

## LUXURY BRANDS – PARTICULARITIES IN THE NEGOTIATION PROCESS

Venera MANCIU<sup>1</sup>

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### **Abstract**

*The present paper aims to present the particularities in the process of negotiation when speaking about luxury products. Nowadays, people are more and more willing to invest high sums of money in order to purchase certain categories of products. Therefore we developed a research in order to determine the level of knowledge and preferences in this field.*

**Keywords:** luxury brands, negotiation, consumer, product

**JEL :** D19

### 1. INTRODUCTION

”For centuries, people worldwide have satisfied themselves with the possession of beautiful goods” (Husic, Cacic, 2008). Contemporary society is not a stranger to this, being characterized by a high level of consumption in regard to all product categories, whether we are talking about clothing, food, electronics or even touristic packages. However, the preferences of individuals are not permanent, they change according to different factors, their choices being influenced by both personal and economic aspects, demographic, psychological, cultural etc.

Price often has a decisive influence on the choice of a particular product, but also, within certain segments of the population, an ostentatious consumption cannot be ignored.

The purchasing power of the population in Romania differs greatly, certainly, from the purchasing power of the population from other states. However, luxury products are not ignored and in the case of certain categories, they continue to show a high level of attraction among consumers. The brand often defines a luxury product, and the brand also imposes a certain impression among the population, inducing the perception of quality.

Luxury is sometimes viewed as an abstract concept (Hanzaee et al, 2012), being characterized by multiple characteristics, including: personal value, social value, uniqueness, quality, utility. Therefore, it also presents a subjective dimension, depending on the perception of each individual (Ercis, Celik, 2018), being in a direct connection with the gender differences of the consumers (Altintas, Heischmidt).

Often, luxury products stir controversy, with consumers facing criticism for their choices. This is the case of diamonds, fur garments, controversial perfumes, etc. The periods of economic crisis have driven the respect for the ethical aspects regarding the luxury brands, materializing even in movements worldwide.

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<sup>1</sup> Associate Professor PhD, University „Eftimie Murgu” of Reșița, Faculty of Economic Sciences, Romania, v.manciu@uem.ro

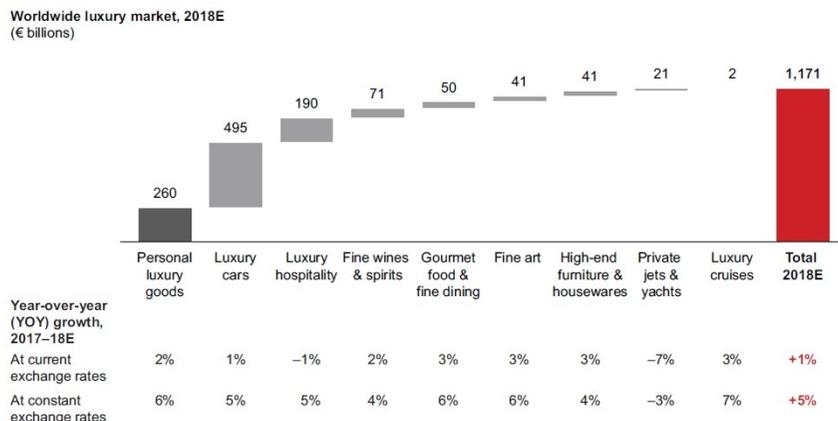
The social position will always remain an important aspect in the field of luxury products, but the main supply companies seek annually to be involved in social responsibility and environmental protection campaigns.

One of the major problems facing this luxury goods industry is the counterfeiting process, recognized as a determinant of the negative effects on financial results. Counterfeit products, respectively the imitations of famous brands, act in certain cases on the social aspiration of individuals, fostering the illusion that they belong, at least temporarily, to a higher social class. But, often, the effect generated is one of deception regarding the quality of counterfeit products (Jiang, Cova). According to literature, "luxury brand represents specific social and cultural meanings conveyed by the product or brand that are used by consumers" (Becker et al, 2018). Also, "luxury goods essentially serve as a badge of" a better me"" (Ogilvy Studies).

The differences are also felt in the categories of consumers of the luxury products, the Deloitte studies indicating the tendency of the big companies to invest in campaigns that stimulate the interest of the young people, especially of the Millennial and Z generations, these being considered "consumers of the future, high-earners-not-rich yet." Also, the mentioned individuals are characterized by a stated preference for online shopping, whether we are talking about clothing, furniture, books, cosmetics, tourist packages, entertainment services or games, easily conducting electronic transactions through mobile devices, preferring credit or debit cards and focusing more on debt, than on savings. BCG studies describe in more detail the characteristics of generation Z, 64% of them being influenced by the sustainability criterion, 95% being adepts of a strong social media interaction.

