Emerald critical perspectives on international business

Luxury International Business: A Critical Review and Agenda for Research

Journal:	*critical perspectives on international business*
Manuscript ID	cpoib-02-2019-0018.R1
Manuscript Type:	Academic Paper
Keywords:	Luxury, Luxury brands, International business, Inequality, Super-rich, Critical Review

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Abstract

Purpose: Through a critical review of the impact of luxury international business this article aims to contribute to an understanding of business activities that depend on an unequal distribution of income and wealth.

Design/methodology/approach: Drawing on a wide range of academic and practitioner literature, this article adopts a critical luxury studies approach to provide an assessment of the economic and social impact of luxury international business.

Findings: Luxury is an increasingly important sector of the economy, which contributes to the welfare of increasing numbers of people across the world. Alongside its dependence on an unequal distribution of income and wealth and the negative aspects to which this gives rise, luxury business generates significant benefits to the economy and society through promoting economic growth, innovation, cultural enrichment, improved quality of the built environment and environmentally sustainable business practices. Nevertheless, an appropriate level of regulation and taxation on the excesses of contemporary luxury consumption could improve the welfare of all. Hence, luxury international business warrants investigation by critical scholars who recognize the complexity of the benefits and dark sides arising from luxury.

Research limitations/implications: This article draws on an extensive review of academic and practitioner literature. However, primary research is required to investigate further the key issues identified.

Social implications: Through an exploration of the impact of the production and consumption of luxury this article reveals how luxury businesses serving the super-rich can contribute to the welfare of society while also giving rise to negative outcomes.

Originality/value: By adopting a critical luxury studies approach, this article offers an original contribution to the field of international business and introduces avenues for future critical international business research.

Keywords: Luxury, Luxury Brands, International Business, Inequality, Super-rich, Critical Review.

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1. Introduction

Today, luxury is a major international business (IB) serving a €1.2 trillion global market, which is estimated to have grown by an annual compounded rate of 6 percent from 1996 to 2017 (D'Arpizio, et al. 2017). The production and consumption of luxury has been recognized as a stimulus for economic growth and a contributor to prosperity since the eighteenth century (Smith, 1981[1776], Sombart, 1967[1913], Berg, 2005). Yet, the consumption of luxury is also associated with inequality, a topic that has been largely neglected by IB scholars (Svetičič, 2018) and has been identified as an issue in need of exploration by those adopting a critical perspective on IB (Roberts and Dörrenbächer, 2012, 2016). Through a critical assessment of the impact of luxury IB, this article will contribute to an understanding of a business activity that depends on an unequal distribution of income and wealth.

Gurzki and Woisetschläger's (2017) analysis of the academic literature concerning luxury reveals that contributions from scholars of IB, let alone those concerned with critical perspectives on IB, remain underdeveloped. In the field of business and management the predominant focus is on luxury brand management and related issues (Gurzki and Woisetschläger, 2017). Consequently, there is much discussion in this literature about marketing and consumer behaviour, with areas such as retailing and strategy being approached predominantly from a marketing perspective (Kapferer and Bastien, 2012; Chevalier and Mazzalovo, 2012; Hoffmann and Coste-Manière, 2012; inter alia.). Furthermore, studies of cross-cultural variations in the consumption of luxury contribute to the field of international marketing (Dubois, Czellar, and Laurent, 2005; Shukla, 2010; inter alia.). However, as Donzé and Fujioka, (2015) note, much of the management research on luxury is produced by journalists or by researchers who provide consultancy services for the large luxury firms. Hence, such literature often lacks depth of analysis. Because luxury companies tend to be very secretive about their activities, critical research into their inner workings is scarce. Yet, given the rising significance of luxury businesses, independent academic scrutiny is urgently required.

To address the limits of extant research on issues related to luxury, including the lack of critical engagement exemplified by the domain of luxury brand management, the field of critical luxury studies has emerged (Armitage and Roberts, 2014, 2016). Much extant research investigates luxury goods and services in isolation from the socio-cultural and historical contexts of their production, distribution, and consumption. In contrast, scholars adopting a critical luxury studies approach situate luxury in relation to other socio-cultural practices, such as the politicized structures of capital and labour, democracy, the city, and other socio-cultural hierarchies (Armitage and Roberts, 2016). Hence, critical luxury studies adopts a multidisciplinary philosophical approach that draws on a variety of orthodox and radical perspectives within the arts, the humanities and the social sciences (Armitage and Roberts, 2014; 2016). Indeed, this is an approach that resonates with scholars of luxury seeking alternative perspectives (e.g. Faiers, 2016a; Iqani and Dosekun, 2019; Kuldova, 2016). Drawing on a wide range of academic and practitioner research, this article provides a critical review of the economic and social impact of luxury and the international businesses that supply it. Given the current dominance of Western businesses serving the global luxury market, it is the impact of these businesses that is of central concern here. By adopting a critical luxury studies approach, an original contribution to the field of IB is offered and avenues for future research are introduced.

The article begins with an elaboration of the meaning of luxury, its historical context, and its place in contemporary society before an exploration of the rise of IB providing luxury goods and services is provided. This is followed by a critical review of the key social and economic benefits and dark sides of luxury IB. A discussion then sets out a research agenda before short conclusions are drawn.

