Evaluating the Perception of Luxury Brands in Today's Marketplace and the Impact of the Digital Age on these Brands

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Evaluating the Perception of Luxury Brands in Today’s Marketplace and the Impact of the Digital Age on these Brands
An honors thesis submitted in partial fulfillment of the requirements for the degree Bachelor of Science in Business Administration

By

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Abstract

“In spite of the global recession, luxury seems to be everywhere. Luxury is a term that is routinely used in our everyday life: a promise of decadence and a dream of an exclusive lifestyle, a key component of marketing management and a tagline in commercials and advertising campaigns...However, what does luxury really mean? The only consensus on the meaning of luxury is that there is little consensus” (Hennigs et al. 3). For an industry that once presented itself as so exclusive and definitive, it is hard to believe there is such uncertainty in defining this market. Much of this ambiguity can be contributed to the impact of globalization and conglomeration that previously impacted the economy, as well as trends in brand and product extensions. Regardless of how or why this industry evolved, a definitive consensus can be made that the luxury brand industry is different than it once was. However, as one can imagine, the understanding of consumers’ perceptions regarding luxury brands is key for creating appropriate strategies. Consumers’ varying perceptions towards luxury brands creates many questions in regards to what trait or traits really define a brand as “luxury”. Is it the price, the quality, the brand’s history or some other indicator that identifies a brand as a luxurious one to consumers? Furthermore, there tends to be hypocrisy in consumers’ perceptions towards luxury brands. In regards to consumers’ attitudes towards the concept of luxury, The Journal of Business & Economics Research claims “they are ambivalent across and within consumers, as consumer behavior is inconsistent with self-reported attitudes, as consumers can’t understand their own contradictions” (Stegemann 61). In addition to marketers’ struggle to understand what consumers perceive as a luxury brand, the impact of technology and the digital age has only enhanced the subject matter. Luxury brands that once prided themselves on premier customer service and providing a sort of “white –glove” experience for their customers, must be flexible and accepting in their marketing strategies or face the fear of abandonment. The consumer of today’s world not only views luxury brands differently but also shops differently. Instant gratification is a concept that has become prevalent in consumers buying habits and must be noted by marketers. As the European Financial Review recognizes “Luxury is everywhere”, and the fact of the matter is that these luxury brands must come to terms with today’s world of E-commerce (Hennigs 2). It is necessary to understand how consumers view luxury brands as well as their routine purchase habits, because these perceptions and preferences will be essential in establishing marketing strategies that ensure loyal customers.

This honors thesis is approved for recommendation.
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Introduction

Luxury brands undoubtedly play a pivotal role in today’s marketplace, and the marketing strategies for these brands are continuously changing with the growth of technology. Although it is imperative that these brands are flexible in their ways, the constant adaptations brought on by the digital age have many brands questioning the appropriate approach. Family names and long histories are associated with many of these brands, which has them facing the fear that evolving strategies could possibly degrade the value of their brand names. However, these changes are inevitable due to the nature of today’s consumer. The consumer of today’s world is not the same consumer that existed when many of these brand names evolved. This “new consumer” lives in a world where information is accessible with the touch of a button and exceptional customer service can have various meanings. When evaluating the perception of luxury brands and the impact of the digital age on them, it is necessary to examine the true meaning of a “luxury brand”. The perception of luxury brands widely varies depending on the respondent and has been extensively researched.

The Journal of Business & Economics Research goes as far as to say that “the concept of luxury is complex, as it is subjective and primarily built on consumer perceptions, as the meaning of luxury is determined by personal and interpersonal motives” (Stegemann 59). Therefore, the elusive definition of luxury brands creates an interesting scenario to explore; while some consumers view the world of luxury products as one that demands respect for the quality, time, and aesthetics involved, others view this world as excessive and implausible. Furthermore, the uncertainty associated with the definition of a luxury brands creates an argument for hypocrisy and confusion. For example, the general population might hear the name “Rolls Royce” or “Gucci” and immediately think negatively about those brands or the people that will spend money on those products, but is that assumption fair when approximately “1 in 4 adult Americans own an iPhone” (Elmer-DeWitt 1). Why is it that some brands names connote this negative attitude from consumers yet owning a $600 mobile device is completely justifiable? Through ample research and data collection, I want to discover what people define a luxury brand as and why perceptions differ so drastically. Is it indicators such as the price of the product, the history of the brand, or the exclusivity of being capable to purchase the item that lead consumers to identify a brand as luxurious? Furthermore, I want to discover how technology and e-commerce has created a different type of consumer, and how marketers must be able to quickly adapt in order to ensure financial stability. The purpose of my research is (1) to better understand the perception of luxury brands in today’s marketplace, (2) to analyze the luxury consumer of today’s digital world and the change in consumer behavior, (3) and to analyze the flexibility that is imperative for luxury brands to accept regarding future appropriate marketing strategies. This analysis can be used to recognize the overall role of luxury brands in todays’ digital era and how understanding the current consumer is necessary to determine the accurate marketing strategies for these brands.
Theme 1: The Perception of Luxury Brands in Today’s Market

Upon reviewing credited online sources and published literature, I collected a vast amount of information from a variety of sources in order to determine luxury brands overall role in the marketplace. When doing so, I determined that it was also necessary to elaborate on the ambiguity associated with the world of luxury brands and the different connotations associated with the concept.

The world of luxury brands is not something new; in fact, many luxury brands have been around for over 100 years and embody French roots and a long line of family tradition. The luxury industry was established “with its focus on art and aesthetics” but drastically changed due to the effects of globalization and market conditions (Stegemann 59). In order to completely understand the industry, the word luxury must be evaluated. “The origin of the world luxury is derived from the Latin words “luxus” and “luxuria”. According to dictionaries, luxury compares with extravagance, opulence and rankness. The word luxury should have a positive value of splendor to it. However, it takes on the negative meaning of decadence when used in association with ‘private’ and ‘excess’, and put into a social context” (Stegemann 59). It is evident that price and exclusivity are commonly associated with luxury goods, which tends to result in the automatic creation of specific groups, those with the product and those without. It is then easy to see why many luxury brands acquire this negative appearance by your average consumer who is unable to purchase these products.

