

CROBOX

THE STATE OF LUXURY

Luxury Consumer
Trends, Segments, and
The Psychology Behind
Their Decisions



Crobox tells retailers what their customers love about their products. By leveraging consumer psychology and AI, our solution personalizes the way shoppers interact with products.

Retailers gain valuable datasets that clearly show which product attributes their customers look for in their assortment so they can apply the insights omnichannel.

With backgrounds in eCommerce, psychology, marketing, and AI, we want to understand what drives shopper behavior both online and off.

After winning 1st place in the LVMH Innovation Award in July 2020, we were inspired to help luxury brands understand their customers from a psychological perspective.

Now more than ever, having an understanding of consumer psychology helps luxury brands stay relevant and customer-centric amidst a volatile market, where the COVID-19 pandemic has shifted buying behavior. With this idea in tow, we decided to take a look at what factors influence modern luxury shoppers: From trends and segments to their psychology.

Our findings reveal that the modern luxury consumer subverts traditional 'luxury' and redefines an entire marketplace and product-demand.

This report draws primarily from academic research, popular culture reports and news, and our team's first-hand experience working in (online) retail.

INNOVATION
award

LVMH

2020

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FOREWORD

The term “luxury” is constantly being redefined. In the 1700s, it was a luxury to have a bathroom. Fast forward to the beginning of 2020 and the beginning of the COVID-19 pandemic, it seemed having toilet-paper was a luxury. As the term continuously reinvents and redefines itself, so does the market in 2021 and beyond. What’s clear from our research is that understanding luxury consumers starts with the individual. In light of this, we’ve unified academic literature, industry reports, and our own research driven by our backgrounds in psychology and retail to make this report a one-stop-shop for all three.

This report helps luxury brands understand their customers on a deeper level. Armed with the knowledge of how luxury consumers shop based on their psychological processes, luxury retailers can obtain a competitive advantage in a fragmented, yet opportunity-rich, market.

1.

THE STATE OF THE LUXURY MARKET

The luxury market is in flux. What was once a niche market with a specific target audience is shifting into a fragmented market with a multifaceted consumer. On the one hand, the mindset of luxury consumers in 2021 is completely different from what it was twenty, or even one hundred, years ago. Luxury shoppers, like many retail consumers across multiple service verticals, care deeply about climate change, have fostered social and political awareness, and will shift their loyalties if brands don't deliver on these promises. [57% of consumers](#) will boycott a brand because of the brand's political or social stance.

On the other hand, luxury customers are no longer the upper-echelons of society. [Millennials make up 35%](#) of the luxury market and by 2025 are predicted to make up more than 50%. And whilst it's no secret that GenZ and Millennials demand their brands to be 'woke', many luxury retailers have already tripped up trying to live up to this new ethos with seemingly insincere efforts.

Next to this, designer streetwear collaborations are disrupting traditional luxury marketing and merchandising. [62% of Chinese consumers](#) bought a designer collaboration item in 2019. Streetwear and sneakers are the new luxury products, changing the face of product-

“The global coronavirus pandemic has driven half of shoppers to buy products they’ve never bought online before, and 70% are buying more than usual.”

Forrester (2020)

demand in a market originally dominated by high fashion, cars, wines, and jewelry.

Furthermore, the economy is fragmented and volatile. The spending power of Chinese consumers (usually generating [35% of total global luxury spending](#)) is already decreasing as the Chinese economy slows. COVID-19 has stunted supply chains from China and around the world, and, as a result, the market [contracted 23%](#) by the end of 2020.

According to the [LLC \(2020\)](#), luxury consumers in France (77%) and Canada (78%) preferred buying products in-

store before the pandemic. Consumers in the UK (20%), Italy (18%), and the U.S (16%) show more preference for shopping online. However, the coronavirus pandemic has pushed more people to shop online than ever before.

This is the state of the market today. The luxury experience, which traditionally focuses on brick-and-mortar and the experiential, now relies on eCommerce. To stay competitive and relevant, retailers are adopting a digital-first mindset, leveraging phygital, omnichannel, and AI.

Yet, technology will never be a brand's silver bullet. We've already seen that brands who don't understand their customers on a deeper level fall behind. Being data-driven is great, but without that human touch, eCommerce data becomes redundant.

According to [Brun and Castelli \(2013\)](#), luxury products before the industrial revolution attained their status due to their superior quality and design. Modern luxury then positioned products in line with the brand and the emotional experience the brand could provide. 2021 will see these two approaches merge, as consumer shopping habits shift to buying [customer-centric products](#).

Amidst a market of constant flux and volatility, luxury brands should re-invest time and effort in understanding the psychological processes behind why shoppers buy these luxury goods in the first place.

This report aims to uncover the state of luxury consumers, by understanding:

1. **Emerging trends in luxury consumer buying behavior**
 2. **The demographics and psychographics of luxury consumers**
 3. **The psychological processes behind luxury consumption**
-

2.

LUXURY CONSUMER BUYING BEHAVIOR: EMERGING TRENDS

“In the great civilizations of the ancient world, luxury goods were always associated with wealth, exclusivity and power, as well as the satisfaction of non-basic necessities.”

Brun and Castelli (2013)

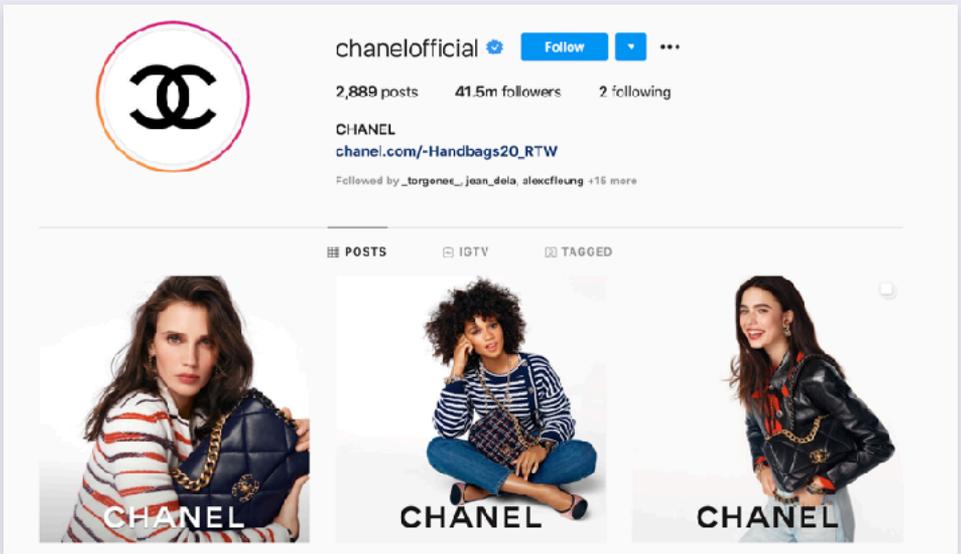


Figure 1: Chanel's Instagram page has the most followers than any other luxury brand on social media.

