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## **Consumption of luxury goods in Polish households**

### **Introduction**

The concept of luxury is difficult to define since, on the one hand, it is a subjective category that varies over time and, on the other hand, it is determined by personal and interpersonal motives of behaviour. In the last three decades, the perception of this concept has changed significantly. The democratisation of luxury has increased consumption of luxury goods and the share of the luxury goods market in national income has become bigger.

The luxury goods market is subject to slightly different rules than traditional mass markets for goods and services. This is mainly due to their specific characteristics, but also to the distinct needs and purchasing behaviour of consumers of such goods. As rightly argued by P. M. Danziger (2005: 31–32), the difference between consumers of luxury goods and other consumers is so clear and important that it is reasonable to incorporate the consumer (people) into the traditional marketing mix. It is the consumer who determines the product and prices and has a significant impact on its distribution and promotion. Paradoxically, a company marketing luxury goods creates its customer, indicating how he or she needs to behave on the market and who he or she needs to be in order to acquire and subsequently use this company's product. As for the Polish segment of consumers who are rich, affluent and aspiring to wealth – that is, in fact, people interested in purchasing luxury goods, not only is it increasing in terms of numbers, but also its purchasing power is growing continuously.

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The purpose of this article is to gather, systematise and compare the existing knowledge on the concept of luxury and luxury goods and shed light on consumption of luxury goods in Polish households. Based on the world literature review, the first part of the study briefly concentrates on defining luxury and its relative understanding, and presents the most interesting classifications of luxury goods consumers. The second part of the article analyses consumption of luxury goods in Poland in view of the segments of this market, based on the fourth edition of the KPMG report.

## **The concept of luxury, luxury goods and luxury brands**

The concept of luxury and luxury goods in its various forms has been present since the beginning of our civilisation, being intrinsically linked to the level of wealth. The literature dealing with this topic lacks a clear definition of luxury. Therefore, its description takes into consideration the relativity of luxury and the dependence on a given scientific discipline. The word “luxury” comes from the Latin terms *luxus* and *luxuria* meaning excess or splendour, with luxury being understood as “indulgence, succumbing to temptations irrespective of costs”. *The Polish Language Dictionary* defines luxury as “conditions ensuring a comfortable life, splendour, items for making life pleasant, meeting sophisticated tastes, excessive, for example aesthetic, demands, excess and comfort” (*Polish Language Dictionary*, 1999: 55). In turn, *Webster’s Dictionary* defines “luxury” as “an habitually sumptuous environment or way of life; an elegant appointment or material aid to the achievement of luxury; a non-essential item or service that contributes to luxurious living; an indulgence in ornament or convenience beyond the indispensable minimum; a means or source of pleasurable experience or personal satisfaction and luxuriousness (*Webster’s Dictionary* <http://unabridged.merriam-webster.com>). According to the *Dictionary of Words of Foreign Origin*, luxury (Latin *luxus*, *luxuria* – excess, luxury) is a term covering material objects, services, food products and the like, available for small social groups with an income higher than that of the general population (*Dictionary of Words of Foreign Origin*, 2002). According to the French fashion designer Gabrielle Bonheur Chanel, known as Coco Chanel, luxury does not mean wealth or ornaments but the lack of vulgarity understood as commonness or ordinariness.

Luxury may be defined narrowly or broadly. Its narrow definition comprises rarity, high value added, high quality and high price. This definition is, however, imprecise because it does not take into account the use and symbolic value of such goods. Luxury in its narrow sense refers to goods of high use value and low symbolic value. In contrast, the symbolic value is seen as primary in the broad definition of luxury.

Luxury goods are goods the demand for which is elastic with respect to income, which means that the demand grows more than proportionally to the increase in income (Zalega, 2012a: 94). Such goods are often regarded by consumers as a tool to achieve their desired image in the society. Decisions to purchase them are impulsive,

emotional, extravagant and rarely based on logical reasons and specific needs. In this case, the purchase of luxury goods is superfluous and very expensive, and often driven by a purchaser's own weaknesses. According to J. Kapferer (1997: 251–258), luxury goods provide extra pleasure to their owners, affect all senses simultaneously and are an inherent element specific to the representatives of the ruling classes. In his view, these goods have six characteristics: excellent quality, very high price, uniqueness, aesthetics, heritage, brand history and excessiveness. The above considerations gave rise to one of luxury goods definitions that have been most often cited in the literature. It states that luxury goods are such goods that have an extremely low ratio of functional utility to price (Chevalier, Mazzalovo, 2008). It should, however, be borne in mind that an important characteristic of luxury goods is that they can be transformed into normal goods, this being dependent on the purchaser's income.

