

The Power of Affordable Luxury Through Emotional Intelligence and Relevance

Athul Thomas

Abstract:

The overall economic uplift around the globe in various market segments, larger exposure to western world, changing attitudes, habits and needs of the new young and middle market have created an overall need for a platform that caters to aspirational shoppers seeking good quality products and services under the tag and label of well-known brands. This created an overall shift in the way luxury houses have been viewed and saw the emerging of chic brands that categorized themselves under the terminology of “affordable luxury”. This movement also saw the rebranding themselves into a more affordable category. The concerned study explores into the meaningful parts of understanding how the impact of affordable luxury has created differential satisfaction points for consumers. It further explores the study of how there is a larger connection of emotional sensitivity in all purchasing decisions made by consumers. The holistic market value creation of the concept of product relevance is also taken into consideration to understand the feel of consumers in knowing what they want, how they want and when the process incurs.

Keywords: Consumers, FMCG, Affordable luxury goods.

Introduction:

Every one love Luxury. Be it in cloths, cars, phones, food, travel and what not. Luxury not only means things which are expensive but directly relates to various other factors like quality, features, services, technology and experience. Let’s understand it with an example. There are 100s of mobile manufacturers in world but when we talk about Luxury segment there are handful companies we all know like Apple. Now Apples products are costly cause of their build quality and the experience they provide to their customers. In India, Apple is still comes into Luxury goods where in other countries it’s not the same. The concept of Luxury itself is very subjective in nature, it depends and varies from person to person and depends on various factors like Income, Personal preferences and many more. In economics Luxury goods or upmarket goods are whose demand increases more than proportionate increase in the income level with the goal that uses on the great become a more prominent extent of by and large spending. Now, let’s talk about Affordable Luxury, in a layman’s term we can say that these goods/ segment tries to provide quality end products on a affordable price range. The segment of Affordable Luxury was not possible decades ago cause of Low Average income level. When the Income level of Increased in previous decades, so increased the segment of Affordable Luxury. There are various ways we can understand this upliftment of Affordable Luxury. Two best possible ways to understand it by understanding-

1. Emotional Connection is given more importance than Service Quality
2. Relevance of the product/service is of higher value than Customer Loyalty

The luxury goods industries have been facing quite a number of significant changes over the past two decades. Currently, varying consumer preferences and tastes, evolving economic trends and rapid digital transformations have paved way for a new competitive landscape where traditional corporate understandings and strategies are under threat. The truth whether the global market growth scenario is going to be in single or double digits will depend on a large number of factors, including the larger effect of geopolitical situations and impact on tourism. On the positive note, research and studies show that the Luxury segment market will continue to thrive despite all the large odds, unlike some of the other industries. The global marketing scenario is deliberately being dissected to form a pattern that is much broader and in clarity to differentiate and understand, by the normal consumer. Marketers have drawn a line between the ideology of luxury to give birth to “Premium Luxury” and “Affordable Luxury”. The extra effort now taken to build exclusivity among all the other brands is an important milestone and the concerned research is activated to analyze what are those facets that contribute towards added sales. The buying market crowd in comparison towards the HNI or ultra HNI is much larger, in the case relating to affordable luxury. An example to explain the situation can be the recent market offering, affordable luxury projects have become an important stage of necessary evolution in the Indian real estate industry.

An interesting feature of the current business world is that marketing and growth strategies for all kinds of brands have become younger and the concept of luxury is no different from this scale. All market vigilant corporations learnt that the move forward is to shift the venture towards a segment that appreciates instant gratification. A classic example of this creation is the case setting of Mercedes and Audi. Mercedes, historically have positioned themselves for the older and affluent demographic class and have been thriving on the concerned model since a very long time, until Audi came into the market and started taking stock of the situation, where they started decimating the idea of luxury cars for the young who’ve always had this inner aspiration for high end and luxury cars. Over the process, Mercedes learnt the importance of diversifying its luxury business into a target group much younger and promising.

Some of the significant changes that the luxury industry took to curb situations where the interaction line set up with millennials through a range of digital platforms rather than just the traditional channels. Millennials also look forward to business being set up through advanced in-store experience, high value and customized products and services.