GOING DIGITAL

In the [wake of the pandemic](#), store closures, decreased foot traffic to brick-and-mortar, and general unease with shopping in-stores drove more shoppers online than ever before. People who were not used to shopping online are now going digital. Many brands have had to cater to this new, less tech-savvy segment. At the same time, digital natives expect

personalized, seamless customer experiences.

For some legacy luxury brands, this will be the 'make it or break it' trend. The [brands that come out on top](#) have adopted flexibility and stayed open to change. One key strategy these brands have adopted is product personalization, which involves leveraging new tools on-site to:

1. **Curate wardrobes or styles** for customers to make them feel special and nurtured.

- 2. Recommend relevant products** or product lines in email campaigns, on-site retargeting, or through social media.
- 3. Allow custom options on-site** so that customers can have a hand in the product's creation (e.g., engraving initials, tailoring).

According to a [report by Acquia \(2019\)](#), 61% of consumers don't feel that brands that *should* know them *don't*, even at a basic level. On the flipside, 87% of marketers are confident that they are delivering a winning customer experience. This shows a mismatch between the customer-centric ambitions of the brand and what they are actually delivering to the individual customer.

[Top luxury brands are also investing in AI](#) technologies like chatbots, personalization engines, data-collection, social media listening, marketing automation, conversion optimization tools, etc. Louis Vuitton

leveraged augmented reality in a mobile app to promote their [Kusama collection](#) in 2019 (see Figure 2). [Spring 2021 fashion week](#) is going 'Phygital', setting itself at the intersection of the physical and digital worlds.



Figure 2: [Louis Vuitton AR app](#)

Brands are scaling up on their social media activity as well. For example, Chanel has invested heavily in their Instagram page (see Figure 1, pg. 10), and they now have the most followers than any other luxury brand. [Mckinsey](#)

(2020) identifies Chanel as a “hidden champion”, with revenues over \$10 billion.

Moreover, luxury retailers cannot forget about the importance of SERPs. [ForwardPMX \(2019\)](#) reveals that search engines are “the largest, most important source of site traffic for luxury brands”. In light of this, Tiffany & Co. ramped up their keyword research and now dominate Google SERPs.

Experiential retail is another digital trend that has always been part of the luxury market, not only for modern shoppers. Nevertheless, many brands today are ramping up their experiential retailing, recruiting technologies like augmented reality (AR), artificial intelligence (AI), and virtual reality (VR).

Luxury has always been a lifestyle and experience, rather than a momentary purchase ([Atwal, 2008](#)). Experiential retailing also means providing a long-term feeling of luxury, which is translated online in the form of relevant campaigns, loyalty

programs, or exclusive events.

Yet, true digital personalization doesn't just mean investing in smart technologies and digital media. It starts by understanding the needs, wants, and behavior of individual people.

These trends have seen exponential growth amidst the 2020 pandemic, and they will be here to stay as consumers get used to shopping in a digital world.

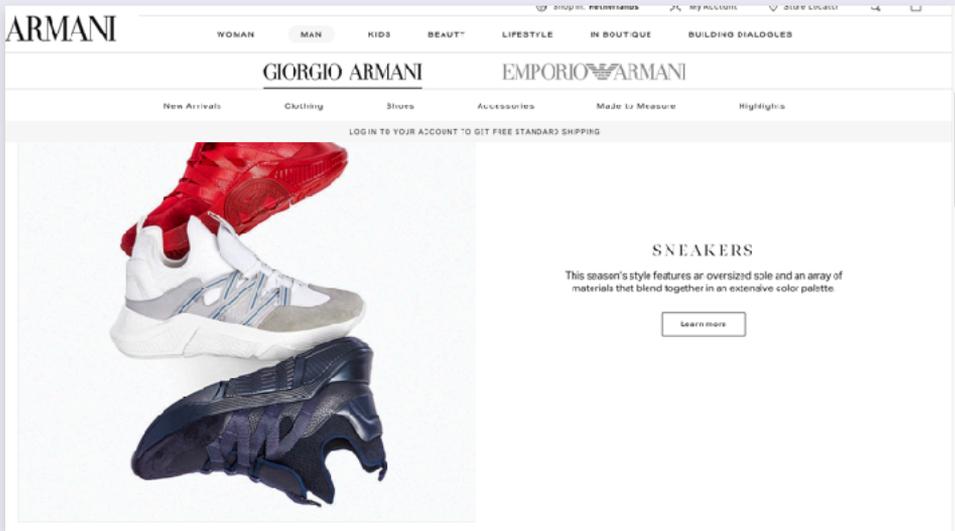


Figure 3: Armani capitalizes on the sneaker trend.

STREETWEAR COLLABS

Another trend that has been making headway both in the retail world and especially in the luxury market is streetwear. [Balenciaga's Triple X sneaker](#) instantly fueled hype and “consumer hysteria” and many retailers quickly followed suit ([Highsnobeity, 2018](#)).

It's no secret that the success of streetwear is completely changing the face of the luxury market. The trend forces brands to disrupt by:

- Collaborating with designers, artists, or other retailers, opening up the brand to different ideas and perspectives.
- Merging high-fashion with urban culture to appeal to the emerging consumer base.
- Introducing sneakers, hoodies, and t-shirts to their offering to stay on-trend by capitalizing on streetwear.

Streetwear brands like Off-White, Supreme, Stussy, are so-called “luxury brands of

the future” and luxury
retailers have already
collaborated to stay relevant
(e.g., [Supreme x Louis
Vuitton](#)).

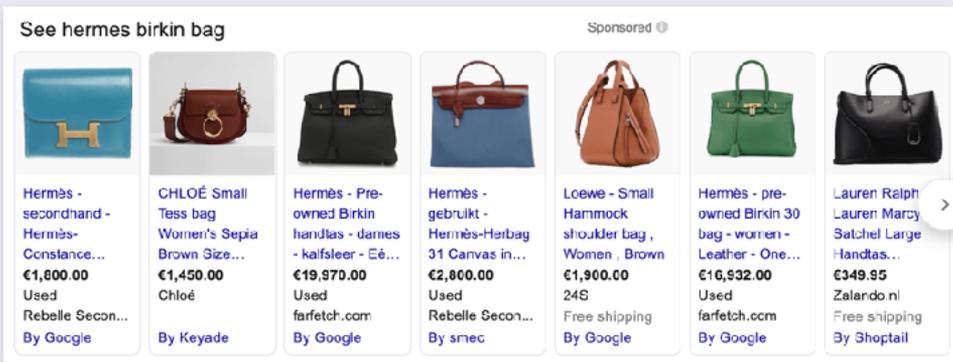


Figure 4: Hermès' Birkin Bag is a legacy piece that represents “quiet luxury”. With its inconspicuous logo and various shapes and colors, it signals wealth and status to the “in-group”.

QUIET LUXURY

According to the [BCG Report \(2020\)](#), a quieter style of luxury is emerging (**discreet/ inconspicuous vs. loud/ conspicuous**). [Quiet brands](#) infer the prestige of their products, without “shouting” about it, which many modern luxury connoisseurs find appealing ([Yeoh, 2020](#)). Louis Vuitton is an example of a brand that “shouts” (from logo to celebrity endorsements). Whereas Hermès is an



Figure 5: [Prada ad from 1992](#) by high-end photographer Albert Watson featuring model Helena Christensen.



