

LUXURY BRANDS- A MYSTERY TO DISPEL

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ABSTRACT

Brands associated with prestige, high quality, high prices and exclusivity. It is to understand the making of a luxury brand better. Producing learnings a business can adopt from this research to level up and how to have a command on the market. Providing a deeper analysis on how and why the consumer is too blindly attracted to these exemptions, defying the assumption of a rational consumer. Through case studies and testimonials of experts and brands giving a deeper insight to reach a valid conclusion being Luxury brands sell more than simply goods; they provide a sense of belonging. With the rate at which this sector is expanding it is certain that it will be the most prevailing sector for the next twenty years.

Keywords: Brands, Luxury, Pricing

INTRODUCTION

Luxury Fashion Houses

A luxury brand is one which is associated with high levels of craftsmanship, quality and hefty price tags. In economics, they are also referred to as Veblen goods, the type of goods which defy the laws of demand doing away with the rational consumer altogether. The ten luxury brand values as defined by Danziger are superior performance, craftsmanship, exclusivity, innovation, sense of place & time, sophistication & design aesthetic, creative expression, relevance, heritage, and responsibility. Luxury brands are not merely selling a product but they are reaching into human psychology to fulfill primitive needs such as social acceptance and a sense of superiority. They are more service driven and aesthetically pleasing but at the same time rare. This is what makes them truly unique.

TARGET AUDIENCE

There are two types of buyers of luxury goods. One the rich to whom the price isn't the major

factor but the quality and the experience they have associated with the brand. However, we have seen the emergence of a new type of buyers-middle class consumer. They have limited purchasing power so they save their money to spend on these goods to gain the satisfaction and sense of superiority that they too are privileged .they do so by buying entry-level goods- these are goods produced by the luxury brands for the consumption of the middle class where the price is a bit more affordable but still maintaining the brand's reputation.

The introduction of **entry-level goods** is just one of the luxury brand's tactics to lure in the general public to buy their products. According to Justin Lahart, a noted columnist for The Wall Street Journal, marketing to the highest class of society is not a viable strategy for luxury firms to continue in business. He claims that the population of super-rich people is insufficient to maintain these premium brands in operation.

There must be a bond between the customer and the brand, and for that the brand must stand for something.

UNDERSTANDING CONSUMER PSYCHOLOGY

These premium brands aren't just selling a product but a feeling. People acquire luxury products for two main reasons: prestige and status.

According to a 2016 study published in the Journal of Marketing, these two elements are the most prominent reasons why individuals buy luxury items. Both of these variables are motivated by the desire to assert one's own superiority as they can identify as someone who belongs to the wealthy class.

People often wrongly associate the price to the quality. They think 'the pricier the better'. One can get a perfectly tailored custom made white shirt for an easy cost of mere \$12 however brands will sell the same clothing for ranges between \$73 to \$85 charging over \$10 for the brand name and the social status which comes with it.

"Experts in maintaining the balance between not getting in the hands of many but still wanting by each and every". Generally having a portfolio of designs that everyone enjoys. As seen in Gucci's 2023 runway collection which strikes a mix between calm and flashy fashion, making it appealing to everybody.

Another reason why some individuals seek luxury items as it signifies as a sense of accomplishment. They want to appreciate themselves for their efforts by treating themselves to something they could not generally afford.

MAKING OF A LUXURY BRAND

Exclusivity is the main characteristic of a luxury brand. Just like playing too hard to get The actual garment doesn't give the satisfaction but the implication which comes when wearing it does. A modern day reference can be- what is referred to as “the cool kids table” not everyone is allowed to sit there and the ones who do carry this indescribable social power and everyone wants to be a part of that group. We see quiet long queues to even get into the showroom of some brands as the wait symbolises the garments or the products of the brand to be of grave importance and exclusive. Luxury brands feed off from this very psychological tendency. You want to be cool so here, wear this dress/watch/perfume and you will be; rather than the product they tend to sell desires.

