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Luxury Brand Equity Strategy: Market Segmentation and Luxury Dimensions in International Business

กลยุทธ์การสร้างคุณค่าตราสินค้า ความเชื่อมโยงกับการแบ่งส่วนตลาด และระดับของความหรูหรา และทฤษฎีธุรกิจระหว่างประเทศ

Warisara Klomtooksing[1*]
วริศรา กลมทุกสิ่ง[1*]

ARTICLE INFO

Name of Author & Corresponding Author: *

1. Warisara Klomtooksing*
วริศรา กลมทุกสิ่ง*
University of the Thai Chamber of Commerce, Thailand.
คณะบริหารธุรกิจ มหาวิทยาลัยหอการค้าไทย
Email: warisara_klo@utcc.ac.th

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ABSTRACT

This academic article aims to study the creation of brand value in the luxury level, its connection with luxury market segmentation, luxury level, and international business theory. This is documentary research to analyze the differences between domestic and international markets through the CAGE Distance Framework theory, which reflects the differences between consumers in the Western market and the Asian market. It is a factor that luxury brands should emphasize the uniqueness and quality of luxury products sold to consumers in the Western market to be consistent with the culture of individualism. Meanwhile, the Asian market, which purchases luxury products to show social status, should emphasize the clear display of the luxury brand logo and its use in seeking acceptance from other social classes following the culture of collectivism.

บทคัดย่อ

บทความวิชาการนี้มีวัตถุประสงค์เพื่อศึกษาการสร้างคุณค่าตราสินค้า (Brand Equity) ในระดับหรู (Luxury) ความเชื่อมโยงกับการแบ่งส่วนตลาดหรู (Luxury Segmentation) กับระดับของความหรูหรา (Luxury level) ผ่านการวิเคราะห์ตามผลิตภัณฑ์มวลรวมภายในประเทศโดยพิจารณาจากความเท่าเทียมกันของกำลังซื้อ (Gross Domestic Product per Capita, Purchasing Power Parity) และทฤษฎีธุรกิจระหว่างประเทศ ซึ่งเป็นการวิจัยเชิงเอกสาร เพื่อการวิเคราะห์ความแตกต่างของตลาดระหว่างตลาดในประเทศและตลาดต่างประเทศผ่านทฤษฎี CAGE Distance framework ซึ่งเป็นสิ่งที่ช่วยสะท้อนถึงความแตกต่างของผู้บริโภคในตลาดตะวันตก(Western market)และตลาดเอเชีย (Asia market) ตราสินค้าหรู (Luxury brand) ควรจะเน้นย้ำการออกแบบที่มีเอกลักษณ์ของตนเอง (Uniqueness)และคุณภาพ (Quality) ให้กับสินค้าหรูที่ขายให้แก่ผู้บริโภคในตลาดตะวันตก เพื่อให้สอดคล้องกับวัฒนธรรมของความเป็นปัจเจกนิยม (Individualism) ในขณะที่ตลาดเอเชียที่มีพฤติกรรมการซื้อสินค้าหรูเพื่อแสดงสถานะทางสังคม ควรเน้นการแสดงโลโก้ของตราสินค้าหรูให้ชัดเจนและการใช้เพื่อต้องการการยอมรับจากสังคมชนชั้นอื่นๆ สอดคล้องกับวัฒธรรมความเป็นส่วนรวม (Collectivism)

Introduction

Brand equity is fundamentally rooted in brand awareness, which is cultivated through strategic brand awareness and recall mechanisms. Social media marketing initiatives serve as a key tool in enhancing customer awareness and promoting consumer engagement (Ahmed et al., 2023). The integration of online and offline experiences, commonly referred to as phyto-digital interactions, contributes to positive consumer perception. Meaningful consumer-brand interactions increase the chances of creating lasting brand impressions and improving brand recall (Hyun et al., 2022). This dynamic strengthens brand associations, thus strengthening the relationship between brand identity and consumer perception. Stronger brand associations ultimately lead to improved brand image and long-term consumer loyalty.