Figure 6: From the [pradasphere](#). Prada 2020 ad campaign “Seditious Simplicity”, bringing fashion to the streets and celebrating “Realness” by breaking down the barriers of high-fashion.

example of a quieter style of luxury, where the product speaks for itself.

Typically, luxury products are directly observable and associated with “the lifestyle of the privileged elite” (Brun and Castelli 2013). For example, if you look at Prada’s ad campaigns from twenty years ago, they exude traditional luxury (see Figure 5).

Prada’s 2020 campaign goes a completely different way, placing models in streets, and showing more implied, quiet luxury (see Figure 6). Quiet luxury dominates their entire campaign messaging.

“Prada Resort collection proposes an alternate viewpoint on classicism - the idea of simplicity as a rebellion, of the extraordinary to be found within the ordinary, the new inside the familiar - so a fresh perspective is found here, a different take on the very covert of fashion advertising.”

“Seditious Simplicity” - Prada Group

With more millennials and Gen Z taking up the market share, quiet luxury is a trend that will be here to stay. This is especially true given the current climate of increased environmental and social awareness, where individuals feel less inclined to mark their wealth or status in a world moving towards social equality.



Figure 7: The [Hello Hive Diversity app](#) makes it easier for luxury retailers to hire more diversely.

INCLUSIVITY & DIVERSITY

As luxury becomes democratized ([Burri, 2017](#)) and available to a wider audience, brands must represent the diversity of the audience they cater to. As a result, luxury retailers are refining their brand ethos and corporate social responsibility when it comes to the environment, gender ratio or pay gap, and diversity clauses.

For example, Steve Madden, Jimmy Choo, Versace, and Michael Kors use a

recruitment app called Hello Hive (Figure 7) to hire more diversely. The LVMH group is also committed to tracking organizational KPIs to empower women in the company and have equal gender representation in top management positions through their [ElleVMH program](#).

According to [Mckinsey's State of Fashion](#) report (2019): "A commitment to values on a group level can have an impact on its brands' culture [but] brands may also risk being perceived as hypocritical if they do not carefully ensure consistency in their messages and

actions.” While inclusivity and diversity are trending, these are values that should be **embedded into the company culture**, and not just used as a marketing stunt. Luxury consumers know when a brand is being authentic or not, and organizations that have failed to make real changes to their corporate structures fall behind.



Figure 8: Vivienne Westwood with Greenpeace and Andy Gots in their “Save the Arctic” campaign, to raise awareness about Arctic drilling.

GOING GREEN

Sustainability is now a must-have responsibility clause for brands rather than a marketing stunt. Luxury shoppers can see the difference. For example, Vivienne Westwood integrates sustainability into their brand ethos. They don’t simply advertise using sustainable materials with no follow up. Instead, they’ve partnered with Greenpeace and Andy Gots in their “Save the Arctic” campaign, to raise awareness about Arctic drilling.

To really pledge for sustainable practices and engage the environmentally conscious luxury consumer in 2021, brands have started committing to go green: From their supply chains to stores.

The resale market is also growing. Although not depicted as one of the most important trends for buying behavior, it supports that shoppers are buying in more eco-conscious ways. Naturally, many Gen Z and Millennials also buy secondhand clothes because they are [considered rare or vintage](#).

The resale trend is, thus, something that shows:

- **Sustainability:** A concrete move towards buying with the environment in mind.
 - **Disruption:** Luxury brands will have to balance being exclusive and rare (e.g., [Burberry's burning of products](#) to prevent resale) with new resale trends.
 - **Collaboration:** To penetrate the resale market, luxury brands will have to collaborate (e.g., [Gucci's partnership](#) with The RealReal).
-



EVERETT COLLECTION

TWENTIES SOMETHINGS

*Figure 9: From [New York Times](#) style magazine 2011, featuring Mia Farrow in *The Great Gatsby* 1974 movie.*

3.

THE STATE OF THE LUXURY CONSUMER

LUXURY CONSUMER DEMOGRAPHICS: THE WHERE AND WHO

Where?

Mainland China, the U.S., and Japan are predicted to be the main [drivers of luxury market](#) growth in the next few years. Despite the Chinese economy slowing down and the impact of COVID-19 in Asia, [Asian shoppers](#) are still driving global luxury growth. [Bain & Co. \(2020\)](#) predicts that Chinese luxury consumers will account for 50% of global luxury spending by 2025.

Before the pandemic, Asian shoppers used to carry out most of their luxury shopping outside of their home countries (since travel was part of the luxury shopping experience). However, [Mckinsey \(2020\)](#) charts how COVID-19 has changed this mindset: **Most Asian luxury consumers now want to support their local brands and shop at home.**

Who?

There's a common trope of who the luxury consumer is: The champagne-sipping, glitter-frayed dress-wearing woman of the roaring '20s. This is further instilled by *The Great Gatsby* - where the idea of the leisure class and "[conspicuous consumption](#)" (otherwise known as the "Veblen Effect" see pg. 38) was revealed.

In the 1990s and beyond, luxury consumers looked like the Gucci-totting female celebrities of the 2000s, who would show-off big brand logos (in 2007, [80% of luxury consumers](#) were female). But many luxury consumers these days have completely disrupted this image. Largely Millennial, these 'new' luxury consumers are

[HENRYs](#): High Earners, Not Rich Yet.

In fact, the luxury consumer has never just been the 'rich'. According to [Vigneron and Johnson \(1999\)](#), buying luxury products is **prestige-seeking behavior**. Meaning, lower-income consumers will look



Figure 10: From [Alpha Globe Photos](#): Victoria Beckham, 1997 carrying her Louis Vuitton.

“Millennial consumers account for the largest share of luxury brand site visits, while Gen Z adults - a mere slice of the largest and most ethnically diverse generation - are the more over-represented age bracket among luxury brand site visitors vs. their share of the population”

ForwardPMX Luxe (2019)

at buying a luxury product to **represent the status they may not already have.**

ForwardPMX (2019) found that online luxury shoppers had an almost equal gender split (53.4% female, 46.6% male). Most visitors to luxury sites also had both high education and income. In the U.S, HENRYs are said to earn between [\\$100K-\\$250K](#).

First introduced by [Deloitte in their 2019 study](#) on luxury goods, many HENRYs don't actually 'feel' rich: They have high debt, little savings, and are working full-time.

COVID-19 has also caused HENRYs to tighten their purses. Currently, these millennials (as HENRYs usually are) account for 35% of the market but are expected to [make up 50%](#) by 2025.

To support this, [Highsnobeity \(2020\)](#) states that people under thirty will make up **more than half of the luxury market** in the coming years. These consumers reject being defined by labels like “sneakerhead” or “hype beast”, and the market will have to respond to the way individual consumers shape it, rather than brands or marketers.

This is a huge shift, and one that makes understanding the why behind the buy all the more important.

4.

