would ask where a luxury product is made in
2.1	28	X		X					X		
2.1	28	X							X		X
2.1	29	X		X		X	X	X		X	X
2.2	29	X	X	X		X	X	X		X	
2.2	28	X	X	X		X	X	X			X
2.2	27	X	X	X		X	X				X
2.3	30	X	X		X				X		
2.3	28	X	X		X						
2.3	27	X	X							X	
2.3	30	X			X						
TOTAL		100%	60%	50%	30%	40%	40%	30%	30%	30%	50%

Table 2 Qualitative matrix - Young career women

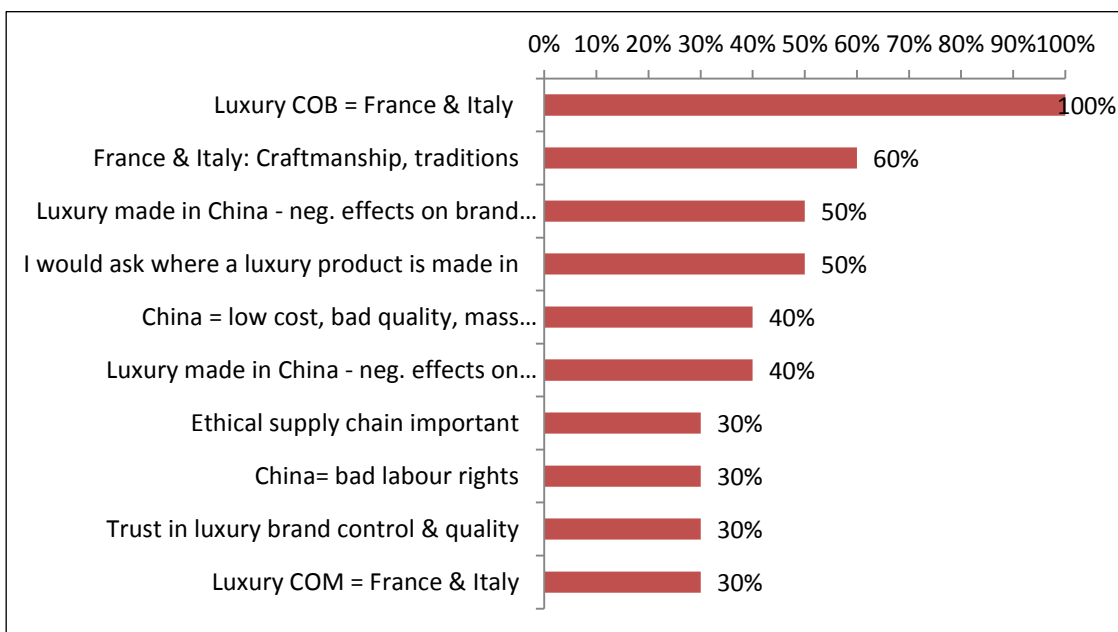


Figure 14 Qualitative matrix answers - Young career women

5.3 Experienced luxury consumers

5.3.1 Interview 1

The interview took place in Helsinki and included two participants. The one participant was 41-years-old and she had the tendency to buy luxury items sometimes. The other participant was 48-years-old, and she had several luxury items in her closet. The two knew each other well, so they were happy and relaxed about discussing the topic.

Luxury was seen as something extra, something special. Luxury is something that lasts for a long time, and it can even be passed on to future grandchildren. It should be,

thus, of high quality. Luxury products were also seen to be of good design, original, and have aesthetic value. It was clear that to different people luxury means different things.

Luxury brands were seen to have the exact same concept all over the world – having a particular service and being located in a central place. Luxury brands were associated with sustainable development, as they have the means to have full control over their supply chain, and be ecological all the way. In addition, luxury products were expected to be made in ethical labour conditions – no child labour, decent salaries, and so on.

When talking about the manufacturing in more detail, the high prices were thought to be justified by paying decent salaries in all the work phases. Luxury brands cannot afford to have loose control over their manufacturing. If the quality would suffer at some point, consumers would react immediately and the brand image would weaken. Asia especially was seen as untrustworthy in manufacturing. In Asia, the control over the working conditions is not accurate and good. Also, Asian countries were thought to be using hazardous chemicals in their manufacturing. China was said to be under continuous growth, but as a manufacturing location it was seen as fake. They are excellent in making counterfeits, and competing with price. Even when buying an authentic bag from a brand's own store, the interviewees preferred to buy it in the Helsinki store rather than some city in China due to this bad reputation. Louis Vuitton, Prada, and Gucci were seen as the ultimate luxury brands. However, it was seen as special to find luxury brands that are not that known – expensive brands that only a few know of. This is a consequence to the fact that everyone has the same Louis Vuitton bags, it is no longer unique.

The idea of a small family company in Italy producing a certain line for a luxury brand was seen as an ideal luxury manufacturing facility. In general, luxury production was seen as small scale rather than large scale. Hugo Boss was named as an example of an “ex-luxury brand”. They used to be a luxury brand with good quality, and then they outsourced their production and started manufacturing at a large scale. Due to these changes, the quality is no longer the same and labour conditions were no longer trusted to be ethical.

Europe was the area most associated with luxury – Italy and France especially. They were thought to have the know-how in manufacturing luxury products due to their long history and traditions in handcraft. Also, it was thought that Europe, perhaps, has the long traditions in the luxury sector due to always having royalty, who have always demanded for the very best. European luxury brands were seen as having more credibility than brands from Asia, for example. This was because most of the traditional luxury brands come from Europe. The status European luxury brands have cannot be reached within a short period of time as they are based on their traditions.

When buying luxury brands, they should definitely be European according to the two interviewees. They should also be made in Europe due to the better manufacturing con-

ditions and traditional handicraft skills. When buying luxury brands, the interviewees would care and they would ask where the product is made. If it would be, say, "Made in China", they would leave it at the store. The idea of European luxury brands making their products in China was seen as losing long traditions and skills, as it would automatically mean that people in Europe who used to make these products are now without a job. Also, outsourcing the production of luxury brands to China would eventually end up in a weakened brand image, and brands that used to be luxury no longer are.

