



An exploratory study of consumers' perceptions: What are affordable luxuries?

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ABSTRACT

Specialty media outlets such as *The Wall Street Journal*, *Forbes*, and *Business Insider* have increasingly featured articles that stress the growth of the affordable luxuries market. However, “affordable” and “luxury” are two terms that do not conform to luxury goods literature. While the concept of luxury has been traditionally associated with expensive, difficult to find, and exclusive products, the aforementioned business periodicals seem to suggest that a number of products such as specialty coffee, chocolate, and other commodities can be considered affordable luxuries. We conducted an exploratory investigation to determine whether millennial consumers differentiate between the terms “luxury” and “affordable luxury,” which products they perceive to be affordable luxuries, and the price range they are willing to pay for affordable luxuries. Our exploratory study (1) shows that consumers hold similar quality expectations for luxury and affordable luxury products, (2) reveals differentiating descriptors for luxury and affordable luxury products, (3) suggests that consumers see these products as a way to enhance one's image, and (4) offers pricing guidelines for such products.

1. Introduction

The luxury market has become one of the fastest-growing industries in the world, growing at roughly 10–15% annually since the early 1990s (Fionda and Moore, 2009; Matthiesen and Phau, 2005). The Boston Consulting Group has estimated the global market of luxury goods to be approximately \$400 billion and to be growing at a rate that has outpaced all other consumer goods industries (Meyers, 2004).

The rise of the wealthy class in developing countries, the increasing buying power among working women, lower production costs (Truong et al., 2009), and socio-cultural factors such as the media's attention to luxury products (Fionda and Moore, 2009) have affected the growth of the luxury market. As a result of reduced production costs, luxury brands have developed reasonably priced premium products to attract middle-class consumers who desire to follow the lifestyles of richer classes (Atwal and Williams, 2009). Consequently, with an annual market growth rate of about 15% (Wang, 2013), it becomes clear that the term “luxury,” which has been traditionally associated with being very exclusive and as highly prized goods available only to the wealthiest of people, has seen itself subjected to an evolution in recent years (Case, 2004; Meyers, 2004). What have emerged are products that are termed “affordable luxuries.”

In order to make their products available for a wider array of consumers, many luxury brands have expanded their product lines by offering more affordable versions of their products, such as Luis Vuitton pens and wallets. This has enabled high-end brands to capitalize on the trading-up phenomenon that has become familiar within the middle class.

“Trading up” describes the behavior that people are willing to shop for cheaper goods in one category in order to free up resources for higher spending behavior in other categories, such as luxury goods (Kapferer and Bastien, 2009). By trading up, more people can occasionally afford to spend money on luxury goods over different product categories. Boston Consulting Group Senior VP Michael J. Silverstein notes that new luxuries are no longer only about aristocrats, but also “... about average Joes on the street who want to buy premium-price products that have real technical, functional and emotional benefits” (Meyers, 2004, p. 2). The trading-up phenomenon has been extended to an array of products and services, which include coffee products, hair salons, and spas. Younger consumers who attribute considerable importance to how they are perceived by their peers are inclined to trade up to signal their good tastes and expensive lifestyles.

Consider the case of the California music festival Coachella, a fairly elite annual music event in the desert with a limited number of hard-to-

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obtain tickets. Not only are tickets and camping spots expensive, the remote location can also make getting to and from the music festival a quest. By tapping into consumers' desire for exclusivity and added emotional value, all of these characteristics illustrate how a music concert can fit into the traditional definition of "luxury."

Practitioners have advised marketers and brands alike to focus their efforts in targeting the next spending generation: millennials. Further, marketing efforts should encourage millennials to share their authentic consumer opinions in order to enhance brand loyalty (Mulligan Nelson, 2012). Given millennials' high income during the current stage of their lives in comparison with previous generations, we could expect this cohort to direct their disposable income to affordable luxuries.