2. From Historical to Contemporary Luxury

To appreciate luxury in the current era it is useful draw on its rich history (McNeil and Riello, 2016). For example, luxury as “luxus” in classical Latin implies effeminate sensuality, a passion for splendor and pomp and “luxuria” indicates excess, extravagance and moral weakness (Adams, 2012: 7-8). According to the classical view, if left unchecked, the consumption of luxury could lead to the demise of individuals and the fall of empires (Adams 2012). Despite its morally dubious standing, throughout the classical and early modern eras, luxury prospered in Europe among the elite and religious leaders (Adams, 2012; McNeil and Riello, 2016). Luxury was acceptable from a Christian viewpoint when it was used to glorify god. For instance, the wealth of the Catholic Church generated through the sale of indulgences in the early modern era was spent on magnificent churches and cathedrals while its leaders lived in sumptuously furnished palaces. Similarly, sovereigns and their royal courts lived extravagantly, displaying their economic and political power (Berg, 2005). In this period then, luxury had a purpose beyond its consumption and enjoyment by individuals in that it inspired awe, projected power and indicated social standing. Indeed, up until the seventeenth century the consumption of luxury was subject to sumptuary laws, which regulate and reinforce social hierarchies and morals through restrictions on the consumption of certain types of goods, including clothing (Ribeiro 2003). Hence, luxury consumption by the higher echelons of society was deemed acceptable, and in certain cases necessary, while luxury consumption by the lower classes was regarded as morally inappropriate.

The view of luxury as morally questionable continues in the present era, but its influence has been significantly eroded (Roberts, 2019). This is because the socio-cultural religious inspired moral position on luxury in the classical and early modern period was superseded in the eighteenth century by an economic and secular view. Berry (1994) describes this change as the de-moralization of luxury. It was initiated by the contributions of philosophers and political economists, especially, Bernard Mandeville’s (1988 [1724]) *The Fable of the Bees*, which extolled the virtues of the individual’s wealth for society as a whole; David Hume’s essay, “Of Refinement of the Arts”, (2012 [1754]), which praised luxury’s wide ranging civilizing benefits for society; and, Adam Smith’s (1981 [1776]) *An Inquiry into the Nature and Causes of the Wealth of Nations*, which argued that private vice and luxury provided important stimulants to the economy. Hence, from the late eighteenth century, luxury took on a positive economic rather than dubious moral role in society as a generator of employment, export income, tax revenue, and economic growth. In this context, luxury consumption was no longer depending on one’s high social rank determined by birth but rather on one’s economic means.

Today luxury is often defined in terms of rare, refined, and expensive products and services of the highest quality as well as associated with a rich, comfortable, and sumptuous lifestyle. Echoing the views of the past, it is also regarded as unnecessary, superfluous, or an indulgence. However, because luxury depends on cultural, social, and individual contexts and meanings, it cannot be objectively defined (Berry 1994). So, luxury can refer to expensive goods and services delivered by global luxury conglomerate, like a Vacheron Constantin Traditionnelle Tourbillon 18 karat pink gold automatic watch costing £117,000,[1] or to "life's little luxuries", such as eating a £10 Thornton's box of chocolates while watching a Sky TV film on a Saturday evening (Mansvelt, Breheny and Hay, 2016). Moreover, cultural significance can confer luxury status to goods that may seem unremarkable if viewed through the inappropriate cultural lens. For example, barkcloth, known as *tapa*, which may appear unremarkable when viewed through the eyes of a Westerner, is highly valued in Polynesia where it is often used for wedding gifts (Neich and Pendergrast, 2005).

The global luxury market is associated with luxury branded goods and services. However, there is no universally accepted definition of the luxury sector. Drawing on the range of outputs produced by the members of the five European luxury industry associations,[2] Frontier Economics (2012) identify the following 14 market segments:

1. Watches and jewellery;
2. Fashion;
3. Perfumes and cosmetics;
4. Accessories;
5. Leather goods;
6. Gastronomy;
7. Furniture and furnishing;
8. Design household equipment;
9. Cars;
10. Yachts;
11. Wines and spirits;
12. Hotels and leisure experience;
13. Retail and Auction Houses; and,
14. Publishing.

The first five of these segments is often referred to as the personal luxury goods sector. In addition to these 14 market segments, D'Arpizio, et al. (2017) add fine art, luxury cruises, and private jets. The producers of such goods and services are also referred to as high-end cultural and creative industries, particularly in policy documents (see, for example, European Commission, 2012). Further segments could be included, such as residential property, health, security, legal, business and financial services. The lack of a generally accepted definition of the luxury sector is partly because luxuries derive from established sectors and it is the perceived and actual luxury qualities of the products and services supplied that identify the producers as part of the luxury sector.

Frontier Economics (2015) identify five core characteristics of the luxury sector:

1. 'aura', which relates to the quality of the product and the perception of status and exclusivity that is associated with it, both in the eyes of the consumer and, significantly, amongst the wider public;
2. high levels of creativity and craftsmanship;
3. the protection of intellectual property (IP), which is central to securing long term investment in innovation and creativity;
4. selective distribution, which is necessary to ensure a quality retail experience and control pricing; and,
5. an orientation towards global markets.

The need to preserve aura, protect IP and secure product quality and price accounts for the significance of brand names among luxury producers. The luxury brand name embodies a company's reputation as a producer of luxury and signals status to consumers and a wider audience (Roberts and Armitage, 2016). Drawing on an extensive review of luxury brand literature, Ko, Costello and Taylor (2017: 2) define a luxury brand as a product or service that consumers perceive to:

"1. be high quality;
2. offer authentic value via desired benefits, whether functional or emotional;
3. have a prestigious image within the market built on qualities such as artisanship, craftsmanship, or service quality;
4. be worthy of commanding a premium price; and
5. be capable of inspiring a deep connection, or resonance, with the consumer."