5.3.2 *Interview 2*

The second interview had two interviewees who were best friends with each other. One owned a few luxury products, whereas the other had several luxury pieces in her closet. As they were best friends with each, they were happy to discuss this topic in a relaxed environment. They were aged 53 and 54.

Luxury was said to be something extra, something that one does not have or consume every day. It is expensive, and it lasts for a long time. Some brands that theoretically would go under the luxury category are not actually luxury according to the interviewees, because they do not last for a long time. Either they are of bad quality or they are based on the latest trends. The idea of buying only the brand without any content did not seem right. Traditional luxury brands that make timeless top quality products were seen as real luxury. Luxury should be something that you can pass on to your children. The idea of being made by hand by talented craftsmen was seen as an essential part of luxury. The people who make luxury products should also get a decent salary for their work.

The reasons for buying luxury would be their top quality, timelessness, and the responsibility luxury companies have over their products. Luxury purchases were thoroughly considered before actually making the decision. A luxury product stays in the owner's closet for a long time, and it eventually grows into being a part of the owner. It is an extension of identity, so to speak.

Hérmes was named as an absolute luxury brand. They are forced to make good, quality products, and the demand for these products is high. Their most luxury items are made by hand in France, and their most wanted items have a waiting list of two years. Their iconic Birkin bag has a price tag starting at 6800 euro. Loro Piana and Tod's were also mentioned as luxury brands. They have new models every season, but still maintain their identity and traditions. Tod's shoes are still made in Italy from local raw materials, and they take care of their employees. Brands that have started making mass products in large factories, and still maintain their high prices, are seen as disappointing. In these cases the brand is what people pay for, and the products do not meet the expectations. Some brands, such as Fendi and Dolce e Gabbana, have been forced to downgrade their

prices, because their brands have lost a part of their lux. They used to be at the high-end of luxury with their prices, but are now considered less luxury due to their weakened quality.

Asia was seen as a place where people have 20-hour-workshifts with zero salary. Bad working conditions were linked especially with Bangladesh. Also, the scandal with angora wool had made a negative effect on the interviewees; the wool is produced mainly in China in unethical conditions. Chinese manufacturing was associated with fakes and copying authentic products. However, the biggest problem with Chinese manufacturing was seen as being the bad and unfair working conditions. Luxury brands were generally trusted to have good quality control, but the control over working issues had not convinced the interviewees. "Made in China" was not associated with well-made products, and no known Chinese brands could be mentioned. Both of the interviewees would rather buy Italian or French made luxury brands, but one admitted to having the tendency of not checking the made in country when making purchases. The other said that she checks the made in country always when buying new luxury items.

5.3.3 *Interview 3*

In the third interview there were two participants, aged 51 and 53. They both owned luxury items, but they were not comfortable in showing off any brands. They did not consider see themselves as actively buying luxury brands, even though they did own several luxury items. The participants were good friends with each other, so they felt at ease while discussing the topic.

Luxury was seen as prestigious. It was associated with quality materials such as silk, leather, and fur. Luxury items are aesthetic, and especially the premium products of luxury brands are handmade by skilled artisans. These artisans maintain the craftsmanship and traditions in Europe. They are experts in processing leather and fabrics. The handcrafting and haute couture side of luxury brands was seen as a form of art. Especially the traditional image of luxury brands was seen as essential – luxury brands make exceptionally good products. These products should also last for a long time and be timeless in their design.

Luxury brands were seen as showing off status, but also as forerunners in design and processing materials. Other brands copy them. The products made by hand in Italy or France especially were seen as precious and detailed. Also, the service was said to be superior in all luxury brand boutiques. Hérmes was mentioned as an absolute luxury brand. The brand is out of reach of ordinary consumers, and the prices are extravagant. The products are all handmade of extraordinary materials. The idea that not everyone can recognise these products was seen as important. Luxury brands were seen as quality

products that bring a good feeling to the owner. Branded Louis Vuitton bags were mentioned as something not worth buying. The mass products of luxury brands were thought of as being of bad quality and materials. Their made in country was said to be China or some other low cost country. It was acknowledged that luxury brands make their biggest profits from these products. Both of the interviewees said that they would be embarrassed to walk around with a logo-typed bag. They thought younger women were more into showing off with a luxury bag.

The topic of where a luxury product is made was introduced by the interviewees. They started discussing about how the made in country is essential in all their shopping. Both of them said that they always check where a product is made in. When buying cheaper brands it was not as important as when buying more expensive brands. China, for example, is an acceptable made in country if the product has a low price. The interviewees would, however, not buy luxury products "Made in China". The other interviewee acknowledged that as she has started to shop online, her purchase decisions have not been affected by the made in country simply because it is not mentioned on the online shopping pages. The interviewees would, all the same, prefer buying products made in Europe, especially in Italy and France.

The interviewees recognised several issues in Chinese manufacturing. First of all, the fact that the Chinese are globally such a powerful country was seen as frightful. Secondly, they associated China with bad quality, mass production, and cheap labour. The bad labour conditions were also mentioned. The interviewees recognised that the Chinese factories do not have the same environmental standards as European factories. When a product is made in Europe it is more likely that it is made according to the European standards and regulations. In addition, buying products made in Europe was seen as supporting the local employment situation.

5.3.4 Interview 4

The fourth, and final, interview included two participants. They were aged 51 and 53, and they were not close friends with each other. This might have explained why they were not as open and thorough with their answers, and the discussion between the participants was lacking. In this interview the researcher had to take a more active role to get proper answers from the participants. They were both random luxury consumers as in they were not actively buying luxury products, but with the right circumstances would consider buying them.

Luxury to them meant expensive products that are usually showcased to other people. Luxury brands were seen to traditionally have had top quality. They thought that the brands might not be what they used to be. Louis Vuitton was seen as a good exam-

ple of a luxury brand. It was seen as a brand that has long traditions with making top quality luggage. Now, however, Louis Vuitton has started making low quality products that are used as status symbols. Luxury brands were associated with being made in France and Italy – or at least they should be. The interviewees also recognised that the quality of luxury products might not be as good anymore as it used to due to outsourcing production to low cost countries.