Despite the growing practitioner interest in the trading-up phenomenon and affordable luxuries, there are few empirical studies that focus on millennials' understanding of the differences between luxuries, affordable luxuries, and necessities. This topic is worth both scholarly and managerial attention because millennials represent the largest consumer generation in history since they are expected to spend more than \$200 billion annually and more than \$10 trillion in their lifetimes (Mulligan Nelson, 2012). Affordable luxuries could play a significant role in millennial spending habits because, while this generation ranks as the most educated in American history, they also have a considerable amount of debt (i.e., mostly in student loans) that might limit their spending capabilities. In other words, while this cohort might appreciate the value of luxury products, their access to them might be limited due to large debt restricting their net incomes.

The purpose of this study was to analyze how affordable luxuries are defined and what motivates customers to allocate spending to such products. Our goal was to begin an investigation as to what extent millennial consumers differentiate traditional and affordable luxury products. While the topic of consumer behavior has related to affordable luxuries, traditionally referred to as "premium products," has not been addressed in scholarly literature, specialized industry outlets such as *The Wall Street Journal*, *Forbes*, and *Business Insider* have covered this topic from a practitioner perspective. Since there is no widely accepted definition of "affordable luxuries" in academic literature, this study implemented two surveys to assess which products millennials consider to be affordable luxuries and the reasons behind their purchase intentions.

1.1. A new generation of consumers: millennials

To understand current consumer behavior trends for affordable luxuries, it is necessary to take a closer look at millennials. According to the 2014 *Ipsos Affluent Survey*, affluent adults (i.e., people 18+ with at least \$100,000 in annual household income) currently represent 23% of U.S. households with an estimated population of 67.5 million (Ipsos, 2014). Within this well-off population, there are more Gen Xers and millennials than baby boomers (Satter, 2015).

Millennials, or Generation Y, typically include all people born between 1977 and 1994 and are described as having a high degree of independence and autonomy (Hawkins and Mothersbaugh, 2012) with a tendency to be highly brand and fashion conscious (Morton, 2002). As millennials begin to enter life cycle stages that involve purchasing homes, starting families, and running companies, affluence as well as the desire for luxury and upscale products will emerge (DeVilling, 2015). With its enormous size of over 70 million in the U.S., this group has the potential to significantly influence the market throughout all stages of their lives. As a result, it will be essential for companies to position themselves to capture a share of this cohort's consumption (Morton, 2002; Paul, 2001).

In addition to their immense size, millennials have developed into more sophisticated consumers relative to previous generations since they are the first to always have been connected globally through the Internet. This constant access not only serves as a primary and more advanced resource for information (Nowak et al., 2006), but also serves

as the "backbone of their lives" (Pitta, 2012). Perhaps as a result of constant digital connection, Millennial consumers are not only interested in purchasing goods, but they also strive to make their lives better by investing in the experience and status associated with those items. For millennials, life should be enjoyable and fun, yet they still want to be successful in their professions (Nowak et al., 2006). They tend to be brand loyal and form strong feelings and relationships with their brands of choice (Pitta, 2012). Further, to keep up with fashion trends and stay hip among their peers, this consumer group is often associated with a tendency to spend money rather than save it (Morton, 2002). This propensity to spend money, combined with the goal of signaling fashion consciousness and status to other people, makes millennials very attractive consumers for the luxury good market. We assume that the millennial entrance to the aforementioned luxury market will be gradual, and as a result, this generation is likely to start seeking hedonic indulgences that match their current social and economic standing.

1.2. What is Luxury?

To analyze the luxury market and affordable luxuries, it is necessary to understand how "luxury" is defined. Luxury finds its roots in the very core of the times of royalty, where social stratification differentiated the nobility of kings, royal family, and priests from others (Kapferer and Bastien, 2009). While the history of luxury consumption is thousands of years old, the first forms of luxury brands emerged in the 19th century (Chevalier and Mazzalovo, 2008). Industrial production of the first luxury brands of silverware, glassware, and china (e.g., Baccarat, Wedgwood, Lalique) originated in England and France (Nuevo and Quelch, 1998). In the 20th century, technological advances made these products available to the masses and a large middle-class population "who are no longer at a financial distance from luxury" (Atwal and Williams, 2009, p. 339). Thus, luxury brands developed downward brand extensions by introducing "masstige" brands (Truong et al., 2009).

