

Hyper-Luxury Strategy: Proposal and Concept

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Abstract

Against the background of the fact that the luxury consumer goods business has been particularly successful in recent years in the case of ultra-high-priced products, such as watches costing tens of millions of yen and automobiles costing several hundred million yen, this paper first defines hyper-luxury. Next, using the brands and products of two luxury brands that meet this definition of hyper-luxury as case studies, we extracted the common elements of a 'marketing mix (4P) analysis' and developed four hypotheses (requirements) for hyper-luxury as follows. (1) Production volume less than 1/10th of conventional luxury goods. (2) Artistic products based on an industrial product approach that disregards production efficiency. (3) Involving innovations that create a new category. (4) High value = asset value even in the secondary distribution market.

Keywords: hyper-luxury, luxury strategy, brand strategy, luxury brand, hyper-expensive product

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Introduction: Background to the study

The luxury segment is performing particularly well in the automotive industry. The Volkswagen Group includes the mass-market brand Volkswagen, the higher-end brands Audi and Porsche, the ultra-luxury brand Bentley and Lamborghini, and Bugatti, which occupies the ultra-high price segment. The 2022 financial results for each brand are summarised in Table 1.

Table 1. Volkswagen Group companies' financial results (all comparisons between December 2021 and December 2022)

	Net sales	Operating profit	Operating profit margin
VW Group as a whole	JPY 37,696.3 billion (+11.6%)	JPY 2,986.7 billion (+14.8%)	7.9%
Audi	JPY 8,336.7 billion (+16.3%)	JPY 1,193.3 billion (+37.3%)	12.2%
Porsche	JPY 5,080.1 billion (+13.6%)	JPY 914.0 billion (+27.4%)	18.0%
Bentley	JPY 456.8 billion (+19%)	JPY 95.6 billion (+82%)	20.9%
Lamborghini	JPY 321.3 billion yen (+22%)	JPY 82.9 billion (+56%)	25.8%

Source: Compiled from each company's financial statement. (1 euro = 135 yen)

As presented in Table 1, Bentley and Lamborghini—positioned in the high-price segment—reposted the highest year-on-year operating profits, with operating profit margins slightly above 20%. By comparison, the group's overall operating profit margin was 7.9%, indicating that these high-end brands contribute significantly to improving performance. While Bugatti's individual results are not publicly available, the company achieved record global sales in 2022 with 80 vehicles. Assuming an average unit price of JPY 400 million, this would represent sales of approximately JPY 32 billion.

Research Objectives

This study investigates the 'hyper-luxury strategy' in the automotive industry with two objectives.

The first is to clarify the requirements and mechanisms for establishing the 'hyper-luxury strategy', or in other words, to clarify how ultra-high-priced goods can be successfully positioned as a business. In recent years, one of the authors (Ito) observed in his work, which involves managing sales for a European luxury watch brand, that higher-priced products and brands with a larger share of such products tend to outperform lower-priced offerings. This is consistent with the growing demand among wealthy consumers for collectible watches that may hold asset value. However, the phenomenon of rapidly increasing demand cannot be fully explained by wealth accumulation alone, prompting an analysis of the strategic measures companies employ to generate such demand.

The second objective is to explain how the 'hyper-luxury strategy' appears to contradict the conventional principle of price elasticity. In economics, certain luxury goods—such as jewellery, where quality and price are difficult to assess without professional knowledge—can exhibit negative price elasticity because consumers perceive higher-priced items as inherently better. However, even for luxury watches, where quality information is widely available and price appropriateness can be reasonably judged, there is a clear phenomenon in which higher-priced items sell more. This creates a situation in which demand far exceeds supply. The key question, then, is why demand is increasing so sharply. By identifying factors that cannot be fully explained using traditional luxury branding theories, this study seeks to uncover elements that may serve as new strategic levers for companies.

Preceding research and research methodology

Origins of hyper-luxury

Based on the authors' review, two notable prior studies have been conducted on hyper-luxury or similar concepts.