Economic sciences most often use the concept of a luxury good while management disciplines more frequently use the term “luxury product”, which has a more marketing-related connotation. In humanities, in turn, a more general concept is luxury itself, which covers all aspects of human life more broadly.

In the literature, luxury is most often defined and analysed from three perspectives: philosophical and sociological, economic and management sciences. Those advocating the first perspective primarily examine the evolution, changes and societal impact of luxury. Luxury is defined as all desirable resources in excess of what is necessary and ordinary. In economic terms, the concept of luxury is slightly wider. It is mainly focused on analysing relationships between the price of a good and the demand for luxury (price elasticity of demand) and between income and demand (income elasticity of demand). This analysis also comprises the influence of social factors on consumption of luxury goods and economic benefits achieved through their production. It should also be highlighted that economics defines luxury in “medium broad” terms and captures those luxury goods for which the income elasticity of demand is greater than one (Zalega, 2012b: 102). This means that as consumers' income increases, the share of spending on luxury goods rises, and wealthier consumers spend a greater proportion of their income on these goods than less affluent consumers. In practice, several criteria are used to determine whether something is a luxury good. One of them is its high price that limits purchasers of a product to a small wealthiest group. An excellent product quality is considered to be another criterion. Luxury goods should, therefore, be characterised by the highest quality parameters of materials, functional values or design. Yet another determinant of luxury goes beyond the product and its quality, focusing on the symbolism of luxury brands. The product delivered not only needs to be excellent as such, but also should provide a sense of uniqueness and create an elite lifestyle. It should be remembered that luxuriousness of a good is subjective and not determined by its characteristics but by changes in demand for external stimuli. In economics, luxury is associated with goods marketability, which distinguishes this view from the philosophical and sociological

approach. Mainstream economics neither takes into account psychological and social determinants nor examines individual stimuli or other people's influence on the decision. Neither does it explain a relationship between the purchase of luxury goods and the satisfaction resulting from their possession. In relation to luxury goods, the marginal utility of each additional unit of a good consumed increases, which is inconsistent with the well-known economic law of diminishing marginal utility, also known as Gossen's First Law.

In the third approach, i.e. management sciences, the concept of luxury is the narrowest. In contrast to the economic approach, luxury refers to the best products in a given category. Luxury goods include all products that exceed what is absolutely necessary and ordinary.

Speaking of luxury goods, the definition of brand, which is an integral part of luxury goods, must be borne in mind. A brand is a word or graphic mark that identifies a manufacturer and its product. In Polish, this term has many meanings. A brand may be understood as a trade name identifying a product manufacturer that distinguishes and protects it against counterfeiting. A brand also comprises the quality and grade as well as reputation and recognition. Product branding increases the producer's costs, while delivering some benefits. It guarantees that consumers can enjoy an unchanged quality with every purchase and facilitates product identification among a variety of goods offered, thus becoming an important determinant of building consumer loyalty. A luxury brand, in turn, has an exceptional and unique identity. F. Vigneron and L. W. Johnson (2004: 484–506) distinguish five basic features of a luxury brand. These are:

- usefulness in meeting conspicuous consumption needs (conspicuousness),
- uniqueness,
- quality,
- ensuring a pleasant experience during consumption (hedonism),
- enabling self-expression (extended self).

In May 2013, Millward Brown, a leader in market research and opinion polls in Poland and Central and Eastern Europe, presented a report on 100 most valuable global brands by industry. The results for the category of luxury products are presented in Table 1.

**Table 1. Top ten luxury brands in the world in 2013**

		Brand value 2013 \$M	Brand contribution	Brand value % change 2013 vs 2012
1	Louis Vuitton	22,719	4	-12%
2	Hermès	19,129	4	0%
3	Gucci	12,735	5	48%
4	Prada	9,454	4	63%
5	Rolex	7,941	4	11%
6	Chanel	7,075	4	6%
7	Cartier	6,377	4	32%

		Brand value 2013 \$M	Brand contribution	Brand value % change 2013 vs 2012
8	Burberry	4,194	4	3%
9	Fendi	3,636	4	New
10	Coach	3,276	2	New

Valuations include data from BrandZTM, Kantar Worldpanel, Kantar Retail and Bloomberg. Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 to 5 (5 highest).

