LUXURY PRODUCTS BUYERS' BEHAVIOUR

(PARTIAL INTERNET EDITION)

Tomasz SIKORA

Luxury products buyers' behaviour is based on the book: *Zachowanie nabywców produktów luksusowych*, Oficyna Wydawnicza SGH (Publishing House of the Warsaw School of Economics), Warsaw, 2012 and 2013.

Translation: Mirosław SZYMAŃSKI

The Internet edition of the *Luxury products buyers' behaviour* is being translated and published with the support of the luxury brand Dr Irena Eris, European Member of Comité Colbert, the brand which implements its holistic approach to beauty with luxury cosmetics, skin care institutes, and SPA hotels www.DrIrenaEris.com

Editing: Stämpfli Polska Sp. z o.o. www.staempfli.pl

TABLE OF CONTENTS

Dear Readers, if you use information from this publication, please, cite the source as:
Sikora, T., *Luxury Products Buyers' Behaviour*, Internet edition, Warsaw, 2016; www.luxury-research.info

Chapter 5

LUXURY PRODUCTS BUYERS' BEHAVIOUR: AUTHOR'S OWN ANALYSES

5.1. Definition of luxury products in economics – abstract deliberations

Chapter 5 includes exclusively the result of analyses performed by the author of the present publication on the basis of the data and databases used in Chapter 4:

- the Bain & Company reports,
- the Euromonitor database,
- the Prince & Associates reports,
- data referring exclusively to Poland: the database of the research conducted by TNS Pentor (presently TNS Polska) for weekly Wprost and database of the author's own survey from the Gfk Polonia internauts panel (analyses based on these data are not included in the Internet version of this chapter).

The data provided by Bain & Company and Euromonitor on the sales of luxury products in the world presented in Chapter 3 as well as the Prince & Associates data presented in Chapter 4 (which were used to verify the hypotheses on the change in demand for luxury products in the time of the 2008–2009 crisis) are again applied to examine whether it is legitimate to define luxury products[1] with the income elasticity of demand.

Because the information given by Prince & Associates did not deal with respondents' incomes but their investable asset net worth, instead of the income elasticity of demand an analogous idea of elasticity of demand in relation to asset net worth, i.e. asset elasticity of demand was applied, though it is rarely used in research.

The TNS Pentor database allows for the verification of hypotheses concerning the relations of demographic and psychological variables referring to luxury defined in the most general way possible as an "element of life."

[1] As remarked in Chapter 1, in the literature on economics the term "luxury goods" is more common that "luxury products", in the discussion about the income elasticity of demand both terms are treated synonymously, though the term "products" has a broader meaning as it refers to both material goods and services.

The database of the author's own survey, obtained with cooperation with Gfk Polonia, allows for the verification of hypotheses concerning luxury products in the subjective approach, i.e. product (and brands) whose luxury is declared by the survey respondents. This study uses a comprehensive scope of variables in the area of economics, psychology and sociology.

The researcher's "objectivisation" of the luxury subjectively described by respondents is a natural extension of analysis presented in the print edition of this chapter . However, due to the multitude of possible procedures of this objectivisation, it has not been included in this study. The difficulties in luxury objectivisation are reflected in the estimates of sales values on this market presented in Chapter 3.

***

In connection with the crisis on the financial markets and the economic crisis of 2008-2009, it may be analysed whether it is legitimate to define luxury products in economics exclusively in terms of the income elasticity of demand. Interestingly, how much are economists attached to this definition? Is it more of researchers' routine or their conviction that this approach is accurate?

The completion of the content of this definition presented in Chapter 1.2 by the level of quality of luxury products, their position in the hierarchy of needs, the existence of substitutes of lower quality etc. may suggest that for some economists this most concise definition is not sufficient.

According to Th. Mayer, economists have been "forced" by "people" to elaborate definitions of luxuries and necessities: "All the same, economists have given in to people's insistence that there be categories called 'necessities' and 'luxuries'. Accordingly, they have allowed them back into the discussion by giving them a rigorous definition; necessities are those goods and services on which we spend a smaller percentage of our incomes as incomes rise, and luxuries are those on which we spend a larger percentage. But even so, these terms are hardly ever used by economists"[2].

Certainly, in the case of income decline the demand for luxury products falls more than proportionally, and in the case of necessities less than proportionally. There are also "inferior goods" (the cheapest versions in almost all product categories, often characterized by the lowest quality), for which the demand rises when incomes fall, and falls when incomes rise.

