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Conspicuous Consumption: A Study of Luxury Cars

Ha Dong and Jayoung Koo, PhD

INTRODUCTION

There has been a large number of studies on the overall luxury goods market (Holt, 1995; Bian & Forsythe, 2012), while many others only examined the luxury fashion industry (Workman & Caldwell, 2007; Zhang & Kim, 2013). However, there is a lack of academic studies that particularly focus on the luxury cars industry. Globally, the luxury car industry was accounted for 18% of all car sales revenues and worth over \$100 billion USD in 2015 (Taylor, 2015).

LITERATURE REVIEW

LUXURY GOODS INDUSTRY

- The value of the personal luxury goods market worldwide in 2016 was €250 billion (over 306 billion USD) (Statista, 2016).
- Six main characteristics of luxury brands are “premium quality, heritage of craftsmanship, recognizable style, premium price, uniqueness, and global reputation” (Bian and Forsythe, 2011).

CONSPICUOUS CONSUMPTION

- Consumers communicate their identities and characteristics through products (Bearden and Etzel, 1982)
- Conspicuous consumption allows people to send out message of their desired traits to the public, which helps them to find mates, deter enemies, or impress others (Miller, 2010)

PUBLICLY-CONSUMED PRODUCTS AND PRIVATELY-CONSUMED PRODUCTS

QUIET LUXURY AND LOUD LUXURY

METHODS

- Collected and analyzed secondary data and information from previous academic journal articles, industry database, reports from research firms, periodical articles
- Coding and theme analysis

RESEARCH FINDINGS

LUXURY CARS CONSUMPTION VERSUS LUXURY FASHION CONSUMPTION

Financial Investment

In general, purchasing the top-end luxury fashion products is significantly less expensive than purchasing the top-end luxury car. In addition, owning a luxury car will cost more in the long run.

Visibility

- The visibility of luxury cars are generally more conspicuous than luxury fashion products (Riley, Pina, and Bravo, 2013).
- Quiet luxury fashion goods versus quiet luxury cars
- Counterfeit versus copy-cat

ABSTRACT

This study collects and analyzes former research and studies of luxury car consumption to gain knowledge about brand prominence and conspicuous consumption through luxury cars. The study looks into the communication process (1) between the owners of luxury brand cars and the public and (2) between the luxury brand car companies and the potential or actual owners of luxury brand cars. The research focuses on BMW brand and its past and current business and marketing strategies to discuss how a luxury car brand can establish its brand image and build effective relationships with car owners. Findings of this research can be beneficial for new or newer luxury brands that were originated from mass car brands, such as Genesis by Hyundai and Acura by Honda.



COMMUNICATION BETWEEN OWNERS AND OBSERVERS

- A study done by the National Academy of Sciences found that cars can signal income (Gebru, et. al., 2017).
- Women perceive men who seat in a prestigious car to be more attractive compared to men who seat in a non-luxury car (Dunn and Searle, 2010). In the presence of a female, men are more likely to feel threatened by the wealth display of other men (Saad and Vongas, 2009).

COMMUNICATION BETWEEN CAR BRANDS AND CAR OWNERS

- We examined all ad messages of every car model that was featured on the front page of BMW USA official website in both February 2018 and March 2018. Our themes, in alphabetical order, are Conspicuousness, Experience, High Tech, Heritage, Likability, Luxury/ Craftsmanship, Personalization, Performance, Self-actualization, and Superiority.

TOP 5 THEMES THAT APPEAR MOST FREQUENTLY

FEBRUARY 2018

1. Conspicuousness
2. Superiority
3. Heritage
4. Luxury/Craftsmanship
5. Performance

MARCH 2018

1. Conspicuousness
2. Superiority
3. Performance
4. Luxury/Craftsmanship
5. Heritage

The theme Personalization and Experience appeared more often in March (approximately double the time they appeared in ad messages in February)

DISCUSSIONS

A SIGNAL OF STATUS: CONSPICUOUSNESS AND SUPERIORITY

BMW has spent efforts to “build long-term brand image to fight the idea that luxury cars are a commodity” since the 1990s, based on the concept that people are more likely to choose conspicuous products when given similar choices (in particular, luxury car brands offer similar technology) (Sukhdial, Chakraborty, and Steger, 1995).

CHARACTERISTICS OF A PREMIUM BRAND: HERITAGE AND LUXURY

- Two of the six main characteristics of any luxury brand
- Chris Bangle (2011), the global chief of design for BMW, said that “We don’t make “automobiles,” which are utilitarian machines you use to get from point A to point B. We make “cars,” moving works of art that express the driver’s love of quality.”

A REFLECTION OF CUSTOMERS’ WANTS AND NEEDS: PERFORMANCE

- A research done by BMW found that BMW car owners “take pride” in their driving skills and high-speed driving (Lojacono and Zaccai, 2004).
- A 2018 survey of 2,000 British drivers, BMW M3 car owners were voted to be the most aggressive among luxury car drivers (Petter, 2018).

PREMIUM CUSTOMER SERVICES: PERSONALIZATION AND EXPERIENCE

- Since 1975, BMW has shown its appreciation for personalized cars through its Art Car collection, featuring cars that were customized by legendary artists such as Alexander Carter, Roy Lichtenstein, and Andy Warhol (“BMW Art Car,” 2017).
- BMW has reached out to the Ritz-Carlton hotel chain and Lufthansa for advice on developing and maintaining a gold-standard luxury customer service (Armitage, 2007).

DRIVERLESS VEHICLES

- Luxury car brands such as Mercedes-Benz and BMW “sell cars on the basis that people will love the experience of driving them” (Tim, 2015).
- BMW is focusing its design effort into “making hands-free feel like a natural driving experience,” starting with a self-driving car that reassembles a regular 5 Series (Tim, 2015).

LIMITATIONS AND FUTURE RESEARCH

- No primary data
- Future research is recommended to use a coder from the third party
- Only focuses on the trend in driverless vehicles but there are more rising trends such as electric cars and ridesharing
- Future studies may explore the differences in purchase intention of consumers from different cultures or different generations within the same culture

REFERENCES

See hand out.