

Redefining the Meaning of Luxury Goods: A Conceptual Paper

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Abstract

This paper discusses the concept of luxury brands and the possible drivers for the increasing level of high consumption of such goods. Factors such as availability of counterfeits, psychological need and emergence of new media are closely scrutinised. A critical analysis of the concept particularly regarding how it has evolved over the years help branding strategists and marketers understand how the perceptions of luxury brand has been shaped in the mind of consumers. Finally, this paper analyses future implications that this change may have on marketing and branding strategies.

Key words: Luxury, Luxury branding, Affordable Luxury, Country of Origin, Conspicuous Consumption

Introduction

The concept of 'luxury' has become more ambiguous due to the increased accessibility of 'luxury' products in the recent years. This change has led to new perspectives of what a luxury item actually is. The definition of what 'luxury' can vary according to a person or situation, making it difficult to provide a universal definition. According to Brun & Castelli (2013), historically luxury goods were always linked with wealth, exclusivity and power, as well as the satisfaction of non-basic necessities. Luxury is defined as 'a state of great comfort or elegance, especially when involving great expense' (Oxford Dictionary, 2014). Both definitions demonstrate a significant part that price plays suggesting that something of luxury comes at a 'great expense'. Wiedmann, et al. (2007) argues that by definition luxury goods are something that is not affordable or possessed by everyone. People are likely to rate items as 'luxury' if they assume it is something that not everyone has or can afford. However, it appears that the consumption level of luxury goods in postmodern societies has given everyone a right to access luxury (Krapferer, 2012). This phenomenon counteracts the previous perception that luxury goods are for those of upper class and essentially allows marketers to target different segments.

On the other hand, Prendergast & Wong (2003) found that price is not the key criteria consideration when purchasing higher-end products but more so the quality. This notion permits companies to charge a premium price considering the quality meets the consumers' expectations. Marketers may have already made use of this opportunity as Mintel (2011) suggests that well-positioned innovative product launches can increase product's accessibility, encouraging consumers to splurge despite the price rise and economic crises. From a different perspective, Wilson (2014) discusses the 'lipstick effect' whereby consumers desire to purchase non-essential goods such as lipstick and chocolate increases during a social or economic crisis. This suggests that these items are viewed as a luxury in the consumers mind and are used as a symbol to judge the quality of one's life.

Indeed, luxury is now seen as something with higher perceived value and increased practicality; indicating this is the near-disappearance of the 'logo-covered product' in the marketplace (Forbes (2011). 'Value' is almost swerving back to traditional definitions of luxury being associated with wealth and shows an indication that it is consumer's way of judging the quality of one's life. The element of wealth evidently plays a vital part today.

Perception of luxury goods

Luxury has been associated to perceptions of comfort, beauty and a sumptuous lifestyle (Dubois, 2002). Perceptions towards luxury goods of UK consumers have changed over the years. Vigneron & Johnson (2004) identify 5 key dimensions of perceived luxury goods: conspicuousness, uniqueness, quality, hedonic and extended self. More recent research offers a different categorization: affect, characteristics, status, gifting and involvement (Walley, et al., 2013); this gives insights into the main elements of consumers' purchasing behaviour. Current literature identifies several factors that can potentially influence consumers' perception of luxury goods. These factors are discussed next.

Country of origin

The way a country behaves can form the perceptions that overseas consumers have about their products (Anholt, 2005). Accordingly, the perceptions of the actual brand and brand image can also be influenced by its country of origin. Country of origin is often used to its advantage. Hermes for example, has 'made in France' printed on some of their goods likewise Gucci will have their products printed with made in Italy. This is also used in the wine industry to showcase French made Champagne as customers will be acknowledge that it is of the finest. Mintel (2013a) reports that British consumers are now demanding certain luxury branded goods to be designed and manufactured in Britain. This could be because British consumers want to be associated with luxury brands and see more coming from their country instead of overseas.