LUXURY CONSUMER PSYCHOGRAPHICS: THE WHY BEHIND THE BUY



Figure 11: From [Oglivy China](#). The biggest luxury spenders come from Chinese GenZs and Millennials.

UNDERSTANDING THE WHY

While demographics consider the “who”, psychographics reveal the **why**. [Psychographic variables](#) include (but are not limited to), interests, values, ethics, opinions, and hobbies.

So what are the [psychographics](#) of luxury consumers? What’s obvious about luxury consumption is that it’s **irrational**. Meaning, many luxury purchases aren’t carried out for a utilitarian, conscious purpose, but for one that is hedonic. Luxury goods incite pleasure and excitement, and luxury consumers will often make subconscious or emotional decisions before purchasing.

However, this doesn’t mean luxury shoppers are spending stupidly, instead, making irrational decisions is what makes us human (read more about the psychology of the [irrational consumer](#)). Without jumping to conclusions and relying on cognitive biases when we shop, we would be mechanical, rational robots who don’t enjoy ourselves. We would probably over-rationalize so much that we would never buy anything.

This is the crux of luxury consumer psychology: **Purchase decisions are hedonic**. Which is what separates buying luxury goods from buying a fridge or a screwdriver (utilitarian purchases). Luxury **buying behavior is based on**

Personal Effects on Prestige Consumption

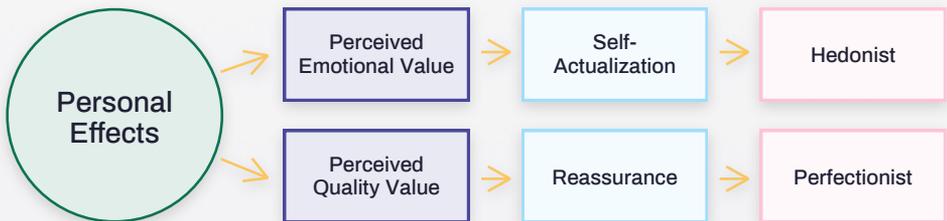


Figure 12: Source Vigneron and Johnson (1999).

“Luxury goods are considered to be products that nobody needs, but everybody wants. Luxury is the expression of imagination, hopes, and dreams of the consumer, not his/her real needs.”

Zaharia (2015)

emotions ([Dubois & Duquesne, 1993](#)).

In Vigneron and Johnson’s (1999) conceptual framework (Figure 12), they map out two threads of personal effects that luxury consumption enables. The hedonist thread leads to **self-actualization**, imbuing the product with emotional value. And the **perceived quality** value of the product leads to reassurance.

To support this, [Deloitte’s 2017 study](#) shows that 20.5% of Millennials bought a high-end luxury item for a particular occasion (e.g., a wedding or a party) and 18.5% bought one when they wanted “to treat” themselves. Psychologists agree that

purchase behavior for Millennials is usually self-directed - or for gift-giving - and often **impulsive**. These individuals want to possess products that will make them or others feel good (hedonic motivators).

Furthermore, buying luxury products triggers dopamine (Radon, 2012). Dopamine is mostly triggered through anticipation of a reward, and not always from the actual purchase itself. So if the anticipation is bigger - because the purchase is more of a financial and emotional investment - then individuals experience heightened levels of dopamine.

Buying an expensive luxury good begets pleasure and

excitement. Along with these hedonic emotions, the consumer will feel **power** from spending big and **satisfaction** from obtaining an exclusive, rare, or quality product. This is what makes the hedonic appeal of luxury products one important driver of behavior.

What's more, Millennials and GenZs - unlike Boomers or GenXs - reject the values of timelessness, heritage, or the unattainable qualities of luxury brands. Instead, they want more inclusive rather than conspicuous products, reflected in the emerging trend of quiet luxury (BCG, 2020).

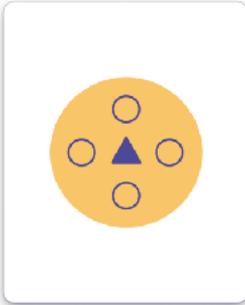
The biggest caveat we've recorded from our research is that **every luxury brand will have a different target audience**, made up of individuals with different desires, interests, and values.

Psychologists agree that **there is no "one size fits all" strategy** when it comes to psychographic segmentation for luxury consumers. This is why brands should work to understand the subconscious

decisions of individual customers. Because of this, we've compiled several psychological clusters that customer segments likely fall under.

Here are the overarching themes of luxury consumers today:

- **The Need for Uniqueness**
 - Scarcity: Exclusivity, Rarity, and Excess Demand
 - **Costly Signaling and Status**
 - Prosocial signaling
 - Signaling heritage and legacy
 - **Building up the Self and Self-Narrative**
 - The aspirational "self"
-



THE NEED FOR UNIQUENESS

The need for uniqueness is a

psychological process that is attributed to the way luxury consumers shop. Many individuals will seek to be similar to their peers (as you see with [Social Proof](#)). However, according to [Snyder and Fromkin \(1980\)](#), “uniqueness theory” suggests that individuals tend to want to be dissimilar to others and will be motivated to establish how they are different.

[Snyder \(1977\)](#) states that consumers who have a high need for uniqueness will:

1. Emphasize their independent self with the products they buy.
2. Seek differentiating brands.
3. Be more prone to adopt new products.

Luxury purchases represent an **extension of the self** since they are emotionally driven and hedonic. Psychologists agree that luxury consumers buy rare products because they want to be unique and stand out. This means that [brand exclusivity](#) is an important factor for luxury consumers, coupling their need for uniqueness on a personal level with the uniqueness of the brand.

The need for uniqueness operates on two levels:

Personal level:

- Differentiation
- Individuality
- Self-expression

Brand level:

- Innovation
- Tailored/custom experience
- Unique offering
- Belonging to the “in-group”

“Buying a luxury product will often feel like an emotional extension of the self. These purchases are largely hedonic, which means consumers will inject a little bit of their unconscious selves into the buying process”

**Joris Fonteijn, Chief Behavioral Officer,
Crobox**

both external (signaling to others) and internal (making the person one step closer to their ideal self). The product is the attention-grabbing cue that signals how the consumer is either apart from, or above others.

Interestingly, research by [Kaupinnen-Raisanen, Bjork, Lonnstrom, and Jaufrett \(2008\)](#) revealed that more men than women were found to link luxury brands to self-expression and self-presentation.

In spite of this, it can be inferred that many individuals will feel drawn to luxury brands to represent who they are, or who they

want to be (Kaupinnen-Raisanen et al., 2008). Luxury products will be bought as **vehicles for self-expression (on a personal level)**. And the brands people buy these products from can make them **feel special and unique**. However, luxury brands will also make individuals feel like they **belong to an in-group** of similar luxury consumers.

On one side, brands that foster uniqueness appeal to the luxury mindset. On the other, these brands also show how this uniqueness is an identity that others share. Individuals tend not to want to feel idiosyncratic or isolated. To reinforce this,

Kaupinnen-Raissen et al., (2008) revealed that when shoppers established this self-expression and self-presentation, it was only insofar as it related to a larger social group:

will have a hard time appealing to the modern consumer.