Luxury brands "Made in China" were seen as having lost the luxury element. The whole idea of luxury brands is based on their being made in France or Italy. Making products in low cost countries where human rights are not what they should be was seen as a misfit with luxury manufacturing. China was associated with child labour. Luxury products "Made in China" were seen as fooling the customer. However, China was thought to be developing, and the conditions were seen to be improving all the time.

When buying luxury products, the interviewees said that they would mind if it was "Made in China". They would not want to buy luxury products with such made in label. However, when buying cheaper clothes, they would not mind if it was "Made in China". The luxury brand image would also suffer from being "Made in China". Both of the interviewees also said that they would definitely check where products are made in prior to making their luxury purchase.

5.3.5 *Experienced luxury consumers summarised*

The experienced luxury consumers aged 40 and above had a common understanding on luxury brands. They saw them still in the traditional way in general – luxury products are of top quality and they have superior functionality. Luxury was seen as something extra that lasts for a long time due to its timelessness and quality. They have good design, aesthetic value, and they are highly priced.

The traditional luxury brands were the ones this group of interviewees valued the most. Hermès and Loro Piana came up as the most exclusive and valued luxury brands. Real luxury for this group meant top quality made in Italy or France by skilled craftsmen in small quantities. In France and Italy the craftsmen are experts in processing and handling leather and silk. True luxury should always be handmade in the country-of-brand. The people who make these products should get a decent salary and be treated according to European standards. Brands that have shifted from specifically handmade items to mass production were not seen as real luxury. They were seen as being of bad quality and materials, made somewhere in Asia, and worn to show off status. These brands were seen as disappointing and fooling the consumer. Examples of brands that have lost their luxury status include Fendi, Dolce & Gabbana, and Hugo Boss. They

have shifted their production to China, and are no longer of superior quality. The idea that a customer only pays for the brand was not seen as fair.

The reasons why this group of interviewees would buy luxury brands would be, above all, their superior quality. These products should also be timeless, and made in good labour conditions. Purchasing a luxury product would need thorough evaluation before making the actual decision, as they are worn for a long time.

Most of the interviewees (7/8) saw Italy and France as the locations where luxury brands should be made, over a half (5/8) thought this to be due to their long traditions in craftsmanship and material processing. Also, for many of the interviewees it was important that their luxury purchases are made in decent labour conditions. When a product is made in either Italy or France, the consumer can be sure that the product is made ethically. It was also seen to be important to support the European employment. Over a half thought that sustainability should be part of any luxury brand's strategy. They should pay decent salaries and be ethical in their workforce and not use for example child labour.

Asia was seen as an untrustworthy location in manufacturing. China was mentioned in all the interviews as an avoidable manufacturing location, even though many recognised its recent development in all sectors. However, China was still associated with child labour and bad labour conditions. In addition, the interviewees saw Chinese manufacturing as having environmental issues, bad quality, mass production, counterfeits and, unfair salaries (6/8) China's assets were said to be copying others and competing with price.

When buying luxury brands, the majority would care where the products are made, and they always checked the made in country before purchasing anything (7/8) Luxury products should be made in ethical conditions. The price of a product should communicate its sustainable manufacturing. Luxury brands that outsource to China would suffer in the long run, if they were not already. The luxury brand image would suffer from being made in China according to the majority of the experience luxury consumers (7/8), and it would affect their purchase decisions (7/8). This was partly, because the majority did not trust the luxury brands to have strict control over their manufacturing processes in China, only a few trusted in luxury brand control (2/8). When it came to cheaper brands, the made in country was no longer as important.

inter view	age	Luxury COB = France & Italy	France & Italy: Craftmanship, traditions	Luxury made in China - neg. effects on brand image	Ethical supply chain important	China = low cost, bad quality, mass production, fakes	Luxury made in China - neg. effects on purchase decisions	China= bad labour rights	Trust in luxury brand control & quality	Luxury COM = France & Italy	I would ask where a luxury product is made in
3.1	48	X	X	X	X	X	X	X		X	X
3.1	42	X	X	X		X	X			X	X
3.2	54	X		X	X	X	X	X	X	X	X
3.2	53	X			X				X		
3.3	52	X	X	X	X	X	X	X		X	X
3.3	52	X	X	X	X		X	X		X	X
3.4	53	X	X	X		X	X	X		X	X
3.4	51	X		X		X	X	X		X	X
TOTAL		100%	63%	88%	63%	75%	88%	75%	25%	88%	88%