Source: [http://www.millwardbrown.com/brandz/2013/Top100/Docs/2013\\_BrandZ\\_Top100\\_Report.pdf](http://www.millwardbrown.com/brandz/2013/Top100/Docs/2013_BrandZ_Top100_Report.pdf) (accessed on 21.03. 2014).

As in 2012, the first position was taken by Louis Vuitton with an estimated value of USD 22.7 million. Although it was the only brand with a recorded drop in value from amongst those presented, it still has a significant advantage. A big increase in value was reported for Prada (63% compared with 2012). The economic crisis in Western Europe did not affect its sales and income. The brand, which appeared in the ranking for the first time in 2012 with the 6<sup>th</sup> position, was up by two positions. The top ten list is closed by the Coach brand, which was included for the first time in 2013. Its success may result from the fact that it opened 30 new boutiques in China. Its popularity in Eastern Asia is a major threat to the United States. Fendi is also a new brand in the ranking. A significant increase (48%) was also noted for Gucci, whose products are readily bought in North America and Western Europe. This increase may be due to the introduction of a mobile phone application available in 27 countries. This action contributed to the greater availability and modernisation of products, posing a big threat mainly for Louis Vuitton.

The dimensions forming a luxury fashion brand were proposed by A. M. Fionda and Ch. M. Moore, who listed: product integrity (creativity, high quality), recognised product design, high price, appropriate physical environment of the site of sale and service, heritage, exclusivity, culture, clear brand identity and appropriate marketing communication (promotion) (Fionda, Moore, 2008: 347–363). An interesting concept has also been presented by V. Bastien and J. N. Kapferer (2008), who introduce a hierarchy of luxuriousness based on brands, distinguishing, however, the levels at which a brand shows various degrees of luxuriousness:

- the highest level – refers to works produced in a single copy, e.g. haute couture dresses (refers to the opening of the first fashion house in Paris by Ch. F. Worth and O. Bobergh in 1858, when the dressmaker became a stylist and clients themselves appeared on his or her doorstep, wishing to have a unique and hand-made dress);
- lower, luxurious level – which refers to items produced in small series by artistic craftsmen;
- high-quality product brands – high-end goods that are produced in series but conform to the highest quality standards;
- ordinary level – which includes brands of luxury goods manufactured in large series in an effort to minimise production costs.

The presented hierarchy of luxuriousness was modified in 2010 with account being taken of the division of luxury brands into premium and luxury products. The authors of the new publication add that a luxury product is any product whose production has not been relocated to countries with lower production costs but is continued in the country of origin. According to the new brand division, Dior and Burberry lose their value. Recent reports have recategorised Dior from “luxury” to “fashion”. Chanel and Hermes may still be considered luxurious because their places of origin and manufacture are consistent. This is not the case for the two aforementioned brands, which are produced in countries with lower production costs. Dior comes from France and Burberry’s roots are in the UK. According to the new approach to luxuriousness hierarchy, these brands may no longer be called luxury brands because they have lost their high quality and uniqueness when their production was relocated.

### **Relativity in understanding of luxury**

A clear definition of luxury is extremely difficult to provide. According to M. Gutsatz, luxury is probably a sector of the economy which is extremely difficult to define precisely. Should an approach from the perspective of prices, rarity of goods, superfluity, quality or craftsmanship be adopted? No perspective is sufficient (Sikora, 2012: 27, quoting Gutsatz). Luxury has always been and will be a subjective concept. Whenever the topic of luxury as an opportunity to purchase a particular good comes up, the issue of relativity occurs. An example could be shopping in Zara stores, owned by Spanish company Inditex, which sells clothes and accessories at prices up to PLN 1,000. Average product prices are within the range of PLN 200–300. Taking into account the average monthly gross salary in the enterprise sector in the third quarter of 2013 in Poland amounting to PLN 3,813 (Statistical Yearbook 2013) and the national minimum gross salary of PLN 1,680 (effective from 1 January 2014) as well as other expenses related to household maintenance, the prices in this popular retail chain may exceed the financial capacity of many Polish households. That is why it is so important not to define luxury goods as products with high price. The price is not a determining factor in their categorisation but only a feature confirming their luxurious characteristics.