The first is J.-N. Kapferer's book, *Kapferer on Luxury* (2015), which cites U.S. wine experts Castaldi et al. (2005) in classifying wines by price: mass-market (popular), medium (USD 7–10), medium-premium (USD 10–14), ultra-premium (USD 14–25), luxury (USD 25–50), and ultra-luxury (USD 50–100). The term super luxury is used in the original text to denote a level beyond general luxury.

The second study is by Bashutkina and Courvoisier (2018) from the University of Applied Sciences and Arts of Western Switzerland. The authors define a hyper-luxury watch brand as follows:

1. An haute horlogerie watch brand with a unique positioning based on individual customer orientation.
2. Offering mechanical watches with prices starting at approximately USD 60,000, typically ranging from USD 100,000 to 500,000, with some products reaching USD 1 million.

Castaldi et al. (2005) are notable for introducing a concept analogous to hyper-luxury, but their framework is limited due to its focus on wine, the price differentials are relatively small, and the study is dated. Bashutkina and Courvoisier (2018) provide a more contemporary definition of hyper-luxury watch brands, but their scope is confined to the watch industry. Building on these studies, the present research expands and refines the definition of hyper-luxury, which is described in the following section.

Although expressions such as ultra-luxury and ultimate luxury are sometimes used in automobile advertising, this study uses the term hyper-luxury, following preceding research, to denote 'the ultimate in luxury.'

Definition of hyper-luxury in this study

Hyper-luxury is defined as a product that satisfies the following two elements:

Definition 1. Hyper-luxury products available only to customers selected by the brand.

Customers who can reflect their personal orientation in a product inevitably develop a deep connection with the brand. However, this requires a recognised purchase history (e.g. cumulative purchases, content of collections, etc.). Even for non-personalised products, a customer's track record determines whether the product is made available after a request, when it is delivered, and the level of priority is granted. From this perspective, hyper-luxury is defined as a category where the brand actively 'selects' its customers. For this model to be viable, demand must be so strong that customers are willing to accept brand selection and long waiting periods.

Definition 2. Extremely high pricing—more than 10 times higher than conventional luxury

Castaldi et al. (2005) define hyper-luxury in wine as roughly double the price of conventional luxury. However, the brands and products studied in this research fall outside that framework. Instead, this research adopts the standard set by Bashutkina and Courvoisier (2018), who identify hyper-luxury watch brands as being priced at least ten times higher than conventional luxury. Crucially, hyper-luxury pricing cannot be justified by cost alone. Beyond manufacturing methods and materials, brands must demonstrate outstanding added value

through history, design, and exclusivity. This will further identify the elements that can legitimise such pricing.

Research Methodology

We utilise the testing of hypotheses in this paper. Specifically, two luxury brands (Bugatti Automobiles and Richard Mille) that meet the definition of hyper-luxury described in the previous section are considered research targets, and common elements are extracted as characteristics of hyper-luxury from the perspective of ‘marketing mix (4P) analysis’. Next, we scrutinise them and construct hyper-luxury hypotheses (requirements). We apply these hypotheses to two other companies (John Lobb and Hermès ‘Crocodile Birkin’) to verify them and clarify the requirements of the hyper-luxury strategy.

Construction of Hypothesis (Requirement) Regarding Hyper-luxury

We analyse two companies that are considered to be hyper-luxury in the public sense — Bugatti Automobiles (hereafter, Bugatti) and Richard Mille — which have different product fields. We construct a set of hypotheses (requirements) regarding hyper-luxury by extracting elements common to both companies.

Case Study for Construction of Hypothesis (Part 1): Bugatti

In 1998, the Volkswagen Group revived the Bugatti Automobile, and its first production car, the Veyron, was a completely different product from the traditional ‘supercar’ concept synonymous with high-performance, high-priced sports cars.

Bugatti can be said to be hyper-luxury because it adequately fits the definition of hyper-luxury described in the previous section, as shown in Table 2.