Having a history or a compelling brand story which makes the consumer want to be associated with. The thought put behind the brand matters a lot for roping in the customers. For example, Generation Z has established the trend of old and new money. The old money is elegant and refined, whereas the new money is flashy and exciting. Consumers who want to look refined and classy typically buy from Ralph Lauren, Chanel, Armani, while those who want to appear loud and exciting buy from Gucci, Louis Vuitton and Fendi.

Research says that luxury brands are more service driven. It is very important for the brand to associate an experience to it. Whenever we enter a showroom of a high edge brand. The employees are dress coded, large sofas to lounge on, eatables are provided for. The consumers are treated with respect and one employee is assigned to each consumer to give them a more personalised experience.”Even as CEO, I get on the phone with customers myself,” said Bob Seidel, private jet pilot and CEO of Alerion Aviation. “No request is too small for me to listen to, which makes the client feel important.”The treatment creates a big impact on the consumer.

A BOOMING FIELD

Personal luxury items have bright prospects until 2030. Solid fundamentals are expected to increase the market's worth to between €540 billion and €580 billion by the end of this decade, up from a projected €353 billion in 2022—a 50% or more increase.

Generational patterns will be a key driver of industry growth this decade. In 2022, Gen Y (millennials) and Generation Z accounted for 100% of market growth. Generation Z and the even younger Generation Alpha are expected to spend three times more than previous generations until 2030, accounting for one-third of the market. This shows a more affluent attitude towards luxury, with Gen Z consumers beginning to purchase luxury things three to five years ago. New forms of activities, frequently fueled by technology, are expected to generate an additional €60 billion to €120 billion in sales by 2030, owing to sources such as the metaverse

and brand-related media content.

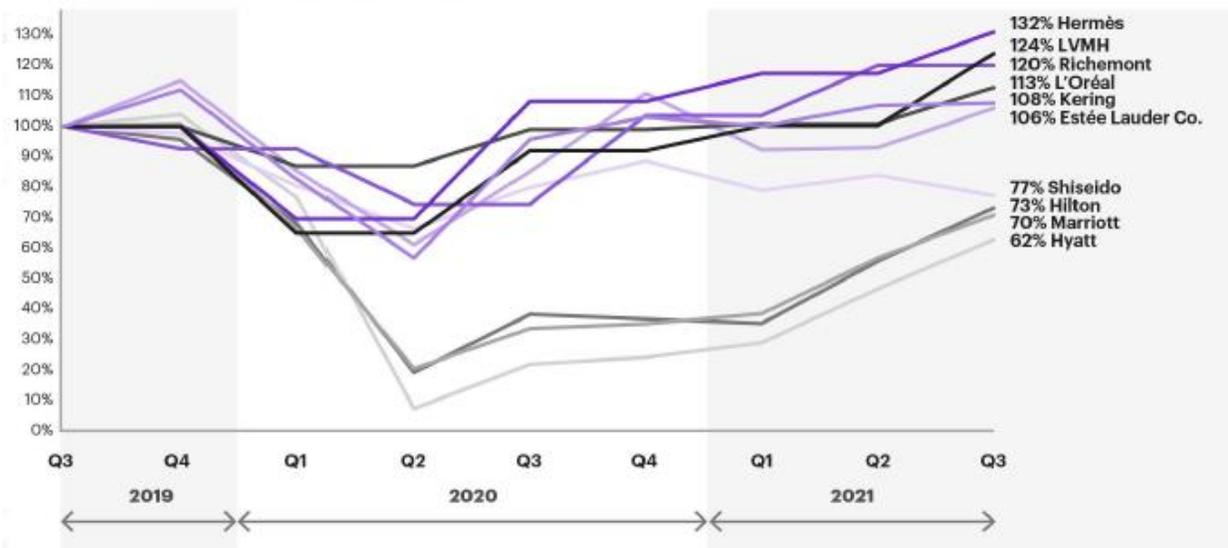
IMPACT OF COVID-19

Despite a drop in demand for luxury items at the start of the pandemic, the market has recovered to pre-pandemic levels—and in some cases exceeded them.