Given the multitude and diversity of consumers, the literature divides luxury according to different perceptions thereof. Relativity of luxury refers to a region, time, economy, culture and situation. Regional relativity classifies resources according to their local availability. Widely available products are less valuable because they are within reach of every potential consumer. The same product can be seen as a luxury in a region with a deficit. Although 69% of global luxury brands are already available on the Polish market (KPMG 2013: 5), the insufficiency resulting from the lack of their full availability is likely to add an aura of glitter, thus making them more attractive. In turn, time relativity refers to changes in the perception of luxury goods over

time. These changes are connected with the availability of goods and needs created by brands. Technological progress and social trends have also a large impact on consumption of luxury goods. Some products that are called luxury goods become less important over time. They are pushed out by more modern, more recognised goods that are socially more desirable at a given moment. Economic relativity refers to the differences in the perception of luxury depending on material resources available to consumers. For one person, the cost of about PLN 500 for a ring will be an adequate price for such a good whereas another person will purchase a ring worth PLN 20,000 without his or her wallet being excessively debited. Relativity depends on the disposable income of an individual. In turn, cultural relativity refers to goods that go beyond the necessary and ordinary needs of individuals in a given culture. Every social group has its own symbols that characterise it, goods that correspond to its distinctive features. They help individuals communicate with other groups. These preferences are largely dependent on cultural values and demographic variables such as gender, age or education of purchasers. It should be noted that cultural relativity may be used in corporate marketing activities because by creating the demand for particular goods that match the preferences of one person, companies can attract a large group of other purchasers. Situational relativity assumes that luxury classification depends largely on circumstances. Examples include basic food products which become a luxury at the time of hunger but essentially aim at satisfying viscerogenic needs of individuals.

### **Consumption of luxury goods as a determinant of social status**

In the literature, consumption is regarded as a determinant of social status. Consumption of luxury goods is connected with two conceptual categories, namely: conspicuous consumption and status consumption. The first one consists in consuming goods of the highest quality and manifesting these consumption practices publicly to reinforce or improve social prestige. According to T. B. Veblen, as people tend to make envious comparisons (invidious consumption) and compete for wealth and status (pecuniary emulation), goods are selected based not only on their regular utility, but also on their indirect utility, which means that owners find their possessed goods useful for demonstrating their financial capacity compared with their rivals and for arousing envy among their competitors. Conspicuous consumption is not only aimed at satisfying practical needs and seeking comfort. Prestige-related requirements that guide this process are also at stake. Consumption of more perfect, improved items is evidence of wealth – it brings honour. On the contrary, the inability to consume such items of sufficiently high quality and in sufficient quantities is a proof of inferiority and brings discredit (Veblen 1998: 60–61). Since the beginning of the 1990s, status consumption has been a new conceptual category associated with the consumption of luxury goods. According to A. O’Cas and H. McEwen (2004: 23–33), such consumption is understood as an individual way of possessing status-related goods either due

to internal motives, where people do not demonstrate them ostensibly, or for external reasons in order to manifest their wealth. In addition, the authors highlight consumers' status consumption-related desire to obtain prestige through the purchase of expensive goods which are considered prestigious and are bought sporadically and occasionally. J. K. Eastman (1999, 2011) goes even further and believes that status consumption takes place independently of income and social class. In turn, J. Bogeart (2010: 56) emphasises that consumption of status-related goods mainly satisfies the hedonistic needs of individuals. M. Husic and M. Cicic (2009: 234–235) argue that by purchasing and consuming luxury goods that show a specific status, individuals communicate their importance to the reference group. Undoubtedly, possession or consumption of status-related luxury goods (real estate, cars, cosmetics, jewellery) are perceived as an indicator of social status<sup>1</sup>. As rightly claimed by I. Andersonel (2010), status-related goods are mainly luxury goods purchased primarily to build the purchaser's prestige, rather than for their functionality. In the past, the following were considered to be luxury goods: champagne, caviar, real estate in exclusive parts of the city and sports cars. Today, sophisticated real estate in specific locations, means of transport – jet planes, helicopters, luxury yachts – and valuable works of art are still regarded as luxuries.

Undoubtedly, the economic situation significantly affects the propensity to purchase status-related goods. Since the mid-1990s, an increase in the overall level of wealth has been observable, which in particular concerns the numbers of representatives of certain classes and the importance attached to luxury goods. This increase in wealth has made luxury goods more available not only for the elite but also for a large part of the society. As a result, a situation referred to as democratisation of luxury has emerged. In effect, luxury goods today are not defined by their monetary value but their authenticity and feelings associated with them. It should also be borne in mind that since luxury has become more widespread, a market for luxury goods and services produced mechanically and on a mass scale has been created, whereas in the 19<sup>th</sup> century such products were made by hand and upon order.

