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Study on the personal luxury goods market

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Abstract: *The field of luxury has a series of characteristics that allowed a spectacular growth over time, to acquire stability and remarkable recovery power after adverse economic events, including global ones. Associated with extravagance, prestige or elitism, luxury is a need that manifests itself at the level of individuals due to the emotional side that these products highlight. In this paper we conducted a study on the purchase of luxury products among consumers of the Mureș county, mainly aiming to identify the importance and characteristics of the consumption of luxury clothing and accessories.*

Keywords: *luxury, luxury products, luxury clothing, consumer behavior, need, marketing*

JEL Classification: M31

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1 INTRODUCTION

In marketing the need of luxury and exclusivity it's a derived need, that arises from changes that have taken place both in terms of the amount of products and services marketed by retailers, and in consumer behavior changes, in that of the factors that influence the purchase decision or in general on the everyday living context. This way we can say that this need arises in the moment when consumers reach a certain financial prosperity level and their need to stand out is stronger, when they desire unique or limited-edition products, that help them to stand out and obtain that image that reflect their social status.

Following a brief history of international manufacturers and luxury products it was visible that the arise of the first luxury objects is early, associated by some authors with the first forms of organized society (Kapferer and Bastien, 2009; Castarede, 2007). Having history as a starting point, a synthesis of the market evolution was made, and it can be seen that the period of appearance of the most luxury bidders was between 1950-1999.

Although the history of luxury confirms that in the beginning luxury was reserved for the elite, with the Industrial Revolution there was an enrichment of the population, and both the middle class and a new category of enriched people appeared - "new money" (Kellogg et al., 2002).; Okonkwo, 2007).

As a result, the luxury products market also diversified, and the main categories to which consumers are heading towards are:

Figure no.1 – Luxury products market in 2019, globally (millions of euros)

Source: www.bain.com

The luxury goods market in 2019 increased by 4% compared to 2018, reaching almost 1.3 trillion euros. As we can see from Figure 1, personal goods, along with cars and the luxury hospitality industry represent about 82% of the total market, the rest being divided between fine wines and spirits, gourmet food, high-end furniture, art, private jets and yachts or luxury cruises.

Globally, sales of luxury goods are not evenly distributed, with significant differences between developed and emerging countries, both in terms of sales value and demand growth (Euromonitor International).

The acquisition and conspicuous display of luxury goods is an important aspect within many developing markets (Hennigs et al., 2012; Kumar & Paul, 2018). International business literature shows the significant need amongst emerging market consumers to convey social meaning through their luxury consumption (Faure & Fang, 2008; Kardes, 2016; Liu, 2016). In

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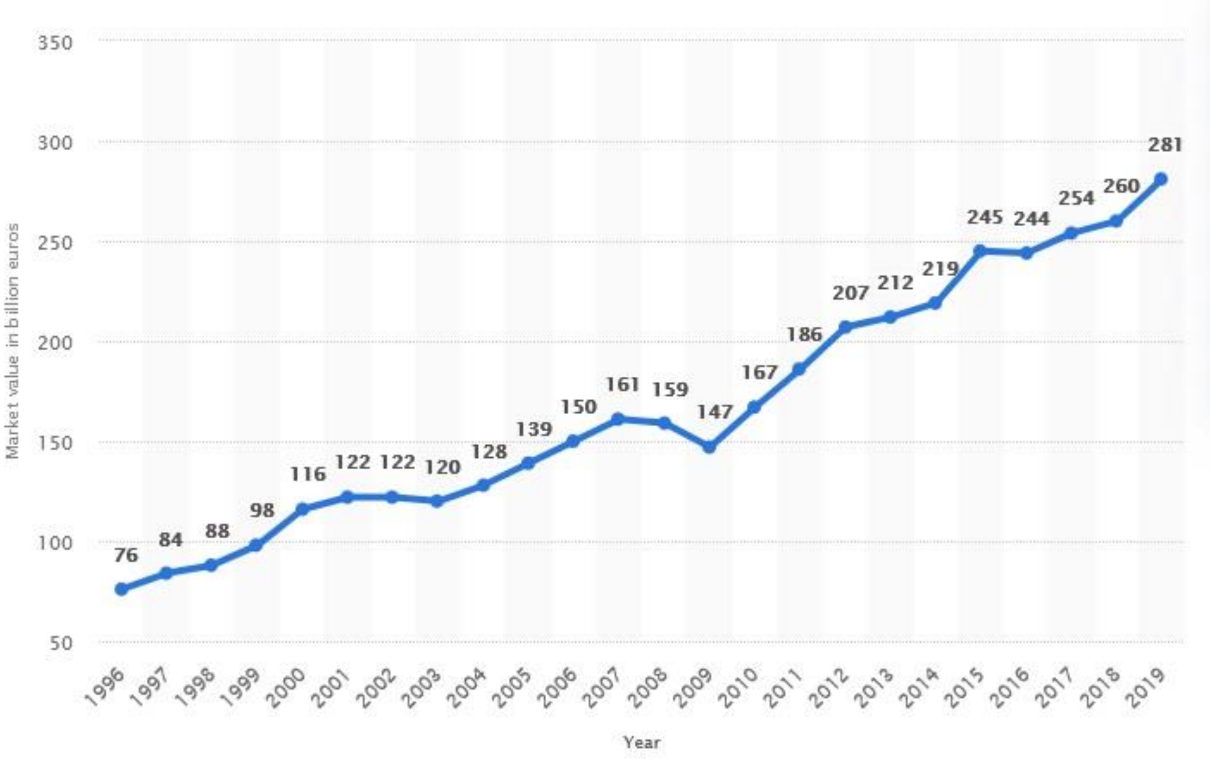
fact, a key attraction of purchasing luxury brands is the symbolism attached to them (Berthon, Pitt, Parent, & Berthon, 2009; Schmid & Kotulla, 2011).

