

Analysis of the Reasons for the High Price of Luxury Goods Based on Consumer Psychology

Yanhan Zhou *

Asia-Europe Language and Culture Institute, Xi'an FanYi University, Xi'an 710105, China

* Corresponding Author Email: louis0312@ldy.edu.rs

Abstract. It is commonly known that the price of luxury brand products is usually much higher than that of ordinary similar products, and the price fluctuation of luxury brand products is small and relatively stable. Moreover, even though luxury goods have high prices, they always have stable consumer groups and market demand. Although extensive research has been carried out on the consumer psychology, and how the consumer influences the pricing of luxury brands, no sufficient study which can explain how the brand DNA affect the luxury brands pricing. Therefore, it is crucial to analyze the influence of luxury brand DNA on brand pricing. This analysis can help luxury brands better establish brand image, help them better convey brand values, create unique brand stories, and increase brand reliability. At the same time, this analysis can also help luxury brands better optimize their brand experience by understanding consumers' expectations and help luxury brands design more attractive and competitive product.

Keywords: the essence of luxury brands, psychology of consumers, high price reasons.

1. Introduction

Nowadays, luxury brands have attracted more and more attention and love, and inspired many consumers to buy enthusiasm. Because of its high price, unique design and outstanding quality, luxury goods have become the fashion trend pursued by consumers and the way to obtain social recognition. However, the high price of luxury goods, and almost no fluctuation, is a matter of constant concern. Consumer psychology plays an important role in the price pricing of luxury goods, and they have a great impact on the reasons for the high price of luxury goods. Therefore, it is of great research significance and practical value to make an in-depth analysis of the reasons for the high price of luxury goods and explore the psychological factors of consumers. The high price of luxury goods has a great relationship with the essence of luxury goods and the psychology of consumers. When buying luxury goods, consumers often pursue not only practicality and functionality, but also identity, social recognition and personal value display. Factors such as brand image, historical inheritance and cultural heritage carried by luxury goods exist deeply in the minds of consumers, which constitutes the basis of their psychological cognition of the high price of luxury goods. When consumers choose luxury goods, they are often influenced and restricted by many factors such as brand experience, personal taste, advertising, etc. These factors together form the basis of consumer psychology's cognition of luxury goods value and price. Therefore, through in-depth analysis of consumer psychology, this research can explore the psychological motivation of consumers willing to pay for this, and its impact on the pricing and marketing strategies of luxury brands. This paper will divide into three parts. To begin with, it will provide an analysis of the essence of luxury brands. Furthermore, it will carry out a psychological analysis of consumers who buy luxury goods. Finally, it will analyze the pricing logic of luxury goods and explain its reasons. The research method of this paper is documentary analysis.

2. Analysis of the Essence of Luxury Brands

2.1. Brand Origin, History and Founder

Luxury brands often have a lot in common in terms of origin, history and founders, which have shaped the unique identity of these luxury brands and deepened their high-end status in the heart of

consumers. Almost all luxury brands have a compelling origin story, which can emphasize the brand's innovation, heritage and design philosophy. The attributes of a luxury brand include both the physical characteristics of the product and the symbolic values that the brand provides to the consumers. Symbolism is interpreted as prestige, beauty, charisma, the creation of which requires larger and more time-consuming efforts than just producing a unique, expensive, high-quality product. An important aspect of a reliable, trustworthy image is the history of the brand and its creators. In the opinion of many authors, it is an important element of the brand's value, not only shaping its luxurious image, but also providing psychological values [1]. Besides the development history of luxury brands shows how they adapt to the changes of the times while maintaining the same core values. This sense of history strengthens the uniqueness of luxury brands and the loyalty of consumers. In terms of luxury brand founders, many luxury brands are named after their founders, such as Louis Vuitton, Chanel, Dior, etc. The founders of these luxury brands have a strong personal style and influence the entire fashion industry with unique creativity and forward-looking perspective and are regarded as pioneers in the field of fashion, and their names are generally one of the core parts of the brand.

2.2. Exceptional Quality, Savoir-faire, and Uniqueness

Luxury brands also share many characteristics in terms of quality, craftsmanship and uniqueness. In terms of quality, the materials used by luxury brands are basically the highest quality in the market, and luxury brands should not only ensure the fashion of products, but also ensure the durability of products, which can ensure the inheritance of luxury goods and increase its value [2]. As for savoir-faire, luxury brands have a long production tradition, such as hand sewing and fine carving. Moreover, the savoir-faire of luxury brands reflects the combination of tradition and innovative design by craftsmen and artists. Moreover, to ensure the quality of handicrafts, luxury brands usually produce limited products, which not only guarantees the characteristics of the product, but also improves the scarcity value of the product [3]. Regarding uniqueness of luxury brands, luxury brands have their own style, which is often ahead of the fashion trend and leads the trend. In addition, luxury brands can provide customers with personalized and customized services, both color and material can meet the special needs of customers. For example, whether in clothing or accessories, Dior uses high-end materials, such as fine silk and cashmere, etc. In terms of hand-making, Dior attaches importance to traditional handicrafts, and has a professional team of craftsmen, who are proficient in embroidery, dyeing. For Prada, innovative and technologically advanced fabrics, such as nylon, are often used. Moreover, Prada is famous for avant-garde and fashionable designs, and often innovates new designs, such as its classic backpack and fashionable shoes.

