Chapter 14

Luxury Product Decision-Making Strategy: Leveraging Social Media to Create the Emotional Component of the Strategy

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ABSTRACT

This book chapter suggests that strategic decision making in relation to luxury products needs to include not only cognitive processes, but also emotional attributes. This is because luxury products are heavily linked to affective behaviour, and to differentiate them in the market needs pure competencies, i.e. competencies that are not connected to core competencies, but can be applied to different industries and markets. The chapter further suggests that collaborative working with suitable partners is necessary to develop strategic capabilities that facilitate innovation and creativity, which are founded on knowledge-based competencies. Finally, the conceptual paper suggests that social media and, in particular, brand communities are key platforms to aid consumer decision making on luxury products, because they can engage consumers directly, and offer exclusivity by way of personalisation. Thus, the use of social media enables intimacy in the decision-making process and relationship building.

INTRODUCTION

The characteristics of luxury products can be classified as premium quality, authentic, trustworthy brand, good brand reputation or status (Sjostrom, Corsi & Lockshin, 2016). Luxury and premium price are similar, because they are attributes associated with the upper-end of a product classification. Every product category can have luxury or premium brands or stock-keeping units. Thus, luxury and premium are not product specific (Sjostrom, Corsi, & Lockshin, 2016; Ponticelli et al., 2013). The uniqueness of the

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characteristics associated with high-end, luxury or premium products may suggest that they are treated differently from other brands when strategic decisions need to be applied to them. The engagement of premium price or luxury consumers will require a different strategic approach than to other brands. The characteristics identified above (Sjostrom, Corsi, & Lockshin, 2016) suggest that emotions and emotional conditioning are key differentiators in the decision-making process for luxury or high-end products. Consumers may have a need to improve their social standing or status through the consumption of luxury goods (Eastman et al., 1999). The need for consumers to have social standing is recognised as a major reason for luxury consumption (Eastman et al., 1999). Some wealthy consumers attach high importance to social standing, whereas other wealthy consumers do not. Han et al. (2010) characterise these types as “Parvenus” and “Patricians”, respectively. Thus, Parvenus among wealthy consumers compare luxury consumption products with others, and Patricians do not (Wang & Mattila, 2013). This implies that decision making between the wealthy consumers that are categorised as Patricians and Parvenus will differ. Luxury is related to the socio-psychology branch of study, because it is associated with culture, self-awareness, and lifestyle. It exhibits uniqueness and exclusivity, and is linked to products through high-end quality, limited and controlled distribution, and premium pricing (Okonkwo, 2009).

Luxury products are associated with emotional attributes, such as socio-psychology concepts, wealth, and top-end brand trustworthiness, which supports brand reputation. These characteristics are unique to luxury products, implying that strategic decision making for luxury products would be different from other products, such as premium or stock-keeping units. This paper is suggesting that emotional feeling, such as gut feel and emotional intelligence, would play a more active role in luxury product strategic decision making. It further contends that social media would be an ideal environment for luxury products, because of the need for intimacy and emotional engagement in the strategic decision-making process. Personalisation of social media is the ideal tool to create the rich emotional environment required by luxury products.

Luxury Landscape

Women in the US acquire on average three new handbags each year (Bev & Zoolenski, 2011). Handbags sales in the UK rose by 10.5 per cent in 2013 to £1.6 billion, and 51% of women have bought at least one handbag in the last 12 months (Mintel V Q Research, 2014). These handbags are not cheap and can cost several hundred or thousands of dollars (Bev & Zoolenski, 2011). The amount spent on luxury products provides limited utilitarian value (Wang & Griskevicius, 2013). Why do different genders want luxury products? Why are designer products necessary?

Research on why people want luxury products have put forward several reasons, from elevating self-esteem and the signalling mechanism (Han et al., 2010; Richins, 1987; Belk, 1985). Flashing a designer product such as a luxury watch or designer handbag is a way to communicate the person’s level of status or prestige, but luxury products may play an important role in relationships (Wang & Griskevicius, 2013). Men use luxury products for “sexual signalling”, and to attract suitable sexual partners (Wang & Griskevicius, 2013; Sundie et al., 2011; Griskevicius et al., 2007). Men use luxury products to signal to potential mates, and women use luxury possessions as signalers to other women (Wang & Griskevicius, 2013). There is a suggestion that women are signaling to rivals of the same sex to ward off competition and to reinforce that their partner is devoted to them. Thus, the use of luxury products is to minimise sexual rivalry between women’s partners and other women (Wang & Griskevicius, 2013). The purchase of luxury products conveys important information to others (Richins, 1994; Belk et al., 1982). Luxury