

## **Balancing prestige and price: analyzing the role of promotions in luxury fashion industry**

Simone Severini, *Department of Economics and Law, University of Macerata, Macerata, Italy*

Elena Cedrola, *Department of Economics and Law, University of Macerata, Macerata, Italy*

Silvio Cardinali, *Faculty of Economics 'Giorgio Fuà', Polytechnic University of the Marche, Ancona, Italy*

# **Balancing prestige and price: analyzing the role of promotions in luxury fashion industry**

## **Abstract**

The luxury fashion industry is widely recognized for offering products that symbolize prestige and elevate social status, extending beyond mere functional utility. Traditionally, price has been seen as a secondary factor in luxury consumption, and the impact of price promotions within this industry remains relatively under-researched. This study aims to bridge this gap by investigating the effects of price promotions on consumer behavior in the luxury fashion market. Utilizing transactional data from a European luxury brand platform, we employ Sequential Pattern Analysis (SPA) and ANOVA to uncover key purchasing patterns related to promotional activities.

**Keyword:** price, price promotion, fashion, luxury, fashion brand

## **Research Background**

The luxury market has been expanding steadily, largely propelled by the growth of online channels (D'Arpizio et al., 2024). Luxury purchases are influenced by numerous factors, including convenience, brand awareness, and consumer preferences (Liu et al., 2013). In traditional luxury contexts, high prices are linked with quality, exclusivity, and prestige, contributing to a distinct consumer perception compared to non-luxury items (Jin & Cedrola, 2017). Despite the central role of pricing in defining luxury, there has been limited empirical research and contrasting results on how price promotions influence consumers (Dhaliwal et al., 2020). The existing literature is often divided, with some studies indicating that promotions can boost sales (Chandon et al., 2000; Jing et al., 2022), while others suggest they may erode brand prestige and create price sensitivity among customers (Swani & Yoo, 2010). This study investigates the influence of price promotions on consumer purchasing behavior in the luxury sector. Specifically, it aims to understand whether the purchase patterns of luxury consumers change in the presence of price promotions, addressing the central question: how do consumers behave in the presence of price promotions?

## **Methodology**

This research utilizes data from a European luxury fashion company, comprising transactions collected between 2020 and 2021. Two main analyses were conducted. First, Sequential Pattern Analysis (SPA) was used to identify purchasing patterns, examining whether customers initially bought at full price or during promotions. Second, an analysis using ANOVA was performed to compare customer segments, focusing on differences in order frequency and the time between purchases, based on their first purchase context.

## Results and Conclusions

The preliminary findings reveal that most consumers analyzed prefer full-price luxury purchases. The analysis also identifies a price-sensitive customer segment, supporting the segmentation of luxury consumers into diverse groups based on price sensitivity (Lim et al., 2013). High-price purchasers tend to be "prestige-oriented" and value exclusivity, while those attracted to promotions are more "bargain-driven."

From a managerial perspective, maintaining high price points and focusing on exclusive, non-monetary incentives may be more effective for building lasting customer relationships with the prestige-oriented segment. Promotions should be used selectively to attract new customers or manage inventory without compromising brand prestige.

This study's limitations include its focus on a single luxury brand, which limits the broader applicability of its findings across different sectors or regions. Future research could broaden the dataset to encompass multiple luxury brands and product categories and employ qualitative methods to explore the psychological drivers behind luxury purchasing decisions. Additionally, investigating cultural differences in attitudes towards luxury would further contribute to a deeper understanding of consumer behavior in diverse markets. Finally, including demographic information could enrich insights into how different consumer segments respond to promotional strategies, enabling more targeted marketing approaches.

## References

- Chandon, J.-L., Laurent, G., & Valette-Florence, P. (2016). Pursuing the concept of luxury: Introduction to the JBR Special Issue on "Luxury Marketing from Tradition to Innovation." *Journal of Business Research*, 69(1), 299–303.
- D'Arpizio, C., Levato, F., Steiner, A., & Montgolfier, J. (2024). *Long Live Luxury: Converge to Expand through Turbulence*. Retrieved August 15, 2024, from <https://www.bain.com/insights/long-live-luxury-converge-to-expand-through-turbulence/>
- Dhaliwal, A., Singh, D. P., & Paul, J. (2020). The consumer behaviour of luxury goods: A review and research agenda. *Journal of Strategic Marketing*, 1–27.
- Jin, B., & Cedrola, E. (Eds.). (2017). *Fashion branding and communication: Core strategies of European luxury brands*. Palgrave Pivot.
- Jing, K., Chen, L., & Mei, Y. (2022). The Effectiveness of Price Promotions in Purchasing Affordable Luxury Products: An Event-Related Potential Study. *Frontiers in Neuroscience*, 16, 818503.
- Lim, C. M., Runyan, R., & Kim, Y.-K. (2013). Segmenting luxe-bargain shoppers using a fuzzy clustering method. *International Journal of Retail & Distribution Management*, 41(11/12), 848–868.
- Swani, K., & Yoo, B. (2010). Interactions between price and price deal. *Journal of Product & Brand Management*, 19(2), 143–152.