Table 3 Qualitative matrix - Experienced luxury consumers

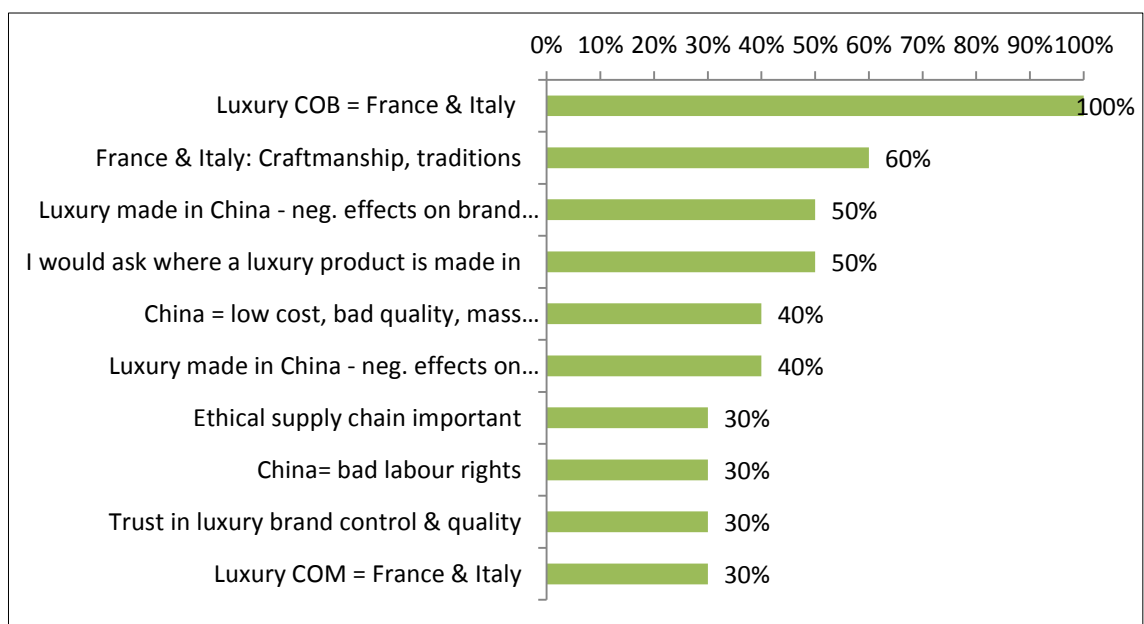


Figure 15 Qualitative matrix answers - Experienced luxury consumers

5.4 Comparison of the groups

There were three groups all together: the university students, the young career women, and the experienced luxury consumers. It seems to be that luxury is perceived differently according to the interviewee's wealth and consumption behaviour. Generally it seemed that the interviewees thought of the sort of luxury they could buy, rather than luxury out of their reach. This was true especially with the younger groups. Their idea of luxury seemed to be more the branded, and also cheaper, products of these luxury brands. The mass products are often made in low cost countries, and might not be of that high a quality anymore. When these products are also cheaper in the price range, they are not expected to have all the luxury elements present such as the European COO. When talking about luxury brands such as Hermès or Loro Piana, they are defi-

nitely out of reach of ordinary consumers, and the younger groups. The older group saw these brands as luxury, not so much the branded items sold at Louis Vuitton. If the younger consumers would imagine buying a Hermès bag for 6 800 euro, there might be a different way of perceiving the phenomenon of luxury "Made in China".

There was no remarkable difference between the groups involving younger women: the university students and the young career women. They were included in the research as separate groups, as the researcher remarked that there could have been a difference in the opinions when dreaming of one day owning a luxury item (university students), and when actually having the chance and means to buy them (young career women). Young women are an exceptionally important group in the research of luxury, as they are still in the search of their preferred brands – they can be influenced and attracted. In both of these groups the opinions were divided, and in only a few questions generalizations could be made. The group of experienced luxury consumers, then again, seemed much more in line with their opinions and views. As the middle-aged women are still the main luxury consumer group globally, their answers are highly important for any luxury brand wishing to maintain its status.

As this research was based on qualitative methods, there was no clear vision on what kind of thoughts and ideas would come up along the interviews. All the interviews were different, but discussed the same phenomenon. After the interviews were transcribed, the researcher could pick up certain opinions and views that were repeated. According to these repeated opinions and views, a qualitative matrix was developed, and some sort of statistics ascertained. The views and opinions that were repeated and included in the qualitative matrix were:

- All luxury brands come from France or Italy
- The country-of-manufacture of luxury brands is/should be France or Italy
- France and Italy are experts in luxury brand manufacturing due to their traditions and craftsmanship skills
- For me the ethical supply chain is important when purchasing luxury brands
- I trust the luxury brands to have strict quality control despite the made in country
- I associate Chinese manufacturing with cheap, bad quality, mass production, and counterfeits
- The labour and human rights in China are inadequate
- The brand image of luxury brands suffers from being "Made in China"
- My luxury purchase decision is affected if a product is "Made in China"
- I would ask where a product is made in prior the purchase

These 10 opinions and views were seen as the most important remarks for the research. It was important to understand where the interviewees believe luxury brands originate from, and where they believe they are made in. Also, the ideas on why Italy and France are perceived as trustworthy in manufacturing luxury products were essential for the research. In the cases where the ethical supply chain was important, it would presumably lead to avoiding certain made in countries. Many interviewees seemed to trust the luxury brands to have strict quality control, but as we know, in the reputation of China it is not only the quality issues that are troubling, but also the human rights and labour issues. Here it was, thus, important to make a distinction between whether China was associated with making bad quality, cheap, mass produced and even copied goods, or with bad human and labour rights, or both. When it comes to quality issues, there can be several opinions, but with the human and labour rights there is no question about the lack of them. In some cases the interviewees did not think of the labour rights as an important issue, and the trust of the quality control of luxury brands was enough. The most important part of the interviews was to find out whether the "Made in China" –label has an effect on the luxury brand image and/or the purchase decision of the consumer to buy that certain brand. There were several who did have a clear opinion that it has an effect on the brand image, and yes it would affect their purchase decision, but they would actually not check the made in country in the purchase situation. The experienced luxury consumers all generally, however, agreed that they would check where the products are made in. Some thought that as everything is "Made in China" anyway, how it could even be avoided or boycotted –"who cares?"

On the following page, the qualitative matrix is presented with all the opinions mentioned above are included with ticks on the interviewees who said them out loud. The rows include all the interviewees and their answers; whereas the columns represent all the opinions that were repeated in the interviews, and were seen as the most important in the light of the topic of this thesis (see Table 4).