Western society's democratic model, where each person has an equal chance of succeeding in any aspect of life, makes it possible for an individual to achieve a specific destiny through work (Kapferer and Bastien, 2009). However, even in a so-called "equal" society, the human need for social differentiation has not disappeared. Because of this, the luxury industry plays a major role in providing a means for differentiation. In a process termed "democratization of luxury," brands have become a social marker for stratification with the only obstacles to reach the desired goods being people's financial limits (Kapferer and Bastien, 2009).

As the demand for luxury brands has risen, luxury consumption has remained of keen interest among scholars who consider it a remarkable cultural trend and an economic activity in contemporary society. Researchers from a variety of disciplines, including anthropology (Isherwood and Douglas, 1979), cultural psychology (Csikszentmihalyi and Halton, 1981), psychology (Kemp, 1998; Veblen, 1899), economics (Bagwell and Bernheim, 1996), and marketing (Dubois et al., 2005), have investigated how and why people persistently seek "luxury" goods. Despite the abundant body of literature on luxury consumption, there is no consensus on a definition for luxury brands because of difficulties to define what constitutes a "luxury good."

Chevalier and Mazzalovo (2008) define a luxury brand as "one that is selective and exclusive, and which has an additional creative and emotional value for the consumer" (p. 8). A "luxury good must satisfy three criteria: it must have a strong artistic content, it must be the result of craftsmanship, and it must be international" (Chevalier and Mazzalovo, 2008, p. xi). Central to the conceptualization of luxury brands is "conspicuous consumption," proposed by Veblen in 1899. Conspicuous consumption proposes that luxury goods provide symbolic and functional utilities to satisfy physical needs and gratify a

psychological craving for status or esteem. It is these status-seeking motivations that led to the growth of luxury consumption in the Western world during the 1980s and 1990s (Atwal and Williams, 2009).

1.3. Hedonic consumption

Hedonic consumption is defined as “those facets of consumer behavior that relate to the multisensory, fantasy and emotive aspects of one’s experience with products” (Hirschman and Holbrook, 1982, p. 92). Hedonic consumption includes tastes, sounds, scents, tactile impressions, and visual images and describes a type of consumption that, rather than satisfying the traditional economic view of maximizing one’s utility, satisfies our emotional wants (Hirschman and Holbrook, 1982). Thus, the concept of hedonic consumption is closely tied to the concept of affordable luxuries and luxury goods in general.

As early as 1959, Levy (1959) has stated, “people buy products not only for what they can do, but also for what they mean” (p. 118). Previous literature on hedonic consumption includes research on the use of figurative language on reviews and its effect on hedonic products’ purchase intentions (Kronrod and Danziger, 2013), the effects of price endings on product choice (Choi et al., 2014), and the motivations for shopping among collectivist and individualistic cultures (Evanschitzky et al., 2014). For a more extensive literature review see Neeley et al. (2010). In line with previous research, we believe hedonic consumption is a motivator for the consumption of affordable luxury products because the purchase of an affordable luxury involves more than the satisfaction of utilitarian needs; rather, these products can satisfy consumers’ multisensory and emotional needs. Consider the case of specialty coffee. While coffee is a readily available product, certain consumers are willing to pay a premium price to enjoy the atmosphere offered by specialty coffee houses as Starbucks. Thus, buying an affordable luxury may be a way to express a luxurious lifestyle through the hedonic experience it provides.

On the other hand, researchers often distinguish luxury products (i.e., products that society desires) from necessities (i.e., items that satisfy people’s needs) (Kemp, 1998). These distinctions are often explained through different theoretical frameworks, such as Maslow’s hierarchy of needs (Maslow et al., 1970). According to his theory, individuals evaluate different products as being able to satisfy different physiological needs, such as hunger, thirst, security, and self-actualization. The lower-level needs are often satisfied first (e.g., hunger) before a person seeks to fulfill more superficial needs (e.g., status).