Luxury has drastically evolved over time and today it can be defined as a system that is more culturally specific. However in the global economy, a genre of globally accepted luxury has been evolving as you can find the same two dozen brand boutiques in all the world's capitals. Evolution is the right term to define the concept of Affordable Luxury. An appropriate example to elaborate the entire structure can be the democratization of wines from the champagne point of view. The thrust of champagne came into picture when the drink came to lime light

as a celebratory drink when it was drunk in the courts of Russia, France and far. The drink then moved on to be termed as the “wine of kings’ and the “king of wines”. By the 1900’s the local crowd also started creating aspirations for them to access the same drink that the kings were having. The product then got submerged into the category of affordable luxury and that made the larger crowd more “satisfied” as a feeling of content was aroused. The feel good factor of "I may not be the king, but I can drink and celebrate like he does...." Today, it remains a magic wine available to a lot of people – a good bottle can be had for \$40 – and the magic of popping a cord still makes any occasion special.

Affordable luxury has carved a special force in the market for itself by understanding that consumers are more propelled towards the idea of “emotional connection’ and “relevance”. The marketing strategy adopted by affordable luxury brands are very simple and is focused on point towards catering the millennial and baby boomer crowd. Communication lines that establish strong lines in permeating and establishing strengthened customer values are an important component. Changing consumer visions are a true example to note that Customer loyalty and Service Quality have evolved to become characterized by Emotional Connection and Relevance.

- **Need for study:**

1. Observe purchasing attitudes and behavior
2. Explore the strategy of affordable luxury business
3. Observe patterns among different age groups and how their purchasing decisions differ.

REVIEW OF LITERATURE:

(JuanMundel PatriciaHuddleston MichaelVodermeier, 2016) An exploratory study of consumers’ perceptions: What are affordable luxuries?

The paper exploratory investigation to determine whether millennial consumers differentiate between the terms “luxury” and “affordable luxury,” which products they perceive to be affordable luxuries, and the price range they are willing to pay for affordable luxuries. The study shows that consumers hold similar quality expectations for luxury and affordable luxury products, reveals differentiating descriptors for luxury and affordable luxury that consumers see these products as a way to enhance one's image, and offers pricing guidelines for such products.

(Kapferer, 2015) Future of luxury with their challenges and opportunities involved:

In this paper, the author emphasizes on the luxury branding have had a lot of changes in the past few years and it would not be the same as it uses to be. It will not be discreet and small economic sector like it use be targeted for the rich. The light of emerging country like China has created growth which changes the behavior of the industry as well the essence. He anticipates that the industry will find it challenging with the e-commerce and other digitalization and another technological advancement...

(Haataja, 2011) ATTITUDES OF YOUNG PEOPLE TOWARDS LUXURY PRODUCTS

The research was based on attitude of young people towards luxury goods where the author collected primary data with help of Internet-mediated open-ended questionnaire and analyzed case by case of 12 respondents and tried to identify the major themes and analyzing the options of the respondents. They find that most of the respondents showed positive attitudes towards luxury products, 50% or more were luxury product consumers the level of consumption, intention to buy in the future and the attitudes to luxury the respondents could be divided into four categories: Hard, Regular, Potential and Non-interested luxury consumers. (Haataja, 2011)

(Oliver, (1999))Whence Consumer Loyalty?

Researched on an important topic whence Consumer Loyalty? Where he tries to prove that Customer loyalty and satisfaction are linked in extricable. He mentions that both practitioners and academicians understand they are asymmetrical. His statement being most of the loyal customers might be satisfied, but it does not translate into loyalty. Oliver researches about what aspect of people who are satisfied are loyal and what portion of people who are satisfied are loyal. Loyalty is not a pattern of repeated purchases. His results are that satisfaction is necessary but it becomes less important determinant when there are other factors such as Personal Determination, Social bounding.

(Jean-Claude Usunier, 2010) Relevance in business research: the case of country-of-origin research in marketing

The research talks about the importance of companies to understand and study how a product's country-of-origin influences consumer evaluations (COO research). The particular COO research has helped towards understanding the growing discord between consumer opinion and corporate concern. The particular study talks about a number of possible explanations to this 'relevance gap,' with the caveat that these explanations may be contingent to the COO.

