

Dispensing privilege and favors: How luxury brands emulate royal courts

December 6 2024



Credit: Pixabay/CC0 Public Domain

Wealth-seeking consumers must court luxury brands to convince them to grant the coveted and privileged access to specific products, called "enrichment goods," which they know will re-sell at substantially higher

prices in the second-hand market, new research into the luxury watch market shows.

The study is [published](#) in the *Journal of Marketing*.

Researchers from the University of Bath and France's ESSEC Business School compared the practice to the royal privilege granted at the Palace of Versailles in the 17th and 18th centuries as court officials jostled to curry favor with the King of France to benefit from his attention and largesse.

"Luxury brands have succeeded in building a system of 'enrichment privilege' that restricts access to a chosen few, reinforces the desirability and future value of their products and is distinguished by a new economic logic: many [luxury goods](#) appreciate on the second-hand and resale markets," says Dr. Roman Pavlyuchenko of the University of Bath School of Management.

"In this 'enrichment economy,' aspiring buyers go to extraordinary lengths to convince luxury brands that they have the right to that access, including building relationships, spending fortunes on other less-desirable goods from the brand, and giving gifts to salespeople," says co-researcher Professor Delphine Dion of the Marketing Department of ESSEC.

"The rewards for this courtly dance are considerable—there is the potential for huge immediate profits or to turn cash into what will most likely be a safe long-term investment," says co-researcher Sonja Prokopec of ESSEC.

The study, "The Enrichment Economy: Market Dynamics, Brand Strategy, and Ethics," of the luxury watch market showed that [luxury brands](#) grant the privilege of acquiring investment goods to a small and

well-vetted group of consumers who are incentivized not to resell the watches straight away, restricting supply and propping up their resale value.

Additionally, the market is distinguished by a plethora of second-hand trading platforms which highlight the value of enrichment goods as assets, helping create market transparency and liquidity, crucial for the enrichment economy to flourish.

"But the key is what we call 'monetizing the enrichment privilege.' The few consumers who manage to secure this privilege can expect a multitude of personal gains. They can get access to an exclusive club of high-net-worth watch enthusiasts. They can position themselves as wealthy individuals, and they can let their watches appreciate and pass them on as inheritance. Or they can make quick financial gains by flipping the watches to the right buyer at the right time," Dr. Pavlyuchenko says.

The researchers said the key for brands was managing enrichment opportunities while preserving their revenues and desirability. They identified a novel "enrichment strategy" where brands become enrichment curators and transform goods into enrichment privileges. The study noted that this raises [ethical questions](#) about potentially unfair business practices.

"Rolex has been fined \$100 million by the French Competition Authority for preventing its authorized dealers from trading certain watch models freely. And there is currently a class action lawsuit underway in the US against Hermes, which prompts consumers to purchase ancillary goods before they get access to much-coveted Birkin and Kelly handbags," Dr. Pavlyuchenko says.

The study also noted the practice raises questions around sustainability,

as the prospect of massive profits in the second-hand markets kept driving consumers to purchase in the primary market in search of goods to resell. It also poses a challenge to economic circularity—the model of resource production and consumption that involves sharing, leasing, reusing, repairing, refurbishing, and recycling existing materials and products for as long as possible.

"This [vicious cycle](#) of 'buy, sell, buy, sell' continues as consumers keep reinvesting their earnings. This echoes the growing evidence for the dark side of 'circularity.' Given that circularity is fast becoming a business dogma, we encourage all stakeholders to consider alternative approaches to sustainability," Professor Dion adds.

More information: Delphine Dion et al, The Enrichment Economy: Market Dynamics, Brand Strategy, and Ethics, *Journal of Marketing* (2024). [DOI: 10.1177/00222429241275014](https://doi.org/10.1177/00222429241275014)

Provided by University of Bath

Citation: Dispensing privilege and favors: How luxury brands emulate royal courts (2024, December 6) retrieved 7 February 2025 from <https://phys.org/news/2024-12-privilege-favors-luxury-brands-emulate.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--