DECODING CONSUMER PREFERENCE FOR PREMIUM GOODS

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DOI: 10.46609/IJSSER.2022.v07i02.015 URL: https://doi.org/10.46609/IJSSER.2022.v07i02.015

Received: 20 Feb. 2022 / Accepted: 27 Feb. 2022 / Published: 28 Feb. 2022

ABSTRACT

In this research paper we will talk about the topic “Increasing preference amount of the consumer for Premium goods”. The main objective of this research is to tell people that why luxury goods are in demand even being so costly. Premium products are typically defined as products that cost 20% more than the average category price. Consumer preference has changed because they have propensity to purchase and the income levels of the consumer has also increased. I have divided the research paper in four parts in the first part I have written the reasons why demand for luxury goods is increasing day by day and then few case studies to support my research and then in the third part I have talked about why Apple is so popular in India and last but the not the least some challenges faced by luxury goods in India and some top brands in India. The division of this paper into four makes it is very easy for a reader to understand because most of the people don’t have a lot of time so if they only want to read a part then they can read from that part. Our target audience is middle class people because earlier people of this section of the society used to save a lot of money and used to buy simple mobile phones, cars and shoes but now the people of this section of society too are buying luxury goods. I have conducted a sample survey for this research paper to get the exact statistics.

Key words: Luxury/Premium, Consumer preference, Consumer behavior, Consumer decision journey, Consumer Sentiments

Introduction

Consumer preference defines the way consumer builds its fondness towards certain defined products and categories. The paradigm shift in consumer behavior has led to change most of its preferences. Studies have reflected that propensity to spend by a consumer has given him many choices to upgrade his life. The upgradations shift their preference from economy segment to premium and in certain cases Luxury too. Personalized experiences and customization give the consumer the power to command the category and brands. Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and
services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions. Many aspects of consumer behaviour change over time: attitudes, perceptions, motives and values, lifestyles, and the political, cultural, technological environment. Brand loyalty for instance is often operationalized as purchase patterns over time.

“The goal is to differentiate the brand by positioning it as best amongst high-net-worth individuals, by offering meaningful and experience”. In today’s time consumers are willing to pay a premium for certain products/brands because over time, they create a perception of “Nachi and trust”- in terms of superiority of quality, Consistent products and experience. The economy has grown immensely that has affected on the salaries of the people. Now people have money to buy expensive things easily than in the olden times when we used to buy cheap products but in premium products in today’s time is not about being expensive but it is about experience, fuelling a growing taste for unique, value-added products. Consumer’s drive towards personalization/ customization leading towards premiumization. In today’s time many consumers become loyal to a brand. In economics it is said that if the price of a commodity increases then its demand decreases this is the case of a normal goods but for premium goods it is said that if the price increases, then the demand also increases and it is an exceptional case. Increasing retail presence of luxury players and a higher number of luxury brands has entered the country has resulted in a strong performance of the luxury goods. The retail luxury segment in India generated a revenue of $23.8 billion and are expected to rise steeply.

Here are some points to support the topic -:

- Peace of Mind: Performance that provides positive experience makes brand trustworthy.
- Saves Decision Making Time: In an instant with a minimum of thoughts helps faster closure of purchase.
- Add flaunt value and Prestige: Consumer wants to show off these brands in society.
- Express who we are: Brands we use makes a statement about who we are and who we want to be.

Premium brands like Lexus, Schweppes, Hush Puppies, Acura, Dove, Olay, Blue label, Citra, Surf Excel, etc. are more than just product or services.

Premium positioning is achieved by focusing efforts and optimizing products for specific segment of market that is willing to pay a premium price.

- Build desire
- Create new occasions
- Reach niche audiences
- Build long term kudos
- Surprise customers

Consumers focus on health, hygiene, comfort and convenience now a days. Even the brands are also focusing on innovation and creating new goods to attract the consumer. Today the consumer is the king of the market and is always looking for the technology that is satisfying his needs and the new technology that comforts him that is why people go for the Premium goods.

Marketers insist premium products tap directly into a desire for products that provide specialised, enhanced or exclusive benefits. As consumers move up the economic ladder, they are attracted to aspirational brands that signal they have achieved a certain level of success.

Case study 1: Toyota and Lexus

<table>
<thead>
<tr>
<th>Mass/Parent Brand</th>
<th>Premium Sub Brand</th>
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<tbody>
<tr>
<td>![Toyota Logo](source: Car.Strends)</td>
<td>![Lexus Logo](source: WallpaperAccess)</td>
</tr>
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</table>

**Rationale behind launch of Lexus**

- **Back in the 1970s and 1980s, Toyota Motor’s image in the United States was one of a reliable, yet cheap, carmaker.** If you had little money, but wanted minimal breakdowns with the vehicle that you drove to work every day, bought a Toyota.