Today's wealthy consumers who can afford to lead sumptuous and glamorous life are aware that purchasing new exclusive goods does not meet their growing needs. This, in turn, make people seeking luxury start to think about other values that are not so strongly connected with material values. Examples may include the cultural luxury industry, which offers extraordinary and unique experiences, with extreme forms

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<sup>1</sup> In countries with collectivist cultures and a high power distance, people attach great importance to their social status and demonstrate the need for compliance. In the masculine variant of such cultures, an important role is played by competition for a position in the group, while in feminine variants seeking harmony is significant. In both cases, luxury serves social purposes. In individualistic and masculine cultures, people look for products that will allow them to highlight their uniqueness as purchasers and enable them to improve their image and perceptions of themselves. In individualistic and feminine cultures where the issues of social status play a smaller role, the main motivation for buying luxury goods is, on the contrary, the desire to be unique, with no need to demonstrate this uniqueness (de Mooij, 2010: 107).



of tourism such as trips to exotic corners of the world, meditation or survival schools in extreme conditions. In contrast, less affluent consumers may still enjoy the routine participation in generally available substitutes of luxury.

## Consumers of luxury goods and their segmentation

The specificity of luxury products is reflected both in consumer behaviour on this market and their segmentation. The motivation to buy luxury goods may include both factors associated with a consumer's personality and character and demographic factors such as age, social status or gender. Therefore, the literature provides different classifications of consumers of luxury goods. According to the most well-known classification, there are three basic types of luxury goods consumers:

- wealthy (affluent) people,
- rich people (old money),
- people aspiring to wealth (nouveaux riches).

In turn, J. M. Bellaïche, A. Mei-Pochter and D. Hanisch (2010: 4–5), in the BCG's *The New World of Luxury* report, divided the purchasers of luxury goods into five segments:

- aspirational mass-market households – households with an annual income of at least EUR 55 thousand in developed countries and at least EUR 18 thousand in developing countries;
- rising middle-class households – households with an annual income of more than EUR 110 thousand in developed countries and EUR 35 thousand in developing countries;
- new-money households – households that are not distinguished based on income, but on their bankable assets value in excess of EUR 750 thousand and the fact that they have acquired such wealth by their own efforts;
- old-money households – households consisting of aristocratic families representatives as well as at least second-generation entrepreneurs who inherited their assets worth at least as much as the assets in the previous segment;
- beyond-money households – households similar to the “old” elites, except for their “complete indifference to the status” and avoidance of ostensible demonstration of their wealth and brands intended for conspicuous consumption.

An interesting categorisation of luxury goods consumers was also proposed by SRI Consulting Business Intelligence, an American company conducting demographic research among American consumers. It is based on consumer attitudes to luxury goods expenditure. According to SRI, the three groups of consumers showing a similar mindset when taking decisions about purchasing luxury goods are:

- luxury is functional – consumers purchasing luxury goods because of their functionality;
- luxury is reward – consumers treating luxury goods as a kind of reward;
- luxury is indulgence – consumers having a weakness for luxury goods.

Consumers purchasing luxury goods because of their functionality are the largest group in the above categorisation. Consumers in this segment tend to be older and wealthier than representatives of the other two segments. They are willing to spend more money to buy durable products that maintain their value over time. High product quality is also essential for them. They buy a wide range of luxury products, beginning with works of art, and ending with package holiday. Their purchasing decisions are, however, preceded by an in-depth analysis and are not emotional or impulsive but definitely logical.

Another group in the SRI's categorisation includes consumers who see purchases of luxury goods as a pleasure or reward. For them, luxury goods are a symbol of high social status. They see themselves as successful people and are guided by the desire to demonstrate this fact by purchasing luxury goods. They possess luxury cars and houses in residential areas that are considered to be very expensive and exclusive. Well-known brands sold worldwide are the most popular products among them. An average representative of this consumer group is younger than that of the previous group but, simultaneously, older than that of the third segment distinguished by SRI.

The last group in the SRI's categorisation, encompassing consumers having a weakness for luxury goods, is the least numerous. It also includes the youngest consumers, with a slightly larger proportion of men than in the other two segments. Members of this group are very lavish and easily succumb to an unreasonable desire to buy even the most expensive products. What motivates them is the possibility to demonstrate their individuality through exclusive products they are surrounded by. High quality and durability of the product is not their most important incentive for purchase. They are also sensitive to social criticism as regards their lavishness. When making a decision to purchase a product, they are primarily led by the desire to please themselves. Their expenses are, therefore, emotional and they are more inclined to make impulsive buying decisions than representatives of the segments described previously. They consider the uniqueness and emotional qualities of a product to be the most significant.