This psychological process will most likely stick around. As the luxury landscape tilts

“This means that those who self-monitor may need cues from others on how to blend in. However, blending in does not only mean being similar to others but also being different in ways perceived acceptable by society.”

Kaupinnen-Raisanen et al., (2008)

Brands that want to successfully appeal to their shoppers' need for uniqueness have the responsibility to provide ways their customers can differentiate themselves from others and be seen as one-of-a-kind, **whilst still referring to a socially accepted group or fashion**. This means that luxury brands that sell too haute-couture or fringe items

towards accessibility, consumers will want to stand out both on a personal and brand level, prompted by the behavior of the in-group.

EXTREMELY IMPORTANT PRIVILEGES

As a NETA-PORTER EIP, you are an Extremely Important Person to us.
You can enjoy the following Extremely Important Benefits which are our ultimate shopping experience.



PERSONAL SHOPPING SERVICE

Your own dedicated Personal Shopper is on hand to help you with all your style needs, from finding the pieces you love to size and fit advice



COMPLIMENTARY WORLDWIDE DELIVERY

Enjoy unlimited free complimentary shipping anywhere in the world, plus same-day service in London, New York and Hong Kong



PRIORITY ACCESS

See and shop What's New 36 hours before anyone else with your Extremely Important Preview service

Figure 13: Net-a-porter privileges for their loyal customers include personal shopping assistants, complimentary delivery, and priority access.

Scarcity: Exclusivity, Rarity, and Excess Demand

Products that are scarce, innovative, and customized will appeal to an individual's need for uniqueness, both on a personal and brand level (Lyn and Harris, 1997). Scarcity is the psychological principle that explains how people respond to things that are limited, scarce, or rare ([read here for more](#)). Many luxury brands keep up the perception of their unique

exclusivity by leveraging this psychological principle.

Furthermore, luxury products are attractive because they are rare, unique, or exclusive, which means they can be sold at higher price-points. Yet, modern luxury shoppers need these **price-points to be justified**, and their superior quality should be highlighted. According to Deloitte (2017), 19.7% of people bought luxury goods because they liked to treat themselves, with 18% saying because they are of high quality. 39.1% of consumers say the one thing

that draws them the most to a luxury brand is the quality of a product (Deloitte, 2017). Quality and self-expression thus go hand in hand.

To support this, in a neurological study, test subjects were shown the prices of different products before their simulated buying journeys (Karmarkar and Knutson, 2014). What happened was that the subjects' prefrontal cortex lit up ([responsible for decision-making](#)), as did the insula

(processing pain). This shows that **spending money can often counter the effect of dopamine.**

On purchases that are more of financial investment, this friction is something that retailers want to stay away from.

Justifying price-points by highlighting the quality of a product is how brands have successfully leveraged Scarcity to **influence product-centric purchase decisions.**

However, to mitigate the risk of shouting vs.

whispering, the **quality of products is inferred.** For example, Mansur Gavriel includes the country of origin in their product description (Figure 14), which infers the premium materials and superior design of the shoe. The country of origin is such a strong effect that it has created “Champagne from France” (Brun and Castelli, 2013). Satisfying consumers' need for uniqueness in 2021 ties into product quality,

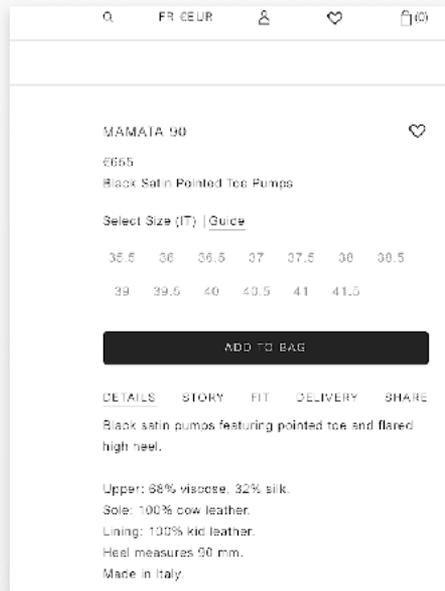


Figure 14: Screenshot from Mansur Gavriel (Made in Italy).

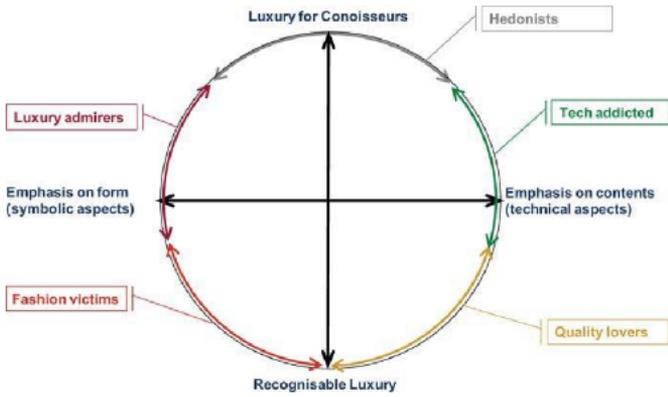


Figure 6.
The circle of luxury profiles

Figure 15: Source Brun and Castelli (2013)

especially for luxury connoisseurs.

For example, Brun and Castelli (2013) developed a framework for understanding luxury profiles (see Figure 15). The framework represents two social dimensions of luxury consumption:

1. **Luxury for Connoisseurs:** This is the quiet luxury trend or “luxury for oneself”. It describes luxury as a personal pleasure.
2. **Recognizable Luxury:** This is part of Costly Signaling (see pg. 38) or “luxury for others”.

The need for uniqueness drives all parts of this circle, either on a brand-level (unique, rare, exclusive products) or on a personal level.

For example, Hermes [rejects celebrity endorsements](#) as a marketing strategy. They purposefully limit their distribution of products to explicitly fall below consumer demand. In doing so, they remain a brand that can only be accessed by the few ([Rarity](#)). **They stay true to their “in-group”**, even at the expense of limiting their sales. This is the core of Exclusivity as an extension of the need for uniqueness: To limit the access of products to

“Many luxury retailers offer tailoring or customization. These products aren’t as conspicuous and thus tend to appeal to a luxury consumer who wants to impress other insiders, instead of the external world.”

**Patrick Oberstadt, Consumer Psychologist,
Crobox**

a niche group of people (connoisseurs).

Hermès also creates legends around their products, full of myths and monsters. So while they control demand by limiting supply, they also create a brand that is unique and can only be accessed by a select few. Their products **infer decades of craftsmanship and legacy**, filling the psychological need for uniqueness that many of their shoppers seek in a quiet way (Figure 16).

