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RESEARCH WORLD

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The small screen takes centre stage

Socio economic status in the digital age

Decoding the China luxury market

Semiotics and value creation in emerging markets

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Strong brands create value for firms by leveraging consumer investments in the myths, meanings and experiences they associate with marketing signs or semiotics. Therefore managing brand semiotics is fundamental to brand equity management.

This has particular importance for the luxury sector where generous profit margins depend on intangible equities such as emotion, image and relationship. Luxury marketers face a growing challenge in emerging markets, where cultural conflicts threaten these symbolic assets by thwarting brand recognition and customer loyalty.

For over a decade, China has driven double-digit annual growth in the global luxury sector. However, a comparative study of luxury consumption in Shanghai and Paris exposed threats to future growth due to marketing strategies that fail to engage Chinese consumers in emotional and visceral relationships with luxury brands. The current rage for western luxury brands in China seems driven by peer pressure, not passion. Our study shows they neither differentiate brands nor claim loyalty to one brand or another. Since there exists a direct correlation between the perception of value, brand differentiation and customer loyalty[1], the findings foretell a downturn in the future of luxury.

In 2010, parallel studies were conducted in Paris and Shanghai to compare the ways French and Chinese affluents define luxury, respond to luxury advertising, and engage with luxury fashion brands. Eight respondents in each market were recruited from a convenience sample. They represented a mix of men and women ranging from 30 to 56 years old, whose incomes ranged from upper middle class to the very rich. Respondents all used luxury fashion brands, were familiar with luxury advertising, and had purchased a luxury brand in the past six months. Secondary research into French and Chinese luxury culture supplemented findings.

Respondents were interviewed on demographics, lifestyle, shopping behaviors, consumer luxury experiences and their personal engagement with brands. A metaphor elicitation exercise assessed their ability to personify a set of Western luxury brands, including Louis Vuitton, Armani, Ralph Lauren, Patek Philippe, Chanel, Rolex and Gucci.

THE CULTURE OF LUXURY

French respondents were generally familiar with France's rich cultural legacy of luxury. The French Revolution did not destroy luxury culture but transformed it into an industry that now represents France's second largest economic sector. Consumers gave detailed accounts of luxury rituals and meanings saying that luxury goods acquire a patina over time that represents greater value than a new purchase. They recognised the *caché* of privately owned brands such as Hermès and valued discretion and understatement over ostentatious display.

In contrast, Chinese respondents assigned greater value to masstige brands such as Louis Vuitton and Armani "because they spend so much money on advertising." They could not conjure up associations with Chinese luxury culture, even when prompted with questions about China's imperial past. When asked to define luxury they usually referenced the British royalty. Warfare, foreign occupation, and revolution had compromised the integrity of China's traditional culture. During the Cultural Revolution luxury goods were seized, and all wore the drab Mao suit to neutralize class distinctions. Furthermore, China's Confucian traditions still influence consumer preferences for austerity and simplicity over extravagance and waste.

Such cultural differences account for the strong contrasts between French and Chinese consumer responses to the metaphor elicitation exercise.

BRAND METAPHOR

Respondents were given a set of print ads for 24 luxury brands from French and Chinese editions of *Elle* and *Vogue*, respectively. They were asked to choose five familiar brands from the set and describe how each ad reflected the brand's unique identity. They were then given a set of cards printed with logos for these brands and were asked to form free associations with each brand after being prompted to think of the brand as a personality or famous celebrity. They then compared the

References

1. David Aaker, (1991). Managing brand equity.
2. Laura Oswald (2012). Marketing semiotics: signs, strategies, and brand value. (2015) Creating value: the theory and practice of marketing semiotics research.
3. Edward Helmore (2014). "Luxury brands in a quandary as China's wealthy young develop resistance to bling." *The Guardian.*
4. Andrew Roberts (2012). "Louis Vuitton risks logo fatigue as Chinese tastes mature. *Bloomberg Business Week.*

five brands on the basis of these personifications so we could assess the effects of print advertising on their brand perceptions, ability to relate to their favorite brands as personalities and to differentiate the five brands on the basis of these personalities.