Such a segmentation is based primarily on psychological and demographic criteria. Psychographic factors are certainly an important criterion of membership of the group of luxury goods consumers. It should be noted, however, that no personality traits ensure access to luxury products if they are not supported by adequate purchasing power. Hence, there is another criterion for segmentation-income allowing a target group for luxury goods to be identified. Given the significant disparities in income of citizens of different countries, it should be noted that these criteria will take various forms depending on the income of each country.

## Consumption of luxury goods in Poland

According to the latest KPMG report (2013), Polish consumers of luxury goods are divided into two basic groups: the rich and the affluent. The number of affluent persons in Poland was 786 thousand in 2013 and the number of the wealthiest individuals amounted to 45 thousand. Their total net income exceeded PLN 130 billion. A rich person is an individual with a gross annual income in excess of PLN 85 thousand, while the wealthiest individuals (HNWI – high net worth individuals) are defined as those who own liquid assets exceeding USD 1 million. In 2013, only 200 people in Poland owned assets worth more than USD 50 million. Compared to Western Europe, the number of the wealthiest (NHWI) individuals is relatively small. Poland's share in NHWI individuals in Europe is only 0.4%. Most Europe's NHWI individuals reside in France (2.2 million), Germany (1.7 million), the UK (1.5 million) and Italy (1.4 million) (KPMG 2013: 9). Detailed data on the level of wealth of the wealthiest NHWI individuals in Poland are presented in Table 2.

**Table 2. Number of HNWI in Poland by wealth (2013)**

USD 1–5 million	39 737
USD 5–10 million	3 000
USD 10–50 million	1 677
USD 50–100 million	127
above USD 100 million	79
Total HNWI	44 620

Source: KPMG 2013: 9.

The assets owned by 89% of the wealthiest individuals in Poland are estimated at USD 1–5 million. Only 0.18% of NHWI have assets exceeding USD 100 million. The number of rich or affluent people in Poland is estimated to increase by 18 thousand in 2014. Thereafter, this growth is likely to accelerate so in 2016 Poland will have about 1 million rich and affluent residents, with a net income of PLN 172 billion (KPMG, 2013: 7).

In addition to rich and affluent individuals, the authors of the KPMG report also distinguished a group of more than 2 million people aspiring to wealth. These are persons with a monthly gross income between PLN 3,700 and 7,100 who declare spending more than 9% of their income on luxury goods, which amounts to over PLN 11 billion per year. The total annual income of people aspiring to wealth is estimated at PLN 97 billion.

KPMG 2013 report states that Poles have increasing savings and make increasing investments. At the end of the first quarter of 2013, Polish households owned financial assets worth a total of PLN 14 trillion and their non-financial assets (mainly real estate) are estimated at PLN 1.7 trillion. The Global Wealth Report 2013 by The Credit

Suisse, a Swiss financial company based in Zurich, suggests that changes in the assets of Polish households were positive. Compared to 2012, there was an increase of approximately 16% in 2013 (Figure 1).