However, in my initial research, I began to question on what basis consumers criticize certain luxury brands and not others and noticed some hypocrisy throughout the different sources. I do believe some of this negativity and uncertainty results from the fact that “by tradition, individuals consume luxury goods because of their desire to differentiate themselves” (Stegemann 60). In an earlier time period, social classes were separated and defined by what luxury products they could own or consume. Yet, I think it is important to understand that “in the 80s, luxury goods that used to belong to the upper class became visible, recognizable, and accessible to the public (Stegemann 60). The luxury goods industry had significant growth and the entire clientele expanded. With this growth, the “new consumers opposed the traditional ostentatious consumption of luxury brands, and were more occasional and selective, and carefully evaluate the value of a brand” (Stegemann 60). This new clientele and expansion not only changed the luxury market from the business side of things, but it also created somewhat of a “grey area” for defining luxury products. Many consumers see the luxury market in such a negative light, but the continuous growth of this market is where the focus should lie.

It is no doubt that the luxury brand industry once represented an exclusive clientele, but I think their overall presence in today’s marketplace is noteworthy. Furthermore, I believe that consumers should not only appreciate any growth that positively impacts the economy, but I also believe they should evaluate their buying habits before making
negative assumptions about luxury brands. Once again I will make a case where I question why it is acceptable for a male to purchase a $300 signed football jersey, but a female’s purchase of a recognized designer, say a Prada bag is ignorant. Isn’t the female going to get daily use out of the purse but really how often can the male where his football jersey? People should focus their attention on the “unprecedented growth of the luxury sector from a value of US $20 billion in 1985 to its current $180 billion worth” and what this means for the future (Okonkwo 287). People can hold negative opinions about luxury brands and their consumers, but clearly this industry is not going anywhere and isn’t any economical growth a positive impact? Granby Marketing states that “luxury brands are known for their quality, service and style with products” but regardless of the many textbook definitions, I found myself continually recognizing uncertainty among sources when defining a brand as luxurious or not (Granby Marketing). Furthermore, I believe that to properly market to today’s consumer, understanding if the consumer perceives your product as luxurious or not is essential. With the before mentioned discussion as motivation, I decided that I would conduct my own research and try to gather college-aged students perceptions on luxury brands. The college-aged demographic, mostly consisting of millennials, have not only grown up in the digital age where information is available within seconds, but they are also approaching the job world and hold a great deal of purchasing power.

Theme 2: The Luxury Consumer of Today’s Digital World

When evaluating the role of luxury brands in today’s marketplace, the impact of the digital age and technology is paramount. It is safe to say that technology and E-commerce has changed almost every business industry, but the effect of these on the world of luxury brands has been very unique. Consumer behavior has changed drastically, with the average shopper becoming more technologically capable and time being of utmost importance. McKinsey Group goes as far as to say that “three out of four luxury shoppers own a smartphone and about half own a tablet” (Dauriz, Remy, and Sandri). However, for the longest time in the world of luxury brands, the shopping experience has always been the key in establishing customer satisfaction and retention. “It used to be that a luxury buying experience involved dressing up and going into a high-end boutique to consult with a salesperson on what to buy and enjoying a glass of champagne while it was being carefully wrapped up for you” (Adams). Although this luxury buying experience has not completely vanished, it has definitely evolved and is rarely the single source for the purchase decision.

Another key element to recognize in today’s fast-paced world is that “people with large amounts of disposable income often have low amounts of disposable time. Being able to shop on their schedule and on their terms (possibly in their underwear) [turns] out to be more appealing than having to leave one’s home or office to buy something” (Adams). Luxury brands once built their entire marketing strategy on providing exceptional customer service and a superb shopping experience; many times these aspects were as important to consumers as the product they were selling. Although the
digital age has impacted consumers in every industry, the struggle arises because of the long tradition of service associated with the luxury market. For many years “the pervasive belief was that luxury shoppers, with their discriminating taste and preference for high-priced goods, wouldn’t buy expensive things online; they would always opt for the personalized customer service and tactile shopping experience that monobrand brick-and-mortar stores provide” (Dauriz, Remy, and Sandri). However, this belief has changed and technology has not only created a new way to purchase luxury goods for consumers, but it has also become a significant source of information for consumers. The McKinsey Company elaborates on this by explaining, “E-commerce is only one aspect of the digital opportunity. Our research found that 40 percent of luxury purchases are in some way influenced by consumers’ digital experience—for example, through online research of an item that is subsequently bought offline, or social-media “buzz” that leads to an in-store purchase” (Dauriz, Remy, and Sandri). This statistic alone portrays how the consumer of today’s world is tech savvy and information driven and the priorities that once were so important to the luxury consumer have shifted.

Furthermore, an important aspect of the luxury consumer to mention is the common misidentification that is associated with this targeted group. This phenomenon further strengthens my point about the elusiveness of the word luxury and shows the significance of understanding the luxury consumer of today’s world. Granby Marketing elaborates by saying, “Ask almost anyone to describe what they believe to be a luxury consumer and they will probably say a middle-aged affluent female with a large net worth-wrong! In fact, its this misidentification from luxury brands that costs the 50% of their top customers annually” (Granby Marketing). Many luxury brands target this “true luxe” customer who only purchases luxury brands without regards to price; “however, the reality is, luxury brands are kept-a-float by ‘Moments of wealth’ customers who save to afford specific items and ‘dressed for the part’ consumers who purchase luxury items to maintain the appearance of someone who lives a luxury lifestyle but cannot be a ‘True luxe’ consumer (Granby Marketing). It is imperative that luxury brands understand their customer base and do not take for granted these “moment of wealth” or “dressed for the part” customers.

In addition, the technology of today makes it increasingly easy for competition to outperform one another. This reason is why the service offered by luxury brands is still extremely relevant; the way exceptional service is provided might have changed, nonetheless it is still of upmost importance. Jaz Frederick elaborates on just how the meaning of service has shifted; “Instead of driving to a physical store, luxury shoppers enjoy the convenience of having an item delivered to their doorstep within a few short business days. Additionally, purchasing from authentic brand sites gives shopper peace of mind knowing they’re buying legitimate items from the brand itself without having to worry about receiving counterfeit goods. (Frederick). This finding shows the relevance of understanding consumers’ perceptions of what quality service is in today’s age. In my own research, I want to understand the top service qualities that consumer’s look for in e-commerce purchases, and I want to discover their routine path to purchase. I believe
that college-age demographics will prove extremely relevant; Granby marketing strengthens this by stating that “the digitalization of luxury is rapidly evolving as millennials and younger consumer become more affluent; and with millennials accounting for a predicted 30% of retail sales in 2020. Therefore, the digital experience should not be over-looked as the younger consumer groups continue to seek technology-driven products and experiences which requires luxury retailers to deliver consistent, personalized, high-engagement interactions at every touch point on the customer journey” (Granby Marketing).