2.3. Scarcity and Ancestral Heritage

Luxury brands generally control the quantity of luxury goods within a certain period, which can make luxury products have more scarcity value, and luxury brands will have exclusive sales channels, so the restriction of sales channels will also increase the scarcity of luxury goods. The high price of luxury goods also determines that luxury goods are scarce goods [4]. For example, Hermes' Birkin and Kelly bags are known for their scarcity, requiring reservations through waiting lists that can sometimes take years. At the same time, the values, spirit and production process of luxury brands are inherited, and many luxury brands are still family enterprises, which also increases the personality and uniqueness of luxury brands and establishes a close emotional connection with consumers. For example, Gabrielle Chanel, the founder of Chanel, is a pioneering fashion designer whose design concepts and works have had a huge impact on the fashion world, with Chanel's iconic Little black dress and Chanel No. 5 perfume carrying a rich historical and cultural heritage.

2.4. Selective Distribution and Personal Services

Luxury brands generally sell luxury goods through flagship stores, specialty stores or high-end department stores, which is conducive to maintaining the high-end image of luxury brands. In addition, luxury brands will choose high-end shopping areas or bustling streets when expanding brand

extensions and new stores, to attract customers. In terms of personal services, luxury brands pay attention to the quality of service to customers, which make them generally launch exclusive customer consultants, one-on-one shopping experience and after-sales service, and it is conducive to improving customers' satisfaction with luxury brands. In addition, luxury brands also attach importance to customers' brand experience through establishing pop-up stores and cooperate with concerts and other activities to attract customers. Pop-up stores are usually located in bustling business areas or places with large traffic, to attract more customers and bring customers a novel shopping experience. The unique design of the store allows customers to feel the culture and values of the brand while shopping. Concerts can bring customers an immersive brand experience. Through music, the emotional connection between the brand and customers can be established. In this way, customers can understand the brand concept while enjoying the music, thus enhancing the brand awareness and reputation. Through pop-up stores and concerts, the high-end image of luxury brands can be established, brand culture and values can be transmitted, and customers can have a sense of identity and trust in the brand, thus enhancing the competitiveness and market share of luxury brand.

3. Psychological Analysis of Consumers

3.1. Self-reward

Some customers buy luxury goods as a reward for achieving their own achievements, such as a salary increase at work or a promotion, because this behavior can express their pride and self-satisfaction through luxury goods. In addition, the purchase of luxury goods can also be seen as an investment in personal image and happiness. This behavior enables people who have experienced long-term pressure and challenges to regulate their emotions through consumption. Meanwhile, luxury goods, because of its high quality and uniqueness, can especially meet people's psychological demand for rewards. These people who buy luxury goods as a self-reward also believe that luxury goods can be used to show their values, lifestyle and attitude. This way of self-attitude expression is conducive to strengthening self-confidence and affirming their personal pursuit. Moreover, in the process of purchasing luxury goods, these customers will also be accompanied by happy shopping experience, such as high-quality service and high-end shopping environment, which is also a kind of self-reward in their eyes.

3.2. Attraction of Brand Culture

Some customers buy luxury goods because of their love and interest in luxury culture. In the process of exploring luxury culture, they can resonate with the values of the brand, thus revealing their own personality. Moreover, for many luxury brands, it is not only the publicity and marketing of products, but also the dissemination of life attitude and lifestyle, which make consumers who are interested in this attitude of life willing to pursue their ideal life by buying this kind of luxury goods. Of course, people who like and buy luxury goods because of brand culture are not a person, but a group. Therefore, in the process of understanding brand culture, they can get a sense of belonging, which is established through brand stories, advertisements and other things, so the interest in brand culture can also be reflected in the pursuit of community belonging [5].