Table 2. Results of Judgment for Bugatti based on Hyper-Luxury Definition

Definition of Hyper-Luxury	Judgment
Definition 1: A product that can only be purchased by the brand’s select clientele.	☉ (Very true)
Definition 2: A product priced more than 10 times higher than conventional luxury goods.	☉ (Very true)

(Source: Prepared by the authors)

Case Study for Construction of Hypothesis (Part 2): Richard Mille

‘Richard Mille’ is one of the most successful and top luxury brands in the wristwatch industry in recent years. It was founded by Richard Mille himself in 2001, and to create watches that he really wants, he has defined three concepts: the best technological innovation, the best artistic construction, and the inheritance of traditional mechanical watchmaking technology.

As shown in Table 3, Richard Mille is a brand that fits the definition of hyper-luxury.

Table 3. Results of Judgement for Richard Mille Based on Hyper-Luxury Definition

Definition of Hyper-Luxury	Judgment
Definition 1: A product that can only be purchased by the brand’s select clientele.	☉ (Very true)
Definition 2: A product priced more than 10 times higher than conventional luxury goods.	☉ (Very true)

(Source: Prepared by the authors)

Construction of Hypotheses (Extraction of Elements Common to the Case Studies)

To construct the hypotheses (requirements) regarding hyper-luxury, we compared the results of the marketing mix (4Ps) analysis of the characteristics of the case studies of two hyper-luxury brands (Bugatti and Richard Mille). Subsequently, from the commonalities between the two companies in each item, we extracted the characteristics of hyper-luxury shown in Table 4.

Table 4 shows that the common elements of the two companies include elements that meet the definition of hyper-luxury (indicated as [definition] in the table) and other elements. The elements that are not tagged as definition in the table are the hypothesised requirements for hyper-luxury (indicated as [hypothesis (requirement)] in the table).

Table 4. Marketing Mix (4P) Analysis of Bugatti and Richard Mille

Item	Bugatti	Richard Mille	Commonalities
Product	Each piece is assembled by hand by skilled craftspeople in Molsheim, eastern France. Functionality is pursued to the limit as a car that can be driven on public roads. The beautiful interior and exterior are artistic. Production: A few dozen cars/year	Production is based in Les Breuleux in the canton of Jura in Switzerland, where parts are assembled by hand using cutting-edge materials and state-of-the-art machine tools. Production quantity: a few thousand pieces/year	The more handcrafting by skilled craftspeople , and the more time-consuming the work, the more valuable it is [Hypothesis (Requirement)]. The pursuit of functional beauty manifests in artistic quality [Hypothesis (Requirement)] Very small production volume [Hypothesis (Requirement)]
Price	Veyron: Approx. 163 million yen Chiron: Approx. 432 million yen	RM-027: 49.35 million yen RM27-03: List price: 96.12 million yen RM056: 147 million yen	More than 10 times the general high price range [Definition] Respect, admiration, and support for brands and craftspeople (Definition) High asset value even in secondary distribution [Hypothesis (Requirement)]
Distribution Channel (Place)	Strict purchase screening by Bugatti headquarters. Only vehicles are on display at dealers, and none of them are immediately available for sale.	The main sales channel is directly managed stores. The company's policy is to reduce wholesale sales to dealers as much as possible.	Purely a promotional venue (no inventory, emphasis on expanding awareness rather than sales) [Hypothesis (Requirement)] Community channel: Door-to-door sales to affluent customers (e.g., VIP sales team in Japan) [Definition]
Sales Promotion	There are only a few owners, and as there is a commonality in attributes based on purchase screening, a community is naturally formed.	In the early days of the brand, word of mouth was the catalyst for sales. Even today, the company actively engages with its customers and promotes community building.	Community-oriented (word of mouth among the ultra-wealthy) [Definition]

(Source: Prepared by the authors based on websites, press releases, and references)

Construction of Hypotheses (Requirements) Regarding Hyper-Luxury

Among the characteristics common to the two hyper-luxury companies presented in the previous section, those that fit the definition of hyper-luxury were excluded, and those that could be hypothesised (requirements) were carefully examined to construct the following four hypotheses (requirements) regarding hyper-luxury.