Setting the foundation of my research with understanding the perception of luxury brands in today’s marketplace and continuing by looking at how technology has impacted the luxury consumer and their path to purchase, I sought to understand what this means for creating the appropriate marketing strategies for luxury brands in the future.

**Theme 3: Strategic Flexibility in Marketing Luxury Brands**

In accordance to my delineation of luxury brand’s strong presence in today’s marketplace and the digital age’s significant effects on consumers, I now want to examine what this means for luxury brands when devising appropriate marketing strategies for the future. As previously mentioned, the luxury brand market has experienced remarkable growth and researchers do not see the growth halting. However, I find it interesting that many luxury brands are still hesitant in their acceptance of a strong online presence. PFS Web acknowledges, “even though the demographic of affluent families continues to grow worldwide, the world’s top luxury brands only provide E-commerce sites to approximately 45% of leading markets” (Frederick). This hesitant acceptance can be explained by the fact that “some brands fear that an online store would tarnish their exclusive brand image, making them less “luxurious” to shoppers, or greatly take away from in-store sales and valued personal service” (Frederick). Although I understand the reasoning, it is now that I make an argument that luxury brands must be flexible in their acceptance of the digital age and understand that they are not only dealing with different clientele but also tech savvy consumers. Without being able to adjust to the impact of the digital age, luxury brands will suffer greatly. Tim Anderson from The Guardian states it direct and to the point, “The rise of digital marketing is changing the way luxury brands engage with customers, and traditional companies must embrace what is now possible in today’s connected and mobile world or be left behind” (Anderson). The Journal of Business and Economics explains that “For years the luxury goods industry enjoyed its exclusive position in the market and a fairly stable market environment. However supply and demand patterns for the market for luxury brands have changed considerably due to increased competition and counterfeited luxury goods” (Stegemann 59). As mentioned by these credited sources, the expansion of luxury brands into global markets and the digital created an unavoidable change for this industry; I believe that acceptance of this new era is key for the longevity of luxury brands.
In addition to previously mentioned fears regarding reduced service and a tarnished brand name upon acceptance of the digital era, discussion has arose about the substantial amount of money involved. Tim Anderson from The Guardian elaborates on some of the questions that arose when an audience was invited to join industry experts “to debate the risks and creative opportunities for luxury brands enabled by digital technology” (Anderson). A number of audience members continued to question why they should invest in digital advertising when the “the return on investment (ROI) is not as big with digital?” The panel responded by stating “You should look at return on interaction rather than return on investment”. Furthermore, “one of the benefits of digital media is that it generates data, enabling analytics that were previously impossible. It is more measurable than any other form of media we do, and it is not just about huge reach numbers, it is about creating engagement, understanding our customers’ journey and then delivering relevant content along the way” (Anderson). This statement completely confirms my strong feelings and point that I am trying to prove. There is nothing luxury brands can do to change the digital world of today or consumers behaviors; therefore, they must accept the new ways and find what strategy works best for them. Although I understand that it is necessary for brands to understand the financial consequences of such a strong digital presence, the consumers that they need to focus their efforts on are those who have grown up in this digital era. Furthermore, I believe my research will help strengthen what these credited sources have stated about the return on interaction being the important element to focus on. Survey responses from millennials are ideal for ensuring trustworthy answers regarding shopping habits and marketing tactics of the future.

Furthermore, I wanted to extend the relevance of this issue by providing statistics and acknowledging some brands that have already seen the benefits of accepting the new digital ways. A variety of sources have made claims about the value of understand the luxury sector, stating comments such as “In all, most forecast points to a global luxury mega market just waiting to be tapped into” and “Digital spending in luxury has reached historic levels, the core question is whether brands are getting the best out of it” (Frederick; Angelic). Although I understand luxury brands fears of compromising their core values, I believe the important aspect for these brands to focus on is that there is huge growth in their industry and properly connecting with their consumers is of pivotal importance. A Forbes article describes a noteworthy example of The Gucci’s brand understanding and accepting the impact of the digital world on their clientele. “A feeling of disgust fell on the faces of luxury brand executives when they saw their goods sold via online auction side eBay or Amazon-arguably the world’s larges shopping mall. That however was in the beginning, and luxury brands are feeling friendlier to places like eBay and Amazon because sales numbers prove their fears to be without merit. Gucci for example has made Amazon.com their official authorized online retailer” (Adams). This brand understands the benefits that Amazon can provide their shoppers such as 2 day shipping and accessibility to all types of products; Gucci took advantage of this forum and understands that “in the end consumers are looking for an easy way to get the things they want” (Adams). Although Gucci understands the benefits of using a
third-party retailer, the luxury brand experience must be recognized at every stage of the purchase process. Granby marketing claims “the expected and required customer service is much higher from a luxury retailer; from in-store customer service to after care support luxury brands need to live up to expectations when it comes to customer service” (Granby Marketing). This claim displays the importance of how the digital age has created an omnichannel approach to sales. Whether the customer is buying the Gucci purse in store or not, the service and experience of the purchase must be carried out in all channels. Regardless of the luxury product being sold, brands must recognize that strategy change is necessary for success.

In my review of the literature, I discussed the various viewpoints towards luxury brands in today’s marketplace. I also expressed the impact of the digital world on the luxury brand consumer, suggesting that this consumer is not the same as the consumer that existed when many of these brands originated. I continued by introducing the importance of luxury brands in understanding the tech savvy consumer of today and how these brands’ marketing strategies must evolve. Based on the information gathered and personal responses, I conducted a survey that further acknowledges how understanding luxury brands and their consumers and accepting the digital revolution is imperative to creating appropriate marketing strategies. Furthermore, the responses from college-aged students, mostly millennials, will provide interesting insight and perhaps relevant comparisons due to the effects of world events such as the emergence of technology and the growth of the luxury sector on this generation.