[2] Th. Mayer, *Invitation to Economics. Understanding Argument and Policy*, Wiley – Blackwell, Chichester, 2009, p. 74.

In other words, in the case of luxuries the coefficient of income elasticity of demand is superior to 1, and for necessities it is included in the range (0, 1) or <0, 1>, and for inferior goods it is lower than 0.

The research application of the definition of luxury based on income elasticity of demand (thus, its serious treatment by at least some economists) is reflected in numerous research projects whose authors account for these elasticities and analyse whether the categories of goods and services considerably different from those presented in Chapter 3 as for example health service[3], computers and software[4] or social welfare[5] are luxury goods[6].

The legitimacy of application of the income elasticity of demand in order to define luxury products as well as the analysis to show whether this definition is „rigorous" as stated by the aforecited Th. Mayer may be considered from an abstract perspective and on the basis of the data provided by Bain & Company, Euromonitor and Prince & Associates.

To begin abstract deliberations it is worth emphasizing that, as remarked in Chapter 1, it is impossible to develop an ultimate or exhaustive definition of luxury products[7]. The definition by means of the income elasticity of demand defines, on the basis of the data on households' incomes and demand for diverse products, only what was or was not a luxury product in the past.

Classification of products based on this definition, with regard to the data from the past, is unfalsifiable as in the practice of data analysis made by economists. We obtain the division of products into 3 categories: inferior goods, necessities and luxuries, and this division is like a legally valid verdict – ineligible for appeal, i.e. with a no comment approach based on common sense or any other criteria.

The researchers who, making use of this definition, wish to analyse in their research projects exclusively the demand for the luxury products incur a certain risk. Although Th. Mayer applies the present tense in phrases like "as incomes rise"; actually the data used by economists refer to the past. The economist participating in a hypothetical research project would either examine the past data or first select the examined categories, collect data on incomes and expenditure

[3] J. Costa-Font, M. Gemmill, G. Rubert, *Biases in the healthcare luxury good hypothesis?: a meta-regression analysis*' „Journal of the Royal Statistical Society, series A" 2011, part 1, no. 174, pp. 95–107.

[4] M. Lu, S. Thompson, Y. Tu, *Computers and Packaged Software: Necessary or Luxury Goods? Longitudinal Empirical Analysis and Its Implications*, „Journal of Business & Economic Studies" Fall 2010, vol. 16, no. 2, pp. 32–48.

[5] M. Auteri, M. Costantini, *Is social protection a necessity or a luxury good? New multivariate cointegration panel data results*, „Applied Economics" 2004, vol. 36, pp. 1887–1898.

[6] They are described as "goods" and not products or services, which is reflected in the titles of these publications.

[7] …because luxury is a dynamic, multidimensional concept, created in individuals' minds and socially "shaped" or "negotiated" during social interactions.

in the initial period, wait for the period of data collection, collect data on incomes and expenditure in the subsequent period, calculate the value of income elasticity of demand coefficients and analyse only those coefficients above 1. If the value of 1 was not exceeded for the analyzed products, the title of the research project should be changed from "luxuries" to "necessities" or "inferior goods" or alternatively they may keep repeating this procedure in the following periods until successful.

While in surveys there is at least some certainty that for the respondents asked about brands and products the results reflect the factual state at least at the moment the survey is being held (theoretically they could change their opinions a short while afterwards), the use of series of data on incomes and expenditure refers entirely to the past.

Defining luxury products exclusively with the income elasticity of demand may also be questioned from another perspective. It is theoretically possible for somebody whose incomes rise and who is rich enough to consume only luxury products (generally considered luxurious in the social environment, rare, expensive of superior quality etc.) and what is more he spends 100% of his income on consumption, not saving and not changing the structure of consumption over periods (in terms of the structure of spending on individual product categories).

In this situation all coefficients of income elasticity of demand will amount exactly to 1, i.e. none of the consumed products will be luxury "by definition".

If in a certain period, this rich person desired to save some of his incomes, then the demand for luxury goods would rise less than proportionally, i.e. the coefficient of income elasticity of demand would be higher than 0 and lower than 1. And if in the next period (or one of them) this very rich person allocated a higher amount of savings or investment than the amount by which his incomes grew (reducing consumption), the spending on all goods and services would drop, i.e. the value of the coefficient of income elasticity of demand would be lower than 0.

A question may be formulated then: what name should be given to the most expensive goods in their categories and those of the highest quality purchased by this person? Necessities, in the former case and inferior goods in the latter?