Luxury has also been classified in terms of its accessibility with Allérès (1990) identifying three levels of luxury: inaccessible - exclusive unique items; intermediate - expensive replicas of unique items; and, accessible - factory produced in large production runs. Indeed, many of the major luxury brand companies provide a range of accessible luxury items. Consequently, we are also witnessing a proliferation of terms, such as new luxury or mass luxury. For Kapferer and Bastien (2012), this trend, which they refer to as the democratization of luxury, is the result of the efforts of traditional brands to trade up as well as the drive for profits among luxury businesses by offering products and services to a wider global market. The move of haute couture houses, like Christian Doir and Yves Saint Laurent, into perfume is one such diversification that has a long history, with, for instance, Coco Chanel launching her company's *Chanel No 5* perfume in 1921. Through the addition of perfumes haute couture houses extend their markets significantly. While the cost of haute couture garments is prohibitive to most consumers, perfume, especially in its diluted form of eau de toilette, is one of the most affordable luxury branded goods. Since 1980s this form of diversification has intensified. Indeed, for the haute couture companies, entry level goods like perfume, small leather goods, handbags and accessories are highly profitable. While handbags and accessories may be hand crafted, and many are not, unlike an haute couture outfit, their production does not require the additional cost of several fittings. The greater accessibility of luxury also reflects the fragmentation of the production process, such that the design process may involve significant artistic inputs and craftsmanship, but the final luxury goods can be mass-produced in low-cost locations without any loss of quality (Thomas 2007).

The democratization of luxury has been accompanied by the emergence of the idea of meta-luxury (Ricca and Robins, 2012) to indicate those luxuries that remain exclusive, often because they are rare or the result of high levels of skill and craftsmanship. The cost of such luxuries renders them accessible only to the super-rich whose wealth and income put them at the top of the economic pyramid. Examples of such luxuries include bespoke tailoring, haute couture, and individually designed items from jewellery to private jets and yachts.

3. International Business and Luxury

Luxury has always been an important element of IB, from the trade in spices and silks in Ancient times (Czarra, 2009; Frankopan, 2015) to the development of early types of IB organizations in the form of trading companies including the British East India Company, the Dutch East India Company and the Hudson Bay Company. For example, the Hudson Bay Company, established in 1670, controlled the fur trade from North America for several centuries (Newman, 2000). The seventeenth and eighteenth centuries saw a major boost to the trade in luxury items, including food, spices, porcelains, precious woods and textiles imported by European countries. Goods that were once only available to the very wealthy became accessible to the middle classes (Berg, 2005). Indeed, Sombart (1967 [1913]) and Berg (2005) attribute the industrial revolution to the rise of luxury consumption, beginning in the eighteenth century, as the growing demand for imported luxuries encouraged entrepreneurs such as Josiah Wedgewood to innovate to develop competitively produced import substitutes (Dolan, 2004). According to McNeil and Riello (2016: 100), luxury goods like Chinese porcelain, Indian cottons and Japanese lacquer were reinvented and recast as “populuxuries”, which ordinary people could aspire to consume.

As Donzé and Pouillard (2019) note, the substitution of imports by domestically produced goods worked against international trade in luxury during this era. For example, in the UK domestically produced porcelain known as bone china, which was developed in the eighteenth century, increasingly replaced imports of Chinese porcelain. Nevertheless, domestic luxury markets grew. During the nineteenth century, some of today’s oldest luxury businesses were founded, including Hermès and Tiffany & Co in 1837, Louis Vuitton in 1854, and Burberry in 1856. Moreover, haute couture came into being with the opening of the House of Worth in 1858. During this period luxury companies engaged in IB in a variety of forms, from opening branches overseas (e.g. the US jewellery company Tiffany & Co opened a branch in Paris in 1850) to exports through the visits of foreign clients (e.g. a common practice in haute couture) and through distribution to European customers living in colonial countries. What internationalization existed in the field of luxury by the early 1900s contracted due to the rise of protectionism, depression and the wars between 1914 and 1945. The post-world war II period saw a resurgence of the international expansion of luxury businesses. For instance, the fashion house Christian Dior, founded in 1946, began its internationalization by opening Christian Dior - New York in 1948 (Jones and Pouillard, 2009).

As economies prospered in the post-world war II period, the market for luxuries developed and companies expanded in domestic and overseas location. Family owned conglomerates emerged to secure the financial and marketing resources to meet expanding demand. A wave of mergers from the early 1960s onwards led to the consolidation of luxury businesses, particularly in France and Switzerland (Donzé and Fujioka, 2015). Internationalization really took off from the mid-1970s with the availability of investment funds arising from the first surge in petrodollar recycling together with financial deregulation following the rise of neoliberal government policies. Public companies became major actors in the luxury sector in the 1980s (Donzé and Pouillard, 2019; McNeil and Riello, 2016). Their need to take account of shareholders' desire for return on investment has been instrumental in the adoption of strategies focused on mass markets or masstige (mass prestige) brands (Truong, McColl and Kitchen, 2009). So, luxury businesses, in their bid to maintain sales and profits, have begun to extend their market for aspirational luxury items like perfume and small leather goods. In this way, they are reaching down to customers below those at the very top of the economic pyramid.

Mergers and acquisitions gave rise to large diversified groups, including the France based groups Moet-Hennessy Louis Vuitton (LVMH) founded in 1987 and Kering (formerly known by the following names: Pinault S.A.; Pinault-Printemps-Redoute; and PPR), founded in 1963, originally as a timber trading company before it diversified into luxury in the 1990s. In addition, Compagnie Financière Richemont, the Swiss luxury goods holding company was founded in 1988. These three conglomerates dominate the luxury market today. Alongside them are less diversified luxury conglomerates, including The Estée Lauder Companies Inc., Luxottica Group SA, L'Oreal Luxe and The Swatch Group Ltd among others, all of which have grown through mergers and acquisitions. Table 1 shows the top 10 luxury groups, which account for 47.2 % of the total sales of the top 100 luxury groups (Deloitte, 2018: 26). These top 10 groups are dominated by companies from Western Europe and the USA. Indeed, the top 100 luxury goods companies identified by Deliotte (2018) overwhelmingly derive from Europe and North America, although the size and number of companies from Central and East Asia is growing, reflecting the expansion of luxury markets in these regions.