Hypothesis (Requirement) 1. Production volume of less than 1/10th of conventional luxury products: Many hyper-luxury products are made by skilled craftspeople and are

based on the idea that the more manual work and time required, the higher the value-add, and consequently, they can only be produced in small quantities. However, the brand side does not always set a small production volume intentionally; it cannot be immediately asserted that a brand is not hyper-luxury if the production volume is more than 1/10 of the conventional volume. Therefore, this is not considered a definition but a hypothesis (requirement).

Hypothesis (Requirement) 2. Artistic product made with an industrial approach that disregards production efficiency: As indicated in Hypothesis (Requirement) 1, production efficiency is disregarded because of the time and effort required to produce the product. Nevertheless, as mass production is assumed to some extent, the value-add is maximised to the extent that the product is manufactured in an industrial manner; consequently, it is considered to be a work of art. Nonetheless, whether a watch is presented as an artwork depends on the brand and category. For example, mechanical watches such as Richard Mille promote the artistic value by emphasising craftsmanship, while automobiles such as Bugatti tend to emphasise the value of the specifications and functions of the finished product, such as outstanding driving performance, more than the manufacturing process. Thus, we have chosen it as a hypothesis (requirement) rather than a definition.

Hypothesis (requirement) 3. A new category created through innovation: The key element is not simply setting a high price point but the price associated with the innovation (or the illusion associated with the price). For example, Bugatti offers extraordinary performance in terms of horsepower and top speed that cannot be achieved by conventional production cars. Richard Mille introduced a wristwatch equipped with a tourbillon mechanism that is durable and sufficiently light to be worn by professional athletes in competitions. All these innovations produced devices that justify the dramatic increase in value-add and high prices. However, even if no clear innovation has been observed in recent activities, in some cases, such as Hermès and Patek Philippe, luxury brands with an original history and tradition become hyper-luxury by evolving legitimately (becoming hyper-luxury concurrently). Therefore, it is not added to the definition of hyper-luxury but designated as a hypothesis (requirement).

Hypothesis (requirement) 4. Valuable asset = high asset value even in the secondary distribution market: This requirement is positioned as a hypothesis (requirement) because it can enable sales at higher prices, and it has become an important trend in recent years with the expansion of the secondary distribution market. The criterion for determining value in the secondary distribution market is whether the product is distributed at a price equal to or exceeding the list price. There is only one factor that determines this value, which is the extent to which the demand for the product exceeds the supply. For example, Enzo Ferrari, the founder of Ferrari, made it his company policy to always make one car less than the demand. Based on this philosophy, it is important to always produce fewer cars than demand based on an accurate assessment of the supply-demand balance. Moreover, as hyper-luxury products are generally produced in extremely small quantities, if a tactic is deployed to create demand, the value of the product in secondary distribution will increase, justifying the high pricing in primary distribution.

Testing Hypotheses (Requirements) for Hyper-luxury

The hypotheses (requirements) regarding hyper-luxury constructed in the previous section were tested on two companies, different from the two used to construct the hypotheses (requirements). Specifically, we focused on John Lobb, which is considered the world's best manufacturer of ready-made shoes, and the 'crocodile Birkin', which is said to be the most

difficult to obtain among the collection of bags by the well-known Hermès brand. Since Hermès does not specialise in hyper-luxury due to its wide product price range, the ‘crocodile Birkin’, the most expensive handbag product, was selected as the target rather than the Hermès brand itself.

Case Study for Hypothesis Testing (Part 1): John Lobb

John Lobb, a shoemaker, opened a workshop for bespoke shoes (fully custom-made shoes) in London in 1866.

As shown in Table 5, definitions 1 and 2 apply to John Lobb, and therefore, John Lobb can be said to be hyper-luxury.