Availability of counterfeits

As luxury goods become more and more accessible to everyone, the option of counterfeit products becomes tempting and convincing to consumers as they may feel pressured to belong to certain groups. Additionally, as more people purchase luxury branded goods consumers may see the market as losing its exclusivity characteristic thus prefer not to pay premium prices. The main motivation for the purchase of counterfeit goods is the inner benefits that consumers attain with the purchase and consumption of counterfeit luxury goods (Perez, et al., 2010). These motivations are listed as consumers are feeling efficient by optimising their resources; having fun by experiencing adventure, enjoyment, and risk; and fooling others expecting not to be caught. The main difference, apart from price, between

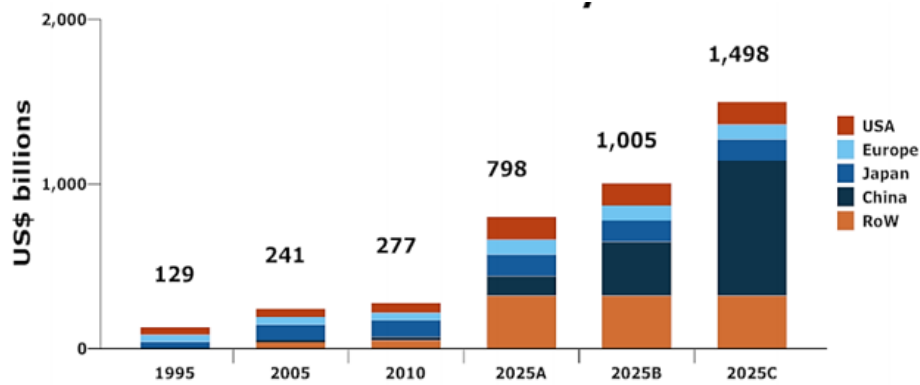
authentic and counterfeit goods is the quality of the goods, yet billions of dollars are lost as a result of counterfeit products (Turunen & Laaksonen, 2011). This raises the question as to whether or not the accessibility and removal of the exclusivity factor has swayed people away from luxury brands. It makes it essential for marketers to therefore promote the high quality of their goods. If consumers can recognize and be reminded of the quality of authentic products they may be willing to pay premium prices.

Sense of belongingness

Kemp (1998) argues that the way people rated items that are of luxury to them in comparison to necessity ones are based upon social perceptions modified by the differing values and tastes of the individual. It seems to be more about being socially accepted than products or the brand itself. In more recent trends, ownership of luxury-labelled goods by those of low-income represents a status experience (Brun & Castelli, 2013). This suggests that this group of people feel a sense of belongingness and want to fit in, hence the purchase of such product. The main purpose of consumption of luxury products is to impress others and position themselves in one specific group to which he/she wishes to belong to (Husic & Cicic, 2009). This indicates that it is not about the heritage of the brand but more about a sense of accomplishment. It is almost that ownership of luxury goods shows an indication of one's wealth and what they can afford to those around them.

Economic factors

There is a strong correlation between the demand for luxury goods and the macro-economic measures and levels of disposable income. Consumers from regions that are at a forefront of global GDP have a higher affinity for luxury goods (Equity Communcations, 2012). Thorstein Veblen's theory from 1899 explains that consumers use product-price as a way of displaying their wealth (Dubois & Duquesne, 1967), reiterating the role of luxury in determining ones social class. There is evidence that the luxury market is likely to see a rapid growth over the coming years, suggesting that consumers will continue purchasing luxury goods despite economic downturn.



(Equity Commnications, 2012)

Figure 1: Evolution of global luxury goods sales

New Media

In a modern society, the luxury buying experience is not as important as the product itself (Forbes, 2013). The experience used to be a part of the purchase and sales people were available to provide their expertise knowledge to help consumers make purchasing decisions. However, marketers have now recognised this change and have utilised the popularity of large online retailers such as Amazon. As consumers make most of their low cost purchases on such sites, there is a threat that it could possibly devalue the status of high-priced goods (Forbes, 2013). However, as long as brands continue to make the finest and most desirable goods, consumers are likely to continue purchasing them partly because of their accessibility. This is essentially supporting the definition of marketing and “meeting the needs of the customer” by providing accessibility to suit the busy lifestyles that someone of a high disposable income may have.

