CHAPTER 4: THE PROBLEM / HYPOTHESIS

Consumer Behaviour towards the purchase of Luxury Goods & Services

Family background, cultural exposure, exposure to other cultures through travelling, family background and social circle affects consumer behaviour.

The definition of luxury for social and behavioural psychology comes from motivations of luxury products consumption. These are based on external or interpersonal factors, for example influences, outlook, approval and interaction with other or suggestions from them. Internal factors involved are emotions and feelings that stimulate luxury goods acquisition and consumption. (Hauck & Stanforth, 2007)

Extravagance commodities are purchased moreover for societal acknowledgment and standing in the civilization

New research reveal that opulence brand possess “meaningful & emotional values which are higher than their elegant efficiency” and “probably give personal intangible settlement” (Johnson & Vigneron, 1999).

Laurent & Dubois (1996) before now mentioned that the expressive meaning is as very significant distinctive of premium commodities. It was assured & guaranteed “enormous popular undertaking to the sybaritic is the only motive an human being purchase expensive commodities individual satisfaction & contentment.

Consumers tend to purchase for emotional reasons. Strong brand command an exclusive premium due to exceptional quality.

The research studies will provide insights in to the following questions:

- Which is that factor that triggers buying of luxury lifestyle product?
- Who influences their decision making process?
- How often they indulge in buying of luxury goods or services?
- Do they prefer buying from India or abroad?
- What are the qualities that they look for whilst buying the purchase of goods?
- Do they bargain / or ask for discount?

Status Consumption & Consumer Behaviour
Consumers today purchase premium high price goods for one individual stature amongst their peer group. The consumption usually involves procurement of premium products. They are generally not procured by the individuals on regular basis rather on special occasion. As Indians, we have lots of reasons to celebrate occasions by inviting our friends & boasting about our arrival in the society.

Several customers buy these premium commodities to gratify the objective desires other than also their societal wants. Through their social standing many consumers try to impress their peer group or boast their status in the society.

**Interpersonal Influences & Consumer Behaviour**

With the increase in national wealth individualism also increases, as has been asserted by Prof. Geert Hofstede. Consumers shift to higher degrees of individualism as a result of this increase. This affects accumulation of information cues by consumers in the market. Added to the increased individualism is the exposure to the availability of easy credit through financial instruments like credit cards, loans, and debit cards etc. These result in the creation of culture that is oriented towards regular consumption. In addition to these dedicated websites, review websites, blogs and other technological tools aid information gathering by consumers regarding their choices of brands and luxury products. Knowledgeable experts run blogs and dedicated websites about hi-end luxury products. Objectively organized relevant information prevents consumers from relying on interpersonal informational influences, which are generally unreliable because of their subjective nature.

The results of the research suggest that significance of interpersonal influence across the markets is great. For strategic campaign building this result has significant implications for the management. Here is an opportunity for standardization of campaigns across collectivist and individualist markets. Normative influences of the interpersonal kind are opportunities for standardization and results related to interpersonal informational influences recommend the need for adaptation. Social networking plays a powerful role in engagement and interaction with existing and potential customers. Indian luxury market’s key growth factors are:

**Increment in the number of H.N.I.:** The rate of increase of number of H.N.I.’s has been 51%. The current number of H.N.I. individuals is 182,000 as opposed to 156,000 millionaires in 2011.
**Increased Knowledge/awareness:** The customers today are well informed, widely travelled, aware of a wide variety of brands and styles.

**Brand outlets have increased both in size and number.** Malls like UB, Emporia, Atria, Quest and Palladium cater to exclusive brand stores.

**The culture of splurge has replaced the culture of saving:** The younger generation engaged in jobs that make disposable income available make this culture thrive.

**Rise of consumerism:** Patterns of expenditure are changing with the rise in urbanization, awareness in people and education level.

**Exposure to media:** New insights regarding high end luxury items and brands are available in Luxury magazines like Millionaire and Robb Report.

The New Luxury consumers are divided in the following categories:

**The Achievers / Champions:** This particular segment indulged in luxury, they have inherited wealth, large exposure to travel, owns luxury jets, world class living, travelling in style, prefers fine dining & high spending in nature. They are usually the opinion makers in the society, lot of people in the society usually lead or follow them. They are role model in their particular inner circle / clubs. This particular segment has high level of super – id ego & always needs to be pampered & they usually command bespoke services.eg Family Owned Business Honchos. (Vigneron and Johnson, 1999).