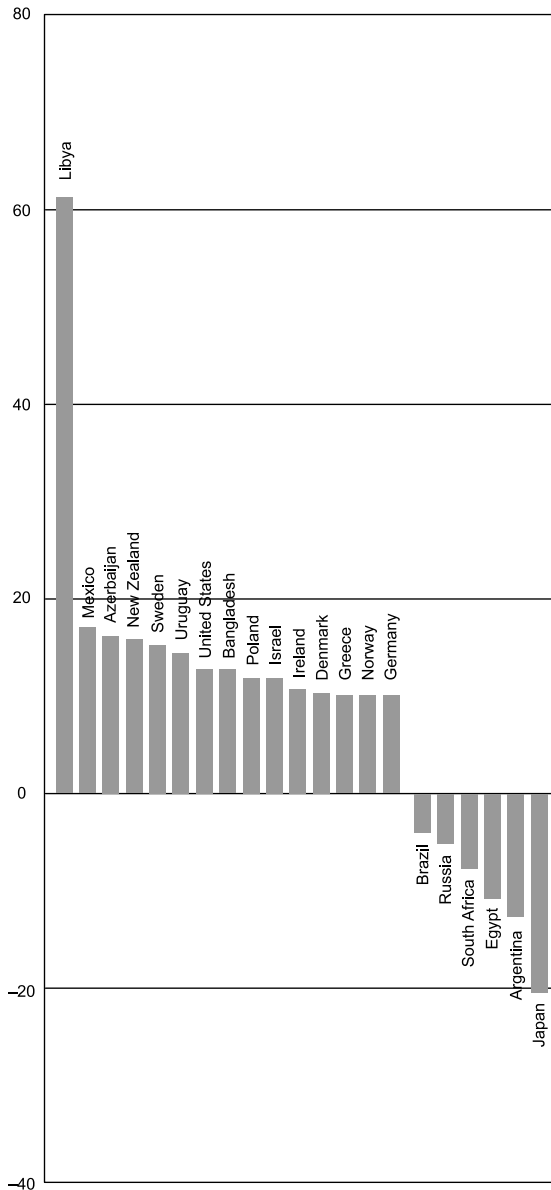


Figure 1. Changes in household wealth in 2012–2013

Source: The Credit Suisse Global Wealth Report 2013, [http://images.smh.com.au/file/2013/10/09/4815797/cs\\_global\\_wealth\\_report\\_2013\\_WEB\\_low%2520pdf.pdf?rand=1381288140715](http://images.smh.com.au/file/2013/10/09/4815797/cs_global_wealth_report_2013_WEB_low%2520pdf.pdf?rand=1381288140715) (accessed on 12.06.2014).

A growing number of affluent, rich and “aspiring” Poles creates excellent prospects for the development of the luxury goods market. Interestingly, the financial and economic crisis that hit the global economy has not adversely affected the number of the wealthiest Poles. On the contrary, the number of individuals belonging to this group was growing even at the time when the economies of most countries were experiencing a significant slowdown.

The demand for luxury goods is determined by not only the number of people with sufficiently high income and their earnings, but also the proportion of their income which they are willing to spend on luxury goods. According to the KPMG report (2013), rich and affluent Poles spend PLN 27,130 on luxury goods annually per person. Such spending accounts for 18% and 15% of the annual income of rich and affluent individuals, respectively. In the segment of people aspiring to wealth, declared spending on luxury goods represents 9% of annual income. Annual spending in this group is, therefore, correspondingly lower than in the other two, and does not exceed PLN 6,000 annually per person. This proves that most of the demand for luxury goods in Poland is generated by those with gross monthly earnings of more than PLN 7,100.

When purchasing luxury goods, as many as 4/5 of rich consumers are driven by the quality of purchased goods or services, 3/5 consider the appearance to be important, and for a half of the buyers brand prestige is essential. Every other rich purchaser pays attention to the uniqueness/rarity of a good, every third to brand recognition, and every fourth regards opinions and recommendations and brand history as significant. Only a fifth of rich buyers take into account the value represented by the brand when purchasing luxury goods.

The value of the Polish luxury goods market in 2013 was estimated at PLN 10.8 billion. This amount represents luxury consumer goods (clothing, alcoholic beverages, cigars, jewellery and watches, cosmetics and perfumes, household electronics), premium and luxury cars, luxury real estate (apartments and residences), yachts, hotel and spa services, furniture and interior furnishings and stationery. The largest category analysed is the segment of premium and luxury cars worth about PLN 4.5 billion. It should be mentioned that the market for premium and luxury cars is one of the strongest segments of the Polish automotive market. In 2013, rich premium segment consumers purchased brands such as: BMW, Mercedes-Benz, Audi and Volvo. As for the luxury cars segment, the majority of brands bought by rich and affluent Poles included: Ferrari, Maserati and Bentley. When purchasing premium and luxury cars, buyers are guided by: prestige, quality, uniqueness, appearance, design and aesthetics as well as brand tradition and history.

Another category distinguished within luxury goods is the luxury clothing and accessories segment estimated at PLN 1.8 billion. The main distribution channels for luxury clothing and accessories are luxury multi-brand boutiques and shops. Purchasers of luxury clothing and accessories pay attention to the quality, appearance,