In this regard, Berry (1994) explained that luxury goods are refinements of basic human needs, such as food and shelter. According to Kemp (1998), “although caviar is a luxury food, it is still a food and will satisfy hunger if eaten in sufficient quantity” (p. 593). Both authors indicated that the perception of a necessity and a luxury varies according to socio-cultural characteristics.

Through three studies, which investigated price elasticity for luxury and necessity products by asking participants to rate different goods on a necessity-luxury scale, Kemp (1998) found that a particular good is regarded as more luxurious if the product is seen as an object for desire rather than satisfying a basic need. The author made a call for more research to investigate the relationships between luxury, necessity, and price. Since we did not find any studies that addressed perceptions of affordable luxury products and willingness to pay for these products, we conducted two studies described in the next sections.

1.4. STUDY 1

Study 1 was conducted to gain insight into what millennials consider to be affordable luxuries. Given the exploratory nature of this study, we developed research questions rather than hypotheses:

RQ₁: How do millennials define “luxury” and “affordable luxury” (vs. “luxury products”)?

RQ₂: What are some of the products millennials perceive as affordable luxuries?

To address these research questions, two open-ended questions, which asked participants to define “luxury” and “affordable luxury,” were used to (1) gain a deep and unbiased knowledge about millennials’ understanding of affordable luxuries and (2) attempt to fill a gap in existing literature on high-end consumer behavior.

1.4.1. Subjects

Participants (N288) were recruited from a community subject pool in a large Midwestern university. The sample consisted of 112 males (39%) and 173 females (60%), and from this total, 212 identified as White (73.5%). The average age of participants was 21 years ($sd=2.29$; range 19 to 33) and 53.6% of them indicated their family’s annual income to be of \$60,000 or more. The use of college students for this study was considered appropriate given that they represent the millennial age group.

1.4.2. Results

The first two research questions sought to differentiate luxuries from affordable luxuries. Because this was an unexplored topic, we used open-ended questions about (1) what they consider to be a luxury and (2) what they consider to be an affordable luxury. We used Hauck and Stanforth’s (2007) list of product categories for buying unnecessary products as a guide for content analysis of the responses. We generated 11 themes related to participants’ conceptions of luxury items.

To validate the reliability between coders, we used Perreault and Leigh’s *Ir*. This index is considered to be more reliable compared to the percentage agreement and Cohen’s *K* (Cho and Cheon, 2005). The results of the inter-coder reliability test were high, with the PL index ranging from 0.80 to 1.00, greater than the acceptable cut-off value of 0.70 (Perreault and Leigh, 1989).

Table 1 offers 11 emergent themes regarding what participants considered to be luxury and affordable luxury items as well as sample quotes. It also summarizes the responses for affordable luxuries to make comparisons between the two concepts easier.

The results suggest that the perception of luxury goods is highly influenced by the product’s price (54.5%), its association with high quality (35.4%), exclusiveness (21.9%), unnecessary (20.8%), status (13.9%), and pleasure (12.5%). In addition to self-gifting and emotional satisfaction, specific brands were also mentioned less frequently. Surprisingly, only 12.5% of participants associated luxury items with pleasure. Interestingly, while Chevalier and Mazzalovo (2008) stated that luxury products are mainly perceived by consumers to be exclusive and as having an additional creative and emotional value, responses for this study reflected that, at least for millennials, participants primarily associated luxury goods with themes such as price and high quality. In other words, exclusivity, creativity, and emotional value were not adjectives that were elicited from our respondents. However, our results do seem to be in line with Veblen’s (1899) understanding of luxury (i.e., exclusiveness and status granting).

Because our purposive sample was comprised of millennials, it is not surprising to see that many of their responses propel the acquisition of luxury products into the future. Consider the following response: “Something that cannot be easily afforded on a college budget. Something you save up to buy. Something that is high quality.” Further, many stressed the high prices by noting the social class that would be able to afford them. As one participant noted, “High class, labels, and high quality. Excessive but boosts social standing.”

