Analysis of Luxury Brand Marketing Strategies Based on Consumer Psychology

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Abstract: Luxury marketing is a key area in the business world. It is closely related to consumer psychology. Developing a successful marketing strategy requires understanding the cognitive biases that influence consumer behaviour. The main purpose of this paper is to explore the existing marketing methods and innovative means of luxury goods based on consumer psychology by analyzing the literature. This paper analyzes the marketing strategies of different luxury brands from the perspective of consumer psychology to provide insight and suggestions for the luxury market, so as to improve the marketing strategies of luxury brands and improve consumer satisfaction. The study found that consumer behaviour toward luxury brands is often influenced by these factors, including the exclusivity, scarcity, personalized service and prestige of these brands. The study suggests that luxury brands harness the power of social media and Kols to create campaigns that are more in tune with trends. Luxury brands also should develop more persuasive and profitable marketing plans to appeal to their target audience by understanding consumer psychology.

Keywords: luxury marketing, consumer psychology, consumer behaviour, luxury experience, marketing strategy

1. Introduction

In recent years, the luxury industry has consistently evolved. The luxury industry has witnessed unprecedented growth, with total revenue at US$354.80bn in 2023, highlighting its global status [1]. In an increasingly volatile and competitive industry, luxury brands constantly require innovative marketing strategies to maintain their position in the industry. People will purchase luxury goods to show off their success while boosting their revenue and social status. However, the psychology of purchasing luxury products varies depending on the individual, necessitating that luxury brands develop and enhance their marketing techniques considering consumer psychology. Consumer psychology will be used to close the communication gap with customers. The aim of this review is to analyse the existing research and case studies and to identify the key elements that contribute to the success of luxury marketing strategies.

The challenge will occur as the consumer consumption landscape and demand change. Consumer psychology is a link for luxury brands to understand and connect with customers. People commonly acquire luxury products to satisfy psychological wants, power, and social prestige [2]. One of three strategies to affect consumers' status-driven desire for luxury is social psychology [2]. Understanding consumer psychology may also assist luxury firms in developing marketing efforts that resonate with

their target audience, generating an emotional connection with customers and increasing product sales. For instance, luxury brands might utilise exclusivity, scarcity, and social proof to instil a sense of urgency and want in customers, or they can use emotional appeals to forge a stronger bond with them. Ultimately, the success of luxury marketing depends on a brand's ability to tap into its target audience's desires, motivations and aspirations and create an emotional attachment that transcends the product or service.

The paper emphasises the subject of analysis of the luxury brand marketing strategy based on consumer psychology. Analyses the consumer psychological aspects of consumer attitudes and brand persuasion in terms of exclusivity and scarcity, unique selling proposition, brand identity, digital marketing, and luxury experience. Examining the marketing strategies of different luxury brands to gain insight into how consumer psychology drives consumers' purchasing decisions and whether these marketing techniques based on consumer psychology could be refined for the better. Customer segmentation based on psychology is critical for luxury brands as it helps target customers more likely to appreciate the brand's value proposition. Exclusivity and scarcity are helpful in the heightening perception of rarity and luxury to customers. A unique selling proposition is a critical element that enables a luxury brand to establish a unique position in the luxury market and differentiate itself from other brands. By expressing the brand personality, brand identity may be leveraged to develop an emotional connection with customers. Internet marketing serves as a medium for various customer groups to comprehend the personality of luxury companies. Finally, the luxury experience is crucial for creating an emotional connection with customers and building loyalty. In light of this background, and in conjunction with relevant theoretical and evidential research findings, this paper addresses how to capture the consumer psychology of customers in the luxury market to develop appropriate marketing strategies.

2. Luxury Market

2.1. Luxury Trends

The luxury fashion sector occupies the largest segment of the market, with a market size of US$111.50 billion in 2023 [3]. The expansion of the luxury market has been on a steady boost trend in recent years. Forecasts predict that the market will grow between 2020 and 2027 at a CAGR of 4.6%, going from USD 257.26 billion in 2020 to USD 352.84 billion in 2027 [3]. Moreover, Gen Y and Gen Z represent the luxury industry's current purchasing power. By 2025, it is anticipated to contribute to approximately 55% of the world luxury market and generate 130% of market growth [4]. Because of the shifting market environment, luxury marketing strategy should be innovative and responsive to customer luxury consumption demand trends. However, economic conditions, consumer preferences, and technological advancements are shaping the luxury market today.