design and aesthetics, price, brand prestige and uniqueness. The market of hotel and spa services is the third largest segment of the Polish luxury market, estimated at PLN 1.2 billion in 2013. Purchasers of luxury hotel and spa services attach importance to the quality, opinions and recommendations, uniqueness, celebrity branding and prestige. The fourth largest segment of the Polish luxury market estimated at PLN 900 million in 2013 is the primary and secondary market for luxury real estate (apartments and residences). This market is underdeveloped in Poland, where only two segments of the luxury real estate market can be distinguished: super luxury apartments (Złota Street in Warsaw) and luxury apartments (Cosmopolitan, Na Powiślu, Słoneczna Rezydencja II and Klimat House in Warsaw, Sky Tower in Wrocław, Sea Apartments in Sopot and Angel Wawel in Cracow). Wealthy buyers of luxury real estate pay attention to the quality, appearance, design and aesthetics, uniqueness, price and prestige. Luxury alcoholic beverages and legal stimulants form the fifth largest luxury market segment, estimated at PLN 627 million in 2013. The fastest growing category of products in this segment are: champagne, single malt whiskey and bourbon. Purchasers of luxury alcoholic beverages attach importance to the quality, brand prestige, price, uniqueness, rarity and opinions and recommendations. The last position in the Polish luxury market segment is taken by interior furnishings, electronics and stationery. In 2013, the estimated value of the Polish market of luxury furniture and furnishings was more than PLN 600 million, luxury home electronics market was worth nearly PLN 160 million, and luxury stationery market was estimated at PLN 7.5 million. Wealthy buyers of luxury furniture and home accessories, electronics and stationery attach importance to the price, quality, brand prestige, values represented by brands and appearance, design and aesthetics (KPMG, 2013: 32–57).

Given the SRI's segmentation of luxury goods consumers, the most cautious consumer group comprises people who purchase these goods due to their functionality ("luxury is functional" segment). When deciding on the purchase, consumers in this segment are not guided by emotions as is the case of the other two groups included in the SRI's categorisation, but logic only. Furthermore, they choose timeless and functional products of high durability. Certainly, products that are susceptible to fashion changes and extravagant will not be very popular among them. Consumers guided by luxury goods functionality while making purchasing decisions will far more often choose classical products, treating the purchase of goods as an investment. According to the SRI's categorisation, consumers, treating luxury goods as a tool to satisfy their desires and indulge their weaknesses ("luxury is indulgence" segment), are by assumption lavish and spontaneous in their consumer behaviour. Consumers in this segment regard product quality and durability as marginal and are concerned above all about demonstrating their own wealth. Hence, regardless of economic climate, such consumers will acquire extravagant products because only those allow them to satisfy their impulsive needs.

## Conclusion

The discussion above may lead to the following conclusions:

1. The concept of luxury has a wide range of meanings, including: lifestyle, a good or set of goods and the characteristics of goods. Luxury, which is an integral part of people's lives, used to be the only means of achieving a goal (it defined social status and wealth, self-esteem), but nowadays it is more and more frequently becoming a goal *per se*.
2. The price is not a determining factor in luxury categorisation but only a feature confirming luxurious characteristics. Given the multitude and diversity of consumers, luxury is divided according to the different perceptions thereof. In turn, relativity in the understanding of luxury refers to a region, time, economy, culture and situation.
3. Goods owned or purchased are one of the key elements to achieve a social status. Some goods are universally perceived as indicators of social status but it is particular cultures that determine the specificity of goods that are symbolic for them. Undoubtedly, luxury goods are purchased primarily in order for their buyers to achieve prestige, rather than for reasons of their functionality.
4. The motivation to buy luxury goods may include both factors associated with a consumer's personality and character and demographic factors such as age, social status and gender.
5. The number of purchasers of luxury products and services in Poland is on the rise and all forecasts indicate that the unit costs of Polish households will grow further. According to the majority of those who purchase luxury goods, the key factors to be considered are: quality, appearance, design and aesthetics, brand prestige, uniqueness/rarity, brand recognition, opinions and recommendations, brand tradition/history, price, values represented by the brand and celebrity branding. The largest segments of the Polish luxury goods market include: cars, clothes and accessories, hotel and spa services, real estate and alcoholic beverages.

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**Streszczenie****Konsumpcja dóbr luksusowych w polskich gospodarstwach domowych**

Celem artykułu jest wyjaśnienie istoty luksusu oraz konsumpcji dóbr luksusowych w polskich gospodarstwach domowych. W pierwszej części opracowania, w oparciu o przegląd literatury światowej, skoncentrowano się na zdefiniowaniu luksusu, jego względnego pojmowania oraz segmentacji nabywców dóbr luksusowych. W drugiej części artykułu, w oparciu o czwartą edycję raportu KPMG, przeanalizowano konsumpcję dóbr luksusowych w Polsce przez pryzmat segmentów tego rynku. Ważniejsze wnioski kończą niniejsze opracowanie.

**Słowa kluczowe:** luksus, dobra luksusowe, luksusowa marka, konsumpcja, gospodarstwo domowe

**Keywords:** luxury, luxury goods, luxury brand, consumption, household