Most French respondents gave nuanced personal associations for luxury brands, which correlated with meanings communicated in the ads. Whether or not they actually used the brand, they could differentiate one brand from another on the basis of their unique personas, associating Armani with "modern, bold, sexy and famous." Gucci was "rich, indulgent and "creative", Patek Philippe was associated with "heritage, timeless and classic," and Dior to "femme fatale, fantasy, seductive and sophisticated."

Most Chinese respondents associated all the brands with

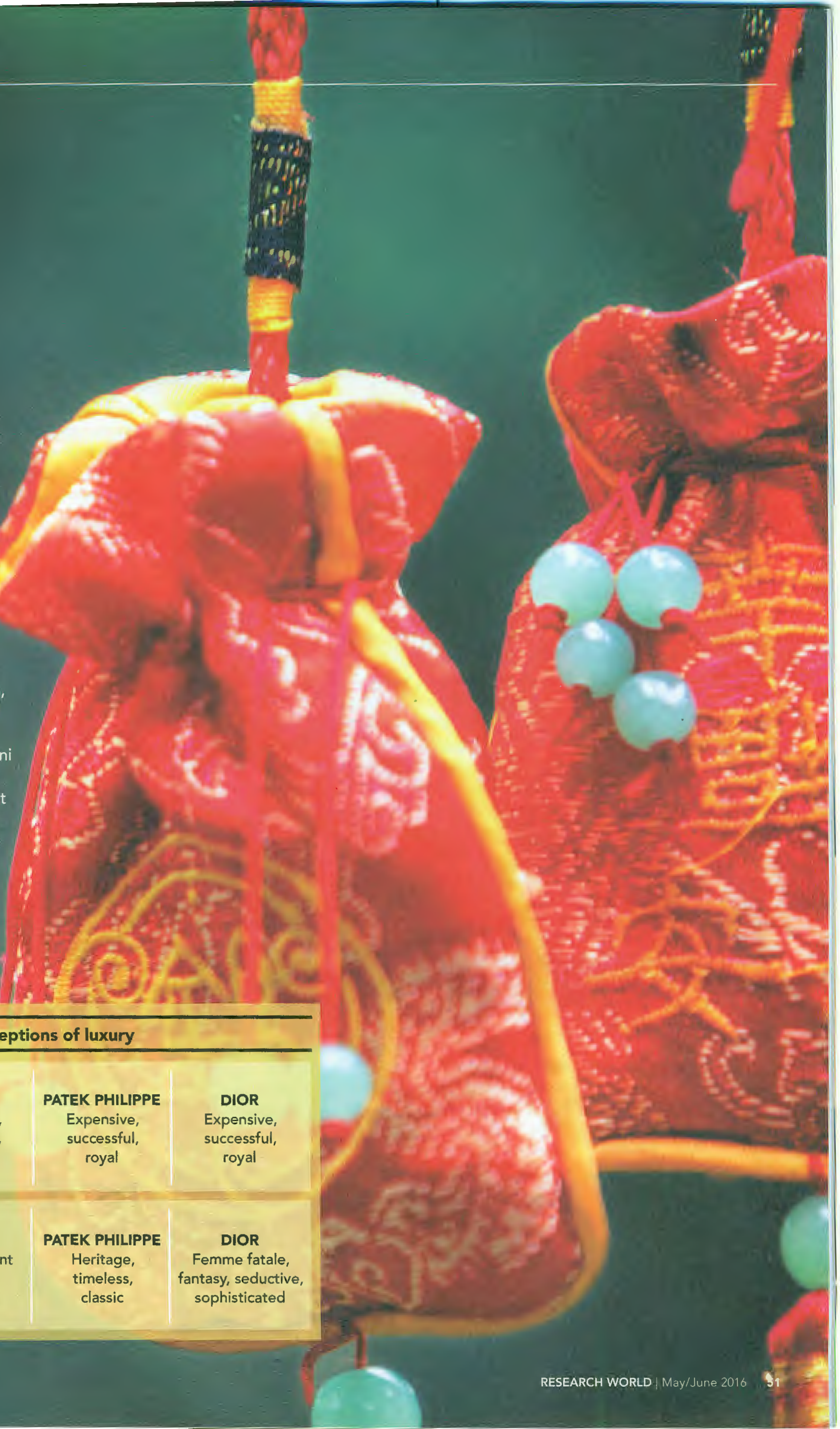


Figure 1. Two cultures, two perceptions of luxury

Chinese response	**ARMANI** Expensive, successful, royal	**GUCCI** Expensive, successful, royal	**PATEK PHILIPPE** Expensive, successful, royal	**DIOR** Expensive, successful, royal
French response	**ARMANI** Modern, bold, sexy, famous	**GUCCI** Rich,indulgent creative	**PATEK PHILIPPE** Heritage, timeless, classic	**DIOR** Femme fatale, fantasy, seductive, sophisticated

generic attributes such as "expensive and successful," or the *clichés* they associate with European luxury, such as castles and the British royal family. They did not differentiate brands or claim loyalty to a particular brand. When prompted to assign personal attributes to each brand, they assigned to all the brands a collective identity drawn from Chinese culture and philosophy, such as good character, filial piety, and simplicity.

THE ROLE OF ADVERTISING

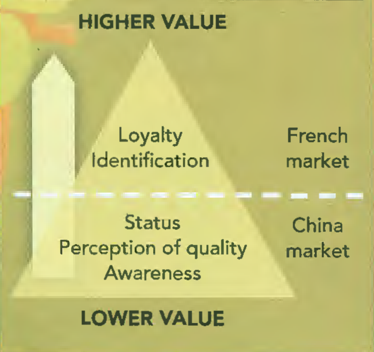
Given the cultural disparities between China and France, it is surprising that marketers employ the same communication strategy in both markets, sometimes even recycling the same images using Chinese text.

This strategy failed to communicate the brand identity, differentiate brands in the competitive set, and grow brand loyalty for Chinese consumers because the visual semiotics of advertising forms a culture-specific code system that does not automatically make sense across markets.[2]

For example, marketers' current reliance on iconic representations of models ignores deep philosophical differences with the west where the world evolves around the individual, and China, where individual identity is woven into the broader social and cosmological orders. To succeed in China, marketers must translate the visual semiotics of luxury into a marketing strategy that resonates with the cultural codes and worldview of the local market.