The example below illustrates this situation, extending the scope of analysis by the case of a person that suddenly became rich. Table 5. 1 shows the situation when a person having incomes of 100,000 and 110,000 ($, €, £ or another monetary unit) in periods t = 1 and t = 2 and buying "ordinary" clothes, watches and "middle class" jewellery, eating "ordinary" food etc., won 20,000,000 ($, €, ….) at the beginning of period t = 3. Because he stopped working, the income in period 3 would amount to as much as the prize money.

The person in question decided to use half of the prize money for saving/ investment to contribute to the future income and the other half for the purchase of products considered luxury in the social environment: luxury food, luxury apartment, car, jewellery, watches, clothes and accessories and luxury services (restaurants, hotels etc.).

In the subsequent periods the discussed person either uses all the income for consumption very carefully buying only products considered luxury by the environment or decides to save feeding the assets to gain income in the following periods. The income, expenditure, savings and the values of income elasticity of demand are presented in Table 5.1.

The demand has to be measured in spending on products, because there are no data available concerning the quantities of luxury products sold on the market.

Table 5.1. Changes in incomes, expenditure, current savings and the value of coefficient of income elasticity of demand for the newly enriched person.

Period	Income	Δ Income	Demand	Δ Demand	„New" savings	Income elasticity of demand
1	100 000		100 000			
2	110 000	0.1000	110 000	0.1000	0	**1.00000 N**
3	20 000 000	180.8182	10 000 000	89.9091	10 000 000	**0.49723 N**
4	300 000	–0.9850	300 000	–0.9700	0	**0.98477 N**
5	310 000	0.0333	310 000	0.0333	0	**1.00000 N**
6	320 000	0.0323	320 000	0.0323	0	**1.00000 N**
7	330 000	0.0313	300 000	-0.0625	30 000	**–2.00000 I**
8	340 000	0.0303	300 000	0.0000	40 000	**0.00000 N**
9	350 000	0.0294	300 000	0.0000	50 000	**0.00000 N**
10	360 000	0.0286	290 000	-0.0333	70 000	**–1.16667 I**
11	370 000	0.0278	280 000	-0.0345	90 000	**–1.24138 I**
12	380 000	0.0270	290 000	0.0357	90 000	**1.32143 L**
13	390 000	0.0263	300 000	0.0345	90 000	**1.31034 L**
14	400 000	0.0256	350 000	0.1667	50 000	**6.50000 L**

Source: own elaboration; Savings = Income – Demand; Δ Income = (I current – I previous) / I previous; Δ Demand = (D current – D previous) / D previous; Income elasticity of demand = Δ Demand / Δ Income, L – Luxury goods, N – Necessities, I – Inferior goods. Inflation rate – 0%.

Table 5.1 presents the problem of defining luxury products on the basis income elasticity of demand. First, it should be stated that in period t = 3 (period after the winning) the person in question did not buy luxury products as the value of the income elasticity of demand was substantially inferior to 1 (0.49723 exactly).

Thus, what was bought for 10,000,000 ($, €, …) was, as results from this definition, necessities.

Next, and more importantly (more importantly, because one may argue that replacing ordinary restaurants by luxury restaurants is moving into another product category and the coefficient in the period 3 cannot be computed), the person leading a very similar life style period over period, as the changes in incomes as well as demand in majority of cases amount only to a few per cent, getting (assuming an unchanged structure of consumption) exactly the same products of the same brands (considered luxury by himself and in the social environment), buys luxury products in one period and necessities in another, and even inferior goods wishing to save despite the rise in income.

Moreover, when defining the luxury products with income elasticity of demand there is a strong assumption of *ceteris paribus* (all other things being equal). Thus, it is assumed that neither fashion trends nor prices change as the demand would be affected by fashion and/or the price elasticity of demand. And if they do change, their impact should be quantified and included in the analysis, which is very challenging.

For example, with regard to prices, it should be observed that luxury products are subject to multistage price reductions amounting to 80%.

Moreover, the managers of luxury brands apply thousands of sales promotions: adding gadgets, increased packaging capacity or amount of the product, 2 at the price of 1 type of promotion, free complementary product, contests, lotteries etc. These forms of promotion considerably change the product value (especially in view of the unchanged price), and due to their frequency and diversity accounting for their impact on the behaviour or control of conditions of *ceteris paribus* is practically impossible.

