

## Chapter 96

# The Increasing of the Regional Development Thanks to the Luxury Business Innovation

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### ABSTRACT

*Innovative business models in a large and medium-sized luxury sector have not been widely discussed in the literature in terms of their impact on the regional development. Present publication is therefore aimed at filling this gap and to verify if innovative solutions and regional development may be linked to achievement of the competitive advantage. The benefits deriving from analysis conducted are: i) improved management of innovation strategies thanks to business model developed and ii) increase of consumer awareness about advantages of innovative products. For the purposes of research, a qualitative approach has been used. Only multiple internationally-recognized companies of large and medium dimensions have been considered due to their innovative business orientation passed down from one generation to the next.*

### INTRODUCTION

Luxury business with reference to the consumers financial condition, can be divided in two following categories: affordable (most of customers can afford it) and non-affordable (available to limited number of customers). Moreover, from one hand, luxury sector is affected by consumption crisis and on the other hand, by democratization of the luxury (Silverstein and Fiske, 2003). Both factors influence the companies to continuous development/improvement of their business models in order to become more competitive on the market, especially when wide range of customers have access to luxury products. Such a transition from non-affordable luxury to affordable one causes loss on the integrity of luxury sector (Thomas, 2007) and in some cases it has negative impact on the company's brand image (Giacosa, 2012).

The issues mentioned above could be resolved by adoption of business model which includes a series of factors aimed at improving competitiveness of the companies operating in the luxury sector. To this

end, many authors have investigated the influence of innovation strategy on the company's competitive advantage (Giacosa, 2016).

Nevertheless, innovative business models in a large and medium-sized luxury sector have not been widely discussed in the literature in terms of their impact on the regional development. Present publication is therefore aimed at filling this gap and to verify if innovative solutions and regional development may be linked to achievement of the competitive advantage. It updated issues, controversies and problems, on one side, and solutions and recommendations, on the other, we proposed on Giacosa (2015). It analyzed which innovation strategy can offer a competitive advantage to large and medium-sized luxury fashion companies, and the role of the innovation strategy as a means for the regional development.

Current publication fits perfectly in this field of research. It not only verifies the impact of innovation strategy on competitive advantage of large and medium-sized companies, but also its influence on regional development.

The benefits deriving from analysis conducted are: i) improved management of innovation strategies thanks to business model developed and ii) increase of consumer awareness about advantages of innovative products.

For the purposes of research a qualitative approach has been used. Only multiple internationally-recognised companies of large and medium dimensions have been considered due to their innovative business orientation passed down from one generation to the next.

The composition of this publication is presented below. The paragraph titled "Background" introduces main literature on luxury business in terms of core luxury business and no-core luxury business. It relates also to division at affordable and non-affordable luxury in order to make the research content more comprehensive. In this sense, the strategy innovation plays a key role, as it provides benefits not only for competitive advantage but also for regional development. The subsequent section refers to main focus of the chapter, where the issues, controversies and problems related to innovation strategy considered in this context have been discussed. The future research directions and finally, conclusions introduce the contributions of the current publication.

## **BACKGROUND**

A wide range of researches has discussed the issue of luxury business, dividing it in two following categories, which enable to understand the idea of luxury goods (Chevalier & Mazzalovo, 2008; Giacosa, 2011; Okonkwo, 2007):

1. **Non-Affordable Luxury Goods:** Products available to limited number of customers due to high price dictated by high quality, style and exclusivity (Tartaglia & Marinozzi, 2006). Usually they are available in limited editions what is connected with the company's heritage. In case of this kind of products the democratization does not exist. The examples of non-affordable luxury goods are Louis Vuitton, Chanel (fashion luxury), Gaia and Moët Chandon (wines and spirits), Ferrari (automotive), Armani Hotel (tourism). An exclusive direct distribution system is used by them as it is believed to prove the quality and prestige of the brand (Kapferer & Bastien, 2013; Mosca, 2010, 2014).
2. **Affordable Luxury Goods:** Products available to wider range of customers, who would like to belong to luxury universe (Corbellini & Saviolo, 2009), however, due to very high price they can-

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