Table 1. Top Luxury Goods Companies by Sales (sales and revenue in US$ millions)

Luxury goods sales rank FY16	Company name	Selection of luxury brands	Country of origin	FY16 luxury goods sales	FY16 total revenue
1.	LVMH Moët Hennessy-Louis Vuitton SE	Louis Vuitton, Fendi, Bulgari, Loro Piana, Emilio Pucci, Acqua di Parma, Loewe, Marc Jacobs, TAG Heuer, Benefit Cosmetics	France	23,447	41,593
2.	The Estée Lauder Companies Inc.	Estée Lauder, M.A.C., Aramis, Clinique, Aveda, Jo Malone; Licensed fragrance brands	United States	11,824	11,824
3.	Compagnie Financière Richemont SA	Cartier, Van Cleef & Arpels, Montblanc, Jaeger-LeCoultre, Vacheron Constantin, IWC, Piaget, Chloé, Officine Panerai	Switzerland	11,677	11,677
4.	Luxottica Group SpA	Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples; Licensed eyewear brands	Italy	10,051	10,051
5.	Kering SA	Gucci, Bottega Veneta, Saint Laurent, Balenciaga, Brioni, Sergio Rossi, Pomellato, Girard-Perregaux, Ulysse Nardin	France	9,369	13,700
6.	L'Oréal Luxe	Lancôme, Biotherm, Helena Rubinstein, Urban Decay, Kiehl's; Licensed brands	France	8,476[e]	8,476[e]
7.	The Swatch Group Ltd.	Breguet, Harry Winston, Blancpain, Longines, Omega, Rado; Licensed watch brands	Switzerland	7,413	7,655
8.	Ralph Lauren Corporation	Ralph Lauren, Polo Ralph Lauren, Purple Label, Double RL, Club Monaco	United States	6,653	6,653
9.	PVH Corp.	Calvin Klein, Tommy Hilfiger	United States	6,646	8,203
10.	Chow Tai Fook Jewellery Group Limited	Chow Tai Fook, CHOW TAI FOOK T MARK, Hearts on Fire	Hong Kong SAR	6,604	6,604

Notes: [1] Net Profit Margin based on Total Consolidated Revenue and Net Income; [2] Compound annual growth rate; n/a = not avai
are sales weighted, currency -adjusted composites; **Net profit margins are sales-weighted composites.
This list is limited to those luxury goods companies that publish their financial results.
Source: Compiled from Deloitte, (2018: 26), which draws on published company data and industry estimates.

Luxury businesses service those individuals positioned at or near the top of the economic pyramid. What possible benefits, beyond profits for luxury businesses and the satisfaction of the desires of the wealthy, might serving those at the top of the economic pyramid offer? Prahalad (2006) argued that international businesses that serve those at the bottom of the economic pyramid can be profitable while also benefiting the poorest segment of the world's population by assisting their welfare through promoting inclusive economic development. To what extent do the benefits of luxury business extend to economic development that improves welfare in society as a whole? And, importantly, what are the negatives or dark sides arising from the growth of luxury business? To address these questions, the economic and social impact of luxury business is assessed through a critical review of its benefits and dark sides.

The Benefits and Dark Sides of Luxury Business

The Benefits of Luxury Business

As noted earlier, the consumption of luxury underpins a €1.2 trillion global market (D'Arpizio, et al. 2017) and contributes to welfare though the employment of hundreds of thousands of individuals across the world. In the UK alone, the luxury sector contributes £32.2 billion to the economy, accounting for 2.2 percent of Gross Domestic Product (GDP), directly employing 113,000 people, contributing £5.2 billion to the Exchequer through tax and National Insurance, and generating exports valued at £25 billion (Walpole, 2017).

An important feature of luxury products is their association with their country of origin (Kapferer, 2012). Hence, unlike multinational companies in many other sectors, luxury international businesses need to maintain a manufacturing base in their home country. Indeed, British luxury companies, such as Burberry, that have engaged in cost reducing off-shore production have found it necessary to bring manufacturing capacities back to their home countries to control product quality and to preserve an essential selling point of the 'Made in Britain' label (Robinson and Hsieh, 2016). Moreover, as the luxury market has grown, the need to control product quality, and avoid counterfeiting, has also led to a reduction in the use of licensing as a mode of internationalization; although, it is still used to diversify into markets that are unrelated to a business's core activities, such as perfume and optical frames (Chevalier and Mazzalovo, 2012). Of course, the need to produce in the company's home country does increase costs and therefore price. But consumers are willing to pay for the added value that the label 'Made in Italy' or 'Made in Britain' delivers. Indeed, the higher the price, the more luxurious a luxury product is perceived to be. Consequently, luxury businesses, even as they serve an increasingly global market, continue to contribute to the manufacturing base of their home countries and therefore to domestic employment, taxation and exports. For example, in 2013 the high-end cultural and creative industries in the EU accounted for 4 percent of nominal GDP and were estimated to generate 1.7 million jobs, and exports with an estimated value of € 308 billion (Frontier Economics, 2014).

In addition to the direct positive impact of the production and consumption of luxury on, for instance, employment and taxes, the sector has positive indirect influences, through spill-over effects, on other parts of the economy, including through the skills and innovation it promotes. Furthermore, through its impact on cities, luxury can contribute to the construction of what Paris (2017) calls “prestigious places”, improving the built environment with potential benefits for all, directly through an enhanced quality of life and by attracting overseas tourists and the consequent creation of jobs in the hospitality and tourism sectors. In cities across the globe, luxury international businesses are transforming retail areas and shopping malls with their flagship stores. Employing famous architects to design ‘signature’ buildings, luxury international businesses aim not only to communicate their brand but also to enhance its cultural capital (Sharr, 2016). For example, Prada hired R. Koolhaas and Herzog and de Meuron to design iconic stores in New York and Tokyo respectively. The existence of high-quality built environments, including access to cultural activities and excellent service infrastructures, is important for cities seeking to attract investment in a variety of sectors. The presence of luxury international businesses can therefore have an important agglomeration impact by attracting other high-quality investment in a range of sectors.