No wonder, the representatives of other social sciences conducting research on luxury, admittedly, cite the definition offered by economists, but they do not apply it at their work.

5.2. Changes in luxury products sales in the years 2008–2009 and the definition of luxury products in economics: evidence from market data

The crisis of 2008–2009, which in majority of well developed countries affected also the middle class, wealthy and very wealthy people, i.e. luxury products buyers on the most important markets, allows for the scrutiny and reflection on whether the definition of luxury products in economics may be considered "rigorous".

The Bain & Company and Euromonitor data on the market of luxury products, though very general, allow for the analysis of the issue of income elasticity of demand in a less abstract dimension.

In order to accurately calculate the value of the coefficient of income elasticity of demand for luxury goods in 2009 in comparison with 2008, one should be in possession of the data on the changes in the volume of incomes at the disposal of the luxury goods buyers (old money, new money, middle class) in different parts of the world, corresponding to the regions included in the reports of these firms. The author of the present study does not have this information at his disposal. However, the universality of the crisis and in particular a general decline in the incomes of elites and upper middle class in 2009 over 2008 allows for simplified analyses on the basis of the accessible general data.

The Bain & Company information on the sales of luxury products presented in Table 3.1 accounts for only 5 industries, but it seems sufficient for the purpose of analysis of changes in the demand for products in relation to income changes in the years 2007, 2008 and 2009.

As indicated in Table 3.1 the decline in sales on the market of personal luxury goods amounted to 1.76% in 2008 in comparison with 2007 and as much as 8.38% in 2009 in comparison with 2008. Thus, the further discussion will concern only the period of 2008 – 2009 as the period of the most distinct change and the most considerable and universal incomes and sales decline.

In the report Luxury Goods Worldwide Market Study: Spring 2010 Update the information on the change in the revenue of every luxury brand with the estimated decline in total sales on this market from 166 billion euros in 2008 to 153 billion euros in 2009, i.e. a decline of 7.83% presents a diversified picture. Out of 220 brands included in the study, four recorded a rise in revenue of over 5% in 2009 over 2008. Because the sales value average of the products marked with these brands amounted to 3.5 billion euros, they had together a 9% share in the market in 2009. In the case of 18% of brands the changes in revenues were in the range of +5%-5% (average sales of 1.4 billion euros), 30% of brands recorded declines in the range of -5%-15% (average sales of 0.8 billion euros), and for 50%

of the smallest brands (average sales of 0.25 billion euros) the revenues fell by more than 15%, which the authors concluded with: "The crisis confirms that big is better"[8].

In another report, Global Luxury Goods Worldwide Market Study 9th Edition corrected the data concerning the sales of luxury goods in the world, assuming the value of 167 billion euros in 2008 and leaving the 2009 revenue unchanged, i.e. 153 billion euros. The fall in sales on this market amounted to 8.38%. The data on the change in every brand were as follows: with regard to 14 out of 230 brands, i.e. 6% the revenue rose by more than 5%. The average sales value in this group amounted to 1.8 billion euros and their share in the market reached about 16%. For 22% of brands the changes in revenues were included in the range of +5%-5% with average sales of nearly 1 billion euros, in relation to 34% of brands: falls amounted to -5% to -15% and average sales amounted to nearly 0.8 billion euros, and in the case of 38% of the smallest brands with average sales of about 0.3 billion euros (ten of which went through a very serious crisis or declared bankruptcy) the decline exceeded 15%[9], which led to similar aforementioned conclusions, i. e. "bigger is better".

There is also information about a decline in sales in 2009 over 2008 in nearly all examined categories of luxury goods. It amounted in the area of tableware to -14%, jewellery and watches -14%, perfume and cosmetics -6%, accessories -1% and clothing -10%. Within more detailed categories the declines were as follows: luxury shoes -4%, jewellery -11% (according to the report the "absolute luxury" brands were hardest hit), watches -16% ("absolute luxury" brands did best), perfume -8% and cosmetics -5%.

A rise in sales was observed in the case of one category, i.e. leather goods +2% (handbags, bags, purses, cases etc.)[10].

Irrespective of the degree to which funds at the disposal of luxury products buyers in the world changed in 2009 in comparison with 2008, due to the fact itself that every brand and category recorded so diversified results, the calculated values of income elasticity of demand were above 1, in the range of 0 to 1 as well as below 0.