- **Thanks to the introduction of the automaker’s Lexus line in the 1990s, that image has now changed.** The Lexus brand is now synonyms with the world of luxury, even though car enthusiasts would argue that Lexus is more of a middle-market luxury car line.

- **Lexus sales surpassed Mercedes Benz Cadillac sales—the two granddaddies of luxury cars in the United States quite easily,** thanks to Toyota’s brilliant and methodical market strategy. The firm’s philosophy of conducting meticulous research over much time and money has been widely admired and studied by the other automakers and
college students alike and cemented Toyota’s position as one of the most successful carmakers in the world.

After this case study we get to know, Toyota has been one of the cars that has luxury looks but then also is available at affordable rate and is love of many people. Lexus word being synonym of luxury but still being a middle range luxury car but both brands used different strategies and became luxury and the most interesting fact is that Toyota has surpassed the sales of Lexus, Mercedes Benz and Cadillac.

**Case study 2: Bata and Hush Puppies**

<table>
<thead>
<tr>
<th>Mass/Parent Brand</th>
<th>Premium sub brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bata</td>
<td>Hush Puppies</td>
</tr>
</tbody>
</table>

(Source: Small Doll)

(Source: Captina Land)

- Hush Puppies brand was found in 1958 following extensive work by Wolverine to develop a practical method of pigskin training for the US military. (Pigskin is considered one of the most durable leathers and the government was interested in its use in gloves and other protective material for soldiers).
- In India, the main goal Bata had with Hush Puppies brand was to increase sales revenue, market share and profitability in the footwear category by differentiated premium product experience.
- **Hush Puppy Marketing Strategy in India**
  - **Target Market**: Entire family – men, women and children; **Product Line**: Hush Puppies footwear and accessories; **Price**: Higher than Bata but most SKUs are not too high for Indian customers; **Sales Promotion**: 10% more than Bata;
**Distribution:** Better-grade retailers and on the internet; **Advertising:** Use strong visual images to reflect their positioning as a contemporary and casual brand; **R&D:** Continue developing new technologies of Hush Puppies footwear to stay ahead of competition; **Marketing Research:** Increase expenditure by 10% to analyse customer activity and consumption.

After this case study we get to know that Bata is one of the premium brands in India and the competition that Bata got was Hush Puppies, as we see that the strategy was to move above from Bata by making better goods and accessories and sell at higher prices than Bata and try to make 10% sale more than Bata and using advertisement as the main key strategy.

**Sample Survey**

So, in this sample I have asked 36 people about their products - they own in present and past and why did they change their old one. Current brand of mobile phone for many people is Samsung followed by iPhone, Redmi, Mi, etc. Similarly for Car many people’s current brand are Hyundai followed by Maruti .Many people before buying the new mobile phone brand were Redmi followed by Vivo, Nokia and Samsung and etc. Many people before buying the new car used the car of the brand were Maruti followed by Hyundai, Ford and etc. Some people changed their phone because they wanted an upgrade and some people changed because their phone had become obsolete or it was having storage issues and few changed because their phone had broken. Many people changed their old car because they wanted an update, some people changed because of 10-year policy and some changed because it became obsolete. If we see the responses of the people then we can find that many people have upgraded to luxury products and we can also see that many people changed their utility items because of the new and appealing technology that luxury goods provide. So, in conclusion of this sample, I want to say that the people are moving to luxury or they are just one step away from luxury goods.

Phones currently used
Phone used before buying the new one

Car currently used
Car used before buying new one

Comparison (90’s vs Present)

Soap

LUX Vs Dove
Lux was launched in India in the year 1929
Lux has been luxury and affordable brand back in 90’s
Many Bollywood stars have been a lux star
First Indian Star to get featured in lux advertisement was “Leela Chitnis”
Lux has featured many actresses like Madhubala, Madhuri Dixit, Karishma, Aishwarya Rai and now Kareena

Dove was launched in India 2007
Dove is a luxury brand in today’s time
Lizzo is the brand ambassador of Dove

Television in 90’s vs Television in today’s time

Sony Wega was launched in the year 1998
• It was a luxury television

![LG OLED TV AI ThinQ](Source: Amazon)

![QLED TV](Source: Forbes)

- In today’s time we have better television than before, with improved technology like 4K HD display and 8K HD display
- Samsung QLED was launched in the year 2019, LG old was launched in the year 2013, Sony Bravia was launched in the year 2015.
- In today’s time we have smart Television in which we have inbuilt chrome cast and we can watch anything what we want to see on the big screen.

**90’s car vs present day car**

![90's car vs present day car](Source: CarMyCar)
• Maruti 800 was launched in 1983
• It was inaugurated by India's former Prime Minister Indira Gandhi
• The keys of the first Maruti 800 was given to Harpal Singh.