Luxury businesses not only improve the environment through the presence of quality retail space and the construction of luxury housing, but also through sponsorship of cultural activities and sports events that engender community within society. Communal events are an important means of strengthening cooperation and communication and thereby serve to strengthen the fabric of society. In periods of declining government expenditure, luxury businesses and their customers are an important source of the funding that is required to preserve the cultural heritage of humanity through support for public galleries, museums and cultural venues. For instance, the luxury conglomerate LVMH has had a corporate philanthropy programme to supports arts and culture since 1990 (LVMH n.d.) and Richemont cofounded with Daimler the Laureus Sport for Good Foundation in 2000, which helps hundreds of thousands of children and young people in 40 countries (Richemont, 2018).

As Smith (1981 [1776]) recognized in the eighteenth century, the desire for luxury has widespread benefits because it motivates people to work hard and to engage in innovative activity. Luxury business therefore contributes to economic development. Indeed, the consumption of luxury can be viewed as a reward for success. Furthermore, the demand for luxuries facilitates the experimentation that can result in major innovations and new technological developments, the benefits of which can be far reaching. As Vernon (1966) argued in his elaboration of the product life cycle theory, newly developed products are often expensive. Consequently, for many consumers they are luxuries. The demand from early adopters, who have the resources to try expensive new products, helps producers to iron out glitches in product design and to scale up for more cost-efficient production. The development of electric cars benefitted from such early adopters. For instance, the *Tesla Roadster*, an all-electric sports car costing US$98,000 was launched in 2006 (Bendell and Thomas, 2013). Although still a luxury for most people, electric cars are becoming more affordable and they have the potential to generate huge benefits for the environment when they become more widely adopted. Today Tesla is planning the production its first mass-market vehicle, the Model 3 sedan, with a starting price of $35,950 (Bomey, 2019).

However, as Roberts and Armitage (2015) note, some luxury producers persist in the use of age-old production methods. Because such methods of production are labour intensive, they are expensive and therefore confined to the purview of luxury producers. Such production methods may seem inefficient, yet, the demand for luxury supports the maintenance of these traditional craft skills, while also facilitating the development of new craft skills. For example, the luxury company Chanel established its subsidiary Paraffection in 1997 to acquire independent ateliers and thereby safeguard their specialty skills in the fields of embroidery, feathers, shoemaking, buttons, artificial flowers, gold-smithing, millinery, knitwear, glove-making, and, pleat-making (Abnett 2014). Without the consumption of luxury, such skills might be lost to the detriment of human creativity and culture.

With their affluent customers, luxury businesses can be at the forefront of advancing environmentally sensitive, sustainable and ethical production. Many luxury companies have well developed strategies to promote sustainability, which, once proven to be effective, can be adopted more widely in the economy (Armitage, Roberts and Sekhon, 2017). Examples include Kering's innovative methodology, the Environmental Profit & Loss tool, which makes the seemingly invisible environmental impacts of its business visible, quantifiable, and comparable (Kering Group 2016) and the watch and jewellery company Chopard's commitment to the use of one hundred percent ethical produced gold.[3]

Moreover, as Sidgwick (1894) argued, when considering the ethics of luxury, the production and circulation of superfluous commodities promote the appreciation and production of beauty and thereby serves the important social function of advancing culture. Many of the very best cultural and aesthetic contributions arising from the demand for luxury go beyond individual consumption and become lasting resources for humanity, inspiring creativity and civility. National museums, including the British Museum and France's Louvre, are full of cultural artefacts that were the luxury goods of past generations. Hume's (2012 [1752]) claim that the growth of luxury has a civilizing and potentially unifying impact in relation to the community and nation with a positive impact on morality continues to have relevance in the contemporary period. Hence, luxury IB through its provision of luxury can surely benefit society. According to Cloutier (2015) luxury that results in the unification of communities through, for instance, the development of public access to luxury in the form of public museums and libraries and the enrichment of cultural environments accessible to all, has a positive moral value and is therefore beneficial to society. Yet, one must question the cost and the dark side of the widespread consumption of luxury in the light of growing inequality between the super-rich and the remainder of society, especially those we might refer to as the super-poor who eke out a living at the bottom of the economic pyramid.

The Dark Side of Luxury Business

Luxury production and consumption can appear wasteful and socially divisive in a period of continuing austerity in the West. For instance, when 22 percent of the UK population live in poverty, including 4 million children (JRF Analysis Unit 2017: 10), it seems obscene to many people that wealthy individuals are willing to pay £279,000 for a rare 2014 Himalaya Birkin Hermès handbag made from Nilo crocodile hide and adorned with 18-carat white gold and diamond-encrusted details (Jordan 2018). The moral acceptability of luxury is brought into question in the context of rising inequality (Roberts, 2019). The topic of inequality has attracted much academic interest in recent years (Stiglitz, 2013; Piketty, 2014; Dorling, 2014; inter alia) as has the rise of the super-rich (Frank, 2008; Freeland, 2013; Hay and Beaverstock, 2016; inter alia).