(Kabir, 2016) Factors Influencing Customer Satisfaction at a Fast Food Hamburger Chain: The Relationship between Customer Satisfaction and Customer Loyalty

The author explores that quality, service, physical environment, convenience, customer-facing technology, cost and value, order correctness, and speed of service. He did his research with a help of quantitative data collected from 1,042 customers at a hamburger chain, he identifies the relationship between customer loyalty and each of the variables. His results mirror that race, gender, income, time of visit, service, age, marital status, and location did not create any difference in customer loyalty wherein Accuracy, speed of service, food quality, price and value where the most important factors determine the customer loyalty and satisfaction, he also statistically proves a significant positive association with satisfaction would result in an incremental increase in loyalty.

Objectives of the study:

1. To understand and determine the effect of affordable luxury on the rising millennial and young population market.
2. To analyse the impact of emotional significance in the purchase decisions of consumers.
3. Navigate the importance of product relevance in a dynamic market.

Research Methodology:

1. Data collection: Primary Data is being collected by Questionnaire method.
2. This study is descriptive & Qualitative.
3. The duration of the study is 2 months.

Limitations of study:

The study is based on data collected by Questionnaire method. The responses given are subjective in nature. Hence, the chances of biased answers cannot be eliminated. The chances of human errors also cannot be ruled out.

Analysis & Interpretation:

- The very first question of the paper revolves around the age group of the respondents. The majority of the respondents we got belong to the age group of 20& below, followed by 20-30 age group. The least number of respondents belong to the age group of 40+. The finding from the same depicts that the age group of <20 till 30 years were more cautious regarding brands and luxury goods. The youth is more oriented towards the concept of luxury and that holds much value to the particular age group. As the age increases the affinity for brand value and design is seen to drop and holds minimum conceptual value among the consumers.

- When asked about the factors behind the brand loyalty of the customers. 30% of the respondents selected emotional satisfaction of the products as the very first reason. 25% went with the time of delivery of the product. 20 % of them selected customer care services as a factor behind their brand loyalty followed by trend and social branding of the firm or the product. Only 5% of the people agreed that the payment option was the major reason behind their brand loyalty. We also find that the facet of Emotional Satisfaction is a strong game point that companies are utilizing to ensure that the retention of their valuable customers always stay constant through dynamic times. It is also easily noticed that consumers are living a in a minimum wait time period and expects goods to be delivered at the shortest intervals. Equal weightage was given towards Technological Advances, Entertainment and Easy Payment Methods, this also gives the idea that consumers are looking comfort and ease of interface through a user friendly approach.
- The next question we asked was the reasons (other than cost) behind their inclement towards affordable luxury in comparison of other high end luxury brands. 50% of respondents choose the quality of the product as the first reason. Brand ethics and value system of the firm was choose 20% of the respondents. 19% of the respondents opted for packaging and touch feel behind their selection. Outlet customer support and celebrity endorsement was the last two options choose by 13% and 7% of the respondents respectively. We have analyzed that the component of Production Quality Awareness is the most significant factor when it comes to the aspect of making a decision between affordable luxury and high end brands as consumers are environmentally and socially concerned. Brand Ethics was the other factor that was given value as consumers are more oriented towards best practices and organizational visions that is relatable to their everyday functioning. This clearly gives the picture of how the new consumer is conscious on buying patterns and will not compromise on quality and value of delivery.
- In a follow up question we asked the respondents that what affects their expenditure behavior in the segment of affordable luxury. 50% of the respondents opted product uniqueness and quality as a prime factor behind their expenditure, followed by 20% of the respondents who said the value and legacy of the firm is their prime concern. 15% of the respondents admitted that pricing structure and availability of the product is what they consider. 8% of the respondents also accepted that it is the peer pressure which affects their expenditure decision followed by 5 % of the people who opted for advertisement and brand of the firm. The major thought process that is working here, is the factor of “Product Uniqueness and Quality”. Consumers are always in the hunt for products that stand in an exceptional manner that display finesse through touch and feel. Consumers are looking forward to an experience that is different from their usual routine and contradicts the usual living pattern and should add value to the same. Affordable luxury market is able to create exactly this experience for the consumer and because of the same, eventual growth in market share and satisfaction is an achievable goal. The other two points were the concept of “Strategic Pricing and Availability” coupled with “Heritage and Value of Brand”. Two factors of “Peer Pressure” and “Catchy advertisements” got the least response and this is a one shot point towards understanding that affordable luxury is self-perceived and is rarely and poorly influenced by external factors.

