

ARE LUXURY/PREMIUM PRODUCTS DIFFERENT?

**Do they share attributes and purchase patterns with
non-luxury/non-premium products?**

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Abstract

Background and Research Purpose

Luxury brands belong to one of the fastest-growing product categories with the highest profits. Most of the recent research of luxury/premium products has been conducted without describing or agreeing on the definition of the actual terms. Marketing and brand managers need to understand what attributes consumers associate with luxury/ premium products. The first objective is to understand what attributes consumers associate with luxury and premium products, and the price points to which consumers perceive these attributes to belong. The second objective is to establish whether actual consumers' purchase patterns of luxury/premium products are similar to the well-known purchase patterns for non-luxury/non-premium products in the marketplace.

Overview of the Data and Method

This thesis consists of two stages. A sample of $n=509$ in 2012 was collected, examining four product categories (wine, spirits, watches and perfume) and analysed using best worst scaling and deviation analysis. Stage two is based on panel data provided by Groupe Auchan for wines and spirits and was analysed the Dirichlet model and the polarisation index.

Key Findings

- Premium quality, authentic/trustworthy brand and good brand reputation/status are associated with luxury/premium products.
- The terms luxury, premium and antique/old vintage, consistently cluster around the highest price points.
- When the product categories are split into the sub-categories luxury and non-luxury, the luxury subcategory's purchase patterns are slightly different from the non-luxury patterns.
- Luxury/premium products achieve higher loyalty levels than their counterparts.

Contribution and Implications of this research

The results provide an understanding of the attributes that are important for luxury brands. The consistency of the results across the four product categories provide lead us to expect similar results from other product categories. It is now possible to focus on fewer attributes that have high associations with luxury/premium products. This helps formalise a definition of what luxury is from a consumer's point of view.

It also shows marketing managers what attributes luxury/premium products should possess in the minds of consumers, which allows managers to differentiate luxury products from regular products. The fact that both the luxury and premium attributes were correlated to the highest price point suggest that the two terms should be considered as one concept. This clarifies some major concerns from previous research about whether there are distinct attributes that differ between luxury and premium products and provides a foundation for future research.

As far as the researcher is aware, the second research stage is the first research to investigate actual purchase patterns for high-priced products and compare them to low-priced products in the same category. The results show that there is more loyalty to luxury and premium products compared to regular-priced products in the same category. This finding has been postulated, but never shown empirically. The luxury/premium market is growing, and the findings in this thesis contribute to our knowledge of what constitutes a luxury/premium product and at what price points these products are perceived to belong. Further implications are outlined along with limitations and directions for future research in the thesis.