According to the 18th edition of the Bain Luxury study, published by Bain & Company in 2019, the personal luxury products market experienced a sustained growth throughout Asia (mainland China, Japan, the rest of Asia) while Europe and America, the top two regions for sales, have only experience a weak growth. Expectations for increased consumption of luxury goods are centered on Asia, due to the fact that in 2019, Chinese customers accounted for 90% of global market growth, reaching 35% of the value of personal luxury goods sold worldwide.

Regarding the total market value of personal luxury goods worldwide, things are as follows:

Figure no.2 – Evolution of the value of personal luxury goods in the period 1996-2019 (billion euros)



Source: www.statista.com

The value of luxury personal goods had a similar evolution with the global value of luxury products, in 2019 it was registered an increase of 4% compared to the previous year. The main categories that attracted luxury products consumers were shoes and jewelry, which increased by 9% compared to 2018, followed by leather goods (an increase of 7%) and beauty (3%).

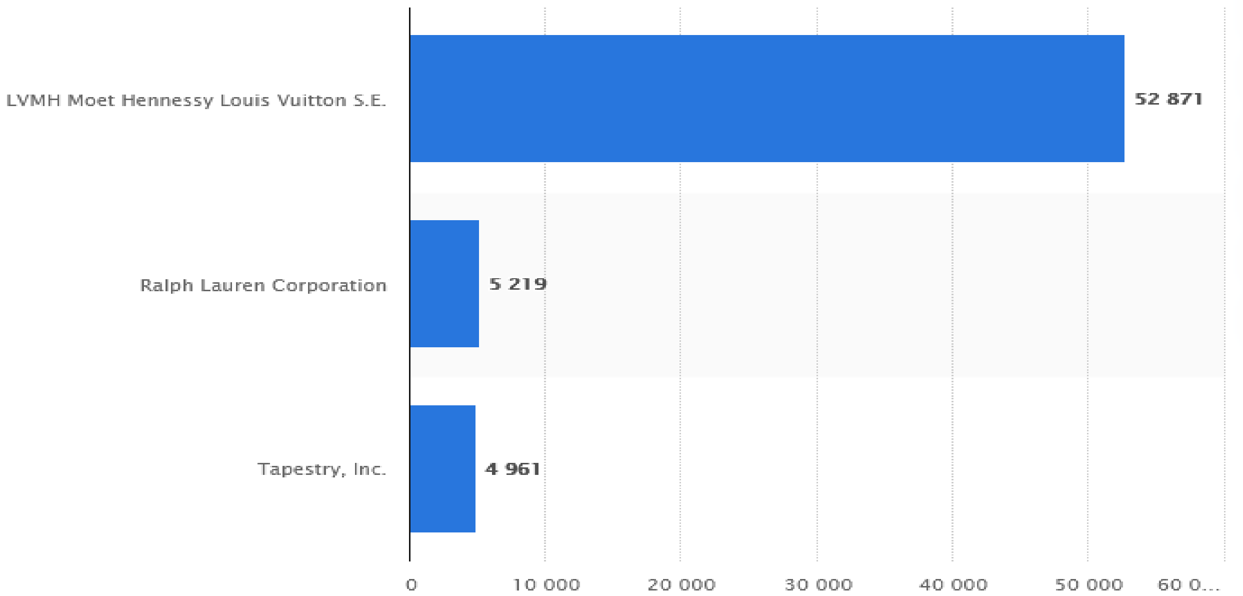
2 LUXURY BRANDS

Given that the luxury fashion segment accounted for 34% of the luxury goods value that was sold in 2019, and that there is a trend of increasing global sales even during the COVID 19 pandemic, I found it interesting to make a study to see what is the perception of the Mureș county consumers regarding these goods.

This segment includes companies producing luxury clothing and footwear, the most notable, according to statista.com, being LVMH (with brands such as Louis Vuitton, Fendi or Loro Piana), Kering (Gucci, Balenciaga, Saint Laurent and others brands), Ralph Lauren and PVH (Calvin Klein, Tommy Hilfiger).

Specifically, between September 2019 and September 2020, the total sales volume generated by the top companies in the luxury clothing, accessories and footwear industry is as follows:

Figure no.3 – Global luxury fashion sales (billions of dollars)



Source: www.statista.com

We can see that during the analyzed period, Louis Vuitton generated sales of approximately 52.87 billion U.S. dollars, at a great distance from the other competitors which had sales of 5.2 billion dollars (Ralph Lauren), respectively approximately 5 billion dollars (Tapestry).

Starting from these statistical data and taking into account the access to such brands in Romania, I chose a few luxury brands about which I will further mention some general information.