- The next question asked was regarding the method of their repurchase. In which 50% of the respondents said they prefer to go to the store directly for a repurchase. 30% of them opted for online purchase with a home delivery option and the remaining 15 went with online and pick from store option. We have found that most of the customers opt for a direct purchase from the outlet as it gives them the luxury of see and touch. It also give them the scope of trying the product first and then purchasing it. We have also found that even in online purchase option they choose the same platform over and over again as they are familiar with service and product quality.
- When asked if the Emotional Connection to a Brand is more important to them than the Service Quality, 60% of the respondents responded affirmatively. While the remaining one went with the service quality. We have found that even tough eh dynamics of markets and products have changed during all this times but still the customers are very conscious about the emotional connect with the product. This emotional connect on various levels as it depends upon the origin demography of the product, timeline of usage etc. This trend of emotional connect was common across the genders and the age groups.
- When asked about the marketing strategies the respondents appreciate. 41% of the respondent favored social media marketing techniques, 20% of them was happy with print media advertisements. 15% of the respondents was in favor of email follow-ups. While trade shows, SEO optimizations and outbound calls was the least selected with 12%, 10% and 2% of section rate respectively. We felt that the marketing strategies have been changed in the course of time and it happened majority because of the change in technology. The same trend is also visible here as the majority of respondents are okay with the social media marketing techniques and very minimal with the idea of outbound calls.
- When asked if the product designs and structure is a matter of concern for them. 70% of the respondents replied affirmatively. The survey points out clearly to the point that consumers are attracted to the structure and design created by brands. This is more in the lines of emotionally triggered facets that companies purposefully create to bring in to manifest a sense of convenience and comfort. Affordable luxury brands like One Plus mobile phone are a classic example of this where the packaging has been successfully manufactured to bring in a sense of close belongingness, class and quality.
- When asked if the Relevance of the product matters more than Customer Loyalty to them. 65% of the respondents admitted that the relevance was a key factor and does affect their loyalty for a product of a company. Gives the understanding that consumers are much more developed today in terms of organizing and understanding their requirements and what it takes to place satiate the same. Organizations are required to take their product and service ideation and production according to the right need requirement of consumers. This should be done through the accurate analysis of needs and thereby should be possible to achieve right aspects of protection and personalization

The Emotional Connection Impact:

For the constant drive to achieve stable and over climbing profit margins, major luxury brands have created space for investments in the end to end customer experience – every detailed minute factors of how consumers interact with the company’s product, promotions, values etc. The major stand off point that affordable luxury companies have strategically focused on in comparison to its counterparts are the steps taken to move away from traditional mere customer satisfaction and derive the extra mile to connect with consumers at an emotional level, diving deep into their core and fundamental aspirations and completing their deep, often unspoken emotional needs. Meagre satisfaction of customer journey is a marketing aspect of traditional market appeal and today’s consumer needs a tactic much above than that. The concept of emotional connect helps affordable luxury companies to ward off uncertainties such as lack of clear, measurable, value-creating goals. Traditional luxury companies risk expending huge amounts of human and capital resources without delivering any real financial value.

The Relevance Impact:

The traditional concept of performance at a business organization comes from the fact and view of earning customer loyalty through the time and tested methods of rebates rewards and discounts that usually burn a hole through the profit and loss statements of a particular company. The scale at which companies are short sighted on this genre, might have a critical impact on growth at the cost of losing “relevance”. The shape shifting ideology of marketing has moved undertaking the consumer mind-set from holding under the brand value umbrella to provisioning of goods and services that are absolutely relevant for everyday needs and wants. Consumers through small type approaches of traditional loyalty aspects are not much attracted today and would rather prefer to be at peace with their own standards of pricing, quality and uniqueness, basically calling out for relevance and connectivity.

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