Worldwide, the largest increases in sales of luxury products were noted in France (18.7%), Japan (14.1%), China (13.8%). Breakdown by industries and product categories, the largest increase in sales is observed in the case of luxury cosmetics and perfumes (16.1%).

According to Bain & Company studies, the categories of luxury products mentioned above can also be extended to cars, wines, gourmet food, yachts, etc., the global market for luxury goods having an increase of 5% since the year 2017 to 2018, being estimated at 1.2 trillion euros, of which "luxury cars, luxury hospitality and personal luxury goods together accounted for more than 80% of the total market" (d'Arpizio et al, 2018).



**Figure 1** The global luxury market 2018  
(source: Bain&Company, 2018)

## **2. CASE STUDY. NEGOTIATION IN THE TRADE AREA OF LUXURY PRODUCTS**

The case study of this article consists of a direct research on the specificity of the negotiation process in the field of luxury goods trade. In this regard, a questionnaire was applied, with the purpose of studying the attitude of the respondents regarding the behavior of the resident consumers, respectively the negotiation and sale techniques applied in the commercial activity whose central object is luxury products.

The categories of luxury products that represented the object of the analysis were: jewelry, electronics, articles of clothing and footwear, perfumes. The following secondary objectives were formulated:

- 1) Determining the level of familiarity of the respondents with luxury products.
- 2) Determining the frequency of purchase of luxury products by the respondents.
- 3) Determining the respondents' preferences regarding the source of provenance of luxury products.
- 4) Determining the degree of knowledge regarding counterfeit products.
- 5) Determining the most demanded categories of luxury products by the respondents.
- 6) Identification of the main factors of influence that intervene in the process of purchasing the products recommended by a seller;
- 7) Identifying the level of availability of a respondent to participate in telephone negotiation processes;
- 8) Identification of the argument that determines a potential customer to choose a product proposed by the seller to the detriment of the one initially wanted;
- 9) Identification of the optimal duration of a negotiation process;
- 10) Identification of the most traded product category;
- 11) Identification of an efficient negotiation technique applied by the respondents.

The study was conducted between March 1 - April 1, 2019, at the level of Reșița municipality, the sample of respondents being randomly selected. A total of 71 persons were questioned, out of which 43 women and 28 men, between the ages of 18 and 50. As a level of education, 60% of the respondents stated that they graduated high school, the remaining 40% being included in the category of higher education graduates.

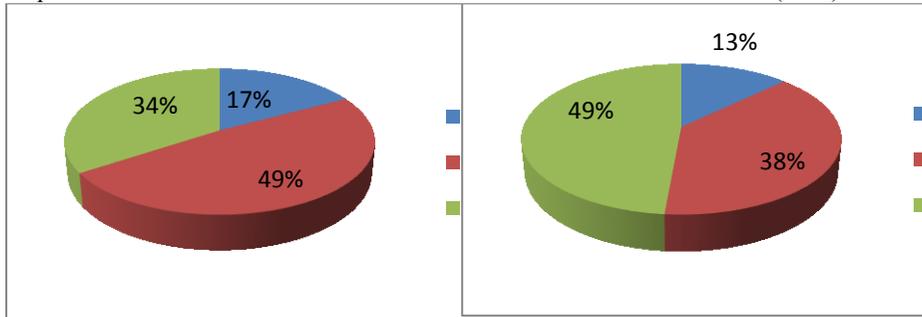
In order to reach the objectives proposed at the beginning of the study, the research regarding the attitude of the respondents regarding the negotiation and sale techniques used in the sale of luxury products was carried out. The result of the research reveals the following aspects:

1. Regarding the level of familiarity of the respondents with the concept of luxury product, we observe from the age point of view: the age group under 20 years has a low level of familiarization, while the age group 20-30 years is most familiar with these product categories. On the whole, from the total respondents, without classifying them by specific age categories, we can conclude that, at the level of the municipality of Reșița, the level of familiarization of the population is an average one.

From the point of view of the respondents' incomes, their opinions differ, as follows: women with an income level below 2000 lei declare a low or, respectively, average level of knowledge about luxury products (50%), while men in this category mention limited knowledge (57.14%). A similar opinion is shared

by women with an income between 2000 and 3000 lei (45.45%), respectively by men in this income category (60%). People with a higher income (over 3,000 lei) demonstrate greater knowledge and a higher level of familiarity, with over half of the respondents identifying with this level.