Louis Vuitton

Louis Vuitton is a French fashion house founded in 1854 in Paris by Louis Vuitton. Even today, the fashion house vibrates with its unique heritage, the spirit of innovation and ingenuity, the audacity and the demand for perfection of all its achievements. The brand is famous for leather goods, prêt-à-porter, accessories, shoes, watches and jewelry (www.lvmh.fr). Louis

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Vuitton sells its products through its own boutiques, departments rented in luxury stores and through the e-commerce section of its website. Louis Vuitton has been named for many years in a row, the most valuable luxury brand in the world, being present in 50 countries, with over 460 stores. In 2020, it generated a revenue of 15 billion dollars (according to Wikipedia).

Gucci

Founded by Guccio Gucci in Florence, Italy in 1921, Gucci is a luxury fashion house, famous for its eclectic and contemporary creations, which represent the pinnacle of Italian craftsmanship and which are unmatched in terms of quality, attention to detail and the imaginative design. The company is famous for handbags, clothing, footwear, accessories, fragrances and home decorations (www.kering.com; www.gucci.com). After his father's death, in 1953, Guccio's son Aldo, is the one who transformed the workshop into a multinational company, with stores all over the world. In 2019, Gucci carried out its activity through 487 stores globally, with 17,157 employees and generated sales of 9.628 billion euros, compared to only 8.2 billion euros in 2018. Gucci is a subsidiary of the French luxury group Kering (Wikipedia).

Off-White

Off-White is a luxury brand founded by American designer Virgil Abloh in Milan in 2012. The brand has independent stores in Hong Kong, Tokyo, Milan, London and New York, but is also sold in stores such as Barneys, Selfridges, Harrods and Le Bon Marche. The brand has had numerous collaborations, among which we mention those with Nike, Levi, Jimmy Choo, IKEA and Évian. The company started under the name Pyrex Vision, but unfortunately the criticism led to the abandonment of the name in the same year, after the Pyrex 23 model was printed on the classic flannel shirt from Ralph Lauren and was sold at a price of $ 550 as being "premium". The founder renamed the company Off-White, a name that, as Abloh explains, "is the gray area between white and black." In August 2019, Farfetch owner Jose Neves bought New Guards Group, the brand's parent organization, for $ 675 million (Wikipedia).