**Research Methods**

In pursuance of successfully analyzing the aforementioned themes, my research incorporated a comprehensive review of secondary literature as well as a primary research survey. I began my research by searching for credible discussion regarding perceptions on luxury brands and found that this topic has been greatly discussed since luxury brands originated. My research revealed that there has always been a difference of opinion among consumers’ attitudes towards the luxury market, and that even individuals’ psychological motives play a role in this discussion. However, I wanted to personally discover people’s initial thoughts towards this particular market segment in current times and see if there were specific characteristics about products and brands that made consumers perceive theme as luxurious. In regards to my second theme, there is no denying that consumer habits and shopping methods have drastically evolved due to the digital world. Research explicitly revealed that there is no doubt a new consumer in today’s world; however, the search for identifying luxury consumers seemed more elusive. Furthermore, seeking to establish the exact wants and needs of these consumers proved to be an interesting question. I decided that surveying college student demographic would provide a unique perspective on perceptions of luxury brands and would uphold secondary data regarding the current shopping habits. This particular demographic has also grown up concurrent with the rise of technology as well
as the enormous expansion of the luxury market. In addition to surveying the college student demographic, I believed it would be useful to have results from older demographics that were accustomed to traditional shopping methods and knew a world without technology. Finally, I wanted to further examine and prove the imperativeness of luxury brands acceptance towards the digital age, and their need for flexibility within their marketing strategies. Thus, I created a survey to address each of my themes; overall, I wanted my survey to answer if and more specifically what certain aspects influenced individuals’ perceptions towards luxury products. Furthermore, I hoped it would reveal essential information that brands could use in order to create appropriate marketing strategies that would ensure their future success.

When analyzing the results gathered in my survey, the responses not only proved beneficial in supporting my secondary research but also provided interesting and new findings. I organized my primary results as well as my secondary findings in order to properly support my different themes. Through these methods, I will divulge my findings and provide insightful recommendations.
Demographics

Chart 1

- 91% college students
- Seniors-32%
- Juniors-22%
- Sophomores-19%
- Freshman-21%
- Grad Student-1%

=total of 239 respondents

- 36% male
- 64% female

- 91% 18-24 year olds
- 9% 25+ year olds
Research Results:

Theme 1 Results: The Perception of Luxury Brands in Today’s Market

There is no dispute between researchers that the luxury market sector has experienced rapid growth since the 1990s. This expansion has been onset by “globalization, wealth-creation opportunities, new market segments, digital communications, international travel and culture convergence, and has led to a series of business challenges that luxury practitioners have never known” (Okonkwo 285). When an industry experiences such an expansion, it is evident that not only the clientele base will expand, in this case resulting in less exclusivity, but also the entire markets’ appearance is faced with opportunities to transform. However, when conducting my secondary research and even conversing with accredited peers, I realized there is still an elusive understanding when defining this market. There tends to be inconsistency in individuals’ attitudes and feelings towards the market. In my personal research, I wanted to understand people’s initial thoughts towards the luxury industry and evaluate their feelings towards specific brands. When collecting this data, I hoped to gain a better insight on individual’s, particularly millennials, perceptions towards the luxury market and recognize specific consistencies or inconsistencies among respondents when identifying a product as luxurious.

(1) Initial responses on the term “luxury brand”

The first two questions I asked during my survey were in regards to people’s initial thoughts when hearing or seeing the term “luxury brand”. The first question asked respondents “What 3 words first come to mind when you hear the term “luxury brand”? The second question was “what 3 brands first come to mind when you hear the term “luxury brand”? Although simplistic in response, I wanted to gather a general consensus on people’s initial thoughts and determine if there were similarities among respondents. I also wanted to see if there were any noteworthy outliers or unique responses that would prove worthy to my research.
Most Frequent Responses for Describing Luxury Brands

Chart 2

What 3 words first come to mind when you hear the term "luxury brand"?

- Expensive: 70%
- Quality: 37%
- Nice: 20%
- Rich: 13%

What 3 brands first come to mind when you hear the term "luxury brand"?

- Rolex: 31%
- Mercedes: 27%
- Louis Vuitton: 22%
- Chanel: 20%

From the above charts, we can draw some key conclusions:

- The word “expensive” was associated with respondents initial thoughts on the term “luxury brand” 70% of the time
- 31% of respondents included Rolex as one of the first 3 brands to come to mind when hearing the term “luxury brand”
- 13% of responses included the word “rich” in their answers with regards to the first words to come to mind when hearing the term “luxury brand”

Although not shown in the above charts, other interesting takeaways were gathered from the previously mentioned questions:

- Responses such as “entitled”, “egotistical”, “modern”, “snob”, “rich”, “new”, “leather”, “silk”, and “cars” were recorded by respondents
- The Apple brand was mentioned a multitude of times when respondents referred to luxury brands
(2) General Qualities for Identification of Luxury Products

In order to gain an understanding of what qualities consumers recognize when distinguishing a product as a “luxury item” or not, I asked a couple of questions associated with product features. The first question I asked was for respondents to “please rank in order (1=highest, 6=lowest) which qualities you believe are the best indicators for identifying a product/brand/service as a “luxury good”. The qualities listed for the question were: quality, price, history of brand, service experience, exclusiveness, and degree to which the product is customized. Represented below are results showing which product attributes consumers listed as the best indicators for identification.

General Qualities for Identification of Luxury Products
Please rank in order (1= highest, 6= lowest) which qualities you believe are the best indicators for identifying a product/brand/service as a “luxury good”:

<table>
<thead>
<tr>
<th>Quality</th>
<th>44%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>24%</td>
</tr>
<tr>
<td>Exclusiveness</td>
<td>16%</td>
</tr>
<tr>
<td>History of Brand</td>
<td>13%</td>
</tr>
<tr>
<td>Degree to which Product is Customized</td>
<td>5%</td>
</tr>
<tr>
<td>Service Experience</td>
<td>3%</td>
</tr>
</tbody>
</table>

Key Points of Interest:
- 44% of respondents believe that quality is the best indicator for identifying a product/brand/service as a “luxury good”
  - The quality of the product greatly exceeded all other attributes as being the best indicator for identification
- 24% of respondents believe that price is the best indicator for identifying a product/brand/service as a “luxury good”
- The fewest amount of respondents, only 3%, believed that the service experience was the best indicator for identifying a product/brand/service as a “luxury good”
The next question I asked was related to the previous one, asking respondents “Are there indicators, other than the ones listed in the previous question, that would identify a product/brand/service as a “luxury good” to you? If so, please state them below. If not, simply state “N/A”. Described below are some of the responses received:

“uniqueness.... the ability for the consumer to feel emotion towards the product.....appearance.... location of purchase-ex. Department store, high end boutique, flagship store.....popular for its category... rare...limited availability...minimum locations to get them at.....rarity... ease of producing/acquiring product”

(3) Considerations of Brands & Previous Purchases

For the next set of questions, I wanted to first see how often the respondents in my survey considered themselves consumers of luxury brands. Furthermore, I wanted to evaluate their perceptions on particular brands and products and then see which of those products they have previously purchased. My goal in asking these questions was to see if I could identify how or why consumers rank certain products as luxurious and then try to evaluate whether or not there were inconsistencies among consumer responses. The first question I asked respondents stated, “Please indicate which of the following you consider to be a luxury brand/product/service (check all that apply). The second question stated, “Please indicate which of the following you have previously purchased (check all that apply). Below are graphs depicting (1) the percentage of respondents that consider each brand or item as a luxury brand, and (2) the percentage of respondents that have purchased those same items.
Considerations of Brands
(1) Please indicate which of the following you consider to be a luxury brand/product/service (check all that apply).

Key Points of Interest:
- 29% of respondents consider an Apple iPhone to be a luxury product
- 87% of respondents have previously purchased an Apple iPhone
- Only 12% of respondents consider Starbuck’s coffee to be a luxury item
- 89% of respondents have previously purchased a Starbuck’s coffee

Previous Purchases
(2) Please indicate which of the following you have previously purchased (check all that apply).
**Conclusions about Theme 1 Results:**

Based on my analysis of respondents’ initial thoughts towards the term “luxury brand”, I was able to conclude that the majority, 70% to be exact, directly associate the word “expensive” with this phrase. In regards to this same question, I found it interesting that the 4th most frequent word among respondents was “rich”. In addition, condescending words such as “entitled” and egotistical” were recorded. I believe that these responses prove interesting to my research because it shows how individuals’ focus immediately shifts from describing luxury brands, and instead describing personal characteristics. More importantly, I think these responses shows some indication of where the inconsistencies in attitudes and perceptions arise with regards towards the luxury market. It is my belief that individuals often incorporate their personal feelings towards individuals who own luxury products with their overall feelings towards the industry.

Furthermore, in my analysis of the best indicators for identifying luxury products, I found some interesting statistics. 44% of respondents believe that quality is the best indicator for identifying a product/brand/service as a luxury good, followed by price and then exclusiveness. The open-ended question proved relevant due to the contradictions in responses. For example, one respondent listed “popular for its category” as a word that would identify a product/brand/service as a luxury good. Yet other respondents provided answers just opposite than that, stating the words “rare” and “rarity” for appropriate indicators. The difference in opinion portrayed by these remarks supports my case for the uncertainty associated with this industry.

When evaluating respondents’ personal considerations towards certain brands and purchase history, significant results arose. Respondents were asked if they considered themselves to be a consumer of luxury brands or services and if so what percentage of the time. Among the 239 respondents, there was a combined average of 30% of the time. When asked about specific brands and products, only 29% of respondents consider an Apple iPhone to be a luxury product. However, 43% of people consider Cole Haan penny loafers a luxury item. These statistics are where I will prove that hypocrisy is profoundly displayed among consumers. As seen earlier, 70% of individuals immediately associate expensive with the “luxury industry”, so why is a $400-$600 Apple iPhone seen as less luxurious than a $100 penny loafer? In this case, I believe it is the popularity of the iPhone and individuals’ need for acceptance among society that takes precedence over the price issue. Another example proves relevant with regards to only 12% of consumers considering a Starbuck’s coffee to be a luxury item, yet 93% of people viewing a Gucci purse as luxurious. In no way am I inferring that a Gucci purse in not a luxurious item; however, I believe an example scenario needs to be considered with regards to low percentage of people who consider a Starbuck’s coffee as a luxury item. For instance, a consumer purchases $5 Starbuck’s coffee everyday, Monday-Friday, resulting in roughly $25 spent weekly and $100 spent monthly, and $1000+ annually. In this time, that same consumer could have purchased a Gucci purse for less than they spent on coffee and own an item that is guaranteed to last a lifetime, in comparison to a
product that is consumed in a matter of minutes. However, individuals’ needs for instant gratification as well as their inability to see the impacts of their daily spending disguise these occurrences. Also noteworthy, 89% and 87% of respondents answered that they had purchased Starbucks’s coffee and an Apple iPhone, making it safe to say that almost all of the respondents could be identified as consumers of luxury brands. The previously mentioned statistics and described scenarios further prove the inconsistencies between the perceptions of luxury brands among consumers.

Theme 2 Results-The Luxury Consumer of Today’s Digital World:

When evaluating luxury brands in today’s marketplace and the impact of the digital age on these brands, the consumer must be analyzed. Regardless of what market is being evaluated, there is no conflict among researchers that there is in fact a new consumer to be discussed. According to a global management-consulting firm, “Many luxury brands-in efforts to engage and influence customers in every stage of the “customer decision journey” are partnering with multi-brand retailers online” (Dauriz, Remy, and Sandri). The luxury consumer that was once easily recognizable by marketers as one who was absorbed with enjoying the entire shopping experience and premier customer service no longer exists. It is evident that the digital world continues to rapidly advance and is then quickly followed by changes in consumer behavior. Therefore, the new consumer of the digital world as well as the new meaning of the luxury shopping experience must be understood. For this theme, I wanted to evaluate individuals, particularly millennials, routine path to purchase starting with the initial form of advertising contact and then seeing their preferred research tactics. When collecting this data, I wanted to gain a baseline understanding of what key factors lead to customer satisfaction and recognize what is most important for marketers to understand about the present day luxury consumer.

(1) Impact of Technology & Social Media on Consumers

In order to achieve an understanding of the strong presence of technology and social media in current consumers’ lives, I asked a series of different questions. I first asked respondents if they owned a smartphone, meaning one that typically has Internet access, and received “yes” from 100% of the respondents. My next question asked consumers (1) “which of the following social networking sites do you currently have an account with?” Following that question, I asked consumers (2) how many times per day they access any or all of their social media accounts? The graphs below depict the results:
**Impact of Technology & Social Media on Consumers**

(1) Which of the following social networking sites do you currently have an account with? (Check all that apply): ***None of the above was an option

![Chart 6]

(2) How many times per day do you access any or all of your social media accounts? (24=average of once per hour)...if you do not access daily, please choose (N/A).