2 . Regarding the frequency of purchase of a luxury product, we observe that from this point of view, the highest percentage of respondents purchase such a product every few months (49%), 38% of the surveyed subjects saying that they purchase monthly such products, and others even weekly (13%). The highest frequency of acquisition is observed in the case of men with an income over 3000 lei (50%).

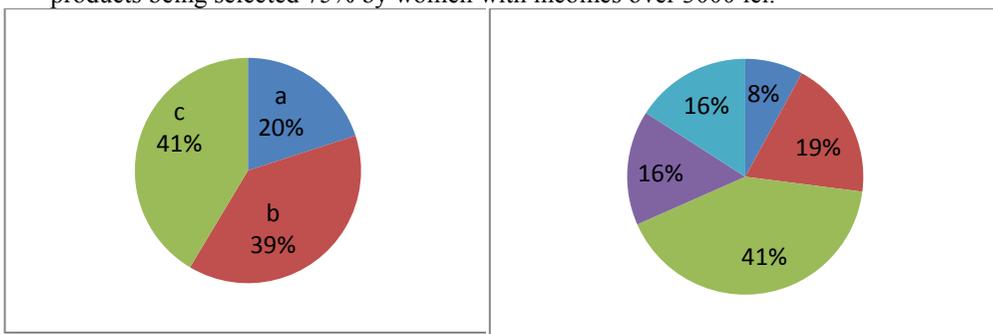


**Figure 2** Familiarity level  
 (Source: designed by author)

**Figure 3** Acquisition frequency  
 (Source: designed by author)

3. Regarding the place of purchase of luxury products, we observe that from this point of view, the highest percentage of respondents buy luxury products on the black market (41%), specialty shops (39%), respectively the Internet (20%). The store variant is preferred by about 44.4% of respondents with incomes up to 2000 lei, as well as 50% of those with incomes over 3000 lei. The Internet, even if it is among the sources of luxury goods purchased by the respondents, is mentioned in a smaller proportion, partly because of distrust of the online environment.

4. Regarding the categories of luxury products purchased by the respondents, the clothing items are ranked first (41%), followed by electronic products (19%), footwear (16%), perfumes (16%), jewelry (8%). In the category of income below 2000 lei, men declare in the largest proportion (42.85%) the preference for perfumes, women opting in equal proportion, 50%, for clothing and perfumes. In the income category 2000 - 3000 lei, in the first place in the hierarchy of consumer preferences are the articles of clothing (46.66% of men), the same category of products being selected 75% by women with incomes over 3000 lei.



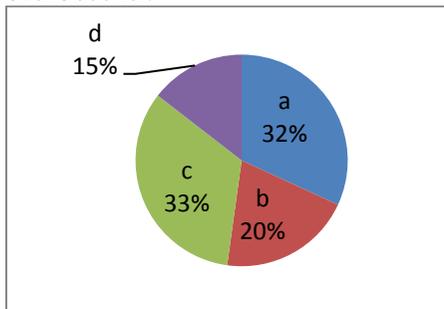
**Figure 4** Place of purchase  
 (Source: designed by author)

**Figure 5** Product categories  
 (Source: designed by author)

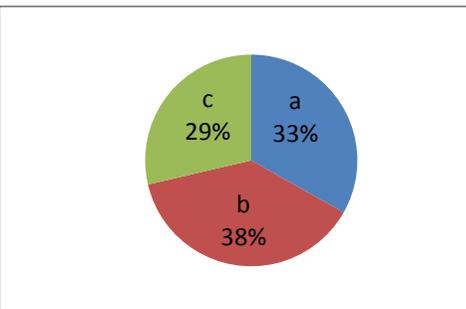
5. Regarding the negotiation factors involved in the process of buying luxury products, in the close connection is the ability of the seller / sales agent to clearly present the advantages of the respective product (aspect mentioned by 33% of the respondents), but also the attitude, the politeness, the language used, the seller's diplomacy (32%), followed by the availability of the seller to focus on the real needs of the customer (20%), respectively the level of the seller's receptivity to the client's proposals.

6. Regarding the purchasing tendencies of small screen products, teleshoping, and the willingness to intervene in the negotiation process, 38% say they do not participate in such negotiation modalities. 33% of the respondents have already participated, while 29% would be interested to participate. Too little confidence in such means of purchase is indicated as a brake element in the case of 42.85% of the respondents with an income below 2000 lei, the subjects falling in the category 2000 - 3000 lei declaring an increased interest (40%) , 50% already participating in such product purchases.