---

[8] *Luxury Goods Worldwide Market Study: Spring 2010 Update*, Bain & Company and Fondazione Altagamma, 16 April 2010, p. 6, http://www.bain.de/data/8bae7fbfbedfd1817edcbacebed49d99bbb5b28b-b9dcc 8bc9b7b27bc3dd7cdbc3b7afc58a9e8bbac2a9b3b57da7d88cc3ae7b9ab9b5ae93.pdf [last access: 01.02.2012].

[9] *Global Luxury Goods Worldwide Market Study 9th Edition*, October 2010, Bain & Company i Fondazione Altagamma, p. 3, http://www.bain.de/data/8bc49979bedfd1827ea6bacebed49d99bbb5b28b-b9dcc28bc9b7b 27bc3dd7cdbc3b7afc58aae73bac2cfc3b57db7be8cc29e739ab9a59893.pdf, [last access: 01.02.2012].

[10] Ibidem, pp. 24–29.

It may be assumed that the incomes of luxury goods buyers in 2009 totally declined, in particular in well developed countries. The world GDP fell by 2% in 2009 r. over 2008[11]; in the US the decline amounted to 2.6%, in the Eurozone 4%, in Great Britain 5% and in Japan 5.2%[12].

Thus, in the case of luxury leather goods the coefficient of income elasticity of demand would be lower than 0, analogously to the goods of lower standing (or inferior goods).

The products of the aforementioned 14 brands whose sales rose in 2009 by more than 5% in comparison with 2008 should be excluded from the luxury category if the discussed economic definition is to be applied to them.

The resistance to crisis is particularly conspicuous with regard to one of the leading luxury brands. The values of sales in the first half of 2009, i.e. the period of crisis trough, over the first half of 2008 rose totally by 7.6% according to current currency rates, and by 0.4% according to constant exchange rates. However, the sales of goods in the area of leather goods rose in the analogous period by 27.6% according to current exchange rates and by 15.7% according to constant exchange rates, from 340 million euros to 433.8 million euros, i.e. by 93.8 million euros. In the region of Asia excluding Japan, where the sales of the whole range of this brand rose by 30.8% and 22.0% respectively, from 147.7 million euros to 193.3 million euros, i.e. by 45.6 million euros. A rise in the sales of leather goods of this brand must have taken effect also in other crisis-hit regions of the world[13].

Other brands whose sales rose in 2009 may appear in the second group with the sales changes of +5% to -5%. Because this group and the one discussed above include the largest luxury brands of the world scope and diversified assortment, such a rise in sales would have been possible neither thanks to the emerging markets of Asia and South America having a marginal significance in 2009 nor to sales of leather goods within their range. There must have been a rise in sales of other categories of goods.

Because the sales of luxury goods included in the Bain & Company reports fell by over 8% in 2009 over 2008, i.e. a higher value than the decline in GDP in well developed countries, it cannot be stated on this basis that income elasticity of demand is not suitable at all to define luxury goods. However, the cited data indicate that income elasticity of demand cannot be the only component of the definition of luxury goods or all the more luxury brands; it may be one of the most important features though.

---

[11] *World Wealth Report 2010*, Cap Gemini and Merrill Lynch, 2010, p. 9.

[12] http://www.principalglobalindicators.org/default.aspx [last access: 01.02.2012].

[13] *Rapport semestriel d'activité, juin 2009*, http://finance-fr.hermes.com/content/download/94/369/version/2/file/ifs2009.pdf [last access: 01.02.2012].

Table 3.2 presents the data according to Euromonitor, which adopted a different definition of luxury products and brands. The decline in sales in 2009 over 2008 amounted only to –1.53%[14]. These data draw a different picture of the situation compared to the Bain & Company data, as this decline is not only very slight (and lower than the world GDP decline), but it is lower than in the case of 2008 in comparison with 2007, when the change amounted to -2.51%.

According to the Euromonitor data, there were industries which recorded rises in revenues in the period of crisis: in 2008 over 2007 the sales in three industries were on the rise:

– leather goods (sales: €20,835.4 million in 2007 and €21,048.1 million in 2008),
– beauty and personal care products (sales: €20,821.2 million and €20,825.5, respectively),
– writing instruments and stationery (sales: €1,036.0 and €1,037.9).

In 2009 compared to 2008 there was a rise in sales in four industries:

– fine wines/champagne and spirits (sales: €16,626.7 million in 2008 and €17,090.4 million in 2009),
– accessories (sales: €7,173.7 and , €7,182.0 respectively),
– **leather goods (sales: €21,048.1 and €21,517.4, respectively, i.e. + 2.23%)**,
– beauty and personal care products (sales: €20,825.5 and €21,383.8 respectively).