**The Novae Rich/ Acquirer:** This particular segment has spending power; they are acquiring orientation to luxury. They want to be associated with expensive games like golf & polo. Today lot of head of private Bankers, & Wealth Management, Company CEO, Director of blue chip companies are under in this category.

**The Rich / The Climber:** They aspire to be there in that particular segment, often indulge in luxury occasionally. They usually spend on high end electronics, children education, and better housing & luxury vehicles. Today, lot of earning women are under this category.

**Mid Affluent:** They are acquiring orientation to luxury, however at times occasionally they buy fake branded goods to show off among their peer groups to get the social status in the society.
HENRY - High Earners not rich yet: They have money, but no knowledge & awareness on the luxury brands. At times, they can't even pronounce the brand & are generally shy in nature.

Value Conscious: This particular group believes in are cost-conscious and seek “value” even whilst buying branded luxury products. Lots of Indians would fall under this category.
Different Types of Luxury

Premium Luxury

Brands like Gucci, Louis Vuitton, Hermes, Jimmy Choo, Christian Dior, form a part of this high-end segment. They cater to their customer segment by prior appointments only. Today, the seller care for the buyer’s needs, desires & aspirations & try to fulfil the same by offering their premium goods.

Mass Luxury

It is known as Mass Luxury, Masstige or the affordable luxury. It is combination of mass market and esteem brands which are showing favouritism with the uber rich consumer who have aspirational tastes, but down-to-earth value-consciousness. Zara represent the thought & inspiration of retailing experience and trend to fashion lovers of premium lifestyle for their attire, boutique and marketing. In consideration of changing consumer behaviour of today, for the purpose of attracting middle class consumers, new brand positioning tactics are called to merge reasonable pricing with a higher perceived prestige. These strategies are in complete contrast with the strategies implemented by owners of traditional luxury brands. The older strategy was to maintain consistency between price premium and perceived prestige and preserve brand exclusivity. (Vigneron and Johnson, 1999)
Fashion Luxury
Levis, 109F and Mango are brands affordable for women holding important positions at workplace. They are known to announce their presence to the world on arrival. The brands of their choice are easily available at luxury malls and branded stores.

With the ubiquitous burqa, the possibilities for Muslim women to display their status are limited. Accessories such as jewellery and handbags provide the opportunity of standing out of the crowd in such environments. There is a great significance to defining fingers or the wrist with expensive jewels when the rest of the persona is hidden behind a veil.
**Characteristics of Indian Consumers**

Indian consumers are known for seeking high levels of validation and value for their purchased goods. Indians have been labelled as one of the most “discerning breed of consumers” in the world. Unique strategies for pricing are designed in the luxury brands market to ascertain a good foothold in Indian market. Large family orientation is given a great significance which considering the Indian consumers. Extended family and friends are included in this orientation. A sure shot way for acceptance and popularity in Indian markets is identification with a culture that boasts family values. These consumers also associate value with nurturance, affection and care. Ambition and achievement hold position at a lesser value. Products that communicate sentimental values gel better with the Indian consumer of the traditional kind.

In addition to economics and psychology, tradition and history occupy an exceptional role in shaping of behaviour of Indian consumer. Therefore, exclusivity of distribution, craftsmanship of products and prices suggesting indulgence constitutes the vision of brands. Great luxury brands have as well learned the skill & talent of forming & generating a remarkable & astonishing buying knowledge & understanding for buyers.

**The Snob Effect**

The pleasure & joyfulness of owning a stunning thing or the emotion & sentiments of owning a well-known premium product, worldwide signs and international values of lavishness speak to everyone in the same manner globally throughout the globe. One has to be aware & acquainted with high premium products. To respect is the quintessence & personification of such premium goods which is the explanation to the appreciative & admiration of premium commodities.

As observed by Leibenstein (1950), the desire to purchase such high expensive & rare goods is extremely multifarious. It takes into relation between the individual private and expressive needs (individual possessions), and persuading power from individual conduct (social relation result) headed for purchase for high premium branded goods.
The desire to purchase premium goods result which additional elucidate during situations. Initially, instigate on recent commodities generate sophistication & acquire goods before everyone. The high and mighty customers merely buy "rare & scarce things which are elevated worth & price, while which are willingly accessible are comparatively not as much of attractive & pleasing. Uncommon exclusive objects demands admiration and esteem" (Solomon, 1994, p.570).