![Chart 7]

**Key Points of Interest:**

- 75% of all respondents have at least one or all of the following accounts (Facebook, Instagram, Twitter, Snapchat)
- No respondents chose the “none of the above” option indicating that all 239 respondents have one of the social media accounts listed
• 18% of respondents indicated that they accessed any or all of their social media accounts at least once per hour (highest percentage was 18%)
• only 3% of participants selected that they do not access any or all of their social media accounts daily

(2) Path to Purchase Habits

After recognizing the overall presence of technology and social media among consumers, I wanted to gather data regarding path to purchase habits. Results from my survey as well as secondary research proved that technology is a way of life among shoppers in today’s world, but I wanted to evaluate how influential it was in the overall purchase path. The first question I posed asked respondents to rank from highest to lowest the form of advertisement that influenced their purchase decisions most frequently. I then asked consumers to indicate how frequently they encounter the following shopping habits/activities, ranging from strongly disagree to strongly agree (5), and there are two questions associated with this platform. The pie chart depicts the advertising mediums that influence consumers purchase habits most frequently. The second chart depicts the average response to each statement.

Path to Purchase Habits
What form of advertisement influences your purchase decisions most frequently? (please rank from highest to lowest...1=highest, 7=lowest)

Chart 8
(2) Please indicate how frequently you encounter the following shopping habits/activities: (1) strongly disagree, (2) somewhat disagree, (3) neither agree nor disagree, (4) somewhat agree, (5) strongly agree

Key Points of Interest:
- The majority of participants agreed that they were influenced or made aware by some form of social media or online advertisement about products before purchasing them
  - 79% either somewhat agreed or strongly agreed with this statement
- According to the graph, most consumers agreed or strongly agreed with the statement “When purchasing a product, I research the product online before I purchase it”; it received a mean response of 4.06. To be exact, a combined 82% of respondents agreed or strongly agree to this statement so we can infer that more than ¾ of consumers research products online before purchasing.

(3) Preferred Shopping Methods

After obtaining the results of the impact of technology on consumers as well recognizing the advertisement mediums that influence consumers most frequently, I wanted to focus more specifically on consumers’ preferred shopping methods. One question I asked respondents was “When purchasing a product or service, please move the market to indicate how frequently (% of the time) you use the specified shopping methods (0=never use method, 100=always use method). The in store shopping method received an average frequency of 64.8%, whereas the online shopping method received an average frequency of 43.4%. The next question I asked consumers was whether they
found the online shopping experience to be more convenient than traditional shopping experience? The pie chart below depicts the results.

**Preferred Shopping Methods**
Do you consider the online shopping experience to be more convenient than the traditional shopping experience?

![Pie Chart]

Key Findings:
- As noted above, the in store shopping method is used more frequently than the online shopping method
  - However, 78.3% of consumers consider the online shopping experience to be more convenient

**Conclusions about Theme 2 Results:**

My overall mission in this section of my research was to establish the predominant effect of technology on consumers’ everyday life and evaluate the common shopping habits. Considering millennials hold a great deal of the future purchasing power, I believed it was essential to analyze their behavior. I ultimately wanted to identify these new consumers’ behavior because I believe it is fundamental for constructing accurate luxury brand marketing strategies. First and foremost, I believe my survey results proved pivotal in supporting the strong presence of technology and social media in today’s world. With 100% of respondents owning a smartphone, 95% having a Facebook account, and 18% of those checking one or all of their social media accounts once per hour, these statistics leave no room to deny the momentous presence of the digital
world. In my hopes to understand the purchase path to consumers, I found that word of mouth influences consumers 50% of the time followed by some form of social media advertisement 34% of the time. The important aspect to realize about these statistics is that social media advertisement outweighs all other forms of traditional advertising by significant figures. Also it is important to realize that in today’s digital world, word of mouth is not confined to just conversing with friends in person, rather it includes conversing with friends via Facebook, Instagram, Snapchat, etc. So, it is arguable that consumers could be influenced by advertisements via technology as much as 84% of the time, which affirms my previous results. It also must be noted that 82% of respondents said they research products online before they purchase it, and an astounding 78.3% said they consider the online shopping experience more convenient. Furthermore, a graph that was previously explained in my Theme 1 results and can be found on page 16, proved extremely relevant for this analysis. When identifying a product/brand/service as a “luxury good”, a mere 3% believed that the service experience was the best indicator. This statistic is shocking for an industry that was at one point consumed around offering an exceptional shopping experience for their customers. I believe the results represented above speak for themselves regarding the new consumer that has emerged in today’s world.

**Theme 3 Results: Strategic Flexibility in Marketing Luxury Brands**

Upon researching luxury brands strong presence in today’s marketplace and proving the impact of the digital age on consumers, I wanted to discover what this means for the marketing of luxury brands. For many industries it was evident that they must create a strong digital presence in order to retain their customer base, but the luxury industry faced more of a challenge. Many brands feared what a strong digital presence would do to their image and exclusivity, while others claimed that luxury consumers cared too much about engaging in a premier shopping experience to ever purchase products online. When analyzing a significant amount of secondary research, I found that many luxury brands were still uncertain about what marketing approaches to take in this era. Through my primary research, I wanted to identify the importance of luxury brands in accepting the changes in the marketplace and provide relevant statistics to why a digital presence is necessary for prosperity. The topic of the new digital consumer that was previously discussed in theme 2 overlaps with this theme because it is imperative for marketers to realize this consumers’ presence in order to implement the best marketing strategies. Luxury brands must acknowledge that their entire industry has changed from what it once was, and they must find the best ways to accommodate their current clientele. I wanted to continue my research by gathering some personal aspects from respondents that I believed would prove relevant in showing the importance of a digital presence for luxury brands. When collecting and analyzing results, I sought to understand what the ideal shopping experience was for consumers and what factors were significant when purchasing luxury products.
(1) Consumer Purchasing Decisions

As previously mentioned, theme 2 and theme 3 are connected because the consumer must be understood in order to market a brand properly. However, in analyzing the results from my survey, I have broken down responses in a way that I feel best fits each theme. With that being said, the next set of questions will involve consumer-purchasing decisions; however, I believe these questions are more appropriate for proving the flexibility that is obligatory for luxury brand marketers. I began by asking respondents to rank a series of statements according to how strongly they agreed (5) or disagreed (1). The graph below depicts the results, displaying the mean response to the 3 statements.