To put the issue of inequality and the economic wealth of the super-rich in perspective, it is worth observing that the richest 1 percent of the world's population owns more wealth than the whole of the rest of humanity (Credit Suisse, 2017a: 156). However, it is important to recognize that there is great diversity among this 1 percent of individuals, from the merely affluent through to multibillionaires. The top of the wealth pyramid is populated by 0.7% of the world's adult population, each of whom hold more than US$ 1 million (Credit Suisse, 2017b: 21).[4]

Through its impact on economic growth, luxury has been associated with an increase in prosperity. But likewise increasing prosperity stimulates the growth of luxury. For example, in the post-world war II period growing prosperity in the West stimulated demand for luxuries in the form of innovative consumer goods that were luxuries at that time like televisions, washing machines and cars. During this period prosperity was accompanied by the introduction of redistributive policies, including high rates of taxation on top earners and an expansion of public services and social support, which resulted in falling levels of inequality. But this trend ended from the late 1970s with the adoption of neoliberalism under which taxes were cut and redistributive policies and public service provision were rolled back (Harvey, 2005). The individual's interests were promoted above those of the community and neoliberal policies amplified inequalities and stifled social mobility in the West. This inequality was further accentuated by the Global Financial Crisis (GFC) of 2008. The burden of the austerity measures introduced in many Western countries in its aftermath fell disproportionately on the poor. With access to specialist investment services and profitable investment opportunities across the globe, the rich have prospered while the poor, and, many of the middle classes, have experienced static or declining incomes in real terms over the decade since the GFC (Oxfam, 2013; Desilver, 2018). Despite the growth of luxury business, in the face of increasing inequality, the moral questioning of luxury as an unnecessary indulgence remains valid (Roberts, 2019).

Undoubtedly, the demand for luxury goods and services is stimulated by growing wealth and inequality. Although associated with the rewards that accompany economic success, displays of wealth through luxury consumption can have a negative social impact by promoting immoral behaviour. Gino and Pierce's (2009) experimental study found that proximity to wealth encourages more frequent cheating than an environment of scarcity. They argue that the presence of abundant wealth provoked feelings of envy towards wealthy others and overstatement of performance, which leads to unethical behaviour. Hence, faced with super-rich customers, suppliers of luxury may overstate the value of goods and services or evidence of their authenticity. Naylor (2011), for instance, traces the immoral behaviours among those supplying segments of the luxury market as diverse as, gemstones, fine art, historical artefacts, fine wines and Cuban cigars. These behaviours range from theft and smuggling cultural artefacts from war torn regions, such as Syria, to counterfeiting and misleading those luxury consumers who are yet to develop their level of connoisseurship sufficiently to be able to distinguish between a standard product packaged as luxury and an authentic luxury product. Ignorance in many different forms pervades the luxury market and even the large luxury businesses are active in promoting it when marketing their goods and services (Roberts, 2018). Indeed, luxury businesses from LVMH to Prada and Gucci are active in stretching the truth in relation to heritage stories and production locations. For instance, LVMH produce shoes in Romania but because they are finished in Italy they can be labelled as 'Made in Italy' (Lembke, 2017): a label that confers greater luxury status than 'Made in Romania'. The presence of a market for high priced luxuries encourages immoral behaviour ranging being economical with the truth to outright criminality.

While the desire for luxury can motive productive activity, it can also lead to negative outcomes for the individual and society. Firstly, luxury businesses simulate this desire for luxury through their promotional activity which reaches beyond their wealthy customers to those who aspire to a luxury lifestyle. Armitage and Roberts, (2014) argue that the marketing activity of luxury businesses creates false needs and desires. While the super-rich can afford to indulge their desires real or false, for ordinary people satisfying such desire may require the burden of debt and the misery that can accompany the challenge of servicing such debt. Or, alternatively, they experience the unhappiness of not being able to satisfy their desires.

Secondly, the desire for luxury may stimulate criminal behaviour as those who cannot afford luxury acquired through legal means may be driven to engage in criminal activity to obtain it. Hence, luxury businesses can become a target of crime as the spate of raids on luxury retailers in UK and US cities during the past few years has demonstrated (Cook, 2017). Indeed, the fear of becoming victims of crime is driving the super-rich to spend increasing amounts of money on security services to protect themselves, their families and their possessions (Cox, 2016). Such concerns are also leading to the consumption of discrete or stealth luxury (Eckhardt, Belk, and Wilson, 2015; Faiers, 2016b).

Moreover, a life of luxury and the desire to maintain it can also lead to negative social behaviour. Freeland (2013) documents the behavioural changes of individuals who reach billionaire status and become accustomed to prioritized and high-quality service, noting that they can become impatient and intolerant and even abusive when they receive poor service. Furthermore, studies have revealed that upper-class individuals behave more unethically than lower-class individuals. For instance, Piff, Stancato, Côté, Mendoza-Denton and Keltner (2012) found that upper-class individuals were more likely to break the law while driving, to exhibit unethical decision-making tendencies, take valued goods from others, lie in a negotiation, cheat to increase their chances of winning a prize, and endorse unethical behaviour at work than were lower-class individuals. Based on these findings, the authors argue that upper-class individuals' unethical propensities, in part, result from a more favourable attitude toward greed. Recent scandals concerning the financial arrangements of the super-rich would seem to bear out such findings. Evidence from the leaking of the Panama and Paradise papers (Hopkins and Bengtsson, 2017; Obermaier and Obermayer 2017) show the great extent to which the super-rich take advantage of legal advice on how to minimize tax liability through tax avoidance and evasion. While tax avoidance is not illegal, it may be regarded as immoral when it diminishes the resources available to a community, especially in a period of general austerity and decline of public service provision. Of course, when undertaking such activity, the super-rich employ international finance and legal service businesses that specialize in providing services to those at the top of the wealth pyramid. These services are provided by luxury financial and legal businesses that actively seek methods to minimize the tax liability of their wealthy clients (Sikka and Willmott, 2013).

Furthermore, government policies are influenced by the desire of the super-rich to enjoy pristine safe city spaces with clean streets and immaculate parks. Through the lobbying power of the super-rich (Wilkin, 2015) together with that of luxury property developers and estate agents, governments are persuaded to keep public spaces, particularly in those areas inhabited by the super-rich, free from crime and the social distress that accompanies poverty. Hence, policies to accommodate the sensitivities of the super-rich can lead to the criminalization of the poor. For instance, since 2017, an increasing number of local councils in the UK have used Public Space Protection Orders to fine people sleeping rough in streets and parks. Since most homeless people are extremely poor, the imposition of a fine leads directly to their criminalization (Greenfield and March, 2018). Even ordinary city dwellers are being impacted by the spread of luxury enclaves as public and affordable housing is increasingly replaced by luxury apartments for the global super-rich (Minton, 2017).