2.2. Drivers of Luxury Consumption – Consumer Psychology

The desire of the customer to purchase luxury goods is psychologically and emotionally motivated by the need to feel special and accomplished in one's social circles. Customers' perceptions of the value of luxury have a positive association with their willingness to pay a premium [5]. Customer purchase desire constitutes one of the psychological aspects that influence customer behaviour while purchasing luxury products. Attitudes as a potential motivation for consumers to buy luxury goods. People's luxury consumption decisions will be influenced by hedonistic, utilitarian and pragmatic consumer psychology [6]. Besides, the luxury brand marketing strategy of persuasion is another factor to impact luxury consumption. Interacting with messages on the pages of luxury brands stimulates a sense of customer experience and thus persuades customers to develop positive feelings towards the brand.

3. Luxury Marketing Strategy

3.1. Luxury Experience

Luxury brands utilise consumer psychology to understand the motivations, desires and behaviours of luxury consumers, which helps them to create personalised and engaging luxury experiences that meet customer expectations. Successful luxury marketing requires customers to feel excellent value while purchasing luxury products to co-create value [7]. The luxury experience is meaningful to customers as a moment of unique enjoyment for them. People's purchasing desire will be influenced by the sensory stimulation of the luxury experience. When consumers interact with a brand, the luxury experience offers beyond mere sensory stimulation and evokes emotions in the customer [8]. Moreover, the brand can utilise new technology tools such as Virtual Reality (VR) and augmented reality to help brands enhance the customer experience and beat the experience of their competitors. Due to the introduction of new technologies including AI, VR, AR along with evolving consumer lifestyles, it is possible to enhance personalisation and provide consumers with singular and inconceivable experiences [9]. Luxury brands offer a high-quality luxury experience and continuously improve their customer service to engage customers in a desire to purchase emotionally.

Personalisation supports luxury brands in creating a unique and memorable atmosphere, generating customer satisfaction and brand loyalty. From the perspective of consumer psychology, personalisation creates a sense of exclusivity, and consumers who receive personalised services feel valued and are motivated to spend more in the future. Rolls-Royce is a luxury car manufacturer known for creating personalised cars that offer customers a unique luxury experience. Rolls-Royce uses consumer psychology to identify the motivations, desires and behaviours of luxury car buyers in order to create personalised cars that meet their expectations. Moreover, personalised data can also be used to predict customer preferences for more comprehensive and quality services. Therefore, ambitious luxury brands should strive to create their own sales tactics that concentrate on bringing symbolic value to the customer segments they are primarily targeting.

3.2. Exclusively and Scarcity

From the standpoint of consumer psychology, the principles of exclusivity and scarcity are crucial to the luxury brand experience and have a substantial influence on consumer behaviour. Luxury is described as a high-priced product that delivers exclusivity and concomitant prestige for the client, thus exclusivity serves as a crucial feature in defining luxury [10]. Through the creation of a sense of exclusivity, luxury brands maintain their premium price and perceived value. Owning a scarcity satisfies people's feelings of belonging, increases their popularity and makes them highly respected, admired and envied in society. Luxury brands use exclusivity and scarcity to create a sense of urgency among customers and thus amplify their desire to shop. According to research, product scarcity methods get an impact on consumers regardless of the situation [11]. Social psychology emphasises customers' need for experiential luxury and increases their need for exclusivity [2]. Limited editions, exclusive offers and high prices create an impression of scarcity and exclusivity, which drives consumer behaviour. By creating a sense of exclusivity, luxury brands cater to the desire for social status and the need for self-expression, which drives many luxury purchases. The Luxury handbag brand Hermès convert scarcity into an immensely effective advertising strategy. Hermès rely on the scarcity of handbag to guide customers towards other unrelated products from their brand. In Hermès shops, consumers need to buy a certain number of Hermès products in order to get a scarce "Birkin". Its rarity also influenced the secondary market, where people were willing to pay several multiples of the price for their beloved Hermès handbags. Scarcity is used in the principle of persuasion to capture people's desire for something unique [12]. The exclusivity of its handbags has also led to

premiums and price increases in the secondary market. However, the potential drawbacks of applying exclusivity and scarcity to luxury brands are also present. These strategies can lead to negative feelings such as jealousy, envy and resentment among consumers who do not have access to exclusive or limited-edition products, which can damage a brand's reputation and lead to a negative reputation.

3.3. Brand Identity

Luxury brands create a unique brand image that resonates with their target consumers using consumer psychology. Brand identity is a method of identifying a company's values and a way for consumers to distinguish themselves [13]. The Ritz-Carlton is famous worldwide for providing luxury hotel services of superior quality. What makes it stand out in the luxury hotel market is the 'gold standards' that have been established from the beginning. These include the motto, the credo, the three steps to service, the service values and the staff commitment, which embody the brand positioning and brand values. Louis Vuitton, the prestigious French luxury brand, uses the combination of the letters LV as its most iconic logo. The brand identity of a luxury brand contributes to its distinctive image and differentiates it from other brands in the market. A well-designed brand identity contributes to establishing a luxury brand as a symbol of luxury, exclusivity and sophistication, resulting in increased customer loyalty, brand awareness and higher perceived value.