3.3. Presentation of Status

For many people, luxury goods are a symbol of success and wealth, they think it is the source of their recognition and higher respect, and many people buy luxury goods to build a successful and tasteful image to satisfy their vanity. So, consumers' enduring desire for luxury largely derives from the need for status, that is, 'respect, admiration, and voluntary deference afforded by others. This need drives the way consumers select, use, and decode signals associated with high status in the marketplace, be it material objects, experiences, or knowledge [1]. Luxury goods are often not owned by the public because of their high prices, so this scarcity makes some customers want to have luxury goods to stand out in the society, to achieve distinction, and to show their own personality. For

instance, many people like to wear Hugo Boss in their work to show their status, because Hugo Boss is a well-known luxury brand, wearing its clothes is often seen as a clear sign of social status and success, especially in business and professional situations. And Hugo Boss clothing is often associated with professional success and authoritative status, many business people and professionals will choose this brand to shape their professional image, to convey a serious, reliable appearance of success.

3.4. Higher Quality

There is always a common truth in people's minds, that is, the higher the price, the better the quality. The high prices are often associated with brand trust and reliability and create a sense of uniqueness and exclusivity. Many people see the purchase of high-quality luxury goods as a long-term investment, and they think high-quality products are usually more durable, which can bring long-term comfort to customers, and sometimes increase in value over time. That is the reason why many customers they do not care about the status, the brand culture that the luxury brands give them, but only focus on the quality. Consumers are very sensitive to price. Generally, the price of the same category of goods is slightly higher than 1% of the market price, and consumers may feel that the price is high. When consumers look at the price of a commodity, they will have an anchored commodity or price in their mind. In the case of absolute rationality, in the case of products with the same quality, consumers will choose a commodity with a lower price. However, when the price of a commodity is higher than 30% of the same category, or even the price of luxury goods will be higher than 300%, then the psychology of consumers will not compare luxury bags or clothes with ordinary ones, and will turn luxury into a new scope and its anchored goods or prices will change.

4. The Pricing of Luxury Goods

4.1. The Logic of Luxury Pricing

Luxury brands usually adopt premium strategy, which means that the price of the products of luxury brands is higher than the average price of the products in the market, to highlight the high quality, uniqueness and brand value of luxury goods, which is a very effective way to emphasize its high-end luxury image and advanced status of the brand.

Luxury brands will also choose the strategy of limited release and high price positioning. The limited release of luxury goods can create the scarcity of luxury goods, which makes luxury goods more attractive and collectible, because consumers pursue unique and personalized products, and limited edition is conducive to consumers' urgent consumption behavior, and knowing that the inventory is limited, consumers tend to consume more quickly [6]. At the same time, the high price positioning can also make consumers realize the high quality and luxury image of limited products, which can make consumers obtain their demand for high status, high quality, brand culture, etc.

The luxury brands also take the psychological pricing strategies [7]. For example, many luxury brands will adopt the integer pricing strategy, which means that the number behind the decimal point is avoided in pricing, but more integers are used to represent the price of luxury goods, because this pricing strategy can simplify the price information of products and reduce consumers' sensitivity to numbers. However, it can convey a brief introduction and high-end luxury brand image, and this pricing strategy can also make consumers pay more attention to product quality and design, and reflect the pursuit of perfection and accuracy of luxury brands and the idea of distinguishing from middle and low-end products [8]. For instance, the clothes and shoes of Gucci are usually priced in integer numbers, like \$1,200 or \$2,500 rather than \$11,199.99 or \$2,499.99. Regarding Cartier, the jewelry like the ring, necklace of this brand is also priced with integer pricing strategy, and the watches of Cartier, whether it is the classic Tank series or the more modern Santo's series are always priced with integer numbers.

Prestige pricing strategy is also an important strategy for luxury brands, this strategy is not only decided by the scarcity, exceptional quality and limited-edition products, but also influenced by the

brand history and its ancestral heritage, prestige pricing strategy is always accompanied by the emphasis on brand history, culture and heritage, because the history background and cultural heritage provide reasonable reasons for the high price. Moreover, the positioning of the brand in the market is also part of the prestige pricing strategy, because the luxury brands can make a high-end, high quality and special brand image which can attract the consumers who want to find a special brand experience and social recognition. For example, Burberry, as a high-end luxury brand in Britain, has more than 160 years of history, the brand's long history and British heritage add additional value to its offerings. The Rolex brand was founded in 1905, the brand has a long history, and has a close relationship with many events and figures in exploration, sports and art, this historical precipitation and the reputation of the brand adds intangible value to Rolex watches.