The idea that indulgence in luxury can have a negative impact on the individual and society has a long history (Adam 2012). Too much comfort and excessive consumption of rich food, drink, and stimulants can lead to weakness and ill health through obesity and disease, diminishing the ability of those who indulge in excess to contribute to society. Although, evidence does suggest that as nations become more prosperous, levels of obesity increase, the patterns of obesity within nations are complex (Thompson 2013). The poor diet of those on low incomes is as likely to lead to obesity and ill health as the excessive consumption of fine wine and foods by the wealthy. Consequently, it can be argued that it is the inequality upon which the consumption of luxury is based in the current era that has a detrimental impact on the health and welfare of individuals rather than the production and consumption of luxury itself. Moreover, the production of luxury health services is unlikely to damage their privileged consumers, yet if the resources deployed to fund such services were devoted to health services for all they could no doubt have a greater positive impact at a societal level.

Luxury is not a negative if it can be enjoyed by all without a detrimental impact on the environment or sections of society. However, because the contemporary consumption of luxury is underpinned by significant and growing levels of inequality, its economic and social benefits are brought into question. Yet the idea that all can enjoy luxury remains a utopian dream since by its very nature luxury depends on exclusivity. This exclusivity was once supported by sumptuary laws and a widespread sense of moral probation but today exclusivity is underpinned by growing economic inequality.

While the philanthropy of luxury businesses has positive consequences, it is necessary to recognize that what is supported is not determined by democratic governments. Because the funds directed to philanthropic activities can often be written off against taxation, there is not only a democratic deficit related to the selection of causes to support but also the very act of giving, through its attraction of tax relief may take public funds away from more worthy causes and more pressing social needs. Philanthropic donations to support cultural activities like opera, through their attraction of tax relief, may, for instance, take funds away from public schemes offering support to the poorest people in society.

As previously noted, a benefit of luxury businesses is the creation of luxury artefacts that enrich human culture. However, as luxury consumption shifts increasingly away from tangible goods towards intangible services and experiences (Euromonitor, 2017), luxury businesses' contribution to culturally enriching artefacts will diminish. Hence, it is necessary to question the idea that the production and consumption of luxury enhances cultural heritage in a meaningful and lasting way. Additionally, should the super-rich and luxury businesses be the arbiters of humanities cultural heritage? Surely, cultural heritage should represent more than merely the predilections of the super-rich and the businesses that serve them.

Finally, the production of luxury goods and services can lead to the wasteful and damaging use of resources. For example, gold mining, with its use of forced and cheap labour and chemicals, especially mercury, and more recently cyanide, is both socially and environmentally damaging (Naylor 2011). Today, gold extraction methods are being implemented on an industrial scale, giving rise to an ever-increasing pace of environmental degradation. Yet, as the destruction of the environment and pressure on sustainability come increasingly into question, there will be a growing necessity for a change in how we view the Earth's resources. Indeed, Berry (2016) argues that it is the impact on the environment and sustainability that is likely, in time, to provide the strongest case for a return to the morally prohibitive view of luxury that existed in the classical and early modern period.

Discussion and Agenda for Research

Although the assessment of the economic and social impact of luxury business provided here is far from exhaustive, it does provide and initial attempt to identify key benefits and dark sides of this increasingly important area of business activity. The negative issues that are distinct to luxury business derive largely from the inequality on which the demand for luxury depends and the negative human behaviour that can arise from such inequality. Luxury's very existence depends on exclusivity so it has always been associated with exclusion and inequality. Yet the scale of inequality required to sustain a luxury sector is open to question. Any effort to eradicate luxury for the good of society is likely to be counterproductive, merely driving luxury consumption underground and reducing the benefits that arise from its production and consumption. Nevertheless, luxury production and consumption can be regulated to alleviate its negative aspects, for example, through taxation. Indeed, Frank (2000) suggests that raising taxation to moderate the excesses that are evident in luxury consumer culture would enable an increase in government expenditure that could significantly improve the quality of life for everyone.

The benefits arising from the luxury business could be lost if the scale of inequality continues to grow. This is because extreme inequality could threaten democracy and feed the rise of popularism from both the right and left directed against the elite. However, the removal of luxury and its super-rich customers will not necessarily give rise to a better life for all. Reallocating resources used in the production of luxury to the production of normal goods accessible to all would not necessarily improve overall welfare. The reason for this is that not all resources can be easily transferred to other productive activity. For instance, can a specialist lace maker's skill be used in the production of mass-produced clothing? Moreover, without the incentive that comes from a desire to have a better life and thereby better-quality goods and service, would the advances in technology, production methods and organizational activity that underpin our contemporary complex economic system exist or be improved upon? Without the incentive that luxury provides, would there be the prosperity required to engage in the consumption of what we regard today as normal goods and services like mobile phones and low-cost air travel? The innovations that have changed all our lives over the last 300 years might never have come into being without the desire for self-improvement through the consumption of luxuries.

The luxury sector is growing and it is undoubtedly an increasingly important area of economic activity. While luxury business is associated with the provision of goods and services to the super-rich, it is increasingly extending its consumer base to lower echelons of the wealth hierarchy through the sale of aspirational goods like perfumes, handbags and accessories. Clearly, a deeper appreciation of the relationship between luxury and inequality is required to provide a robust understanding of the complexity of the issues at stake for society. Beyond this major societal concern, there are further issues that are of particular relevance to the field of IB, and, which, therefore, provide an agenda for IB research on luxury business.

