

Review on Luxury Products

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ABSTRACT

With the development of society, people's living standards has been improved gradually. Luxury products are also common to see in the ordinary people's life. In these circumstances, researchers are focusing their attention on luxury products and other phenomena caused by the consumption of luxury goods. This paper aimed to provide theoretical references for further studies and practical suggestions for the market practice. The author took literature reviewing as the basic research method reviewing literature related to products, from two aspects, that is luxury products consumption and consumers behavior. As for the result of this paper, based on the reviewing literature about the definition of luxury products, this paper found that there is still not a clear definition of luxury products. What's more, there are still many factors affecting consumers' behaviors, such as price, quality, etc. What's more, the theory about consumers' segmentation could be applied to the company making proper marketing strategies, especially for a company specializing in luxury products.

Keywords: luxury product; consumers motivation; luxury consumption, consumers segmentation

1. INTRODUCTION

At the beginning of the 20th century, consumption society is considered as a natural outcome of the development of the capitalist industry. From then on, this special culture about consumerism in the western countries has been playing a significant role in their whole society. What's more, it also has become a necessary part of their social life. With the development of globalization in many aspects, like economy, culture, and techniques, this consumerism derived from western countries has gradually stepped into some of the rest of the counties in the world and made a significant difference to their life, especially the consumption behaviors.

The major objective of this study is to clarify several aspects of luxury products, including the definition, consumption, and consumers. What's more, this paper aims to explain the development of theory in the luxury products consumption fields. In terms of the significance of this paper, this paper offered some clear sights on luxury products. This paper has been divided into four parts. The first part deals with the background a significant of this paper. The second part reviews relative literature for the definition of luxury products and features of luxury products. The third section is mainly concerned with the literature on the consumption of

luxury products. Concerning the fourth part, it presents the literature about consumers segmentation and consumers motivations. Finally, the conclusion gives a summary and implications for further studies.

2. DEFINITION AND FEATURES OF LUXURY PRODUCTS

The origin of Luxury is from "Luxuria" in Latin, which means exuberance, excess, and abundance. In indifferent countries, there exist various definitions of this term by defining standards and perspectives. For example, in China, this word means people would spend money on things that are not within their budget, and they pursue enjoyment excessively without taking their financial situation into account. What's more, according to the Oxford dictionary, it puts that luxury refers to the enjoyment of special things, especially expensive clothes, bags, etc. In terms of the definition of luxury products, it refers to a thing that is expensive and enjoyable but not essential. Until, as for the definition of luxury goods, there is still not a definition with wide acceptance within the global range. However, a large number of scholars and researchers have already attempted to investigate the definition from different perspectives and across disciplines. This paper will comb the research about the definition of this term from the following perspectives, including economics, sociology.

The first definition of this term could date back to a famous economic masterpiece, that is, *The Wealth of Nations*. In this book, Adam Smith came up with a standard to distinguish between luxury products and daily necessities. Based on this standard, he defined the goods which are not necessary in daily life as luxury goods. Apart from that, in *Luxury and Capitalism* [1], Sombart defined this term as unnecessary consumption. From this definition, it is clear to see that it didn't show the nature of luxury products. Whereas it also exerted a profound impact on defining luxury goods and also paved the way for the future definition. Definitions within this category, researchers defined the luxury goods based on the difference between being essential and being unessential. Compared with general products, luxury products combine more labor hours and much higher manufacturing skills. Therefore, luxury products could provide more values for consumers. Based on this fact, as the consequence, prices of luxury products in the market are set in a higher standard. Several studies have begun to investigate the definition, which could encompass a broader range of luxury goods values. For example, Nueno and Quelch put much emphasis on the intangible value in luxury goods over tangible values. And they made a definition about luxury as products whose intangible values are much higher than tangible values.

From the perspectives of sociology, there exist more complications to make a definition of luxury products on the account of the fact that in this research field, the meaning of luxury products contains not only the values as an ordinary commodity but also consumers' social attributes, such as social status, taste, social ladder and etc. Luxury goods must have exquisite quality, which can meet people's temporary sensory pleasure [3]. Besides, luxury goods are the outcomes of satisfying people's increasing desire and demand. Meanwhile, it could also represent the specialties in that age, time, including culture, fashion style and skills. Compared with machine-made products, most luxury products are made by hand with much more social values.

3. PREVIOUS RESEARCH ON THE CONSUMPTION OF THE LUXURY PRODUCT

3.1 Studies on features on luxury products

The feature could be divided into two types, that is, intrinsic features and extrinsic features. As for the interior features refers to some social value or cognitive value. When it comes to exterior features, they refer to high prices. Regarding the features of luxury products, a considerable amount of literature has been published in this field, such as Berry, Dubois, etc. Based on these researches, this paper will list six characters.