Goods that are viewed as exceptional, fashionable, high-priced is the reason for increase higher order for customers (Verhallen & Robben, 1994), particularly the hi-end customer. Snyder and Fromkin (1977) agreed with opinion given from Verhallen and Robben (1994) approved regarding individuals usually are inclined & has higher aspiration for being exclusive & privileged.

Individuals buy goods that are stylish and elegant which connect & correlate them with same individuals. (Berry, 1994, Duquesne (Berry, 1994 Dubois (1993) elucidate so as to person with an exaggerated respect and high and mighty that has suddenly become fashionable is not identical. (pg 32)

Though the resemblance connecting the bandwagon and the high and mighty result that a person want his desire into improving one’s prestige, the separation being acquire premium expensive goods for various motivation. The fad customers buy goods so that they can be with others in the same group with the rest, while rich customer buy premium goods so they stand out from the crowd to be unique in their own class.

Customer who follow the crowd who buy the premium goods, who want to distinguished themselves as of persons who don’t buy premium brands and are inclined by the fad or the fashion effect (Vigneron& Johnson,1999)

**Hedonic Effect**

Pursuing pleasure effect occurs when customers buy opulence goods and importance is given to the thing. Individuals who acquire goods for one’s fulfilment of one’s hope & ambition (e.g. inside customer) Riesman, et al., 1950, or role relaxed consumers, Kahle, 1995), persons which don’t get influenced by (For instance
meeting the requirements to crowd standard (Bearden, et al., 1989) symbolize the pleasure effect.

Also Groth and McDaniel, (1993, p.10) stated that “elevated price might still make definitely commodities or service which is desirable, because people view high price with large excellence. (Rao & Monroe, 1989).

Furthermore, people view high price with excellent craftsmanship & superiority (Vigneron and Johnson, 1999).

Since customers acquire extravagance high premium commodities, persons have changed purpose, position customers would like to be connected with commodities which have status qualities (e.g. increase a person’s social standing in the society) acquisitiveness associate oneself with goods (rank and non-rank) and “significance customer attach to sophisticated possessions” (Belk).

**Figure 2 Customer Value for luxury fashion brands**

The Indian Luxury Scenario

An ultra HNI is one whose net worth is at least $30 million.

The Indian luxury market presently pegged at $8 billion & expected to rise $15 billion by 2015. The Indian customer is very different & has to be catered differently.
Today, Mumbai has the highest UHNI’s which is 2135, followed by Delhi which is 1980.

<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>2013 UHNI Population</th>
<th>2012 UHNI Population</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Mumbai</td>
<td>2,135</td>
<td>2,105</td>
<td>1.4</td>
</tr>
<tr>
<td>2.</td>
<td>Delhi</td>
<td>1,980</td>
<td>1,945</td>
<td>1.8</td>
</tr>
<tr>
<td>3.</td>
<td>Bangalore</td>
<td>750</td>
<td>720</td>
<td>4.2</td>
</tr>
<tr>
<td>4.</td>
<td>Kolkata</td>
<td>635</td>
<td>640</td>
<td>-0.8</td>
</tr>
<tr>
<td>5.</td>
<td>Hyderabad</td>
<td>540</td>
<td>535</td>
<td>0.9</td>
</tr>
<tr>
<td>6.</td>
<td>Chennai</td>
<td>385</td>
<td>370</td>
<td>4.1</td>
</tr>
<tr>
<td>7.</td>
<td>Ahmedabad</td>
<td>225</td>
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<td>0.0</td>
</tr>
<tr>
<td>8.</td>
<td>Pune</td>
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<td>215</td>
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<tr>
<td>9.</td>
<td>Gurgaon</td>
<td>200</td>
<td>210</td>
<td>-4.8</td>
</tr>
<tr>
<td>10.</td>
<td>Jaipur</td>
<td>165</td>
<td>175</td>
<td>-5.7</td>
</tr>
</tbody>
</table>

(Source: World ultra wealth report 2013 by Wealth-X)

The India luxury market includes luxury assets, luxury products & luxury services.

The Luxury assets comprises of luxury abodes, premium cars, jets, yachts & art. The Luxury services includes travel, hotels, resorts, gourmet, fine dine & spas. The luxury products includes clothing, accessories, jewellery, watches, electronic gadgets & wines.

Because the concept of luxury is built on perception of the consumer which is subjective, it is a complex concept. The meaning and significance of luxury is established by interpersonal and personal motives. The full understanding of the complexity of the concept of luxury is possible only with an accurate description of luxury, luxury brands and luxury goods. A discussion on trademark fairness for premium brand will pursue.