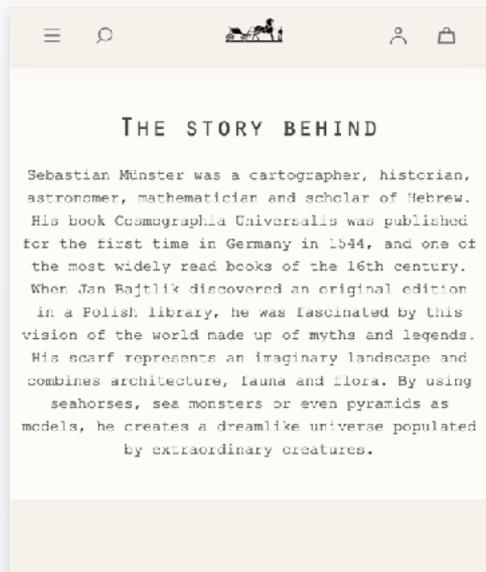


Figure 16: *Hermès Cosmographia Universalis* product description.

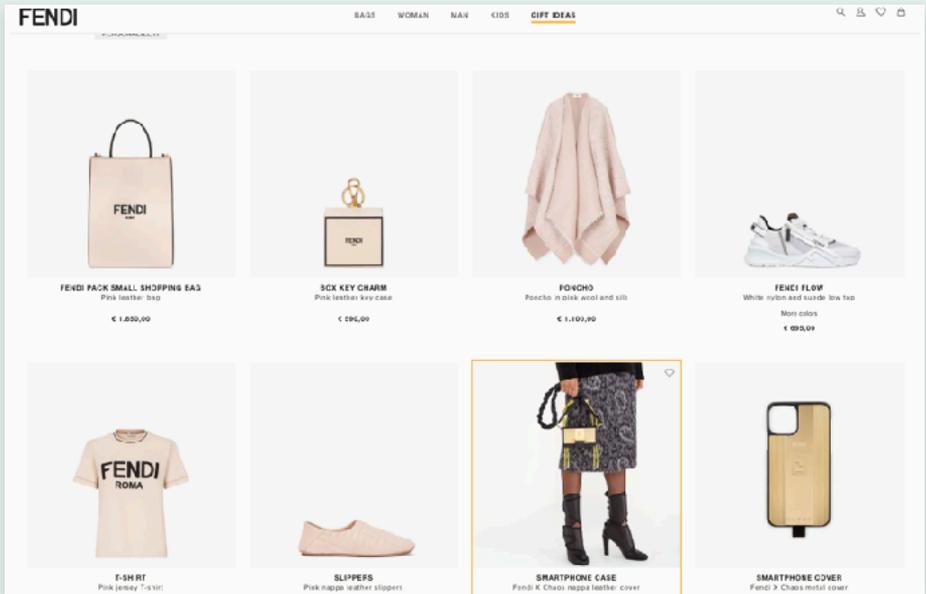
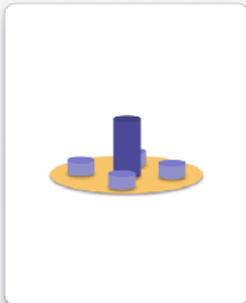


Figure 17: Fendi webshop. Fendi is a good example of a brand that “signals”, i.e., their brand logo and aesthetic are visible in most (if not all) of their products.



COSTLY SIGNALING AND STATUS

People used to shop for luxury products because it made them stand out. A Louis Vuitton bag is conspicuous - it has the brand name and

logo written all over it and is explicitly lavish.

This may appeal to the luxury consumer, who buys **Veblen goods, or products whose prices increase as demand increases**, to mark themselves as different or

“Early work in the area (e.g., Veblen, 1899) clearly reveals an orientation towards the role that luxury played in determining social class. However, in more recent times, as the wealth of the middle classes has increased this has led to the concept expanding to incorporate a ‘masstige’ element. As a consequence, it is now useful to think of luxury in terms of ‘absolute luxury’ and ‘accessible luxury.’”*

Custance, Copley, Perry (2015)

Other examples of Veblen goods include Longchamp bags, Bentleys, or top-shelf wines and spirits. These would be later described by [Sivanathan and Pettit \(2010\)](#) as “affirmational goods”, for individuals to **signal their wealth and validate their status and self-worth**.

The psychological process of buying Veblen goods is part of Costly Signaling (Vigneron and Johnson, 1999). However, this may not be in line with the new luxury consumer, as

we’ve already seen how these consumers **reject conspicuousness in 2021**.

In fact, in a [report by High Snobesity](#) only 6% stated they purchased a luxury product as a direct expression of their wealth. Along with the emerging trend of quiet luxury, consumers are drawn towards products with low brand prominence. These are ones that sell products that are “modest, unobtrusive, discreet, purist, and minimalistic” (Heine, 2012).

“When both the market is increasing and the offering (amount of luxury items) is too, you get more diversification (specific products that fit the needs of specific segments). Less conspicuous products just make people work harder for others to see them, which is also a form of exclusivity. The people that matter (the in-group) respect it more because they “get it” whilst the rest may not see it.”

**Joris Fonteijn, Chief Behavioral Officer,
Crobox**

Coupled with the psychology of Costly Signaling and the growing trend of quiet luxury, consumers are finding new ways to signal how they paid premium prices for quality products through prosocial labels.



Figure 18: Farfetch is in partnership with Thrift+ a donations service that offers shoppers a way to donate their secondhand clothing.

Prosocial Signaling

Sustainability (or green) labels are part of 'prosocial signaling'. This is a way luxury consumers can show off their status and **belonging to an in-group** of pro-environmentalist shoppers. The theory suggests they will explicitly buy well known products with green labels to signal how they've paid a higher price point for quality products. In this way, the

psychological process behind Veblen goods can be translated into what sustainable goods mean for (most, but not all) luxury consumers.

For example, GenZ and Millennials will purchase luxury products to signal how they belong to a value system, shared with like-minded consumers (Trunzo, DeLeon, & Dreesen, 2020). 89% of these consumers can tell "when the people behind a brand are

part of the culture they seek to represent - or whether they're just co-opting it".

For luxury brands, this means their customers need to see real, authentic efforts towards sustainable goals before investing in a brand. Moncler, for example, has a separate section on their webshop dedicated to sustainability (see Figure 19). And [Gucci has recently partnered with The Real Real](#) to tap into the second hand clothes market. Note that this is very disruptive for a luxury brand, especially one that has stayed

away from and spoken firmly against consignment and resale before.

Consumers demand that brands make concrete efforts to establish their green goals, and only then will they buy into prosocial signaling, i.e., costly signaling of desirable behavior.

For example, in [Berger's experiment](#) (2019), his results indicated that people were more willing to pay a premium price for green products when the choice was made public rather than

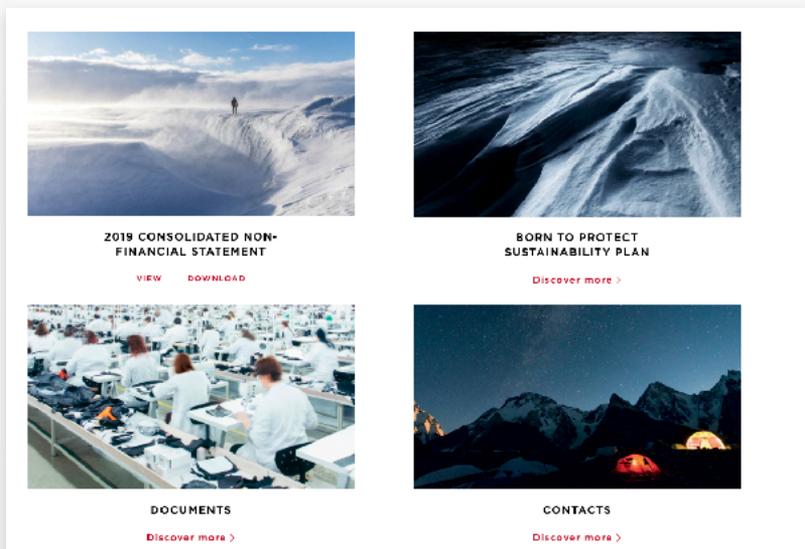


Figure 19: Screenshot of the Moncler sustainability landing page.

private (i.e., when it was signaled).

