Chapter 12
Luxury Brand Perception and Consumer Attitude to Extended Luxury Brand: A Case of Korean Young Consumers

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ABSTRACT

South Korea, as one of the largest economies and emerging markets in the world, continues to be attractive to luxury companies. There is dramatic increase in purchasing power for luxury products in Korea. This chapter discusses Korean consumers’ value perception of luxury products and their influences on consumers’ attitudes to extended luxury brands. The result shows that functional dimension, financial dimension, social dimension, and brand dimension can significantly influence consumers’ attitudes. At the end of the chapter, conclusions and implications are discussed.

INTRODUCTION

Global luxury market has been jeopardized by global financial crisis since 2009. Some traditional luxury markets, such as Western Europe and Japan, can hardly maintain stable growth rate, even lost market size. On the contrary, luxury markets in some emerging markets, such as China, India and South Korea, keep a high growth rate of higher than 10%. Due to the increased demand for luxury products in these emerging markets, opportunities abound to expand the business more than ever.

South Korea has a market economy which ranks 15th in the world by nominal GDP and 12th by purchasing power parity. Especially, the luxury market of South Korea amounts almost 4.5
billion US dollars. The country is the third pillar of the luxury industry in Asia, represents 2.5% of worldwide luxury demand, on its own. Based on the report from the Ministry of Trade, Industry and Energy of South Korea as shown (see Table 1), the sales growth rate of luxury products keeps on increasing since 2008 and is higher than other product categories. According a recent report by Euromonitor International (2012), South Korea’s luxury goods market shows positive growth both in retail value and volume terms. Even facing the economic downturn in South Korea, where many consumers have cut down their spending, high-end personal luxury goods has little be less affected and still performed well. While wealthy consumers aged between 40 and 60 have been traditionally the major target for luxury products, the strategy of expanding the consumer base to include the younger generations has been successful. In particular, a newly emerging group in their 20s and 30s with fewer financial responsibilities and who are eager to define themselves through what they wear, have become a target for luxury brands. Therefore, it is important to understand Korea luxury markets as well as Korean Young consumer’s attitude and behavior regarding luxury consumption. The objective this study is to identity young Korea consumers’ perception of luxury products and how such perception impacts on attitude towards extended luxury brand.

### THEORETICAL BACKGROUND

#### Brand Extension

Brand extension refers to the use of established brand names to launch new products. It represents one of the most frequently used branding strategies. Brand extensions have wide adopted by major fashion brands, both within and beyond the original product categories, by taking capitalizing it well recognized brand image with little introduction expenses, such as advertising, trade deals, or price promotions. While some luxury brands like Louis Vuitton or Chanel have expanded into their traditional luxury sectors beyond their core business, others like Armani or Prada even extended crossed boundaries to nontraditional lifestyle segments (Albrecht et al., 2013). However, a key issue to understand is how to successfully launch and execute extension strategies for luxury brands.

Brand extension, as a marketing strategy, has become a popular business model of many luxury brands. Considering the intensive competition in the Korean luxury market, brand extension can be one appropriate strategy to increase market share for luxury companies. Brand extensions are common in various fields of industry, especially in fashion markets. As the luxury market started booming in the early 1990s (Truong et al., 2009), fashion brands often developed new strategies for

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Source: Ministry of Trade, Industry and Energy, Republic of Korea, “Major retailer’s trend of sales”
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