After consuming a product or service, customers evaluate their own experience, either positively or negatively, which then determines their perception of value, known as perceived quality. When a brand successfully meets or exceeds customer expectations, it leads to brand loyalty (Aaker, 1991). The strength of brand equity largely depends on a brand's ability to build brand awareness, stimulate emotional attachment, and create a strong bond with the brand. Effectively implementing these elements can significantly increase brand equity (Keller, 2013).

Building brand equity is a challenge for all brands, regardless of their type. This is especially true for luxury brands. Due to changes in the macro-environment in the globalized era, it has become more complex to connect consumers with different dimensions. For example, in 2021, political and economic uncertainties affected luxury purchases (Steenkamp & Maydeu-Olivares, 2021). Society and culture, especially in the case of Bain & Company in 2022, analyzed that luxury brands have created business opportunities by turning to technological advancements, which are very important for influencer marketing. Environmental impact, the new challenges that consumers tend to support sustainable brands (Kang and Sung, 2022). Global laws have caused consumer behavior to change in a

more diverse direction. Luxury brands therefore need to use luxury brand segmentation to segment consumers with similar characteristics in terms of psychological and social factors (Kapferer & Bastien, 2012). The connection between luxury product segmentation, luxury product levels, and international business theories will allow brands to tailor strategies that are appropriate for the context of consumers in the global market.

Content

After the COVID-19 outbreak, the luxury industry is expected to recover by 13 to 15 percent, to an estimated value of US$1.2198 billion in 2021. The luxury industry is driven by three main segments: luxury cars, personal luxury goods, and luxury services. After a steep decline in 2020, the personal luxury sector has shown resilience, with sales expected to surpass pre-pandemic levels. The market is expected to grow by 29 percent at current exchange rates, to an estimated value of US$311.3 billion. Bain & Company (2023) reported that the branded luxury market is expected to maintain its growth trajectory, driven by a strategic focus on experiential value and sustainability initiatives, in addition to branded merchandise sales.

Culture and Brand Positioning

The luxury industry encompasses a wide range of products and services designed to meet the diverse preferences of global consumers. Although luxury brands often offer similar product categories, this does not imply consistent positioning or identity across brands. Brand positioning is heavily influenced by the conceptual frameworks and cultural contexts specific to each country (Jain & Mishra, 2014).

For instance, luxury brands that adopt the French business management model emphasize the concept of “dreams,” which draws upon France’s cultural heritage and craftsmanship. This strategy reinforces the association between luxury and exclusivity and often includes premium pricing to stimulate demand and signal brand desirability (Kapferer & Bastien, 2012). These brands aim to create products perceived as unrivaled in the market, reinforcing the concept of inaccessible luxury (De Barnier, Falcy, & Valette-Florence, 2012).

Conversely, the Italian luxury model positions brands around the concept of “trends,” focusing on modernity and fashion-forward lifestyles. This approach highlights the brand’s ability to adapt to fast-changing fashion environments, thus aligning with accessible luxury, especially among younger and fashion-conscious consumers (Jain & Mishra, 2014). Italian brands frequently offer products at varied price points to broaden market reach and enhance brand inclusivity (Kapferer & Bastien, 2012).

The American luxury model, in contrast, is grounded in the idea of lifestyle branding rather than artistic heritage. This model emphasizes the democratization of luxury by positioning products as symbols of collective aspiration—"the reputation of the masses"—rather than elite exclusivity. As such, American luxury brands implement pricing strategies that span accessible to premium segments, aiming to appeal to broader market demographics (LoopMe, n.d.; Ghemawat, 2001.

Luxury Segmentation

Kapferer and Bastien (2012) propose a segmentation of luxury that highlights the role of social groups in shaping individual consumption behavior. Social dynamics, particularly the desire for acceptance and recognition, drive individuals to use luxury products symbolically—not only to reflect wealth but to signal social identity. In this view, luxury consumption transcends material ownership; it represents an individual's effort to align with or ascend social hierarchies.

Upper-class consumers often use luxury brands as status symbols to reinforce their social distinction. Likewise, middle-class consumers may adopt luxury goods to attain upward social mobility and legitimacy in aspirational circles (Husain, Ahmad, & Khan, 2022; Jain & Mishra, 2014).