group 1=uni 2=career 3=40+	interview	age	Luxury COB = France & Italy	France & Italy: Craftman ship, traditions	Luxury made in China - neg. effects on brand image	Ethical supply chain important	China = low cost, bad quality, mass production, fakes	Luxury made in China - neg. effects on purchase decisions	China= bad labour rights	Trust in luxury brand control & quality	Luxury COM = France & Italy	I would ask where a luxury product is made in
1	1.1	23	X	X						X		X
	1.1	26	X				X			X		
	1.1	23	X		X			X			X	X
	1.2	26	X	X	X	X		X	X			
	1.2	24	X	X		X	X			X	X	
	1.2	24	X							X		
	1.2	24	X				X			X		
	1.3	23	X		X	X		X		X	X	
	1.3	23	X	X	X	X	X	X	X	X		
	1.3	24	X	X	X	X	X	X	X	X	X	
	1.3	23	X	X	X	X	X	X	X	X	X	
TOTAL %			100%	55%	55%	46%	55%	55%	36%	82%	36%	18%
2	2.1	28	X		X					X		
	2.1	28	X							X		X
	2.1	29	X		X		X	X	X		X	X
	2.2	29	X	X	X		X	X	X		X	
	2.2	28	X	X	X		X	X	X			X
	2.2	27	X	X	X		X	X				X
	2.3	30	X	X		X				X		
	2.3	28	X	X		X						
	2.3	27	X	X							X	
	2.3	30	X			X						
TOTAL %			100%	60%	50%	30%	40%	40%	30%	30%	30%	50%
3	3.1	48	X	X	X	X	X	X	X		X	X
	3.1	42	X	X	X		X	X			X	X
	3.2	54	X		X	X	X	X	X	X	X	X
	3.2	53	X			X				X		
	3.3	52	X	X	X	X	X	X	X		X	X
	3.3	52	X	X	X	X		X	X		X	X
	3.4	53	X	X	X		X	X	X		X	X
	3.4	51	X		X		X	X	X		X	X
TOTAL %			100%	63%	88%	63%	75%	88%	75%	25%	88%	88%

Table 4 Qualitative matrix - All groups

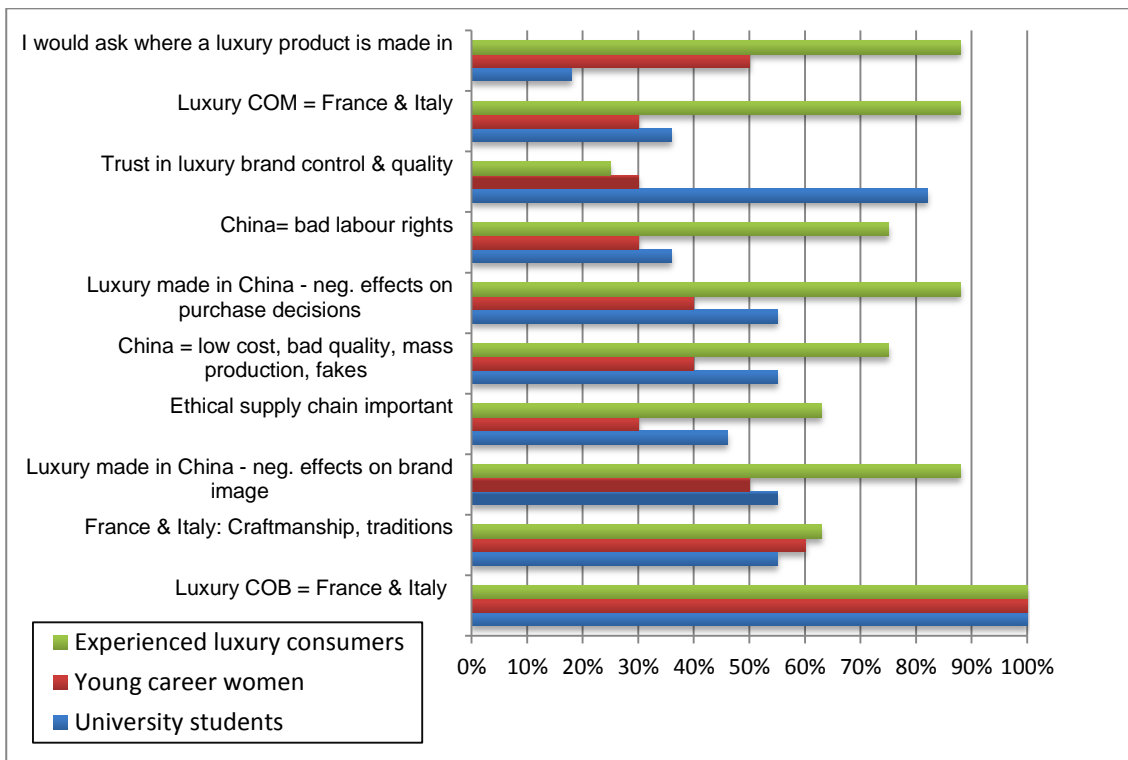


Figure 16 Qualitative matrix answers - All groups

Figure 16 represents the most important opinions concerning the research that came up during the interviews. The opinions of the three groups under comparison are presented separately. The frequencies of the responses in each group are shown as percentages. The responses are organised in a way that the responses with least difference between the groups are at the bottom. Moving towards the upper part of the chart, the differences become greater between the groups.

As can be seen from the chart above, all of the respondents agreed that luxury brands originate from Italy or France. There was not much difference between the groups on the view that Italy and France possess the craftsmanship and traditions associated with luxury production (university students 55 % / young career women 60 % / experienced luxury consumers 63 %).

More differences within the groups and between the groups started coming up when talking about luxury manufacturing and China. Luxury "Made in China" had negative effects on the brand image according to 88 % of the experienced luxury consumers, whereas only 55 % of the university students and 50 % of the young career women felt the same way. Also, 63 % of the experienced luxury consumers felt that an ethical supply chain is an important part of luxury brands, but only 46 % of the university students, and 30 % of the young career women agreed. China was associated with low costs, bad quality, mass production and fakes by 75 % of the experienced luxury consumers, 55 % of university students, and by only 40 % of the young career women. Luxury "Made in China" affected the purchase decisions of 88 % of experienced luxury consumers, 55 % of university students, and only 40 % of the young career women. China was associated with bad and unethical labour conditions and rights by 75 % of the experienced luxury consumers, 36 % of university students, and 30 % of the young career women.

The differences between groups became even wider when discussing whether luxury products should still be made in Italy or France, and how much luxury brands are trusted. 82 % of the university students trusted the luxury brands to have strict control over their quality, but only 30 % of the young career women, and 25 % of the experienced luxury consumers felt the same. Luxury brand are or at least should be still manufactured in Europe, mainly Italy and France, by 88 % of the experienced luxury consumers, but only 36 % of the university students, and 30 % of the young career women agreed. The most important factor for the luxury industry is whether people actually, truthfully, check the made in –label prior making the purchase decision. Here is where there was most difference between the groups: 88 % of the experienced luxury consumers confirmed to always check the made in country, whereas 50 % of the young career women would, and only 18 % of the university students. This would imply that the younger and less experienced a person is as a luxury consumer, the more she would trust the luxury brand, and not check the made in-labels.