**Consumer-Purchasing Decisions**

Please indicate how frequently the following shopping habits/activities: Strongly disagree (1), somewhat disagree (2), neither agree nor disagree (3), somewhat agree (4), strongly agree (5)

Chart 11

Key Findings:
- The majority of respondents prefer to physically purchase a name brand product in store
- According to the graph, the majority of respondents, 29.7% to be exact, disagree with the statement, *When purchasing a “name brand” product online, I will ONLY purchase it from the authorized website*
The majority of respondents either agreed (36.9%) or strongly agreed (36.0%) with the statement, “When purchasing a “name brand” product online, I search for the best deal and purchase it from that source”. From this we can infer that nearly ¾ of consumers search for the best deal.

The next question I asked respondents was to rank the key factors that lead/would lead to customer satisfaction when purchasing a luxury product online, with 1=highest, 4=lowest). With my target age group being millennials, a generation that has grown up with technology, I felt that their responses would prove beneficial. The results of this graph is depicted below:

**Customer Satisfaction Factors**

When purchasing a luxury product online, please rank the key factors that lead/would lead to customer satisfaction (1=highest, 4=lowest):

<table>
<thead>
<tr>
<th>Factor</th>
<th>% Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality</td>
<td>76%</td>
</tr>
<tr>
<td>Delivers in the correct time/place</td>
<td>11%</td>
</tr>
<tr>
<td>Website functionality (ex: easy to navigate website)</td>
<td>16%</td>
</tr>
<tr>
<td>Easy access to customer service</td>
<td>5%</td>
</tr>
</tbody>
</table>

Key Findings:

- 76% of respondents place “product quality” as the number 1 factor for customer satisfaction
- Based on the results, only 5% of respondents place “easy access to customer service” as the number 1 factor for customer satisfaction

At this point of my research, I had a few other questions that I believe could prove useful to my research. First off, I wanted to know how many of the respondents currently had an Amazon account, and if they did, whether or not they had Amazon Prime. The last question I posed stated, “In the future, would you consider purchasing either of the following products online?” The following graphs display the results:
Amazon Accounts
Do you have an Amazon account?
Chart 13a

If yes is selected → Do you have an Amazon prime account?
Chart 13b

Future Purchase Behavior
In the future, would you consider purchasing either of the following products online?
Chart 14
Key Points:
• 81% of respondents currently have an Amazon account, and 61% of those individuals have an Amazon Prime account
• A mere 12% of respondents would consider purchasing a wedding ring online in the future, and only 15% would consider purchasing an automobile
• ¾ of respondents claim that they would not consider purchasing either a wedding ring or an automobile online in the future

Conclusions about Theme 3 Results:

The predominant goal of this section was to gain insight on what the impact of the digital age has done for luxury brands’ marketing strategies. As discussed, I knew the consumer had evolved in their shopping habits, but I wanted to examine what this meant from a marketing standpoint. I believed that targeting millennials would be advantageous because this generation grew up in the digital world, but has also been exposed to the traditional luxury shopping experience. When analyzing my survey, the responses to these questions proved very interesting. The questions involving consumer-purchasing decisions suggested that the majority of respondents would prefer to physically purchase a luxury product in store. Another key finding was that the majority of respondents disagreed with the statement that addressed only purchasing luxury brand products online from the authorized retailer; furthermore, almost 75% of respondents agreed or strongly agreed that they would search for the best deal online and purchase it from that source. Statistics also proved that 76% of respondents believed that product quality would be the most important factor in guaranteeing customer satisfaction when purchasing luxury products online. The more shocking statistic from this question was that a mere 5% of consumers selected “easy access to customer service” as the top factor. This statistic provides extremely pertinent because it reveals that when purchasing online, consumers are no longer as focused on the service provided by the brands, rather that they are focused on receiving a product worth the price they are paying for it.

I concluded this theme with a few personal questions for the respondents. Upon analysis, I believe the responses support my point about the luxury market needing to take an omni-channel approach. A considerable 81% of respondents stated that they have an Amazon account and 61% of those have Amazon Prime accounts. These findings alone show that almost all of the respondents have bought or researched products online at some point, and the majority of those individuals care about fast service and free deliveries, as those are benefits associated with Amazon Prime accounts. When asking consumers whether they would consider purchasing a wedding ring or a car online in the future, 77% responded by saying they would purchase neither. I believe these findings reveal that luxury brands must continue to provide exceptional customer service in stores, as many consumers are adamant about buying certain products there. Furthermore, I believe the responses confirmed my secondary research which suggested
that luxury brands’ digital presence is not just for the purpose of sales and distribution, rather it is for informing and engaging customers.

**Limitations:**

One major limitation of this study was the unanticipated length of the survey. There was a fairly substantial amount of respondents who began the survey but did not complete it, which I believe is due to the number of questions administered. In the brief describing the survey, I stated that the survey should only take 5-10 minutes. I believe that I might have underestimated the time expectations of this survey due to my familiarity with the questions. In the future, I would perhaps administer the survey to individuals who had never seen the questions before and see how long it takes them to read through the questions and formulate responses. This method would then allow me to better inform individuals about the time needed to take the survey and hopefully would decrease the dropout rate, allowing for more authentic data to be gathered.

Another limitation of this study was the format of the questions administered to survey respondents. I believe I should have considered more closely how I would be analyzing the data and what results I would want to be documenting with regards to my research. For instance, I asked many questions that asked respondents to indicate how frequently they encountered specific shopping habits, on a scale of 1-5 with 1 being “strongly disagree” and 5 being “strongly agree”. However, on this scale, I included a neutral response of “neither agree nor disagree”. Upon reexamination, I would have not included this option because it gave individuals a quick and easy outlet and did not provide the most accurate responses. I believe if I would have structured the questions more precisely, respondents would have been more specific in their responses and the data would have been less obscure. I believe these changes could have me more convinced in my findings as well as more assertive in my recommendations.

