

# Consumer behaviour regarding luxury product consumption



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From ‘guilt-free’ fair-trade products and free-range eggs, to cruelty-free shampoo and chemical-free paint, a revolution seems to be occurring in wealthy capitalist societies. And this is happening not at the margins of society but at its heart, in the shopping centers and homes of ordinary people (Lewis and Potter, 2010). Mainstreaming of ethical concerns around consumption is on the rise and companies are extending their fair-trade range over more products, in a bid to catch the ethical consumer. But is this phenomenon also apparent in luxury product consumption? The discussion in this paper is aimed towards analyzing the role of ethics in the luxury industry where consumption, to much extent, is based on hedonistic values. It is also quite uncertain whether luxury brands actually target ethical consumers. The role of ethics in luxury product consumption is complex and thus requires an intricate analysis.

This paper will initially discuss about ethical consumerism as a whole. Comparing and contrasting various research studies and surveys; it will present the current global trends in consumer behaviour. Moving into the luxury sector, it will analyze the values and motivations behind luxury product consumption and examine if sustainable development can co-exist with luxury products. Finally, it will highlight some of the steps big luxury groups such as BVLGARI, LVMH and Versace are taking to integrate ethics into consumption by working on issues such as animal welfare, child labour, education and environmental protection. The question arises whether these measures motivate consumer behaviour de facto. This paper will demonstrate that consumer motivations behind luxury purchases are hedonism and social recognition, rather than ethical values.

Purchase of a product that concerns a certain ethical issue such as human rights, animal welfare, child labour or environment protection can be termed as ethical consumption (Doane, 2001). In general, ethical consumption is reflected when a consumer feels responsible towards society and expresses these feelings by means of his or her purchase behaviour (De Pelsmacker, Driesen and Rayp 2005). Consumers can translate their ethical concerns by either buying products that contribute towards ethical concerns or by boycotting products that are unethically produced. Ethical consumers are therefore aware of the consequences of production, consumption and disposal, and expect companies, producing the products they buy, to conform to ethical standards.

Recent studies indicate that consumers increasingly care about ethics while purchasing regular household goods and are willing to pay a premium for socially acceptable products (Auger, Burke, Devinney and Louviere, 2003). For example, they prefer to buy fair-trade coffee, organic foods, products free from child labour and legally logged wood. The Edelman Goodpurpose consumer survey (2010) shows that 86% of global consumers believe that business needs to place at least equal weight on society's interests as on business's interests. According to the survey, emerging markets have taken the lead – consumers in Brazil, India, China and Mexico have outpaced their peers in the west in purchasing and promoting brands that support good causes. Hence, there is cultural variation in behavioural intentions, but the group of consumers most interested in socially responsible products is growing across the world. The Edelman study also suggests that after 4P's – Product, Price, Placement and Promotion, Purpose is the 5th P of marketing.

In order to retain their customer base, marketers need to understand and act on the social issues that matter to their customers and are a best fit to their business.

Whilst a lot is indicated about increasing socially conscious consumer attitude, it does not reflect in actual consumer behaviour. Research indicates that a consumer attitude towards making ethical purchases is more positive than behaviour (De Pelsmacker, Driesen and Rayp 2005). For example, Cotte and Trudel (2010) demonstrate that 44% consumers indicated an intention to change their buying behaviour to consume ethical products, however only 18% actually did. General ethical attitude or even surveys intent on measuring consumption ethics are almost completely unrelated to actual behaviour since there is pressure to answer in a socially desirable way (Auger and Devinney, 2007). So consumer purchasing behaviours are not nearly as high as these attitudes would predict (Carrigan and Attalla, 2001) and consumers will buy responsible products only if quality, performance and prices are equal (Deloitte, 2008).

This ubiquitous attitude behaviour gap is due to various factors. It may be the consumer's perception of having to compromise on attributes such as convenience and quality of the product they value (Roberts, 1996) or could be the lack of knowledge about the firm's ethical behaviour. Consumers are more aware of a firm's unethical behaviour and rather have little knowledge about its ethical initiatives (Carrigan and Attalla, 2001). Another reason is widespread consumer scepticism and cynicism (Roberts, 1996). Marketers who try to oversell their firm's offering as better on socially conscious dimensions, risk being accused of what is now called "green washing" (Cotte <https://assignbuster.com/consumer-behaviour-regarding-luxury-product-consumption/>

and Trudel, 2009). Hence, the most important factors affecting buying decision are still price, quality, convenience, and brand.