6 CONCLUSIONS

6.1 Theoretical implications

This thesis has brought further insight into the research field of country-of-origin of luxury brands. The study focused on Finnish women, and how they feel about luxury brands outsourcing their production to China. The main focus of the thesis was to find out whether there are any negative effects on brand image and/or purchase decisions when luxury brands are "Made in China".

The empirical research of this thesis looked into the perceptions of Finnish women on luxury brands "Made in China". The three groups that the empirical research focused on had some differences on how they perceived the phenomenon. This research is in line with previous studies that younger adults perceive "Made in China" less negatively than older adults (Backe et al. 2005, 69; Aiello et al. 2009, 335). Almost everyone in the category of experienced luxury consumers perceived luxury "Made in China" negatively, whereas there was distinction between the younger interviewees, and not all perceived the phenomenon negatively.

For the older women (experienced luxury consumers) the functionality of luxury products remains important. Luxury should still be something extraordinary in how it performs, rather than something to show off to other people (Berthon et al. 2009, 48). The appreciation of functionality means that luxury products are expected to still have superior quality, and they should be made carefully by hand. The experienced luxury consumers did not put much weight on the social aspects of luxury purchases. It is, therefore, logical that the experienced luxury consumers felt that products "Made in China" are something to avoid, especially when it comes to luxury. "Made in China" has traditionally meant low cost production and bad quality products, this image is deep in the attitudes of older women. Here the thesis supports previous findings according to which if a country has a bad image in manufacturing certain products, it is likely to affect the perception of other products made in that country as well (Lampert & Jaffe 1998, 75). Even though the experienced luxury consumers knew that luxury brands have strict quality control, they still would not trust the Chinese in luxury manufacturing. For the older women, the made in country is extremely important, and the products "Made in China" were thought to be of bad quality, agreeing, thus, with the findings of Hamzaoui and Merunka (2006, 151). The findings with this age group support the argument of Bloemer et al. (2009, 80): it seems to be easier to purchase products made in Italy or France, when the consumers know about their skills and traditional know-how on luxury manufacturing. Products made in Italy and France were thought to have a guarantee of quality due to the long traditions in the sector, in line with previous studies

(Aaker 2010, 82; Nueno & Quelch 1998, 63). They were also happy to pay more for luxury products made in Italy or France, when they knew that the people who make them get a decent salary. This is in line with previous studies according to which a brand with a positive COO may ask for premium prices. Also, supporting the local culture of handcrafting and luxury manufacturing in Europe were seen as essential in luxury consumption, in line, thus, with Kapferer's findings (2012, 457).

For the younger adults (university students and young career women) purchasing luxury products is related to the good feeling of owning a luxury product. Their idea of luxury emphasised the experiential and symbolic values. For the younger groups, luxury brings satisfaction to the owner, but it is also a social belonging that makes you belong to a certain group (Berthon et al. 2009, 48). Perhaps due to the lack of appreciation towards the functionality of luxury products, the quality of luxury products was not seen as essential, which then has an effect on how "Made in China" is perceived. In these two groups there was, however, a lot of distinction in the opinions of the participants. Roughly half of the interviewees perceived "Made in China" negatively, whereas the other half did not see the issue in it. The ones, who perceived luxury "Made in China" neutrally, emphasised the social and experiential values more. The craftsmanship was associated with the most exclusive luxury products such as the Hermès Birkin bag (starting at 6800 euro), but brands and products they mostly discussed (Louis Vuitton monogram bags, starting at 500 euro) were thought to be Chinese made, and nevertheless desired luxury products. Luxury brands have, thus, managed to create a strong and desired image in the perceptions of young women leaving aspects such as the COO with less attention. These consumers consider the country-of-brand and country-of-design more important, as Thackor and Lavack (2003, 401) have suggested in their research. In cases where the brand is strong enough, the COO is not that important (Jo et al. 2003, 644). When evaluating luxury products, the brand and design are the most important attributes (Aiello et al. 2009, 332). Also, as the ones who did not perceive "Made in China" negatively had a tendency to buy brands that match their self-image, which means that the relocation of manufacturing has no effect on the characteristics of the brand, as Phau and Pendergaust (2006, 167) have argued.

According to the research performed in this thesis, Italy and France are strongly associated as the home countries of luxury brands. Approximately 58 % of the interviewees associated the two countries with having long traditions and craftsmanship skills. The image of a luxury brand would suffer from being "Made in China" according to half of the younger groups (university students and young career women), and the majority (88 %) of the older women. The same percentage of the older women would not buy luxury products "Made in China", and they would check where the products are made in. Slightly over half (55 %) of the university students would not buy luxury products "Made in China", whereas only 40 % of the young career women would act

similarly. These opinions might have something to do with the general idea of luxury brand associations with an ethical supply chain: the experienced luxury consumers were mostly keen on the ethical aspect of luxury brands (63 %), but only 46 % of university students and 30 % of the young career women would expect luxury brands to have an ethical supply chain. Also, only 40 % of the young career women associated China with issues such as low cost production, bad quality, mass production, fakes, or bad labour and human rights. 55 % of the university students associated China negatively, and as much as 75 % of the experienced luxury consumers felt the same. The COM of luxury brands should be Italy or France when asking the experienced luxury consumers (88 %), but only one third of the younger groups agreed. The opinions of the university students are logical, as they would also trust the luxury brands with their quality control. The young career women did not emphasise their trust (30 %), nor did the experienced luxury consumers (25 %).

6.2 Managerial implications

In terms of managerial implications, there are few things that this study showed in relation to the luxury consumer market. First of all, this study showed that the younger female consumers are, for the moment, not as keen on where their luxury products are made in compared with the experienced luxury consumers (40 + years-old). The younger ones were also less eager to check the made in labels prior making a purchase decision. The older group of consumers is, however, a bigger consumer group at the moment as they have the means to consume luxury. The younger consumers will, all the same, be a big consumer group in the following years.