These primary motive, which the magnificence segment is based on are:
Live in Style – Electronic gadgets, Luxury abodes and arts
Travel in Style – Helicopters, luxury yachts and private jets
Play in style: Golf, Polo
Celebration in style: Wedding & Parties
Look good – jewellery, apparels, watches and handbags
Taste the best – Gourmet, Fine Dine, organic food and Fine dine
Feel Good – spa, cosmetics and perfumes
Bespoke Entertainment – Watching the live world cup
Food for the Inner Soul – Yoga & Spirituality

Hypothesis

As per Kerlinger, hypothesis is relation between two variables.

1. Identifies & define the problem
2. Determine the hypothesis
3. Collect & analyse the data
4. Formulate Conclusion
5. Apply conclusion

Null hypothesis is one wherein the researcher rejects / disapproves & there is no statistical significance exists in a set of given observation. This hypothesis is denoted by Ho.

Alternative hypothesis is denoted by H1 or Ha that sample observation are influenced by inequality or not equal to symbol.

The level of significance refers to a condition of decision upon which a choice is made concerning the significance mentioned in a null hypothesis.

Hypothesis is the main important during the investigation, the important purpose is recommend new information & function.

An assumption may perhaps be able to describe as a proposal put onward description for the incidence of a number of precise collection of experience. A
research proposition is an analytical assertion competent of being experienced by systematic manner.

As noted by Erich Rogers, hypothesis are singles cautious guess, good premonition – assumed for use in formulating theory or scheduling research projected to be given a direct tentative taste when probable.

The hypothesis has basically to be followed in the following steps:

1. Set the Hypothesis
2. Set the criterion for decision
3. Compute the statistics
4. Make a decision

In his book Making Democracy, Robert Putnam developed a theory that social capital make government more responsive & he tested several hypothesis.

There can be different types of hypothesis such as the following:

- Null hypothesis where there is no relation between the two variables
- Correlative hypothesis where there is a relation between two variables
- Casual Hypothesis which states that one variable cause the other

- Proposition must be **refutability** is the rational opportunity that a statement could be shown false by a particular experimentation and research.

- Proposition must be **inside reliable & constant**, that is that they must prove & verify what they assert to be confirm and must not contain any reasonable or investigative disagreement

- Proposition must have **evidently distinct & definite result** (dependent relative variables) that are both dependent comparative and vary based on the dependent variable.

- Proposition must be **wide-ranging** and should aim to elucidate as much as possible with as little as possible. As such, hypotheses should have as few exceptions as possible and should not rely on unstructured concepts like ‘national interest’.
• Proposition must be **tentative statement** that is offer about interaction that exist in the real world.

• Proposition must be **rational** (there must be a logical reason why they might be true) and should be detailed (the relationship between variables must be expressed as explicitly as possible) and directional.

![Diagram of Hypothesis](image)

**Figure 4 Hypothesis**

**Analysis of Hypothesis: Income**

• H1 There is a direct association involving income & consumer’s acquiring of luxury.

“We procure although we are occupied in some occupation to earn in command to devour” (Tatzel 2003, p.405).
Value one of the item for consumption characteristic of brand name relations where it can be an significant relations in the formation of brand name perception, regarding their worth, importance & appeal and is a criterion by which customer classify their market or their knowledge.(Batey, 2008).

As cited by Goldman (1999) customers ranging in middle level class aspire & utilize lavishness commodities to accomplish elevated upper rank have knowledge & understanding regarding their social standing & prestige, while middle class buying luxury goods & services are not concerned about the status, but their individual happiness and confirmation that they have got the independence of prosperity.

According to Vatikiotis’ (1996) did research in motivation from the middle working class customer to purchase luxury commodities, the reason being, requirement for rank and position. Inspiration regarding the luxury acquisition dissimilar will vary as per their earnings & purchasing power. As noted by Goldman customers from middle class consume premium extravagance commodities for accomplished status in the society, as they are more aware about status, while the upper class buying high premium luxury products do so not only because of the need of position but also for their be in possession of individual happiness, comfort and statement and confirmation that they have got the free will of prosperity.