First of all, most luxury products are marked as

unique goods, when their manufacturers propagate them which lead to the character of these luxury products, called rarity [3], also called scarcity and uniqueness [4]. However, when this term is endowed with this feature, it is necessary to take the development of society and economy into account. In another word, rarity is not the sufficient condition of being luxury products. For example, a famous painting is a national rarity. However, it cannot be considered a luxury good.

The excellent quality is the second feature [4]. When people make a purchase, people believe that there is a strong connection between excellent quality and luxury goods. Most of the luxury products are well made and are considered as the symbol of high quality and exquisiteness. What's more, excellent quality could guarantee the reliability and durability which are to index when people make a decision.

The third feature mentioned by Dubois refers to a very high price. This feature has an association with consumers' psychic cost and acquisition. As for many consumers, a very high price is a reasonable requirement for excellent quality which is also related to luxury products. In this attribute, different consumption groups also have different cognition statuses. Those who can afford the high price could have a sense of security, happiness, and comfort when they buy luxury products. However, the other group of consumers who cannot afford the price, it could become their barrier and they could have an extremely condition that if they cannot get the luxury product, they would buy the same kind of things at a lower price.

The fourth attribute refers to the aesthetics and holy sensuality of luxury products. Dubois come up with that in some special conditions, luxury products could have the same functions as precious artwork. Therefore, when consumers own these luxury products, they could bring consumers not only values but also an aesthetic experience.

The fifth feature mentioned by Dubois is about ancestral heritage and personal history. The reason why people endow luxury products with this feature is mainly that there is a typical stereotype in their mind about a luxury product, that is, luxury products all have their own stories, even legends. Therefore, when people consume luxury products, they could get their cultural meanings behind them.

The last feature is superfluosity. This feature could be based on the original definition of luxury. It means that something is not necessary for our daily life. Based on this definition, it is clear to see that most luxury products cannot be used very often in people's daily life.

3.2 Previous studies on factors on luxury goods' consumption

We demonstrated six features of luxury produces in the preceding section. This section will examine the factors that would make an impact on their consumption.

In the process of consuming luxury products, consumers would pay much attention to the prices. This consumption behavior has a strong relationship with their income [5]. If they could afford it, the consumption process could be more legitimate for those who cannot afford it. What's more, for luxury products, higher quality products, fancy packaging, exclusive store location, higher retail margins contribute to the higher price of luxury products [6]. More importantly, based on the feature, that is, a very higher price, mentioned in the preceding section, consumers inner side could set up a connection between price and social status. Therefore, a higher price could give consumers priority and superior, by telling the world you are one of the select few [7]. Through these self-conscious suggestions, consumers could obtain a superior from the consumption process and satisfy their desire. The image of a luxury brand is another factor that consumers would take notice of. The reason is that there is a psychological bond between the image of the brand and the self-image of the consumers. Deeter-Schmelz et al pointed out that consumers who are with a higher preference for higher prestige would show their preference to some products with prestigious brand image and they could realize the sharing the image with others when they have communication with others. Doing so could also increase the chances for consumers to buy luxury goods.

Apart from that, some researchers conducted empirical research to investigate factors that could affect consumers' preferences for luxury products. For example, Melika Husic and Muris Cicic used two scales, questions, and PRECON scales, to analyze the luxury market and draw a conclusion about factors that could motivate luxury products consumption. Based on their empirical research, they made a conclusion that factors of consumption of luxury products should be put into different four categories, including brand image and quality, fashion, store atmosphere, and patron status. They combine the brand image with quality together mainly since these two elements would be considered simultaneously when they determined to purchase luxury goods. It means these two elements are related to each other and indispensable during the process of luxury products consumption. What's more, in this research, authors came up with that only patron status had a negative impact on luxury products consumption for the reason that this is caused by a special effect, called the "snob effect". this term could also affect consumers' consumption motivation, which will be explained in the following section clearly.

There was another group of researchers who have mainly interested in the association concerning luxury products consumption and product original country. For example, Godey, Pederzoli et al interviewed and made a questionnaire of 1102 respondents from seven different countries, including China, France, India, Italy, Japan, Russia, and America. This research found that there were many differences among these seven countries in accordance with the degree of maturity of luxury products. For example, consumers in countries where luxury product markets are still developing, such as China and India, may have different perceptions of the luxury product concept. However, there was little difference among the rest four countries where the luxury products markets are relatively mature in their development.

4. PREVIOUS STUDIES ON CONSUMERS BEHAVIOR

4.1 Previous studies on consumers segmentation of luxury products

Most scholars and researchers agree that segmentation is the most important research method in marketing studies because it allows them to describe and categorize the features and characteristics of consumers and markets. This section would take three perspectives to make a luxury products consumers segmentation.