Luxury Level

The categorization of luxury brands serves as a useful lens for examining class distinctions and brand strategies. According to Allérès (1991), luxury brands can be divided into three levels: (1) accessible luxury, (2) intermediate or mid-luxury, and (3) inaccessible luxury. These levels differ in terms of price, product type, and symbolic value.

Building on this framework, De Barnier, Falcy, and Valette-Florence (2012) expanded the classification by analyzing five product categories: perfumes, pens, watches, cars, and jewelry. These categories were assessed based on their luxury dimensions and symbolic meanings. Perfumes and pens are considered accessible luxury due to their relatively lower cost and widespread usage. In contrast, watches and cars fall into the inaccessible luxury category because of their higher price points and role as collectibles and social status indicators (De Barnier et al., 2012).

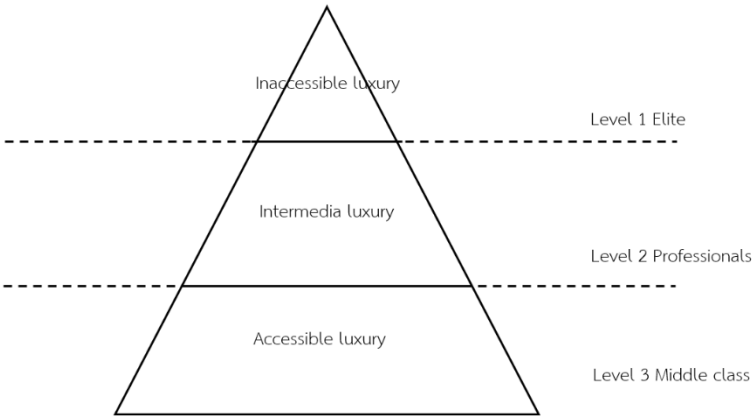


Figure 1 Level of luxury (Luxury level) translated and adapted from Allérès (1990)

Luxury market segmentation is structured to illustrate how consumers utilize luxury brands as a means of expressing their social preferences, as depicted in Figure 2.

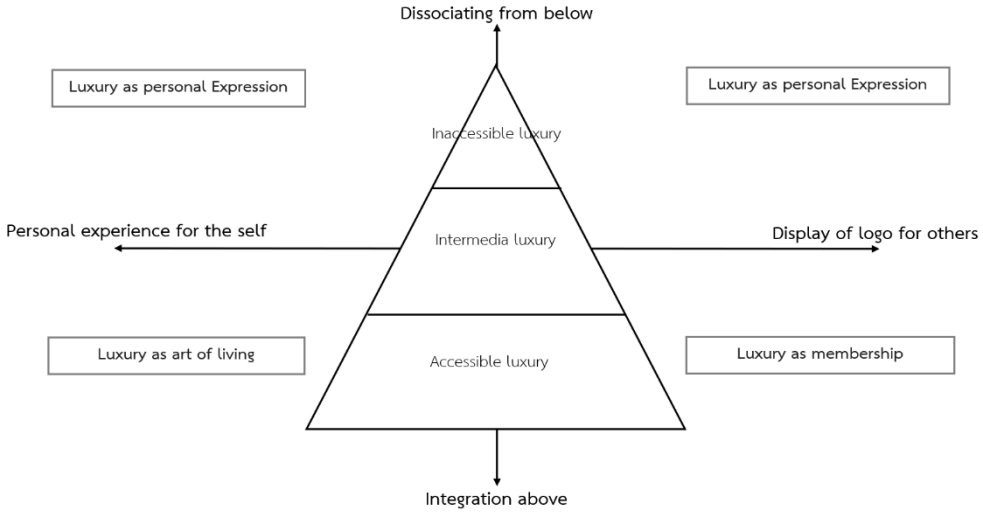


Figure 2 Translated and adapted from the luxury segmentation framework, based on Kapferer and Bastien, The Luxury Strategy (2012, p. 122).