The empirical research in this thesis was concerned on the country-of-manufacture of European luxury brands with a special focus on China. The study provided some important notices that should be considered in a luxury company wishing to target Finnish women. First of all, female luxury consumers in Finland aged 40 and above want to know where their purchases are made in. They prefer buying luxury made in Italy or France, but they buy brands in the cheaper range that are "Made in China". China has a negative tone as a manufacturing location due to its reputation as a low cost country with bad labour conditions and human rights. China is also associated with fakes and bad quality mass production. These consumers want to know their products are made ethically, and the employees are paid decent salaries. They would check where their products are made in, and they would ask if it did not say on the products. Their purchase decision would be negatively affected if the made in country said China. The negative tone of "Made in China" was still deep in their attitudes. Therefore, in cases where a luxury brand prefers to target this consumer group it would be profoundly advised to

maintain production in the country-of-brand, and in cases where outsourcing has already taken place, slowly delocalise the production back to its roots. Also, in the long run manufacturing products still in Europe might act as an important competitive advantage in the luxury business. It is here, however, good to notice that this group did not consider logo-typed, mass produced luxury items actually luxury. The luxury they were referring to where the more exclusive brands and products not available to any consumer.

As for the younger groups, the university students and young career women, there seemed to be more distinction. There were many who had a negative perception of luxury "Made in China", but in the end stated that the brand is more important. If the brand is attractive enough, and the luxury product is what they truly want, the made in country would not act as a decisive factor. Even in the cases where the "Made in China" had a negative effect on purchase decisions, many agreed to not have actually check where their purchases are made in. Therefore, it could be said that the younger women in Finland are not making their purchase decisions based on the made in country. If a luxury brand would want to target this group, they should focus on strengthening their brand image with different marketing efforts. However, young people tend to change their mind easily, and they are affected by trends. If the trend at some point is to buy locally made products (where it is already moving towards to some extent), they might focus more on COM prior making purchase decisions.

There was a lot of discussion about brands that are luxury brands, and brands that used to be. Many pointed out that manufacturing products in China might not be an issue now, but later on it may have some consequences on the luxury image. Brands such as Hugo Boss and Ralph Lauren were mentioned as examples of "ex-luxury brands", meaning that they used to be luxury, but after outsourcing their production to China their quality has worsened, and they cannot be called luxury no longer. At a point where a luxury brand is no longer considered luxury, it is no longer desired and saved up for in the same extent as before. Lowering prices becomes the only logical option, which then is not an option for any brand promoting a luxury brand strategy. This should, thus, be kept in mind in all outsourcing plans.

For a luxury brand management team, it is important to bear in mind all the comments and opinions presented in the previous chapters. There are risks in outsourcing production to China, but the risks might not be visible yet. The biggest luxury consumer group, the experienced luxury consumers, had a very negative way of perceiving "Made in China" in general, and they would never buy luxury products "Made in China". The younger age groups did not have such negative feelings, but with young people it is important to understand that their viewpoints might still change with experience. However, if the quality really remains the same as before despite outsourcing practices to China, it might not have great effects on the buying patterns of the next big luxury consumer

group; the young women. It is, all the same, important to keep in mind that young women might still change their opinions with more experience.

6.3 Limitations to the study and suggestions for future research

This study, clearly, is limited in its findings. The thesis focused on Finnish women in three categories: the university students (20-25 years-old), young career women (25-30 years-old), and experienced luxury consumers (40+ years-old). This thesis gives an idea of the luxury market in Finland – how the Finnish women consumers perceive the phenomenon of luxury brands outsourcing their production to China. To have further insight into the topic, it would be first of all relevant to have more interviewees – this thesis had a total of 29 participants. This gives, thus, only a vague idea of how the Finnish women perceive the topic at hand. All of the interviewees had a university degree – it could be interesting to have interviewees from other backgrounds as well. Additionally, it could be of interest to have men involved in the research, and see how they perceive luxury "Made in China". As Finland is only a minor market area for luxury brands, there would be room for further research in different countries. This research could easily be performed in other countries in Europe, as well. Also, as it became clear after several interviews that there are in fact certain opinions that are repeated from interview to another, a quantitative research could be performed based on these. A quantitative research could be used to get a wider view on the topic as more participants could be involved.

7 SUMMARY

This thesis focused on finding out *how brand image and consumer purchase behaviour are affected by luxury brands making their products in China*. For answering this main topic at hand, four sub-questions were presented and answered. These sub-questions were: 1) *what is the image of luxury brands?* 2) *Why do people buy luxury brands?* 3) *Does the COM/COO of luxury brands affect their image and/or purchase behaviour?* 4) *Can Chinese manufacturing be associated with luxury? Does it have any effect on the image and/or purchase behaviour?* These questions were answered by first reviewing the previous literature and research on the topic, then finding a good method for further researching the topic, performing the research, and finally analysing the results.

The literature review consisted of two chapters. The first chapter focused on the first three sub-questions. The first sub-chapter concentrated on explaining luxury as a term. Luxury is a combination of the experiential, symbolic and functional value (Berthon et al. 2009, 48). The second sub-chapter discussed the luxury business in more detail, and made us understand that it is a business that has lately shifted from concentrating on the actual product to creating an ever more improved brand image. The third sub-chapter focused on luxury brands. The detected key characteristics of luxury brands are top quality, details, heritage, design, craftsmanship, global recognition, premium price, and exclusivity (see for example Chevalier & Mazzalovo 2009; Jackson 2004; Fionda & Moore 2009; Keller 2009). It was also recognised, that there exist different types of luxury according to their price range and social aspect (Berthon et al. 2009, 53; Chevalier & Gutsatz 2012, 5–6). Luxury is also perceived differently according to who is the perceiver (Berthon et al. 2009, 47; Roper et al. 2013, 393). The fourth sub-chapter concentrated on luxury purchase behaviour, thus, observing the second sub-question. The motives for buying luxury brands are generally quality, craftsmanship, design, and aesthetic value (Amatulli & Guido 2011, 128). Luxury brands are consumed for showing status and wealth (Shukla 2011, 249; Husic 2009, 242; Vigneron & Johnson 1999, 1). However, the personal pleasure and the hedonic experience deriving from consuming luxury products are identified equally important as the social aspect (Amatulli & Guido 2011, 131; Tsai 2004, 450). Luxury is bought for own pleasure and/or symbolic success (Godey et al. 2012, 1463). Luxury is, above all, a desire not a need (Okonkwo 2007, 63). The consumption of luxury has changed from the times when only the wealthiest were buying luxury brands. Luxury has now been democratised, and it is now available to a larger audience. This has caused luxury to lose a part of its exclusivity. (Nueno & Quelch 1998, 63.)