Table 5. Results of Judgement for John Lobb Based on Definition of Hyper-Luxury

Definition of Hyper-Luxury	Judgment
Definition 1: A product that can only be purchased by the brand’s select clientele.	⊙ (Very true)
Definition 2: A product priced more than 10 times higher than traditional luxury goods.	⊙ (Very true)

(Source: Prepared by the authors)

3) Testing the Hyper-Luxury Hypotheses

Table 6 shows the results of testing the hypotheses (requirements) regarding hyper-luxury on John Lobb.

As shown in Table 6, all the ones except hypothesis (requirement) 4 are true (○ judgment). In particular, hypothesis (requirement) 2 applies considerably well (⊙ judgment). As for Hypothesis (Requirement) 4, used leather shoes tend to be shunned due to their product characteristics of direct contact with the body, and it is difficult for them to have sufficient asset value.

Table 6. Hyper-Luxury Hypothesis (Requirement) Testing on John Lobb

Hypothesis (Requirement)	Judgment	Reason
Hypothesis (Requirement) 1. Production volume of less than 1/10 of conventional luxury goods	○	Although the production volume has not been disclosed, considering the 190 complicated production processes and the use of precious leather as a material, we believe that significant mass production would be difficult.
Hypothesis (Requirement) 2. Artistic product made with an industrial approach that disregards production efficiency	⊙	Pursue manual labour to the greatest extent possible.
Hypothesis (Requirement) 3. A new category created through innovation	○	The iconic model is a model for other manufacturers.
Hypothesis (Requirement) 4. Valuable asset = high asset value even in the secondary distribution market	△	Although the value of second-hand leather shoes significantly decreases due to their characteristics, John Lobb’s high brand value and quality are highly coveted, and a certain asset value is maintained

⊙: Very true, ○: True, △: Somewhat true, ×: Not true

(Source: Prepared by the authors)

Based on the above, it can be said that the hypotheses (requirements) for hyper-luxury were verified for John Lobb. Moreover, the definition of and hypothesis (requirement) regarding hyper-luxury can explain why John Lobb has established an unshakeable position at

the top spot in the ready-made shoe line.

Case Study for Hypothesis Testing (Part 2): ‘Crocodile Birkin’

Among the Birkin lineup, the most expensive and hard-to-find items are those made of ‘exotic leather’. Specifically, these are the ones made of crocodile, ostrich, and lizard leather. Crocodile leather is classified into three categories according to the type of crocodile.

As shown in Table 7, definitions 1 and 2 apply to the crocodile-skin Birkin, making it an exemplary case of a hyper-luxury item.

Table 7. Results of Judgement for Crocodile Birkin Based on Hyper-Luxury Definition

Definition of Hyper-Luxury	Judgment
Definition 1: A product that can only be purchased by the brand’s select clientele.	⊙ (Very true)
Definition 2: A product priced more than 10 times higher than traditional luxury goods.	⊙ (Very true)

(Source: Prepared by the authors)

3) Testing the Hyper-Luxury Hypotheses

Next, Table 8 shows the results of testing the hypotheses (requirements) regarding hyper-luxury for the crocodile Birkin.

As shown in Table 8, all hypotheses (requirements) are true (○ judgement). In particular, hypotheses (requirements) 2 and 4 are extremely true (⊙ judgement).

Based on the above observations, it can be argued that Hermès crocodile Birkin supports the hyper-luxury hypotheses (requirements). Furthermore, the definition of and hypotheses (requirements) regarding hyper-luxury can explain why the Hermès crocodile Birkin has established a steadfast position as the pinnacle of handbags.

Table 8 Hyper-luxury Hypothesis (Requirement) Testing on Crocodile Birkin

Hypothesis (Requirement)	Judgment	Reason
Hypothesis (Requirement) 1. Production volume less than 1/10 of conventional luxury goods	○	Only a few products can be produced because they require carefully selected materials and skilled craftsmanship.
Hypothesis (Requirement) 2. Artistic product with an industrial approach, disregarding production efficiency	⊙	Pursue manual labour whenever possible.
Hypothesis (Requirement) 3. A new category created through innovation	○	Birkin is a role model for all brands.
Hypothesis (Requirement) 4. Valuable asset = high asset value even on the secondary distribution market	⊙	Demand far exceeds production, creating a high asset value.