Figure 2 illustrates the segmentation of the luxury market by dividing the target consumer groups within the luxury industry along two dimensions. The vertical axis represents the level of social connection, while the horizontal axis represents social expression and motivation. The upper left quadrant represents consumers who use luxury products as a means of self-expression (Luxury as Personal Expression). These individuals seek to differentiate themselves from the general population, using luxury products primarily to fulfill their personal needs and enhance their identity. This consumer group values luxury products and services that are exclusive, created, and provided only by well-known brands.

The upper right quadrant represents consumers who use luxury products as a means of social expression. These individuals seek to distinguish themselves from the general population by displaying high social status. Their motivation lies in asserting social position and gaining recognition, which enhances their perceived influence and prestige (Husain, Ahmad, & Khan, 2022; Jain & Mishra, 2014). Consumers in this category typically prefer globally recognized luxury brands that are significantly more expensive than others. Their decisions are often influenced by brand logo visibility, product fashion ability, and the product's symbolic function as a status indicator (Kapferer & Bastien, 2012).

The lower left quadrant includes consumers who purchase luxury products for enjoyment and appreciation of craftsmanship. These individuals value brand heritage, artisanal expertise, and personal fulfillment more than public recognition. For them, luxury is closely tied to cultural authenticity and aesthetic refinement—the art of living (De Barnier, Falcy, & Valette-Florence, 2012). The visible logo or widespread brand recognition is less important; instead, personal satisfaction and alignment with brand ideals guide their consumption (Keller, 2013; Kang & Sung, 2022).

The bottom right quadrant consists of consumers who engage with luxury brands to associate themselves with a higher-status group. This group's behavior is driven by the desire to gain social acceptance within elite circles—luxury as group membership (Kapferer & Bastien, 2012). These consumers favor brands with high visibility and symbolic recognition, as luxury products serve as indicators of exclusivity and social status. Brand prominence and

logo display play critical roles in reinforcing their social alignment and aspiration (Pathawin, 2023; LoopMe, n.d.).

Luxury Segmentation and Luxury Levels in the International Business Context

Luxury goods segmentation and stratification play a pivotal role in global commerce, as consumer behavior and preferences differ widely across international markets (Ghemawat, 2001; NCBI, 2021). The classification of luxury into distinct levels helps marketers adapt strategies to regional consumer dynamics.

De Barnier, Falcy, and Valette-Florence (2012) categorized luxury brands into accessible, intermediate, and inaccessible tiers, illustrating how pricing, symbolism, and exclusivity define consumer interaction with luxury products. This multi-level classification not only reflects price sensitivity but also the cultural significance attached to brand perception in different societies.

For example, Western consumers may prioritize inaccessible luxury and brand legacy, while Asian consumers increasingly seek accessible luxury products that allow participation in luxury culture without excessive financial burden (Jain & Mishra, 2014). These variations demonstrate how social values, purchasing power, and aspirational behaviors influence the consumption of luxury on a global scale.

Western Markets

The luxury market in the Western world spans Europe, North America and Australia, comprising 40 countries, with an average GDP per capita adjusted for purchasing power parity of US$54,657 in 2024 (Trading Economics, 2024). In the United States, research conducted by a leading technology company indicates that consumers make luxury purchase decisions based primarily on price (50%) and quality (47%). A significant proportion (54%) also purchase luxury products as rewards for personal achievements or to commemorate special occasions (LoopMe, 2021). In the United Kingdom, consumer purchase intentions for sustainable luxury products are positively associated with a desire for novelty (NCBU, 2021). These findings are consistent with a study conducted in Monaco, which assessed luxury purchase decisions based on an average perceived quality score of 4.43 out of 5 (Jain & Mishra, 2014, p. 740). Although rarity and exclusivity influence consumer perceptions of luxury consumption across categories,

However, this study emphasizes that exclusivity increases the emotional and social value associated with luxury products (Wang, Sung, & Phau, 2023). A review of the literature on factors influencing luxury purchase decisions in Western markets suggests that consumers in this segment place a high value on quality and exclusivity in their purchasing behavior. These findings indicate that the majority of Western consumers are in the luxury goods segment of the art of living, where luxury consumption is driven by personal enjoyment and appreciation of craftsmanship. Therefore, the level of luxury within this market segment can be classified according to the purchasing power derived from the average GDP per capita.