7. Regarding the arguments that can convince people to buy a luxury product, in the first place, with a percentage of 37%, there are the communication skills of the seller, followed closely by the other variants, ie with a percentage of 33% offer quality-price, respectively the functions of the product, with a percentage of 30%. Men with incomes of up to 2000 lei mention the communication skills of the seller (42.85%), and women - the quality ratio - the price. People with incomes between 2000 - 3000 lei especially appreciate the functions of the product (53.33% of men), respectively the value for money (54.54% of women). The communication skills of the seller are mentioned by half of the male respondents with an income level of over 3000 lei.

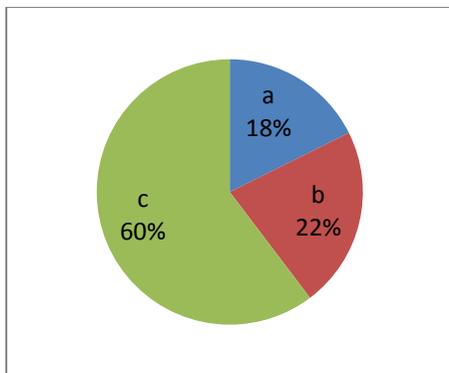


**Figure 6** The negotiating factors involved in the process of buying luxury products  
 (Source: designed by author)

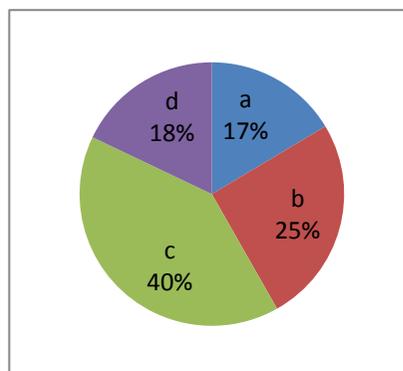


**Figure 7.** Tendency to purchase small screen products, teleshoping, and the willingness to intervene in the negotiation process  
 (Source: designed by author)

8. Regarding the time allotted to the sales agent by customers to persuade them to buy the product, 40% of the respondents say that they try to keep the conversation within a 10 minute time limit, while 30% show with greater patience, allocating between 10 and 20 minutes, a smaller percentage opting to participate in this communication process for a longer time. Both women and men appreciate the ability to fit in as quickly as possible, regardless of the income category they belong to.



**Figure 8** The most frequently negotiated category of luxury goods  
(Source: designed by author)



**Figure 9** Purchase of luxury products under a limited budget  
(Source: designed by author)

9. Regarding the category of luxury products most often negotiated by the respondents, the clothes represent the most frequently mentioned category of products (60%), regardless of the type of respondents or the income category they fall into, as well as the electronics (22%) and jewelry (18%), our respondents being very attracted to quality clothing products and at the same time are very concerned about their image.

10. Regarding the existence of a limited budget, but when after a negotiation process a luxury product is purchased, the frequency of purchase is different from one person to another. Thus, 40% of the respondents say that this happens sometimes, 25% identify only one such occasion, 18% of the subjects finding that such a thing has never happened.

### 3. CONCLUSIONS

Luxury has two important qualities, as the subjects of the study recall: first, it has the ability to connect with people, to inspire a certain status, and secondly, it can establish a relationship between different types of clients.

Each luxury brand has certain specificities, individuals presenting different conceptions about the meaning of the term luxury, referring to it in their own way.

Even if intuitively a luxury product can be recognized as belonging to a higher quality product category, an exact definition of it cannot be generalized, with a subjective character depending on the person.

If we refer to a specific field from a socio-economic point of view, a good indicator would be the price.

The sectors that were important in luxury continue to be maintained today and in a very large number and very different depending on the opinion of each one, but the most important from the point of view of the citizens of Resita the most important sectors are: jewelry, appliances, clothes, perfumes and footwear.

In order to reach the objectives proposed at the beginning, a study was conducted regarding the analysis of the respondents' attitude regarding the negotiation and sales techniques used in the sales system of luxury products, after which we came to the conclusion that people are very curious, they attach a very important importance. great luxury products, good quality products for which they

are willing to pay more and at the same time are willing to give the sales agent more time to present their offer, and negotiate more with the agent in some cases buying the product with all as they have a limited budget.

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