3 METHODOLOGY AND RESEARCH FINDINGS

3.1 Methodology

The marketing research I conducted aims to identify the Târgu Mureș population consumption behavior for clothing, respectively luxury accessories. For this purpose, I designed a questionnaire that was applied, via the Internet, to a 100 people sample. The questionnaire, and implicitly the survey, is a direct method of collecting information, being one of the most used research techniques. It consists of a set of questions that respondents have to answer, using several types of questions. The study main objectives are:

- Determining the consumption frequency for this type of products
- Assessing the respondent’s personal luxury goods importance
- Identifying the favorite dressing style and which are the purchased accessories
- Hierarchy of the acquisition underlying reasons

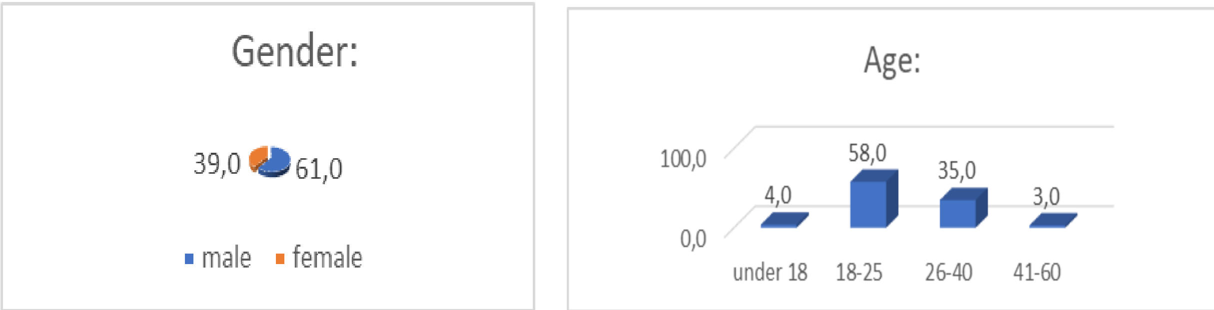
- Identifying favorite brands, the buying methods and the maximum budget allocated to this acquisition type
- Outlining the Mureș county consumer profile what concerns personal luxury goods.

The data were entered and analyzed using the SPSS statistical analysis software, which resulted in tables that were used to create the Excel charts.

3.2 Main research findings

As already mentioned, the target sample included 100 people, whose demographic characteristics are as following:

Figure no.4 – Gender and age of the respondents



Source: own processing

As seen in the above figure, 61% of respondents were men and 39% women, most of them (58%) aged between 18 and 25 years. A possible explanation for these values would be the fact that this age group is very active in the online environment, where the questionnaire was distributed, men being probably a little more interested than women in the topic of the study.

Figure no.5 – Occupation and income

Source: own processing

Regarding the respondent's occupation and income, approximately 60% of them are students with incomes below 2.000 lei, but the other categories listed in the questionnaire are also represented.

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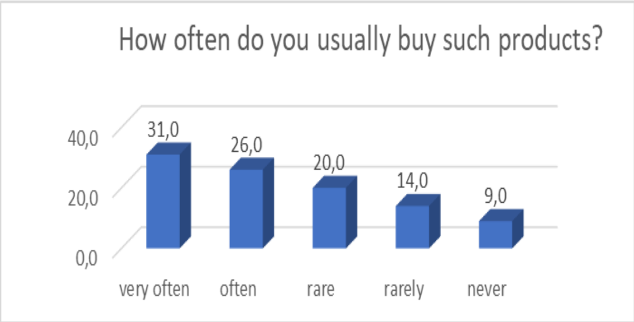
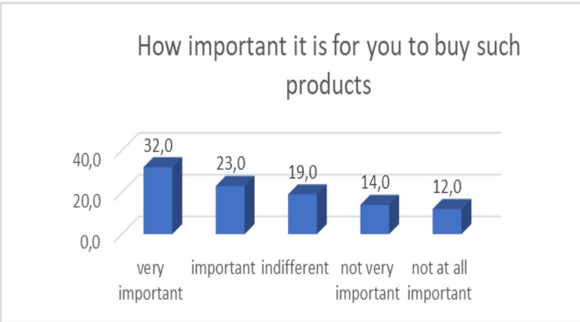
Figure no.6 – Purchase of luxury clothing

Source: own processing

The first question in the questionnaire is meant to differentiate consumers of personal luxury goods from non-consumers. This refers to the time when the last purchase of such products took place, and from the received answers analysis, we notice that approximately half of the respondents (51%) made at list one purchase in the last 6 months, followed by those with a purchase made in the interval between 6 months and 1 year (27%). Only 9% of respondents did not make such a purchase.