In another paper on prosocial signaling using green labels, [Mesoudi \(2017\)](#) uses the example of a Toyota Prius. He suggests that although this luxury good is less

environment...is willing to forgo comfort for the greater good” (Mesoudi, 2017). Thus, the Prius signals an ecological product that is **costlier and more conspicuous, and, as a result, more appealing** to the luxury consumer because of what it signals to others.

Table 1
Perception ratings (experiment 1).

	Status	Wealth	Attractiveness	Kindness	Trustworthiness
Luxury label	0.320 ⁺ (1.84) [.368]	0.286 [*] (2.02) [.406]	0.080 (0.37) [.075]	-0.060 (-0.39) [-.078]	-0.340 ⁺ (-1.68) [-.335]
Green label	0.120 (0.70) [.138]	-0.214 (-1.51) [-.308]	0.240 (1.28) [.257]	0.080 (0.61) [.122]	0.020 (0.11) [.023]
Constant	3.400 ^{***} (26.61)	2.714 ^{***} (29.43)	3.360 ^{***} (24.13)	4.280 ^{***} (47.28)	3.940 ^{***} (30.52)
N	150	147	150	150	150

Figure 20: First experiment on perception ratings. The ratings are from 1-5 (Mesoudi 2017).

comfortable compared to fuel-powered models in a similar price segment, it has been hugely popular with consumers. This is because “only an individual who truly cares about the

People were asked to rate a photograph with a person wearing a shirt with no label (the control), a Lacoste label (luxury label condition), or a Bio label (green label condition; see Figure 20). Pro-

environmental attitudes may not be associated with wealth in Zurich, which may show why people don't associate the person wearing a Bio label as immediately more wealthy.

Mesoudi (2017) tested these "Bio" labels on Lacoste t-shirts in Zurich. Interestingly, the experiment showed no difference in perception when the green label was placed on a luxury product. This could be a result of the location: Swiss consumers may be less inclined to signal their wealth, "a hangover from their Calvinist past" ([Lewis, 2005](#)). This takes us back to Brun and Castelli's (2013) circle of luxury profiles (see Figure 15 pg. 35) showing how nuances exist within individuals.

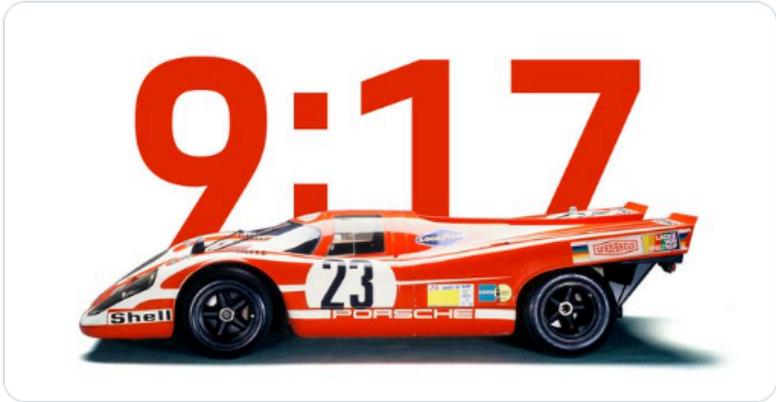
Prosocial signaling works for the "in-group" of sustainable, luxury shoppers. These are the connoisseurs that signal their wealth and status through prosocial behavior. Yet, these behaviors will always depend on the cultural backdrop of the group doing the signaling. In one culture, prosocial

consumer behavior could be signaled by showing off electric cars. Whereas in another, individuals may attend charity balls to carry out prosocial signaling. Luxury brands should understand their target-audience in terms of what kinds of prosocial behaviors lead to Costly Signaling.



Porsche @Porsche · Sep 18

In 1970, it claimed our first overall victory at [#LeMans24](#). And countless hearts since. The iconic 917. On 9/17. At 9:17. [#PorscheTime](#)



11

106

736



Figure 21: Porsche leveraging brand heritage on Twitter.

Signaling Heritage and Legacy

Leaving a legacy doesn't take a retailer decades of brand presence anymore. Sometimes, it's enough to leverage hype and exclusivity, which streetwear collaborations do well. Legacy brands also follow suit. Patek Philippe, for example, signals their heritage by echoing the timelessness of their watches (Figure 22). This may appeal to their traditional shoppers, but is a hard-sell for the modern luxury consumer.

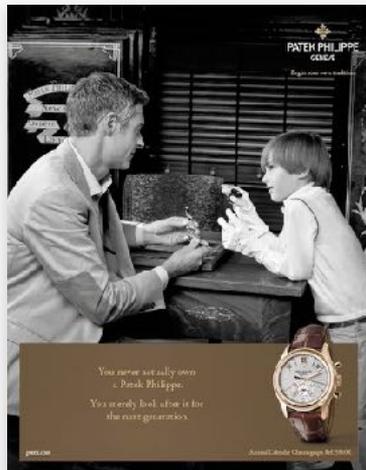


Figure 22: Patek Philippe advertisement

Instead, Rolex (the leading watch brand, with more than triple revenue over Patek), signals their heritage by highlighting their watches' quality and authenticity. In an article by [Forbes \(2018\)](#), the author suggests how authenticity for luxury brands is difficult, yet **91% of consumers demand it**. The brands that succeed to appeal to HENRYs are able to signal status and wealth in an inconspicuous, or implied way, preserving their authenticity.

To support this, Kauppinen-Raisanen et al., (2020) carried out a study of 215 young consumers from Italy, France, and Finland. Their findings revealed that, across demographics, **connoisseur consumers preferred luxury brands that whispered**.

In order to signal wealth, status, and heritage, brands are starting to adopt a [product-centric approach](#): Highlighting the special attributes and qualities of their products. This drives behavior for luxury shoppers looking for more rational, subtle ways of Costly

Signaling and showing off their status.



Figure 23: From [CR Fashion](#), Dennis Rodman wearing luxury brands to stand out on Jay Leno in 1997.



BUILDING THE SELF

Hedonic purchases go beyond triggering a momentary release of dopamine.

As we've seen throughout this report, these purchases signify something important in one's life. **Luxury products are the ultimate symbols of the self.** They symbolize status, wealth, or uniqueness,

which are all self-driving factors.