**Recommendations and Conclusions:**

Initially, I set out to discover the impact that the digital age has had on luxury brands. Before even beginning research, I was aware that technology had significantly affected consumer-shopping habits in every marketplace and every industry. Being a millennial myself, I have grown up in a world where information is available within seconds and technology is a part of everyday life. However, this point is when I began to wonder just how much technology must have impacted an industry that was built around providing consumers with a lavish shopping experience and offering exclusive products. Once I began researching this specific topic, I discovered a multitude of aspects about the entire luxury industry itself. I became aware of the considerable presence of the luxury market in the overall economy, and noticed that perceptions varied greatly when defining this market. It was at this point that I realized in order to successfully understand the impact of the digital age on the luxury industry, I must evaluate the different perceptions associated with luxury brands. Upon researching more, I
recognized a problem within the luxury industry with brands struggling to accept what the digital world means for their marketing strategies. Throughout my research, I believed that by interpreting consumers’ perceptions on luxury brands and assessing shopping habits, I could then determine what the digital age really means for the marketing of these brands.

It was apparent through my compilation of secondary research as well as primary research that luxury brands have been and continue to be perceived in contrasting ways. When conducting my own research, it was revealed that individuals not only perceive these brands differently, but that some recognize them in a very positive manner and others a more condescending manner. Words such as “rich” and “egotistical” were used to described luxury brands. One aspect was agreed upon, and that was that the majority of respondents associated the word “expensive” when hearing the term luxury brand. The majority of respondents also agreed that quality is the best indicator for identifying a luxury item. When asking an open-ended question on my survey regarding indicators for identifying luxury products, I received many contradicting responses. Some respondents identified luxury products as ones that are rare and unique, whereas others identified them as popular and known. Other contradicting results emerged when respondents were asked to identify which brands or products they considered to be luxury items. Only a slight amount of respondents identified Apple iPhones, a product ranging from $400-$600 as luxury items, yet 70% of respondents immediately associated the term expensive with luxury brands. It is my consensus that the popularity of the Apple iPhone enables individuals to disregard the price associated with the item and therefore not view it as a luxury item or brand. The inconsistencies that arose with responses from my survey confirmed my previous secondary research about the elusive meaning of luxury brands. In conclusion, I believe that perceptions towards the luxury market are more influenced by individuals’ feelings towards others that consume these products rather than the product itself. I also think that the statistics prove that consumers continue to contradict themselves when identifying luxury brands.

My second theme dealt with analyzing the luxury consumer of today’s digital world. It is apparent that regardless of individuals’ age or generation, everyone’s shopping habits have evolved in some way. For marketers of luxury brands, it is of extreme importance that the consumer of today’s world is accepted and targeted correctly. However, in order for luxury brands to properly market their brands, their consumers must be analyzed. For the luxury industry, the impact of technology has arguably had one of the greatest impacts on change in consumer behavior due to the shopping experience being such a pivotal part of the past. As previously mentioned in the results section of theme 2, 100% of respondents own a mobile device, 95% have a Facebook account, and 97% check all or one of those accounts on a daily basis. These statistics in themselves prove the role of technology in consumers’ current daily lives. Furthermore, social media proved to be the 2\textsuperscript{nd} largest advertising source to respondents falling behind word of mouth. Another convincing statistic to the impact of the digital age is that close to 80\%
of respondents agreed to researching a product online before purchasing it. Furthermore, a majority of consumers admitted that they believe the online shopping experience to be more convenient. These results suggest that the current consumer of today is tech-savvy, influenced by some form of digital advertising, and believes online shopping to be a beneficial method.

The analysis of the current consumer in my second theme is pivotal in explaining why luxury brands must make changes in their marketing strategies. For theme 3, I wanted to prove why luxury brands must be flexible in their ways and accept the changes that have occurred within the industry. I began this research by evaluating consumer purchase decisions, and discovered that the majority of respondents would still prefer to purchase a luxury brand product in-store. Furthermore, my survey revealed that the majority of consumers would search for the best deal when purchasing a name brand product online, and are not concerned with purchasing it from the authorized website. However, when purchasing a luxury product online, respondents disclosed that product quality is the key factor for customer satisfaction. Other results divulged the fact that 81% of respondents currently have an Amazon account, and the majority of those have Amazon prime. It was through my analysis of secondary research that I discovered the importance of luxury brand’s acceptance towards the digital world; however, it is through my primary research that I am now able to provide recommendations for the marketers of this industry.

As I discussed throughout my research, consumers’ perceptions of luxury brands are conflicting and unpredictable. I believe these inconsistencies have existed since the beginning of this industry and will continue to exist for a variety of reasons. Nonetheless, I believe the important aspect to focus on is that luxury brands presence in today’s marketplace continues to expand. It is my recommendation that marketers of the luxury industry first comprehend the new consumer of the digital world, and then recognize the importance of accepting the digital ways. I believe that luxury brands can prove their value and worth in unique ways and implementing an omni-channel marketing strategy is important for success. For example, my survey indicated three important results for this scenario: First, product quality is the key for customer satisfaction. Second, respondents stated that they believe the online shopping method to be more convenient. Third, they responded by saying that they would search for the best deal and order from that source when purchasing a luxury product online. One suggestion I will present is that luxury brands use 3rd party retailers, much like the Gucci example previously described, in order to satisfy customers’ wants and needs. Not only will they profit, but they can also prove themselves as a luxurious brand by giving the client exactly what they want and when they want it. Another recommendation deals with luxury brands that are hesitant on accepting a digital approach due to the high expense and low return on investment. However, I want to propose the fact that my survey revealed that a majority of consumers are made aware of products or brands by social media, and also a majority of consumers research products online before buying.
These statements prove that a strong digital presence cannot be measured just by sales figures but rather should be measured by the interaction and engagement they provide for consumers. In today’s world it is no longer just about providing quality in person customer service but also about properly appealing to their consumers online. This statement can be confirmed by the marketing director of Jaguar Land Rover Laura Schwab when she states, “The implication for motoring brands is that winning that dealership visit requires engaging first with the customer online, and ensuring that compelling digital content is available” (Anderson). Whether consumers are simply the targets of digital advertisements or they are avid online shoppers, the fact of the matter is that the digital world of shopping is here to stay and luxury brands need to welcome it. In no way am I suggesting that every luxury brand follow these exact recommendations, rather I am implying that the digital world’s presence must be accepted and appropriate marketing strategies must be implemented to ensure long-term brand success.
Sources


Sources of Illustrations:


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