

Factors affecting
consumers
willingness pay for
luxury brands
marketing essay



**ASSIGN
BUSTER**

The factors influencing the customers willingness to pay for luxury brands differs from developed and developing countries. The customers' tastes and preferences for various luxury brands differ from cultures. According to Paurav Shukla's research it was proven that developed countries achieve social gains by consuming status brands. On the other hand the developing countries obsession was the factor which influenced customers for luxury brands. Some of the key factors that influence the consumers' willingness to pay for luxury brands are as follows.

Most people have gone for luxury brands in order to show their social class and identity. According to a research undergone in turkey, sampling consisted of 630 cellular phone users above 18 yrs of age. The results verified that use for cellular phones was for status and sociability. On the other hand, a study in Singapore reveled that luxury brands that Asians hold as status are not similar to the west. The findings also showed that luxury brands preferences also deals with culture. So the rarity principle that exists in USA does not work in Asia. Rarity principle has to do with advertising the luxury goods at a higher level of awareness and in order to engage exclusively brand diffusion must be tightly controlled.

Another factor influencing the customers willing to pay for luxury brands is the advertisements. Consumers get influenced because of the focus maintained on straightening the brand image and showing the benefits the products can provide. According to Linda. P. Morton (President of Best books plus) there are seven types of advertising that customers get influenced to luxury brands. Those advertisements include Emails, videos, audio, search,

onsite, mobile, vehicles. Customers also get attracted to luxury brands because of the advertisements given by their favorite celebrities.

Emotions do play a vital role in expressing the feeling for customers to their loved ones. Richard P. Bagozzi, Mahesh Gopinath and Prashanth U. Nyer (1999) says emotions arises from ones own thoughts or events due to mental state of readiness. Bruno Godey, Joelle Lagier, Daniele Pederzoli (2009) wanted to find out the need to meet the desire for emotions expressed by the customers of luxury goods. They did a research where by they drew data by using sampling from Rouen School of Management undergraduate students. There were slides presenting a few varied luxury goods stores. On the basis of this sample a principal component factor analysis with varimax rotation is performed and three factor structures were found. All data samples were carried out for factor analysis as a preliminary test. The aesthetic style of measuring scale is being validated on luxury goods consumed by consumers and delivered to the outlets selling these papers. Aesthetic perception to retail was the first application of measurement scale for the academic aspect. The three dimensions of the scale brought indications to luxury goods firms along with the consumer perception influence.

Economic factor is another key factor that plays an important part in consumers' willingness to buy luxury brands. There are differences in the spending among customers in developed and developing countries. Andrew Pierce, Hanna Moukanas examined that Brand portfolio management is not just a marketing issue, in which marketing messages are being diluted by a sub-optimal portfolio and creates confusion among the customers. Even the <https://assignbuster.com/factors-affecting-consumers-willingness-pay-for-luxury-brands-marketing-essay/>

corporate profitability is affected directly. Erosion in price premiums, weaker manufacturing economies, and sub-scale distribution are caused by overlapping brands in a portfolio. In a developing economy the problems of an under performing portfolio are even more acute. For instance promoting brands in developing countries are easy. On the other hand it becomes difficult to get the value in a brand or to divest it. Effective brand portfolio management starts by creating a fact base about the equity in each brand and the brand's economic contribution. The application of analytical tools can inform decisions about individual and collective brand strategies from targeting and positioning to investments, partnerships, and extension opportunities. Linking the intangibles of brands to hard financial metrics allows companies to exploit the full potential of their brands and thereby gain a competitive advantage.