5. The Reason for the High Price of Luxury Goods

5.1. Luxury Brand DNA

The DNA of luxury brands is the direct influence factor that luxury brands can directly set the price point for their products. The long history of luxury brands and the ancestral heritage of luxury brands are one of the core elements of the DNA of luxury brands. These brands usually tell the unique history and ancestral craftsmanship through brand stories. This creates a unique and emotional resonance of the product for the customer, thus adding an intangible value to the luxury goods, prompting consumers to pay a high price for heritage, artistry and handmade high-quality products. For example, Chanel is not simply a piece of clothing, a piece of jewelry, the brand mainly wants to convey its own spirit through these products: Independence, elegance, innovation and respect for classics, such as Chanel brand's iconic product little black dress, it represents the simple and elegant design concept, Chanel's design of little black dress abandoned the past complex decoration, advocating a simple but never outdated fashion concept, this design conveys the spirit of independence and confidence. Tiffany is a world-famous jewelry brand. The brand mainly wants to convey the spirit of elegance, love, beauty and inheritance through its high-quality jewelry, elegant design and unique brand story. Whether it is Tiffany's classic blue box or every exquisite account treasure, it reflects the spirit of this brand.

The DNA of luxury brands also includes the use of high-quality materials and the pursuit of manual craftsmanship. The products of many luxury brands are handmade, which requires a high level of manual skills and long-term investment, and the process of handmade usually involves cumbersome processes and unique design. Seemingly a commodity is a work of art with irreplaceable characteristics. Such high-level technical requirements have greatly increased the price of luxury products. The materials used in the production process of luxury goods are usually high-quality and scarce materials. The procurement cost of these materials is very high, coupled with the complex production process, which leads to the increase of product cost, and the price of products is also relatively higher.

The selective distribution strategy of luxury brands will make luxury brands tend to sell in specific, high-end points of sale, and to maintain these carefully selected points of sale, brands need to pay high rent and maintenance costs, which will eventually be passed on to consumers in the form of higher commodity prices [9]. In addition, luxury brands need to meet the one-to-one customized service of customers, so they need to train more professional employees and make a lot of investment in human resources. In this process, to provide customers with a good brand experience, brands will also spend high prices on store design. Therefore, this also greatly increases the operating costs of luxury brands, so the product price is high.

5.2. Consumption Concept

Many consumers buy luxury goods not because of their material value, but because these products can bring them emotional satisfaction and self-realization. When a person completes an important milestone or experiences a special life event, they tend to buy luxury goods to reward and encourage

themselves, because they can get brand experience in the process of purchasing luxury goods. Moreover, the high price of luxury goods makes them concretize their efforts, and they think that the high value of luxury goods can be compared with their own efforts, so as to obtain a sense of accomplishment and self-satisfaction.

Luxury goods are usually regarded as an important sign of social status and personal success, and consumers often buy these products to express their advanced status, advanced status and advanced taste, because in the general cognition of the public, expensive goods will be considered to have higher value and status. Moreover, the scarcity of luxury brands determines that only certain consumer groups can afford them. Therefore, many consumers believe that buying expensive luxury goods can be unique and show their success. It is precisely because of the demand for more respect and high status that the price of luxury brands is high [10].

For many consumers, buying luxury goods is because they are interested in the brand story of luxury goods, and they can get a kind of value identification from it. When buying luxury goods, these consumers are not only buying a product, but also buying a story, a culture and a kind of identity. These emotions and cultural resonance make consumers willing to pay high prices for luxury goods. In addition, many luxury brands convey their own spirit and concepts through products and markets, such as the spirit of craftsmanship, the concept of environmental protection and sustainable development. Consumers' pursuit of such concept and life attitude strengthens consumers' loyalty to luxury brands, thus maintaining luxury brands and raising their prices.

6. Conclusion

Luxury brands usually have a long history, and usually use high-quality and scarce materials to produce products. Many consumers buy luxury goods not only for the function and appearance of products, but also for the status, durability of use, cultural value and emotional resonance that luxury goods bring them. But it is precisely because of these qualities that the price of luxury goods is high. By buying luxury goods, consumers can show their social status, high taste and success to others, which they believe can make them gain more recognition and respect. Moreover, consumers' recognition of the high price of luxury brands is also the reason for the high price of luxury brands. The reason for the high price of luxury goods is also due to the high quality of luxury goods and the good brand experience they bring to customers. Therefore, the main reason for the high price of luxury brands is that the brand DNA itself gives luxury brands very special value. Besides, due to customers' self-reward, display of status and love for brand culture, the price of luxury brands is high and the fluctuation is small. Consumers generally have high expectations for luxury goods. In order to provide customers with a good purchasing experience and bring extraordinary visual experience to consumers, luxury brands often spend high prices on the selective location of luxury brand stores, the training of employees, the design of the store and the expansion of the brand, in these aspects, luxury brands have higher costs, which makes the price of luxury goods high. Due to the lack of data information, this research still has some objective limitations. Therefore, it is hoped that more data can be used to analyze the pricing of luxury goods and the influence of customer psychology on pricing in future studies.

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