Future implications

Previous sections discuss the key factors that influence consumers’ perception of luxury goods as well as their purchase decision making process. The future implications of the discussions made throughout this paper indicate that brands can position their products as a luxury and charge premium prices. This can, however, only be done when consumers can recognise that the products are unique and of exceptional quality. Luxury goods are no longer rare; therefore marketers should leverage the opportunity to target not only those with a high income but also people who are looking to treat themselves or someone special in the life.

As markets are constantly changing, marketers need to adapt to changes constantly. In a luxury goods market it is more so important to provide consumers with something they never knew they wanted/needed. Doing so will increase their willingness to pay premium prices. Apple are a good example of a brand who grasped this opportunity. Steve Jobs quoted “people don't know what they want until you show it to them.” In order to compete in such a large and competitive market it is essential to consistently provide quality, innovative design, supply logistics, and superior customer service (Hanna, 2004).

The need for innovation is important because young consumers, in particular, are trend-conscious and prefer products that look fresh and unexpected. Luxury goods brands are seeking ways to improve their image within younger targets in order to maintain their brand equity (Godey, et al., 2013). This is important as the perceptions of being socially accepted by owning luxury brands among the youth is increasing, hence making it almost a necessity for them to own luxury items even if it means working hard in order to be able to afford it. Social and symbolic value of luxury goods reveals a significant impact of youth culture (Dubois & Duquesne, 1967).

Innovative methods need to be developed to provide consumers with the accessibility to purchase luxury goods that is convenient to one's busy lifestyle and also a way to gain insights into luxury consumers. Paradoxically, the market wants to provide accessibility but by having only a small group of consumers working hard to own luxury goods, it adds the exclusivity factor to the brand. Marketers need to put in place another effective scheme that will monitor purchasing behaviour and enable them to better target these consumers. In supermarkets, this is done with the use of loyalty cards. Loyalty schemes will almost defeat the purpose of the luxury goods market. This is due to the fact that when an excess amount of something is consumed or purchased, its brand value may be diminished. For example, Bloomingdales develops a loyalty program to encourage repeat purchases and build a natural affinity for the brand, as Shaw (2013) states “customers generally prefer to earn rewards”. Apple, on the other hand, does not have a loyalty scheme (Mui, 2011). Wang (2011) argues that customers naturally want to be loyal because loyalty in itself is found to have many health benefits. Although this may not directly link to purchasing behaviour in luxury brands, it is showing that loyalty and reward are almost intrinsic within a human being.

Marketers are trying harder now to get consumers to interact with their brands and create an unforgettable experience as doing so encourages more sales from existing customers and is a way of retaining them. Economic situations have led consumers to be more cautious and the use of experiential marketing is an increasingly important way of getting them to engage with the

brand (Marketing Week, 2013). Providing a customer with an experience is not only an effective marketing tactic but if done effectively can be a good PR too. Atwal & Williams (2009) states that luxury brands are utilising this opportunity however there is still room for improvement.

It is equally important to take note that it is difficult for marketers to conduct relevant research required in order to understand and meet the needs of luxury consumers. Consequently, it is challenging for them to target and be successful in the competitive market place. To encourage luxury goods consumers to participate in surveys, it is usually done on a paid incentive basis. This practice is, however, questionable as to whether or not this is enough to convince the wealthy to taking part or will the young consumers of luxury goods even consider themselves as experienced buyers (Heine, 2010). Due to the fact that these segments of market are hard to access, marketers need to find an accessible and convenient way to communicate with them. Some consumers are constant buyers of luxury goods due to their high income; however the majority of consumers cannot afford to indulge in luxury quite so often. Thus, for a large group of people, luxury goods usually appear to be more psychologically distant than necessity goods (Hansen & Wanke, 2011). This makes it hard for marketers to identify who actually constitutes to a luxury consumer and how they are different from those making non-luxury purchases.

Conclusion

To conclude, it is evident that luxury means different things to different groups of consumers. The change in definition is enabling marketers to market their goods as luxury in terms of quality and not price. This is a possible driver for the continuous success of the market as it has now been opened to a new segment and previous perceptions of luxury being for those with a high social class has diminished. It can be said that the increase in consumption no longer makes luxury goods rare, therefore marketers need to be innovative and engage with customers on a personal level.

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