• In today’s time we have cars with advanced technology
• In Metro cities, every third family now is a proud owner of a luxury car.
• In today’s time car is a necessity
• In today’s car we have lots of inbuilt features eg. touch screen, stereo system which can be used for navigation, hear music and can even attend calls while driving.

Why Apple is so popular in India?

Apple is able to price their products at premium because they know their brand has power to pull from staunchly loyal following:

**Perceived value:** Perceive income is very important for a company to get to know if the consumer is willing to buy a higher price because they deem the brand to be of a high quality and a status of symbol.

**Fan/Loyal Base:** Apple’s iconic branding strategy has always focussed on emotion bolstered by a forward-thinking creating visionary, since its inception in 1976.

**Customer centricity:** Customers always remember the purchased products and services that makes them feel good. Some customer’s also do incorporate branding like- “Shot on Iphone” and “Unboxing videos” and etc.
**Differentiation:** Other brands think “what their products do” and “what brings in sales”. No body buys iPhone because it is a dual sim, 1TB ram, 12 MP, f/1.5, 26mm (wide), 1.9µm, dual pixel PDAF, sensor-shift OIS, 12 MP, f/2.8, 77mm (telephoto), PDAF, OIS, 3x optical zoom, 12 MP, f/1.8, 13mm, 120˚ (ultrawide), PDAF and TOF 3D LiDAR scanner (depth), Dual-LED dual-tone flash, HDR (photo/panorama), 4K@24/30/60fps, 1080p@30/60/120/240fps, 10-bit HDR, Dolby Vision HDR (up to 60fps), ProRes, Cinematic mode, stereo sound rec. smartphone”, **but it is an Apple iPhone – but the BRAND**.

**Restriction of coefficient growth of luxury brands**

<table>
<thead>
<tr>
<th>RETAIL INFRASTRUCTURE</th>
<th>GOVERNMENT REGULATIONS</th>
<th>FOREIGN DIRECT INVESTMENT</th>
<th>GROWING MARKET OF COUNTERFEITS</th>
<th>INNOVATIVE MARKETING OPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ambient retail infrastructure capable of display. Security and conducive environment to market luxury goods is missing in India.</td>
<td>The duty and tax structure discourages the brands to enter the market</td>
<td>There is a restricted investment by international brands in India.</td>
<td>Customers like authenticity</td>
<td>Need to relook at traditional rules of marketing different from luxury goods and services</td>
</tr>
</tbody>
</table>

| Young consumer accept experience | With consumers exposed to global trends. The awareness about the absolute value restricts indulgence due to regulations | Limited range available due to lack of investment in the infrastructure as well as brands leaves consumer with restricted choice | Assurance and mass availability of consumers in the open markets. Consumer looks for emotional value in the product. | Need for experiential marketing as a brand must connect with consumers. Money is not the luxury. |

**Challenges in Marketing luxury**

- Availability of premium marketing spaces.
- Real Estate such as premium malls and high street shopping street.
- Talent and counterfeit to marketing luxury brands.
- Lack of multi brand concept.
- The quality that media is capable of marketing luxury brand is muted.
- A need to create brand desire rather, brand love which is actually abundant.
- Consumer seek authenticity and connect towards the brand.
Some of The Luxury Brands in India

Audi  
BMW  
Dior  
DKNY  
Ferrari  
GUCCI  
HARRY WINSTON  
PRADA  
BOTTEGA VENETA  
BURBERRY  
ck Calvin Klein  
CHANEL  
GUESS  
JIMMY CHOO  
JIMMY CHOO  
JIMMY CHOO  
LOUIS VUITTON  
Rolex  
VERSACE  
VERTU

(Source: Marketing Mind)

Some of The Top luxury Brands in India

Picture 4 : Top Luxury Brands in India

Top Indian Brands:

• Zoya by Tanishq  
• Jaguar Land Rover  
• Oberoi  
• Taj  
• Sabyasachi in Fashion  
• Forest Essentials

Route to Marketing:

Liquor has regulatory issue so event sponsorship, bar sponsorship
Conclusion: Consumer preference is shifting from affordable-to-affordable luxury as in the earlier times consumer used to buy goods according to his pocket and tried to save money but over the past few decades the preference of the consumers has drastically changed from affordable-to-affordable luxury and luxury goods have become part of our life because now the consumer always looks for premium quality products. Yong consumer preferences has also changed due to the advent of disposable income. In today’s time “Henry- High Earning Not Rich” concept is getting popular around the world. Now every person is brand conscious and they prefer luxury goods over normal goods.

In this graph we are able to see that since 2017 Indian people are investing more on luxury products than on normal things and it is expected that we will buy more luxury products till 2024. In the end I would like to end by a quote from Coco Chanel “Luxury lies not in the richness of things but in the absence of vulgarity”.

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4549728&hypone=&hvphtwo=&hvqmt=&hvdev=c&hvdcmrdl=&hvlocint=&hvlocphy=9
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