When consumers purchase something with symbolic status, they build their self-image and construct a narrative about who they are or wish to be. Luxury products help create this self-image of worth. They are perceived to only be accessible to those of a certain status. Therefore, when a luxury product is purchased, the individual is

made it to the “in-group” of high-status luxury consumers.

However, these expectations of obtaining worthiness and status are not always met, resulting in **imposter syndrome**. Imposter syndrome occurs when the purchase of luxury products triggers a feeling of inauthenticity *instead* of worthiness to be part of the in-group ([Goor, Ordabayeva, Keinan, & Crener 2020](#)).

Individuals constantly build their “perceived ideal self”

through their consumption, behavior, and ideals. Those buying luxury goods might believe that by buying a luxury product, they will achieve the desired status, or build their perceived ideal self, only to find out that the purchase makes them feel inauthentic and undeserving.

Think of it this way: I buy a Porsche because I think it will make me appear wealthy, classic, and obtain a certain status. Upon purchasing the Porsche, I am **disappointed** that I have become none of these things and now have a

“If luxury retailers can foster and build relationships with their individual customers post-purchase, then they can make their brand a safe space where shoppers will feel worthy of belonging to the in-group, and not imposters. Plus, nurturing customers will more likely increase the possibility of a second purchase.”

**Joris Fonteijn, Chief Behavioral Officer,
Crobox**

product that reminds me of this conflict.

Psychologists suggest that imposter syndrome causes friction in the customer's experiences of a brand and may backfire the positive effects of dopamine.

To counter this, individuals should be made to feel confident in their purchases, brands need to reinforce the idea that the product helps the customer in reaching their perceived ideal self. In other words, the product helps them become a part of the "in-group" rather than an imposter.

Building a self-narrative is a psychological process that brings together the main points of this chapter. Psychologically, luxury shoppers want to achieve their ideal self, thus, purchasing a luxury product is about building this self to:

1. **Make the themselves stand out more (need for uniqueness).**
2. **Bring the themselves closer to another**

group of people (the "in-group").

3. **Bring themselves to a better emotional state with feelings of self-worth (their "ideal self").**

Luxury brands should aim to facilitate building the ideal self in a realistic way. They should help their shoppers feel worthy of the products they purchase.

However, before concluding this chapter, there's one last concept that brings the perceived ideal self to fruition. **The aspirational self** shows a perceived ideal self that can be achieved by the individual.

It counters the psychological friction of imposter syndrome by showing products that, when purchased, will bring the individual closer to this to this perceived ideal self.

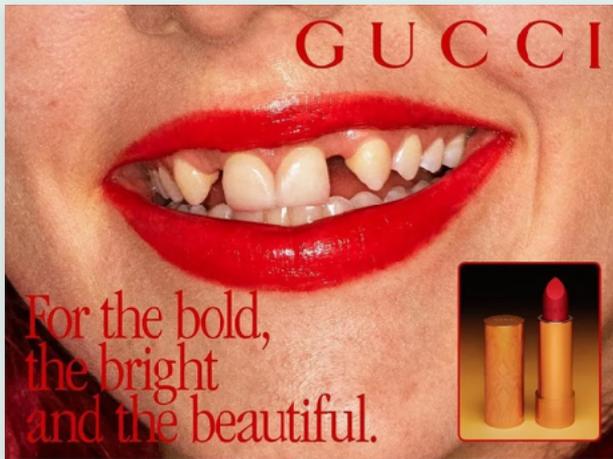


Figure 24: From [Glamour](#), “Does Gucci’s New Lipstick Ad Make You Uncomfortable? Good.”

The Aspirational Self

Luxury marketing has stepped away from the “unattainable self” and started helping individuals realize their perceived ideal selves. However, to remain exclusive, brands do not construct a self that is too “attainable”. If more people have access to something, this breaks down the barriers that luxury needs to remain appealing to their customers. Thus, brands are marketing more towards the aspirational self: **An ideal self that can be built up in a realistic way,**

catching up with L’oreal’s famous tagline “because you’re worth it” but for a higher (luxury) segment.

For example, Gucci has been praised for their use of social media to close the gap between catwalk high-fashion and the everyday shopper.

For example, Gucci markets their lipstick as attainable to the everyday individual (see Figure 24). By showing perfection within imperfection, they remain true to their brand messaging, which is both unique and provoking.

“The aspirational self is so strong that many people want to be millionaires for just one day, or treat themselves to expensive, luxurious lifestyles momentarily (like spa days, or renting expensive cars). Luxury marketing or ads throw customers a lifeline to be part of an in-group, by showing individuals goods they can obtain, that represent something to them as unique individuals.”

**Joris Fonteijn, Chief Behavioral Officer,
Crobox**

This is key to marketing to a luxury consumer, who builds their self based on the products they buy: Brands can help them achieve their aspirational “self” and making shoppers feel worthy of being part of the in-group of luxury consumers.

This strategy works twofold:

1. Luxury brands can still appear exclusive by showing the ideal self that individuals aspire to be.
2. Luxury brands can appeal to the emerging demographic segment of GenZs and Millennials who want quiet, sustainable, and inclusive products, that will show realistic ways to achieve this self.

When he gets mad at you for being 3 hours late but you're too fire to deal with that kind of attitude



Figure 25: From [#TFW Gucci's](#) Instagram campaign archive.

Furthermore, Gucci's meme campaign (Figure 25) generated more engagement on Instagram than any of their other campaigns, and their lipstick campaign (Figure 24) was celebrated for depicting real lips, not airbrushed or photoshopped.

For luxury connoisseurs, the lipstick ad is a reaffirmation of Gucci's brand. And for non-connoisseurs, it shows that even an imperfect person (since there's no indication if the ad features a model) can wear Gucci, which **makes the ideal self more attainable.**

This is how brands like Gucci have stayed customer-centric in a market where cognitive dissonance often occurs. Where transparency is becoming more important, and "beauty" ideals are being deconstructed, luxury brands that cater to the aspirational self are seen as more appealing and relevant.

CONCLUSION

The retail market in 2021 continues to be dynamic. More people are shopping online than ever before. Trends like AR, VR, phygital, and data-driven strategies will set brands apart from their competitors. However, without the human in technology and data, luxury brands will fail to resonate with their consumers.

What we've covered throughout this report is just touching the surface of luxury consumer psychology. eCommerce buying behavior is constantly adapting and changing. Herein lies the opportunity to come out on top.

For many luxury legacy brands, adopting a digital-first mindset is difficult. Understanding the psychological processes behind luxury consumption is, therefore, a must before positioning and promoting these products online.

To recap, these processes are:

- **The Need for Uniqueness**
 - Exclusivity, Scarcity, Rarity, and Excess Demand
- **Costly Signaling and Status**
 - Prosocial signaling
 - Signaling heritage and legacy
- **Building up the Self and Self-Narrative**
 - The attainable “self”

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With a background in literature, culture studies, and communications, Nikole has analyzed trend reports, news sites, and academic research to enable writing this report. She is committed to understanding consumer behavior and learning how psychology can help discover the why behind the buy.



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