Therefore, there is clearly a lack of conclusive and empirical evidence that consumers will pay more for socially responsible products (McWilliam and Siegal, 2000), but at least there seems to be a constant effort by both consumers and companies to be ethically conscious in consumption and production respectively. There is a trend towards more consumer activism with respect to the “social behaviours” of organizations, especially large and well-known multinational corporations (Auger, Burke, Devinney and Louviere, 2003). Despite the ethical market’s strong growth, consumers have blasted Nestlé, Coca-Cola, Cadbury, McDonald’s and Tesco for failing to do enough to champion ethical values, according to new market research (Britton, 2010). But traces of such efforts can rarely be found in the luxury sector. It is observed that for higher priced products, only those consumers, who have a strong favourable attitude towards charity, are ready to pay the premium (Anderson and Cunningham, 1972). In order to verify this behaviour, it is important to explore the motivations behind luxury purchases.

Analyzing consumer’s perception of luxury products, a survey conducted by Synovate (2009) demonstrates, 35% people feel that luxury is everything over and above what is needed and 17% associate luxury as a lifestyle. Whether consumers define luxury as a feel of cashmere on their skin, the joy of time to spend as per their wish or the pleasure of showing off their success, actually depends on where they live. For example, in developing countries like India and Brazil, luxury is about flashing your wealth with big designer logos, its away of life. Whereas in countries like France, where <https://assignbuster.com/consumer-behaviour-regarding-luxury-product-consumption/>

people are certainly hedonistic, and enjoy the 'small pleasures' like a good smell, or the softness of a scarf, and of course cooking and eating, luxury is about making them feel good and not about flaunting a brand. Luxury purchases are motivated by hedonistic values associated with instant gratification (Szmigin, Carrigan and O'Loughlin, 2007). These values stimulate a consumer to purchase a \$3500 Louis Vuitton bag whose function is the same as a handbag at \$250. Essentially, at the core of luxury consumption are three key motivations: indulgence, exclusivity and status.

Danziger (2004) highlights two reasons behind buyer behaviour – to solve problems and to make them feel good. She classifies consumer purchases into 4 categories – Utilitarian, indulgences, lifestyle luxuries and aspirational luxuries, each motivated by different values (represented at the ends of each axis in fig. 1). Utilitarian purchases include items such as blenders, food processors and microwaves, which essentially focus on practicality.

Indulgences represent life's little luxuries that provide emotional satisfaction and which consumers can buy without guilt. Cosmetics, entertainment products, games and costume jewellery are appropriate examples. Lifestyle luxuries are luxury cars (Mercedes, BMW), designer clothes (Armani, Ralph Lauren), Watches (Rolex). They are extravagant and provide material satisfaction, along with the prestige and image conferred by the brand. And finally there are aspirational luxuries that have no practical need and are purchased largely for the pure joy of owning them. These include – Art, antiques, vintage collectibles, yachts, fine jewellery, etc. Consumers buy these items to make a statement about them in society, express their values, interests and passions.

Fig1:

Consumer purchase categories and motivations behind each

Having discussed that a consumer buys anything to satisfy a concrete need, in purchasing luxury items, the act of consuming, rather than the product itself, satisfies this need (Danzigner, 2004). In fact, tracking the roots of luxury product consumption and marketing, we find it to be based on sheer unethical values (Sylvester, ND). Back in the 1840's in Manchester England (The world's richest city then), the cotton mill owners were at the top of the social ladder and usually showed off their wealth at dinner parties where they served wine instead of beer and the wealthier class served champagne. For the most affluent class this was a problem as champagne was no longer exclusive. As a solution, the French marketers, keeping the product unchanged, created a much more expensive drink called vintage champagne. The rich mill owners were flocked to it. Hence, within a few years, the world was buying more bottles at higher prices.

The anecdote above is a good example that shows how the concept of luxury is based on un-ethical selling and consumption, of which marketers are well aware. This view is supported in the 21st century as marketing strategist, Sergio Zyman (2000), provides in his book, the end of marketing – “Marketing is how to sell more things to more people more often for more money”. In fact, French marketers are the leaders in marketing luxury brands and even the puritan roots and guilt don't prevent them from behaving in unashamedly elitist ways and producing items that no ordinary

person will ever be able to afford. Marketers are concentrating their efforts on selling things that people don't need, but want.