By mapping findings on a brand value hierarchy (Aaker 1991), we show a direct correlation between the low brand engagement of Chinese consumers and lower long-term brand value. (Figure 2)

Figure 2. The brand equity hierarchy



Brand identification and loyalty deliver the greatest value because they lead to repeat purchase and obviate the high cost of acquiring new customers. If this proves to be generalizable across the China segment, the low brand engagement of Chinese consumers foreshadows a downturn in the long-term value of luxury worldwide. The current deceleration of the Chinese economy notwithstanding, the weak performance of brands such as Prada and Louis Vuitton in recent years provides evidence of these claims.[3] **RW**

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Dr. Pete

The walk-in clinic for research ailments

Send your questions to Dr. Pete care of angela@esomar.org

DEAR DR. PETE,

My tracking data is going screwy. We've been running this project for many years, totally unchanged, but now we are seeing long term declines in media consumption and increases in brand and advertising awareness. How can this be so?

Robert Elderwood

DEAR ROBERT,

Unchanged you say... perhaps that is your problem?

While your tracking study may not have changed the world certainly has over "many years". When this good doctor was a beginner in this industry you only needed to list six media to cover the whole landscape, seven if you split magazines from newspapers. There was no online, no social media, no in-app ads, no product placement, no celebrity endorsement on a YouTube channel... not even much in the way of multichannel TV.

Our ability to measure this consumption has become as flawed as our respondents ability to recall it – well not necessarily the brand or even the campaign, but where it was seen.

The holy grail is single source media consumption data – and I doubt your project can afford it! So if you do nothing else make sure you are capturing the full range of media and the time spent in front of each screen – and don't forget that people multi-screen.

DEAR DR. PETE,

I was thinking about dropping a cookie to read the mobile phone number of the person exposed to the ad, then matching it up with other sources to build a profile, then sell the data back to advertisers. What do you think? Good idea?

Colin MacRuff

DEAR COLIN,

I think you should look up the words "Personally Identifiable Information" and consult with a lawyer... **RW**