In the luxury market, each company's strategy should include a unique consumer proposition, which determines whether the brand can stand out from the competition. A unique selling proposition is defined as a benefit that is specific and cannot be offered by other competitors [14]. The LVMH is known for its commitment to quality and craftsmanship [15]. Brands establish a strong emotional connection with their customers in the process of sensing the brand's unique consumer proposition. In a fast-paced marketing environment, luxury brands are expected to implement flexible marketing strategies to deliver their brand story and persuade customers to persist in love with a unique consumer proposition.

3.4. Digital Marketing

With digital and social media becoming more mainstream, luxury marketing strategies are changing significantly. More and more luxury brands are digitally transforming as social media (Instagram, YouTube, Facebook, WeChat etc.) is becoming an important platform for interacting with customers, especially for the younger generation who appreciate exclusivity. Brands by using social media platforms to create unique and shareable experiences. LVMH collaborates with another luxury brand to create the first luxury blockchain, 'AURA'. AURA offers consumers a decent rate of luxury provenance and transparency by allowing them to track their items throughout their entire life cycle using dependable data [15]. Moreover, Bicester Village launched a virtual shopping service which allowed customers to connect with the personal shopper from the comfort of their own homes and shop virtually from the stores located within Bicester Village. Virtual Reality is an innovative way to adapt to changing luxury consumption trends and offer a personalised shopping experience that meets the needs of customers who may not be able to visit the physical shopping destination. Interacting with messages on the pages of luxury brands stimulates a sense of customer experience and thus persuades customers to develop positive feelings towards the brand [16]. Chanel eliminates the divide in online shopping by using virtual Reality (VR) technology to deliver its products to customers' electronics in real-time. Augmented Reality (AR) combines the virtual and the physical, opening up new avenues for communicating the distinct characteristics of a luxury brand, assisting the brand experience and the consumer journey, and improving brand equity [17].

4.   Suggestion

However, in an era of rapid economic development, the luxury market and people's luxury consumption requirements are variable, with luxury brands set to face more challenges. It is not enough for brands to attract customers with a unique consumer proposition. They need to demonstrate their value in an increasingly competitive marketplace in combination with high-quality products and services. The key to balancing the accessibility of social media advertising with the exclusivity of luxury companies is storytelling, which allows customers to cognitively experience luxury businesses through content [17]. Brand owners must create, grow, and maintain their networks for fresh concepts and knowledge in order to innovate and maintain their leadership positions in an extremely competitive industry [7]. For example, Luxury brands collaborate with the world's most influential celebrities. Celebrities are invited to be brand ambassadors and to wear the brand's products, using the celebrity effect to enhance brand awareness. Besides, telling the brand story with visual art, luxury brands should leverage the power of social media to spread inspiring content on official social channels. Luxury brands working with bloggers who have a large following for content marketing purposes can deepen the emotional connection between the customer and brand by posting positive brand-related blog posts on social media. Nevertheless, luxury brands must also be aware of the potential negative impact of exclusive and scarcity strategies on consumer psychology and strive to create a sense of inclusivity and accessibility for all consumers.

5.   Conclusion

In conclusion, consumer psychology is an important tool in luxury branding as it can help luxury brands create a unique luxury experience for their customers to meet their expectations. This literature review examines luxury marketing strategies based on consumer psychology. Consumer psychology studies the cognitive biases that influence consumer behaviour. The main influencing factors of luxury consumption are consumer attitude and luxury brand persuasion. By understanding the motivations, desires and behaviours of luxury consumers, luxury brands can specify targeted marketing strategies and personalised experiences that will resonate emotionally with their customers. Luxury brands establish a Through brand identity, personalisation, experiential marketing and creating a sense of exclusivity and scarcity, luxury brands can increase their brand loyalty and drive sales. Luxury brands should develop innovative marketing strategies and persuade customers to change their consumption attitude. Although quality, craftsmanship and price are the means to accomplish marketing tactics, the core of marketing is to change consumer attitudes and increase the desire to consume. Raising barriers to access can be achieved by using rare production materials, limiting official sales channels and offering exclusive limited edition styles. Luxury brands were also advised to appropriately use digital marketing tools and technology to enhance the luxury experience, thereby creating a new perception of brand value. In reality, however, consumer psychology is more complex and changeable. Consumer behaviour may be based on a variety of psychological stimuli formed. There is no comprehensive classification of consumer psychology in this study. Future studies can analyze marketing strategies based on a more comprehensive and in-depth classification of consumer psychology.

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