The first of these issues concerns the nature of luxury goods and services in relation to the combination of luxury brand reputation, IP and aura. These elements are of central significance to the success of luxury businesses. Brand reputation and IP are issues of relevance to many sectors, however, understanding the specific challenges arising from their role in the generation and maintenance of aura requires critical investigation in the IB context.

A second area requiring attention concerns the culture specific aspects of luxury. Global luxury brands are very much the result of the globalization of Western luxury companies, which have a long heritage that is desired by consumers across the globe. Can luxury businesses in the Far East emulate this globalization? Furthermore, how can national identity embodied in 'Made in Britain' or 'Made in Italy' labels be internationalized using traditional mechanisms of internationalization in the luxury sector? Such a question also relates to the nature of the local-global dynamic in the production and consumption of luxury. While the importance of country of origin is recognized and may preclude a highly fragmented global production process it does not prevent internationalization through ownership. So, for instance, why is Rolls-Royce Motor Cars, which is owned by the German BMW Group, seen as a quintessential British company?

A third issue concerns role of luxury businesses in the field of innovation, sustainability and social responsibility. In some fields, luxury businesses are leading in the advance of technology. For example, the development of electronic cars has been championed by luxury companies with long term benefit for environmental sustainability. Additionally, the large luxury conglomerates have charitable programmes that enhance their social responsibility. Such developments need to be subject to critical interrogation and should be considered in the context of the United Nations sustainable development goals (United Nations, 2015).

Fourth, the luxury sector has secured protection in the European Union in relation to selective distribution. Consequently, certain stores and online platform (e.g. Amazon), cannot sell luxury goods. The argument for this selective distribution is that luxury companies need to have control over the consumer's purchase and after sales experience as well as price. The control over pricing provided by selective distribution prevents the inclusion of luxury goods in sales. Indeed, many luxury companies prefer to destroy excess stock rather than sell it for a reduced price (Pinnock, 2018). Selective distribution is a form of anti-competitive behaviour which requires scrutiny.

Finally, secrecy surrounds luxury businesses, which work hard to protect their image and the integrity of their brand. With their growing significance as employers and creators of value these companies warrant thorough academic scrutiny. While secrecy may be justified in terms of protecting IP, counterfeiting being a major challenge for luxury companies, such secrecy can be deployed to enhance brand image by shaping heritage stories and generating 'aura' derived from notions of handmade craft production in Western workshops, while the reality is less appealing to customers looking to luxury brands for an authentic product (Roberts, 2018). Moreover, the secrecy of luxury businesses presents significant research challenges. It is for this reason that much primary research on luxury is conducted from the consumers' perspective. Access to luxury companies for critical IB scholars is restricted. Companies that pride themselves on high quality ethical production need to control information about their activities to carefully manage their image and reputation. So, for instance, it takes undercover researchers, such as those from Peta (People for the Ethical Treatment of Animals) to expose unethical practices in the supply of exotic skins used to make handbags and accessories by luxury companies such as Hermès and Prada.[5] Hence, maintaining a luxury aura requires tight control over information concerning all aspects of the supply chain, production and delivery process. However, this should not be a deterrent to systematic study, for limited primary data can be supplemented with a wealth of secondary sources that is currently being generated on the sector, including company accounts and reports, press and internet articles, and the growing number of reports produced by the major consultancy companies and market research companies. Additionally, progressive luxury professionals and companies offer opportunities for primary data collection.

Conclusion

Luxury, like inequality, is not going away, it has been part of human culture for thousands of years. Today luxury is a growing sector of economic activity, employing increasing numbers of people around the world and generating a growing amount of related activity. A strong luxury sector does not need the currently expanding inequality between the super-rich and the rest of society. Indeed, the publicly owned luxury conglomerates are already engaged in the democratization of luxury through their production of entry level goods and services.

Importantly, addressing the challenge of inequality does not mean that luxury should be banished. All can benefit from the positive spill-over effects of luxury production and consumption. But, similarly, we can all suffer the cost of the dark side of luxury. It is therefore necessary to harness and develop the beneficial outcomes of luxury while addressing its dark side through, for example, appropriate taxation and regulation. However, to do this we need to deepen our understanding of the role of luxury in our economies. Luxury businesses have been explored in the fields of business history and marketing, but they urgently require consideration among IB scholars. From a critical perspectives approach to IB it is necessary to gain an appreciation of the internationally active luxury conglomerates as well as smaller luxury businesses that operate across borders. This article has pointed to areas of benefit arising from luxury as well as its dark side to highlight the need for more rigorous research into luxury businesses and their international activities. The study of luxury may appear to be a luxury. Yet given the size of the luxury market and its growth over the past 20 years, rigorous academic IB research is needed. Moreover, given the significant societal issues arising from the growth of luxury, which is underpinned by rising inequality, IB research adopting a critical perspective is urgently required.

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Notes

[1] See: https://www.mrporter.com/en-gb/mens/vacheron_constantin/traditionnelle-tourbillon-automatic-41mm-18-karat-pink-gold-and-alligator-watch/1092951 (accessed 20/01/2019).
[2] These five luxury industry associations are: Altagamma Foundation (Italy); Círculo Fortuny (Spain); Comité Colbert (France); Meisterkreis (Germany); Walpole (UK).
[3] See: https://www.chopard.com/uk/ethical-gold-manifesto (accessed 21/01/2019).
[4] This group of people are referred to as High Net Worth Individuals (HNWIs) and can be further divided into three wealth bands: “those with US$1 million to US$5 million in investable wealth (millionaires next door); those with US$5 million to US$30 million (mid-tier millionaires) and those with US$30 million or more (ultra-HNWIs)” (Capgemini, 2017: 6).
[5] See: https://www.peta.org/features/read-luxury-items-will-lose-luster/ (accessed 19/03/2019).