Some customers become loyal to certain luxury goods because of its quality and pricing. W. T. Dillard (Professor of Marketing, Graduate School of Business, and Columbia University) has examined two aspects of brand loyalty that is the purchase loyalty and attitudinal loyalty both act as linking variables when it comes to brand trust and brand affect with brand performance (market share and relative price). This model includes product-level, category-related controls (hedonic value and utilitarian value) and brand-level controls (brand differentiation and share of voice). For this experiment he has taken three separate surveys of brand managers and consumers which were then compiled with an aggregate data set for 107 brands. The results indicate that brand affect and brand trust combined to determine purchase loyalty and attitudinal loyalty only if the product and

brand level variables are controlled. Due to higher purchase loyalty there has been an increase in market share. Moreover there has been an increase in relative price for the brand due to attitudinal loyalty.

Culture plays another role in consumers spending. Different countries have different tastes and preferences for various brands. For instance the clothing sectors in west and east has different styles and fashion. Martin S. Roth (1995) has examined the performance for brands internationally in two marketing categories. For identifying the various cultural characteristics for international markets he also developed a conceptual framework that could find the performance of brand image. The performance of functional and sensory brand image strategies were affected by the cultural individualism from a result of 10 countries selected.

The main research gap found after undergoing the review was the economic recession. A study from interbrand consultancy has revealed that the luxury industries are not yet safe from the recession. They have come to this result by looking at the financial brand value of the 15 top luxury brands. It was basically the developed countries which were highly hit by this recession if compared with developing countries. This has lead to a decrease in the purchase of luxury brands among the customers. The countries least hit by recession are mentioned in appendix 1. Even though the recession wasn't hit much for these countries, most of the countries are developing (see appendix2) so it was difficult for the luxury brands to sustain in the market.

An appropriate research method that can be used would be a case study.

The reason for choosing case study is because the customers belong to all

<https://assignbuster.com/factors-affecting-consumers-willingness-pay-for-luxury-brands-marketing-essay/>

over the world. Case studies are helpful in delivering a detailed study of a small group or person. Its key strength involves using techniques and multiple sources in data gathering process. The evidence and analysis techniques are gathered in advance in order to answer the research questions. Moreover, this includes collecting observations and interviews and also checks public records by consulting other people. A particular phenomenon is what that interests the researchers and selecting one person from a group of people and using the researcher's case study on them. Case studies helps in having a detailed descriptive data which is unique because of its narrow focus. Nevertheless, it can be useful in clinical settings and may even challenge existing theories and practices in other domains.

The potential respondents are the general public. But all the general public could not be used as it's only the higher income customers who go for the luxury brands. The access to them can be made by using statistical data to find out which area of the country the wealthy people live. After that a case study can be conducted. Another way of getting access to them is the luxury brand stores. Most customers who are willing to buy the luxury brands mainly go to the exclusive showrooms of their favorite brands. So even from the luxury brand shops we can get access to the customers.

On the other hand there are some difficulties and which may affect the success of the project. One of the main difficulties of a case study is that it is quite difficult to get the statistical data of each customer who are going for luxury brands. The main reason for this is the increasing population and the statistical data is from all over the world. Secondly the case study undergone is on one person among a small group which leads to having an assumption

<https://assignbuster.com/factors-affecting-consumers-willingness-pay-for-luxury-brands-marketing-essay/>

that other customers in the group also go for the same luxury brands. But this is not completely true as some customers will have different taste for the luxury brands. Moreover it's not necessary that the customers who go to the luxury brand shops come out with the brand in hand. So the case study which could be conducted in luxury brand shops might not be appropriate. The problem could be migrated to a certain extent by choosing customers from various brands instead of taking the study of all the brands together. This will be quite intense and time consuming. But if done it could be more appropriate.

The luxury goods play a dominant role in the market in recent times. There are various factors that affect the consumers' willingness to go for luxury brands such as advertisements, prestige issues, loyalty, economic growth and emotions. Even during the period of recession there was just a little difference in the purchase of luxury brands by customers because most of the developing countries didn't have much affect by the recession. The research method undergone that is, the case study was not completely appropriate because of the growing population and difference in taste among customers. Moreover it was not able to capture the customers for a specific brand as the customers shift to different brands according to their tastes and celebrity endorsements.