Figure no.7 – Frequency of purchase and the importance of these goods

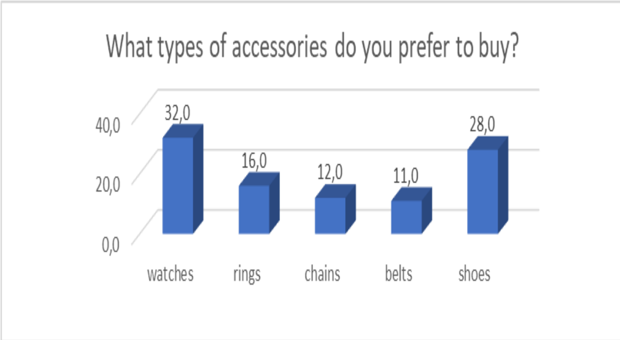




Source: own processing

One of the study objectives was to determine the consumption frequency and the importance of personal luxury goods for the respondents. Thus, 57% of respondents tend to buy luxury personal goods very often and often, while 34% rarely and very rarely. It is also noted that for more than half of the respondents (55%) this category of products is either important or very important.

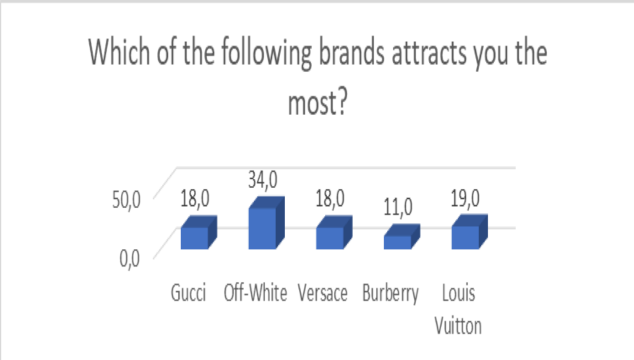
Figure no.8 – Favorite clothing styles and accessories

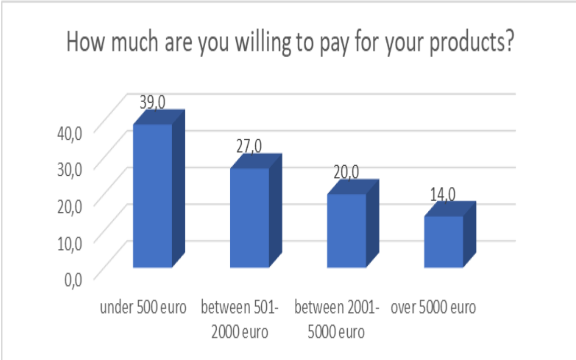


Source: own processing

Regarding dressing style, 44% of the respondents prefer the classic style, 29% the sports style while 26% prefer the urban style. Another objective of the study was the preferred type of accessories, and the top include watches (32%), footwear (28%) and rings (16%).

Figure no.9 – Favorite brands and the amount allocated for purchases





Source: own processing

In the most favorite brands top, the respondents choose Off-White in the first place (34%), followed by Louis Vuitton (19%) and Gucci, respectively Burberry, both with 18%. An interesting aspect concerns the maximum budget allocated for the purchase of personal luxury goods, where we can see that 39% of respondents are not willing to spend more than 500 euros, while 20% have a budget between 2.001 and 5.000 euros, and 14% would give even more than 5.000 euros. We also made a correlation between the respondents' income and the maximum budget allocated for the purchase of luxury goods and we obtained a direct correlation of medium intensity (0.405), representative for 99% of respondents, which confirms that as respondents' incomes increase the allocated budget is also on the rise.

4 CONCLUSIONS

The study found that most buyers of personal luxury goods are men between the age of 18 and 25, students and with low-income. This may be an explanation for the standings in the favorite brands top, led by Off-White, a brand with lower prices compared to Louis Vuitton or Gucci.

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For more than half of the respondents (55%) this category of products is important and very important, while only 26% chose not very important or not at all important.

An overwhelming proportion, respectively 93% of those surveyed, prefer to shop in physical stores, compared to only 7% who buy online.

Almost a third of the respondents are willing to spend over 2.000 euros on luxury items, given that the average net salary in Romania is about 700 euros.

Among the reasons for which the respondents buy personal luxury goods include financial exposure, exclusive integration and social status.

The paper limitations are related to the sampling method, the questionnaire being distributed online, on the Târgu Mureș inhabitants Facebook groups, and it is dependent on the respondent's availability to participate in the study. A potential idea to reduce these shortcomings and increase the answers representativeness would be to distribute the questionnaires into specific luxury-themed groups, which could lead to a clearer picture of this consumption behavior. It would also be interesting to see how sales have evolved and whether consumer behavior has changed during the COVID-19 pandemic.

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