A purchasing power parity analysis reveals that consumers in this market segment, with an estimated annual purchasing power of US$35,655.7 in 2024 (Trading Economics, 2024), have a significantly higher purchasing potential than the global average of US$15,655.7. This suggests that consumers within this market segment are most likely to be interested in the highest category of luxury products (inaccessible luxury products). This category encompasses high-priced, unique, manufactured, and limited-edition products. And there is a strong

relationship with higher social status, so the author concludes the relationship between luxury market segmentation and luxury product level as shown in Figure 3.

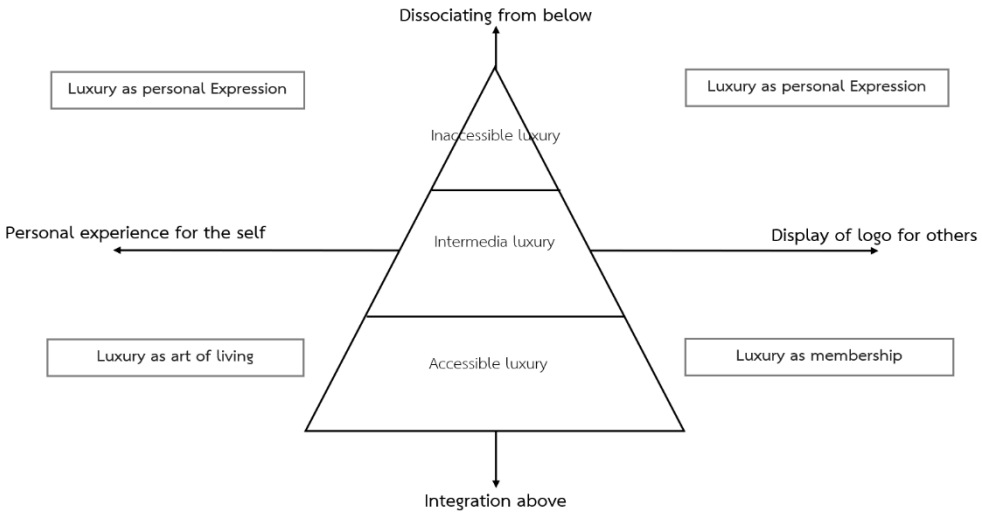


Figure 3 Summary of the relationship between luxury market segmentation (Luxury Segmentation) and luxury stratification (Luxury Level), adapted from Allérès (1990).

Asian Markets

The Asian market encompasses the Middle East, South Asia, East Asia, and Southeast Asia, totaling 40 countries. In 2024, the region's average per capita GDP, adjusted for purchasing power parity, is expected to be US$28,963.85, equivalent to an average monthly income of approximately US$8,963 (Trading Economics, 2024). Luxury consumption in Asian markets is primarily driven by status expression, with individuals purchasing luxury goods to express their social status (status consumption). Husain, Ahmad, and Khan (2022) found that status consumption and brand trust (brand trust) significantly influence consumer purchase intentions in India.

In Thailand, the luxury market is expected to grow at a CAGR of 6.15 percent between 2024 and 2028, reaching an estimated market value of US$5,000 by 2025. Thailand is expected to overtake other Southeast Asian countries, including Singapore, in luxury consumption. Despite Singapore's stronger economic growth (Jing Daily, 2023), the consumption patterns of Thai luxury consumers indicate that Thai consumers prefer to purchase more luxury goods as a sign of social status (Suthita Pathawin, 2023).

Therefore, this study summarizes the segmentation of luxury goods markets within Western and Asian markets based on various academic perspectives. Figure 3 shows the differences in consumer preferences and luxury product purchasing behaviors in these two regions.