⊙: Very true, ○: True, Δ: Somewhat true, ×: Not true

(Source: Prepared by the authors)

Summary and Discussion of Hypothesis Testing Results

Table 9 summarises the results of the hypothesis testing on John Lobb and the Hermès crocodile Birkin. As shown in the table, the hypotheses (requirements) regarding hyper-luxury have been supported by the case studies on John Lobb and the Hermès crocodile Birkin. Therefore, the four hypotheses (requirements) regarding hyper-luxury, which have been discussed as hypotheses (requirements), can become the four requirements of hyper-luxury.

Moreover, based on the hypothesis testing, we believed that products that fit the hyper-luxury hypotheses (requirements) adequately would have high value-add, which would justify setting prices more than 10 times higher than those of conventional luxury products, improving the effectiveness of the hyper-luxury strategy. Specifically, hypothesis (requirement) 2, which applied to both companies, is that the pursuit of product quality

without regard for production efficiency has resulted in the sublimation of the product into a work of art, which is an important value-add of the product. Furthermore, Hermès crocodile-skin Birkin fits hypothesis (requirement 4) adequately (i.e., it has an extremely high value in the secondary market), which is assumed to be the reason why the demand for handbags continues to increase even at an exceptionally high price of several million yen or more. John Lobb leather shoes do not have a sufficiently high value in the secondary distribution market, which may be the reason why the unit price of the product remains at just over 200,000 yen, although it is a leather product like the Birkin.

Therefore, these factors are considered a tactic to make ultra-high-priced products viable as a business and a causal system factor for the phenomenon that is the exact opposite of the ‘principle of price elasticity’.

As described above, applying the characteristics of individual brands and products to the requirements of hyper-luxury reveals the strengths and weaknesses of these brands and products. Accordingly, applying this finding in branding and sales strategies to establish a strong brand is the strategy used for hyper-luxury products.

Table 9. Summary of Hyper-luxury Hypotheses (Requirements) Testing

Hypothesis (Requirement)	John Lobb	Crocodile Birkin
Hypothesis (Requirement) 1. Production volume less than 1/10 of conventional luxury goods	○	○
Hypothesis (Requirement) 2. Artistic product made with an industrial approach that disregards production efficiency	⊙	⊙
Hypothesis (Requirement) 3. A new category created through innovation	○	○
Hypothesis (Requirement) 4. Valuable asset = high asset value even in the secondary distribution market	△	⊙

⊙: Very true, ○: True, △: Somewhat true, ×: Not true

(Source: Prepared by the authors)

Concluding remarks

In this paper, we first defined a product that satisfies the following two elements, with reference to previous studies, as hyper-luxury:

Definition 1: A product that can be purchased only by the brand’s select clientele.

Definition 2: A product priced more than 10 times higher than conventional luxury goods.

Next, using the brands and products of two luxury brands that meet this definition of hyper-luxury (Bugatti Automobiles and Richard Mille) as case studies, we extracted the common elements as characteristics of hyper-luxury from the perspective of ‘marketing mix (4P) analysis’ and constructed the ‘four hypotheses (requirements)’ of hyper-luxury. After applying these hypotheses to two other companies (John Lobb and the Hermès ‘Crocodile Birkin’), all four hypotheses were verified, and the following were identified as requirements of the hyper-luxury strategy:

Requirement 1: Production volume less than 1/10 of conventional luxury goods.

Requirement 2: Artistic product with an industrial product approach that disregards production efficiency.

Requirement 3. A new category created through innovation.

Requirement 4: Valuable asset = high asset value even in the secondary market.

These are the tactics for making hyper-luxury products viable as a business, as well as the causal system factors behind the phenomenon that is the exact opposite of the ‘principle of price elasticity’.

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