The second theory chapter concentrated on the concept of country-of-origin (COO), country-of-manufacture of luxury brands, and European luxury brands “Made in China”. The country-of-origin refers to the country where a product is manufactured. This

question has aroused lately in several business sectors due to increased competition and pressure to minimise costs. Luxury brands, among many others, have started to out-source their production to decrease costs – but it may come with a price. The COO of a product may influence on how the quality of a product is perceived (Grappi 2011, 114; Verlegh & Steenkamp 1999, 538). Products made in low development countries may be associated with bad quality, and having a greater risk of performing badly (Verlegh & Steenkamp 1999, 538). However, there are many cases where the country-of-brand (COB) or country-of-design (COD) is more important than the actual made in country when evaluating products (Thakor & Lavack 2003, 401). With fashion or status symbol products, consumers tend to judge them more based on their COD than their COO (Hamzaoui & Merunka 2006, 151). When a brand is strong enough, the importance of the COO decreases (Jo et al. 2003, 644–5). All in all, even though the price and quality may be evaluated through the COO, the actual purchase decision might not be affected (Pecotich & Ward 2007, 291). Still, the possible impact of the COO should not be ignored, and in cases where the COO could be seen negatively, it is extremely important to have a well-managed communications strategy prepared (Grappi 2011, 114).

The nationality of luxury brands is recognised as an important characteristic (Aiello et al. 2009, 333). Luxury brands have traditionally been manufacturing in their home country, and it was even named as an important rule for luxury brands not to delocalise their production (Kapferer 2012, 457). However, according to previous research, the COO is not seen as important as other cues, such as brand and design, when purchasing luxury brands (Aiello et al. 2009, 332). Bryson et al. (2013, 401) argue that the COO is one of the key predecessors of brand hate in the luxury sector. This can, however, be avoided or the risks minimised through building a stronger brand (Bryson et al. 2013, 401).

The last part of the second theory chapter focused on outsourced luxury fashion brands with a focus on China as a country-of-manufacture. Chinese manufacturing is generally associated with cheap, bad quality, fake products, and mass production (Aiello et al. 2009, 330; Zhang & Su 2009, 317–8; Pendle 2009, 52). The country is also linked with bad working conditions and lacking human rights (Sarasin 2006, 3). China is not associated with workmanship, having own brands, or being good at designing (Aiello et al. 2009, 330; Loo & Davies 2006, 207). Luxury brands, then again, are associated with attributes such as top quality, expensive, authentic, good design, workmanship, and long traditions. All these mentioned attributes would seem to argue against the image of "Made in China". There is a great misfit between the image of "Made in China", and the image of luxury brands. However, luxury brands are generally very strong, and this may benefit them in cases where the COO is perceived negatively. It has been acknowledged, that the outsourcing of luxury production may have a negative impact on the perceived quality and the brand evaluation, but it does not affect the purchase deci-

sion (Koromyslov et al. 2013, 36; Backe et al. 2005 69). This is especially true among young adults. Chinese manufacturing is generally seen less negatively among young adults than older ones (Backe et al 2005, 69; Aiello et al. 2009, 335). There are still risks in producing in China, not only related to the image of producing bad quality, but also related to the bad labour conditions and other ethical dilemmas. These issues should be carefully reviewed before deciding on manufacturing in the country, or the brand could face objection from consumers, which could even end up in consumer boycotts. (Sarasin 2006, 4.)

According to the empirical part, luxury brands were generally associated with the typical characteristics of luxury brands such as premium price, exclusivity, top quality, craftsmanship, and excellent design. Luxury brands were seen as status symbols, but also as something that brings a good feeling to the owner. Most of the interviewees agreed that the reasons for buying luxury brands would be their excellent quality, design, and good materials.

It was clear that the interviewees had a different view on luxury. The less experienced luxury consumers referred to products that fall into the cheaper range of luxury brands such as the Louis Vuitton monogram bags. The more experienced consumers felt that these products are not actually luxury, because they lack certain aspects such as quality or European COO. Real luxury was associated with more exclusive brands such as Hermès.

The majority of the university students and the young career women saw that consuming luxury products brings a good feeling to the owner, and they are used as a way to belong to a certain group. The older women, the experienced luxury consumers, then again thought that the most important characteristic of luxury is its functional value, the superior quality and timelessness.

All the interviewees agreed that luxury products originate from Europe, Italy and France. However, only the experienced luxury consumers felt strongly that the products should also be manufactured in Italy or France. Luxury products should be made in small quantities in traditional facilities. The Italians and the French were thought to be experts in processing leather and fabrics. Luxury manufacturers should get a decent salary and they should be treated according to ethical standards. Also, their quality is guaranteed only when manufacturing in these countries. These are all reasons why making luxury in China is not an option. Paying for the brand, and not the quality and ethical manufacturing did not seem right. They would not buy luxury made in China, they would perceive luxury brands "Made in China" negatively, and they would check where products are made in prior the purchase.

The younger groups (university students and young career women) associated Italy and France with craftsmanship and having long traditions, but no longer assumed that the products are actually made in Europe, or at least not in Italy or France. Their opin-

ions were divided into two; the ones who perceived "Made in China" negatively, and the ones who did not. When consuming luxury brands, the brand itself is very important. It is important, however, to pay notice to the fact the opinions of younger female consumers may easily change with more experience of luxury purchases.

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