**Analysis of Hypothesis: Quality**

- **H2 :** There is a direct association between superiority assessment & consumer acquisition of luxury

“Today, offering excellent quality is indispensable, further the best & finest market maintains & develops guidance & control in providing impeccable quality” (Quelch 1987, p.39).
Wong & Zaichowsky (1999) simulated during experiment, wherein he established, better the brand, design, illustration, knowledge amid the consumer simultaneously join with the supposed superiority from the luxury branded, more is the variety fondness for the acquisition for a branded product.

The product names offer the customer an external indication, entailing high excellence and sinking the investigation and in sequence phase of the conclusion and building course of action (Aaker 1991; Keller 1993).

It is frequently accepted that an opulence luxury product will be of superior class than not so premium products in the same class (Garfein, 1989; Roux, 1995). The superior the excellence of extravagance commodities is thought to be an important feature in catching the fancy of customers (Rao & Monroe, 1989; Tsai, 2005).

Customers have a propensity to choose high quality goods not only consider the presentation of exceptional product quality at the same time bring more awareness to the expansion of the price of commodities they buy is not just a product, but get pleasure whilst buying this luxury goods. The belief of well-known service, and this facility is an adequate amount to realize that the buyer is an stylish & graceful, the identity of the successful people, are also brought to experience this service to give its psychological implications of encouragement creating an intelligence of supremacy & power.

**Analysis of Hypothesis: Hedonic Value**

- H3 There is a direct association between hedonic & consumer buying of luxury

To consume premium goods which is quoted like a belief for pleasure-seeking, Richins (1994) argues regarding the extremely acquisitive persons might increase happiness as of just purchasing and show evidence of their belongings & wealth, to a certain extent, than from in reality make use of the product.
The stylist customers look for representative and well-designed payback which have a contact on their understanding & acquaintance. (Leung et al., 2000).

Premium products & services bring an expressive significance and provide natural pleasure & satisfaction, besides, well well-designed price (Oliver 1991, Westbrook Sheth et al. 1991 Hirschman and Holbrook 1982)

Investigation in luxury splurging has revealed with the intention of luxury commodities probable to give this type individual indefinable advantages (Laurent & Dubois 1994). Furthermore, study relating to the perception of luxury has constantly recognized the expressive feedback associated to luxury utilization, specific like contentment and enjoyment, artistic, sensual, attractiveness, or pleasure (Roux and Floch, ; Fauchois and Krieg 1991; Benarrosh-Dahan 1991 1996; Vigneron and Johnson 2004). Therefore, high-living describe the superficial individual value and essentially striking property acquire from the procurement of a luxury make stimulate belief and emotional condition, arriving from individual accolade and accomplishment (Westbrook & Oliver 1991 Sheth et al.1991 ;)

Analysis of Hypothesis: Brand

- H4: There is a direct association between premium product & customer acquisition of premium opulence

For several customers brand names symbolize healthier choice (Ginden 1993). In compare to the business outlook a brand name is somewhat customers identify and will react to (The Economist 1988). The eventual rationale of brand is to create a reflection (Cleary 1981).

As noted by Ulengin & Ataman (2003), strong point regards to the association linking between customers along with product attitude, reveal linking the customer hold material along with emotional desires besides the brand of purposeful characteristic
along with representative principles while apparent via customer. (Hankinson & Cowking, 1993)

Analysis of variance (ANOVA) is a collection of statistical models used to scrutinize & estimate the difference between compilation means and their attached dealings (such as “variation” among and between groups).

Churchill (1991, pl27) defines an advertising investigation plan as “the composition understanding in favour of knowledge utilize since a lead to collect as well as examine information. Subsequently the proposal which is pursue in implementation of the study.

Churchill's (1991) reproduction of survey expansion & improvement provides a comprehensible gradually sequence of rule with a brief way for the accurate and methodical preparing of the opinion poll

This follow a line of investigation consisted of evaluation of available information and discussion with online periodical and Robb Report & Millionaire publication mostly regarding luxury customer behaviour description, innovative trend with reference to the opulence segment

The secondary research is deep research regarding the information & understanding about luxury business and its individual personal fashion & style but also to be aware of the argument, the manufacturer need to keep in mind that buyers are evolving & the products too are evolving with time progress of the economy both personal level as well as the manufacturing one.

Empirical methods such as qualitative and quantitative studies are applied in order to attend to the particular research problem. The decision which one of those two implement depends on purpose of study. The present thesis is focusing on test of the hypotheses therefore the quantitative research approach is more favourable for it.

The main means of collecting quantitative primary data in marketing research by way of questionnaire. Different methods such as survey questionnaire s face to face interview / telephonic call.