COVID-19 has posed significant hurdles to businesses all around the world for over two years, and the luxury products sector is no different. When the epidemic hit, demand for luxury things fell dramatically as customers altered their shopping habits, businesses shuttered under lockdown laws, and foreign travel was severely restricted. Despite this, the luxury goods sector has shown resilience in the face of widespread pandemic-related disruption, with many top brands' sales statistics returning quite quickly to pre-pandemic levels, and in some cases exceeding them.

Figure 1
The luxury industry's big players saw sales plummet at the start of the pandemic

Sales per quarter for global luxury brand conglomerates (indexed to 100%)



Source: Capital IQ; Keenly analysis

COVID-19 caused a sales drop, although many companies recovered quickly.

By Q1 2020, the pandemic had already impacted the fortunes of luxury corporations, with revenues at major companies like LVMH falling by as much as 36% compared to Q4 2019 (see figure 1). The amount of the decrease, as well as the pace with which it recovered, differed

dramatically between product groups.

Figure 1: Sales of the luxury industry's major players plummeted at the outset of the epidemic.

The trajectory of revenue for prominent businesses clearly demonstrates that the pandemic altered luxury buyers' purchasing behaviours, with the impact ranging by product category. In the skincare industry, Estée Lauder and L'Oréal recovered fast from the first blow: Estée Lauder's sales had exceeded 2019 levels by Q3 2021, while L'Oréal's sales had plummeted by just 13% and had surpassed 2019 levels by Q1 2021. Meanwhile, Shiseido had a greater loss than its competitors and is taking longer to recover, with sales just 77 percent of 2019 levels by the third quarter of 2021.

LVMH and Kering saw a higher impact on sales in the apparel, shoes, and accessories area, as well as watches and jewellery, than the cosmetics and skin care firms, but subsequently rebounded to close to 2019 levels by Q3 2020, while Hermès had already surpassed its Q4 2019 results by Q3 2020.

In contrast, the impact of foreign travel limitations meant that the luxury travel and experiences category was the hardest hit and recovered the slowest of all categories in our analysis. By Q3 2021, this segment of the market has yet to return to levels established in 2019 or before the commencement of the pandemic.

Discussion

Through the above research we can reach to an understanding that luxury brands play a key role in our lives more than we give it importance. It affects our economy, our environment and our lifestyle. For example-Luxury companies demand the highest grade of fabric, dyes, and other production materials in order to create items that reflect a brand's legacy, ideals, and quality. As a result, vast amounts of natural resources (such as water) are used in the pursuit of the perfect quality product.

We can say that the main selling point for these brands is the social construct designed by the consumers themselves and they are just giving them what they need to validate the construct and and their feelings towards it.

Assuming that the pandemic would teach the consumers that in the times of crises luxury brands hold little to no value but human life and necessities of daily life do ;still after the pandemic hit the luxury brands were able to bounce back and came on even stronger.

Luxury brands are made on assumptions such as the pricier the better which come out to be false many a times-Chivas Regal in its early stages wasn't selling at all but the strategy opted by its

team was to just start increasing the prices until it did start to sell and now it rakes in Rs.12938 cr in profits.

Conclusions

In the end I would just like to conclude that luxury brands play a vital role. With their help we can determine if there is an increase or decrease in the saving or the income of the consumer. We can see that luxury brands have become a medium to portray our social status as we are not buying the good itself but the status associated with it. The target demographic is the middle class and the affluent, since the middle class desires to be a part of the rich, boosting the sales of these goods. After the hit of COVID19 the luxury brands bounced back and came on even stronger. Strategies like pricier the better and experience service and having a story for the brand have been used by luxury brands which can be adopted by other brands too to increase their value. My opinion is that if we apply the marketing strategies-the costlier the better, story and experience should be employed by smaller brands to improve their sales while keeping in mind not to raise the costs too much but to have a pleasing margin, viable to the brands as well as the customers.

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