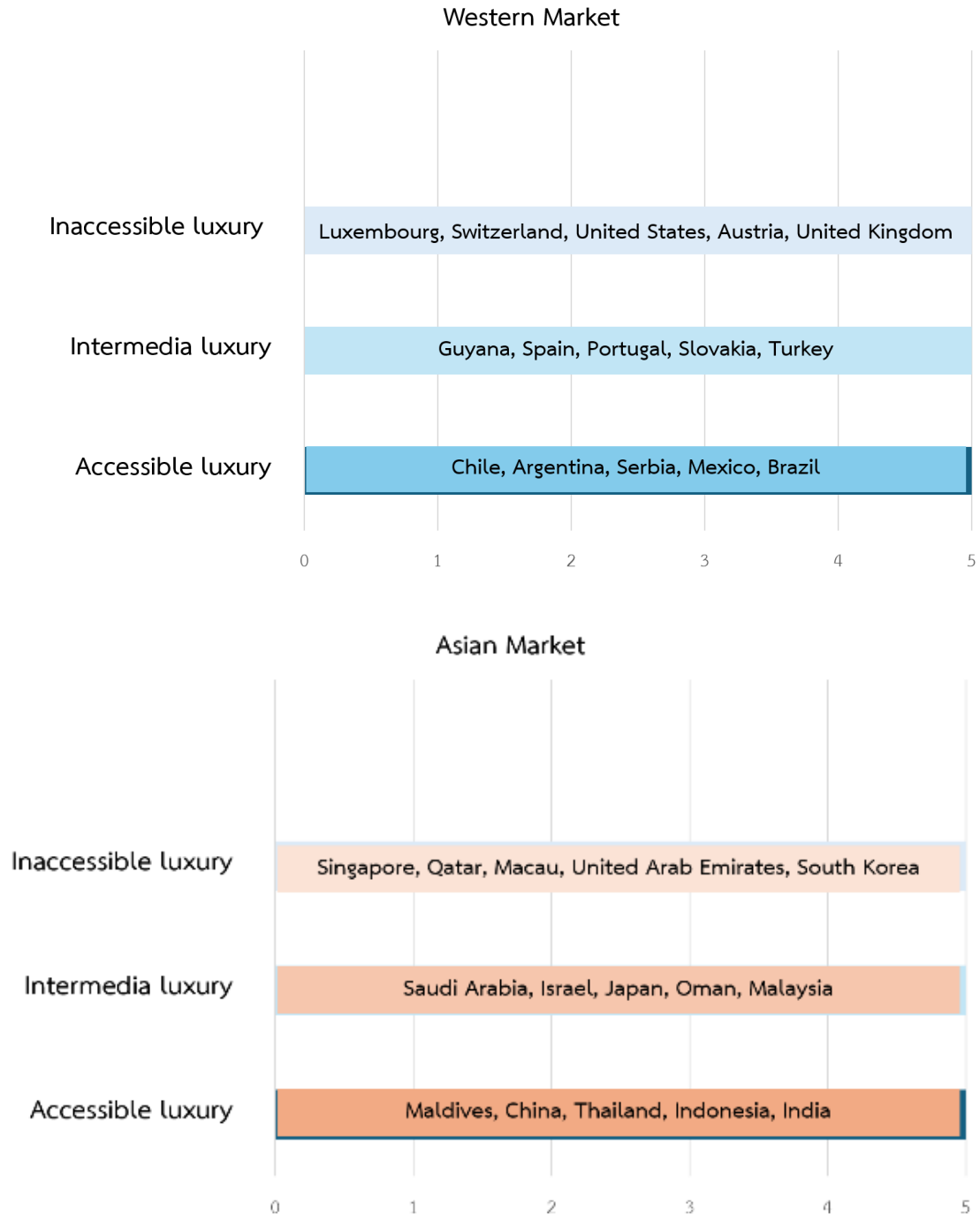


Figure 4 Analysis of luxury stratification (Luxury Level) based on gross domestic product per capita and purchasing power parity (GDP per Capita, PPP) across Western and Asian markets.

Figure 4 presents a summary analysis of luxury stratification (Luxury Level) based on gross domestic product per capita, adjusted for purchasing power parity (GDP per Capita, PPP), across Western and Asian markets. A heuristic approach based on the logic and fundamental characteristics of luxury markets, particularly consumer purchasing power and wealth, allows countries to be classified into three classes based on their average purchasing power parity-adjusted GDP per capita. Countries with exceptionally high purchasing power per capita, such as those with a purchasing power of over US$50,000, are classified as

inaccessible luxury goods. Countries with an average purchasing power per capita between US$30,000 and US$50,000 are classified as mid-luxury goods. Countries with an average purchasing power per capita of less than US$30,000 are classified as accessible luxury goods.