In the first segmentation standards, they are about consumers' extrinsic features, such as geographical attributes and demographic features. In this section, the author will use wealth as the segmentation criterion to describe consumers. There has been already researcher who put their attention on the family incomes which to a certain degree represent the consumers' wealth condition [5]. What's more, Han, Hunes and Deeze conducted the segmentation within the framework about personal wealth and person social status. Based on these categories, they divided the consumers into four types, namely, Patrician, Parvenu, poseur and Proletarian. From these four categories, it is clear to see that they come from different social classes with different wealth which leads to different consumption motivations and behavior. For the first type, this group of consumers refers to people who own a larger amount of property and assets. For the second type, these consumers gain their wealth within a short time. Their consumption motivation aims at distinguishing themselves from poor people. As for the third type, they have the similarity with the second group, in order to show their superiority and identity, they would choose the counterfeit goods to realize their aims. With respect to the final group, they don't have a strong motivation to consume luxury products.

Based on this method of segmentation, we can see that there is not a clear and distinctive difference between the second and the third. Therefore, due to this limitation,

some of the researchers classified the consumers from their attitude. For example, Nia & Zaichkowsky proposed that attitude toward luxury goods could be considered as an important factor affecting consumption. In the research [12], the authors took the in-depth interview as the basic research method and interviewed 16 respondents. Based on their analysis, they classified the consumers into three types, that is, Elitist, Democratic and Distant. The first type and third type are similar to consumers mentioned in the preceding standard. The second type cannot accept the counterfeit and must purchase the original product to demonstrate their social identity.

In the third category, some researchers use value as predictors to differentiate consumers. For instance, Ko, Kim, Taylor et al classified consumers into four types, Materialists, Rational Functionalists, Extravagant Prestige-Seekers, and Introvert Hedonists.

4.2 Previous studies on consumers' motivation for purchasing luxury products

The preceding section demonstrated consumers segmentation. Now it is necessary to explain the consumers motivation of purchasing luxury products. With respect to consumers motivations, this section would present and explain it from the following three perspectives.

In term of the first motivation, it is related to the surround society climate, which is based on the conspicuous consumption. In 1899, Veblen put forward this consumption theory, also known as "Veblen effect". Conspicuous consumption motivation arose from a time when people with sufficient wealth were eager to gain recognition from society and the people around them, and they would use consumption as an appropriate method to demonstrate their wealth. Based on this theory, Leibenstein claimed that conspicuous consumption motivation could generate three effects, called Bandwagon effect, snob effect and the Veblen effect. With regard to the Bandwagon effect, it refers to a fact that demand of one commodity is increased because of the fact that others are having the same consuming preference and tendency. As regards snob effect, it means that with number of consumers who consume one product increasing, its demand decreases. With regard to the Veblen effect, the demand would increase while its price increasing. These effects are used to present consumers themselves social status, self-image, and self-identity. What's more, consumers always make a purchase following their peers, in order to obtain their social identity and sense of social belongings [15].

In the case of the second consumption motivation, it has something with personal psychological condition. Mick and Demoss in 1990 for the first put forward the term called self-gift giving as a self-communication. It

was related to the self-indulgence for satisfying their own fantasies, dreams and etc. In 1994, Dubois and Laurent brought about two motivations for buying luxury products, that is, perfectionism and hedonism. The former one refers to the fact that people would like to pursue the exquisite quality and experience an excellent consumption experience. On the other hand, the latter one means that consumers aim at pursuing the self-realization and achieve the mental enjoyment. Wong and Ahuvia examined the real reasons for luxury products consumption. In their research, based on the cross-cultural context, they came up with three self-concepts. Moreover, Tsai put forward four luxury products consumption motivation, including self-gift giving, congruity with internal self, quality assurance and independent self-construal.

From the social oriented motivations to personal oriented motivations, a large group of researchers are gradually extending the research directions and make them deeper. With the foundation of the previous studies, some research began to examine the luxury products consumption motivation in an integrated method. Some scholars began to combine different concepts with self-concept. For example, in 1999, Vigneron and Johnson introduced the concept of self-consciousness into the study of luxury consumption from the perspective of self-concept. What's more, they also put consumers into two categories. For the first one, it is public self-conscious. The second one is private self-conscious. In accordance with group influence on the luxury product consumption, these two motivations can be named as interpersonal effects and personal effect. In this article, authors also introduced a theoretical framework luxury consumption behavior, which includes both personal motivation that is hedonism and perfectionism and social orientation, namely, conformity, conspicuousness, and uniqueness. All of these concepts and theory consist of the conceptual framework of luxury product consumption motivations [20].

5. CONCLUSION

This paper conducted a literature review on luxury products consumption from several aspects, including the definition of luxury products, consumers segmentation, and consumer consumption behavior. According to the review author have done in this paper, this section will point out some limitations and implication for further studies.

For the review of consumer segmentation, nowadays, the researches and studies are in the fundamental stages. Therefore, the further studies could focus on perfecting and enrich relative theory about consumption behaviors. What's more, consumers segmentation would be applied to the management of the luxury product companies. Hence, future studies could focus on some special companies marketing strategies based on consumers

segmentation. And based on the different situations in different countries, there are still some spaces to segment consumers.

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