

American Preference for European Luxury Goods: How and Why European Luxury Succeeds in the United States

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Luxury has transformed throughout history: society defines luxury

Pyramids

- Reserved for the highest royalty (Kings, Pharaohs)
- Tombs filled with riches, surrounding the body with jewelry and gold
- Ensured living in luxury in the afterlife



Mansions

- For wealthy upper nobility, such as kings and queens
- Representation of the nobility's riches with marble, gardens, stables, fountains, statues
- Built as a statement to represent legacy

Adam Smith's Liberalism Movement

- Industrial revolution allowed for more people to become wealthy
- Post World War II production stimulated economy
- allowed factory workers to "climb the corporate ladder"
- Economic success in the US "refined" American tastes because of accessibility to wealth



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A Society's culture gives luxury value

- luxury can take on the form of new emotions and desires brought about by items from its original culture
- Although two products can fall under the same category, they hold distinctive quality because of their origins
 - Chocolate is universally better associated with Belgium than with the United States.
- Such goods distinctive to a society's culture stand out as ordinary, or not bought on normal terms
 - Normally require travel to country of origin



Niehaus Chocolate (Belgium)



Ghirardelli Chocolate (USA)

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American purchasing of European luxury goods due to travel



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Premium vs. Luxury

Premium product:

- Devoted to evaluative scale and material goods
- Relocated from country of origin
- Cost cutting methods in production
- Even if quality and service remains the same, product is considered premium

Examples:

- Cadillac (Models such as the XT6 assembled in Shanghai)
- Tesla (Model 3 and Model Y assembled in Shanghai)



Cadillac



TESLA

Luxury product:

- Self contained entity
- Holds symbolic and cultural value
- Production remains in country of origin

Examples:

- Rolls Royce (fully assembled in England)
- Porsche (fully assembled in Germany)



ROLLS ROYCE



PORSCHE

4

premiumization: growing less motivated by the ordinary

Gaining particularly special item by means of birthright upgrading quality rather than accumulate quantity



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Extremes of buyer behavior: Cost justifies benefits

Product's cost must not outweigh benefits

People pay more for what they are willing to spend more on, habits not necessarily dependent on income. The key is to understand who your target audience and how much value your product has over cheaper options to where buyers are willing to choose your product.

Brands that fall in the middle do not align with the normal extremes of buyer behavior: some may see as the product's cost outweighing its benefits



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Three rungs of a product's ladder of benefits

Example: BMW

Technical features



Functional features



Emotional benefits

high end models with innovative features for those willing to pay more, then fall to middle market consumers with time.

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