Thus, in comparison with the cited data on the GDP changes in the world and selected well developed countries, the coefficient of income elasticity of demand for luxury goods, in the case of which sales rose in the period of crisis, would be lower than 0, as in the case of inferior goods; and with regard to those sales fell less than proportionally to the GDP decline and would be included in the range of 0 – 1, as in the case of necessities.

The analysis above is based, as already remarked, on very general data. A more detailed analysis would require accounting for the changes in incomes of exclusively privileged classes: old money, new money and middle classes in the developed countries and emerging markets as the buyers of luxury products (and not the world GDP). Paradoxically, these analyses would have to be performed exclusively on the basis of aggregated data, i.e. accounting for all these countries together. The analysis of every country would not be viable without including the purchases by tourists in the country and the purchases of its citizens abroad. However, these data are not evident to obtain.

[14] Euromonitor database.

Another conclusion resulting from the Bain & Company data is a more important role of brands than products. It appeared that there are brands, not niche brands but those belonging to the largest, in the case of which, despite a decline in revenues of 8.38% on this market, there was a rise in revenues of over 5% (while the highest rise in the breakdown by industry amounted to 2%). It indicates that primarily it is the luxury brands that are important to buyers: customers buy (or do not buy, as illustrated by numerous bankruptcies) luxury products more due to the brands endorsing them rather than to the products themselves.

The area to be analysed is the dependence of the market of luxury products on the changes in the value of wealth[15] in relation to income changes. While the world GDP rose by 1.8% in 2008 over 2007[16] (and in non-numerous countries in which there were GDP declines, like Japan, Italy and Great Britain, they were not higher than 1.3[17]), the number of High-Net-Worth Individuals, i.e. people with the value of net investable assets of above 1 billion dollars fell in the discussed period by 14.9% (in the US by 18.5%), and the value of their assets declined by 19.5% (in the US and Canada by 22.8%)[18]. In 2009 the tendency was reversed: the world GDP fell, as remarked before by 2%, the number of High-Net-Worth Individuals rose by 17.1%, and their assets by 18.9%[19].

The rise in the asset net worth did not prevent the decline in sales on the market of luxury goods in 2009, which indicates, as already remarked, that besides millionaires, an important role is played here by the middle class "excursionists" and "accustomed to accessible luxury", and in the case of the richest – changes in the level of incomes from all sources are important, not only the changes in the asset net worth and incomes from these assets.

Summing up the above discussion, it should be stated that the decline in the total sales of luxury products in the period of crisis of 2008-2009 (with a simultaneous rise in sales of goods of the strongest luxury brands and rise in the sales of leather goods) proves that firstly: for the customers it is primarily the brands that count, secondly though defining luxury products with income elasticity of demand did not lose totally its legitimacy, their definition given in books on economics, including only this feature in incomplete and requires completion.

Besides, it should be observed that a rigorous application of the definition of luxury products based on income elasticity of demand to analyse the market

[15] The definitions of wealth include the range of the whole wealth of investable net assets without the main residence and products treated as collection components and consumption products, including consumer durable goods.

[16] *World Wealth Report 2010*, Cap Gemini and Merrill Lynch, 2010, p. 9.

[17] http://www.principalglobalindicators.org/default.aspx [last access: f 01.02.2012].

[18] *World Wealth Report 2009*, Cap Gemini and Merrill Lynch, 2009, p. 8.

[19] *World Wealth Report 2010*, Cap Gemini and Merrill Lynch, 2010, p. 3.

of luxury products would cause confusion. Referring to the cited Bain & Company data in 2009, leather goods (2% increase in sales compared to 2008) should have been excluded from the market of luxury products. According to the data by Euromonitor, 4 industries should have been excluded from this market in 2009.

Moreover, luxury industries and brands in the phase of stagnation should also be excluded from this market. Luxury tableware or ”art de la table” in Bain & Company terms (silverware, china, crystal etc.) should not be accounted for in the analysis of this market at all as the sales indicate a decline or stagnation or they have risen more slowly than the incomes of buyers for “several dozen” years (this industry has not been actually considered in the Bain & Company reports since 2012, but rather due to marginalisation and not to the definition based on income elasticity of demand).

No wonder then that the consultants analysing the market of luxury products neither cite the definition proposed by economists nor apply it in their work.