**Different values that motivate consumers to make a low value purchase as compared to a luxury purchase. Empirical evidence suggests that materialism is negatively correlated with consumer behaviour, i. e. unethical behaviour is associated with greater amounts of materialism (Barrett, 1992 cited in Muncy and Eastman, 1998). The more materialistic consumers might be willing to bend ethical rules to gain possessions and when faced with an ethical choice, the acquisition of the goods may begin to take primacy over ethical values (Muncy and Eastman, 1998). Thus, the factors that may cause a person to be more materialistic may also cause him or her to be less ethical. In fact, marketers may have self-interest in encouraging materialism.**

Even if we consider that some people do behave ethically while purchasing luxury products, their decisions are not necessarily dependent on ethical values. People, while shopping in public, like to be “ seen” as altruistic and thus are more likely to choose green products, that maybe expensive and low quality but benefit the environment (Griskevicius, Tybur and Van den Bergh, 2010; Telegraph, 2010). So their purchases are often motivated by status, especially when these products cost more relative to non-green products.

The Toyota Prius is a prime example of a self-promoting mobile billboard for environmentalist beliefs. A compact hybrid Sedan with moderate features and performance, considered a “ Green” product due to high fuel efficiency.



In a survey, 40% of hybrid owners indicated that they bought a green car as an alternative to a traditional luxury car such as a BMW (Griskevicius, Tybur and Van den Bergh, 2010). Yet, the top five reasons why the Prius was so successful and environmental conservation was last on the list (Maynard, 2007). The number 1 reason was, that it made a statement about the consumer, a statement that the owner cares about the environment. So consumers are willing to spend on ethical products but at the cost of earning a public status or reputation. In the privacy of ones home, luxury and comfort is still the winner (Griskevicius, Tybur and Van den Bergh, 2010).

Having discussed that hedonism and materialism as motivators of luxury purchases, it is evident that sustainability and luxury are quite incompatible terms. To drive a Rolls Royce, a Bentley or a Mercedes S Class would radiate a message that the owner couldn't care less about gas overconsumption and the warming of the atmosphere (Kapferer, 2010). Luxury is about excellence: more than any other, luxury brands guarantee zero risk. Now there are more and more pressures from lobbies and animal defense groups to forbid testing skin care products on animals. But without testing, the brand cannot ensure that its product is harmless for consumers. If all fashion luxury brands adopt a minimalist look, they would lose all capacity to differentiate and thus lose their integrity.

Elliott and Freeman (2001 cited in Belk, Devinney and Eckhardt, 2005) found relatively high price elasticity of demand for products made under bad labour conditions but low price elasticity for products made under good conditions, implying that companies can potentially lose from having their products identified as being made under bad conditions but have little to <https://assignbuster.com/consumer-behaviour-regarding-luxury-product-consumption/>

gain from marketing their products as being made under good conditions.

Modern revelations of how Prada and Dolce & Gabbana bags were being stitched by clandestine Chinese workers in workshops-costing a mere €20 to produce, have signaled the need of ethical behaviour in manufacturing, in order to retain customers.

Luxury brands are advancing fast to meet the demands of sustainable development. Some brands are actually working on philanthropic endeavors, but their motive is not quite clear. For example, since 2009, BVLGARI has raised more than 6 million Euros to support Save the Children's quality education programs and are hosting several special events to support quality education for the world's neediest children (Bulgari, 2010). LVMH has been auditing its carbon imprint since 2004 and has taken as a managerial motto the four words: renew, recycle, reduce, and review (Kapferer, 2010). The same holds true for Tiffany. Dior (LVMH) gets their handbags made in Italy (excellent leather suppliers and their know-how that produces less CO2 than if it was made in China) and the leather comes from bio farms. Versace has an " Art Unites" initiative where the brand makes one-of-a-kind handbags out of each work of art drawn by a child. The bags are sold for about \$250 through its global boutiques and all proceeds go to children's foundation or other charities.

Having analyzed the extent to which consumers value ethics in the luxury sector, as well as explored the same issue from the perspective of the luxury companies, one can conclude that that people care more about ethics if the people around them can recognize them for doing so. There is a big attitude

behaviour gap that demonstrates that consumers still make important  
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purchase decisions on the basis of price, quality and durability of product rather than ethics. Thus, the intentions of both consumers and producers are to some extent unethical in its roots and motivated by further recognition to be doing “ what’s right” rather than for the outcome and effect of those ethical decisions on the people that they are benefitting. What is evident is that firms have realized that need of ethical conduct to retain its customers if not gain more.