Conclusion

Developing brand equity for global luxury brands is a major challenge in an era where borderless communication has a significant impact on consumer behavior and demand for products and services. Some luxury brands have experienced excessive inventory, which has had a negative impact on brand perception. For example, in 2017, Burberry, a British luxury brand, faced the challenge of excess inventory due to differences between its product offerings and consumer demand. As a result, the brand opted for incineration to manage its inventory, an approach that raised environmental concerns (BBC, 2018). This situation highlights the need for businesses, regardless of their industry, to develop comprehensive preparedness strategies. Understanding cultural, managerial, geographical and economic differences, as summarized by Ghemawat (2001), is essential to recognize the differences between target markets, cultural distances, which are determined by elements such as traditions and social values. It plays a significant role in determining consumers' preferences and purchasing behavior. According to Kapferer and Bastien (2012), the luxury market can be segmented into four distinct consumer groups based on the interaction between social relationships and motivational factors: (1) those who purchase luxury products to express themselves (Luxury as Personal Expression), (2) those who appreciate luxury products for their value and craftsmanship (Luxury as Art of Living), (3) those who purchase luxury products to express their social status (Luxury as Social Expression), and (4) those who purchase luxury products to join a specific social circle (Luxury as Membership). According to these classifications, luxury businesses must tailor their product range to meet the different motivations of consumers. Luxury segmentation is influenced by three main factors: price, product type, and symbolic value (Allérès, 1991). From a geographical perspective, the global luxury market can be divided into two main regions: the Western market, where consumers place more importance on product identity and quality, and the Asian market, where luxury consumption is mainly driven by social status expression. When looking at the economic differences between consumers using the purchasing power parity-adjusted GDP per capita (PPP), the economic differences between consumers show that the two main markets are made up of countries with different levels of luxury consumption: (1) inaccessible luxury, (2) middle-class luxury, and (3) accessible luxury, which are classified according to the distribution of income and purchasing power. Purchasing power per capita is essentially an important indicator of consumers' ability to participate in the luxury market in each economy. However, in addition to economic capacity, social motivations also have a significant influence on luxury purchase decisions. This classification does not mean that consumers from middle-income countries are completely excluded from the inaccessible luxury group, but rather provides a macroeconomic perspective based on the average purchasing power in each economy.

Suggestions

In the realm of entrepreneurship and brand management, executives across all levels, along with marketing professionals, must recognize the complexities of operating in diverse international business environments. To effectively position luxury brands in global markets, marketing strategies should be carefully tailored to align with the unique characteristics of each segment. This includes considerations for product and packaging design, service quality, and marketing communication that aligns with the cultural norms, behavioral tendencies, and value systems of consumers in different regions. Consumers who perceive luxury products as a form of self-expression (Luxury as Personal Expression). To appeal to this segment, luxury brands should prioritize innovative product designs that enable consumers to express their individuality. Marketing strategies should leverage creativity and exclusivity to enhance the emotional connection between the brand and the consumer's personal identity.

Consumers who engage with luxury products for personal enjoyment and appreciation (Luxury as Art of Living) For this consumer group, luxury brands should emphasize craftsmanship, expertise, and heritage. Marketing campaigns should incorporate storytelling techniques to highlight the cultural significance and superior quality of the products, thereby reinforcing their intrinsic value. Consumers who associate luxury consumption with social status (Luxury as Social Expression)

For individuals who purchase luxury products as a means of status signaling, brands should emphasize prestige, exclusivity, and modernity. The use of distinctive branding elements such as prominent logos, innovative designs, and high-visibility marketing campaigns can reinforce the aspirational appeal of these products. Consumers who view luxury consumption as a means of social integration (Luxury as Membership). To engage consumers who seek luxury products as a way to affiliate with elite social circles, brands should focus on establishing credibility and exclusivity. Marketing efforts should emphasize brand prestige, consumer trust, and exclusivity to cultivate a strong sense of belonging among this segment.

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