Others opted for describing the products in terms of self-indulgence: “Not necessary products but when you have the money to afford the products you indulge in buying them,” “A luxury product means something that is not necessary but makes me feel pleasant and comfortable. And not everyone can afford it,” and “I think it is something can make me feel different with others and the quality of

Table 1
Classification and characteristics of luxury and affordable luxuries as reported by participants.

What is luxury	Responses (N=288) N (%)	Sample quotes	Responses (N=288) N (%)	Sample quotes
High Quality	102 (35.4%)	<p>"A product that has the best features and benefits compared to other items on the market. Has the top of the line in every aspect"</p> <p>"A product that exceeds expectations in regards to quality and comfort."</p> <p>"A luxury item is something a consumer wants, but doesn't really need. Once something fulfills a need at the most basic level, anything after that could be considered luxury. To me, luxury goods are designer products, fancy cars, and high-end technology."</p> <p>"Costs a lot, extreme satisfaction"</p>	83 (28.8%)	<p>"A product which is higher quality for not much extra cost."</p>
Unnecessary	60 (20.8%)	<p>"Cars, houses, and boats."</p> <p>"A luxury product is something that you can definitely survive without, but purchasing or acquiring it raises your standard of living and comfort level substantially. Possibly simply a status symbol."</p> <p>"Juicy Couture"</p> <p>"Cartier"</p> <p>"BMW"</p>	204 (70.8%)	<p>"A cheap product that I don't need for any reason, but still would like to have"</p>
Pleasure	36 (12.5%)	<p>"Good food"</p> <p>"Something that makes one feel good that evokes an aura of wealth or increased cost to buy."</p>	11 (3.8%)	<p>"Something that I can afford to treat myself to occasionally."</p> <p>"The term affordable luxuries can be used to describe consumer goods that may be considered indulgences, but are nonetheless affordable to middle and working class consumers."</p> <p>"An expensive dinner"</p> <p>"An affordable luxury product would be a new iPhone"</p> <p>"Starbucks Coffee, High-end watches, smart phones"</p> <p>"A product that is within your budget that is high quality and makes your life easier."</p>
Other	33 (11.5%)	<p>"Product that not anyone can afford and makes someone feel special."</p> <p>"Something that you will spend your own discretionary income on. In a sense you are treating yourself" when purchasing an item of this sort."</p> <p>"A luxury product is a high-end (possibly trendy), high quality, expensive product. It is not a necessity, but probably highly sought after. Commonly, luxury products are used as status symbols."</p> <p>"Something that makes a statement about your lifestyle"</p> <p>"A product that is attached to a luxury or lavish image."</p>	83 (28.8%)	<p>"J Crew"</p> <p>"Banana Republic"</p>
Improving quality of life	27 (9.4%)	<p>"A luxury product is one that is high quality and is available in low quantities. Because of these characteristics, luxury products are expensive."</p> <p>"A luxury product is something that you cannot get just anywhere, it has to be special and even hard to find"</p> <p>"Usually something that not everyone has"</p> <p>"Possesses characteristics unique to that product that set it apart from other products."</p>	5 (1.7%)	<p>"Something that I can afford to treat myself to occasionally"</p>
Brand	15 (5.2%)	<p>"A product that is expensive, never offered discounts on and only affordable to high-class people."</p> <p>"Luxury products are products that are not only expensive, but flashy as well."</p> <p>"Luxury products are those that I didn't need to spend 100+ dollars on."</p>	2 (0.7%)	<p>"When you just have enough money and you buy it" "A cheap product I don't need for any reason but still would like to have".</p> <p>"A rich and soothing product that would not be used often in your ordinary life, but you have access to it"</p>
Emotional Satisfaction	10 (3.5%)		3 (1%)	
Indulgence	6 (2.1%)		3 (1%)	
Status	40 (13.9%)		32 (11.1%)	
Exclusive	63 (21.9%)		35 (12.2%)	
Price	157 (54.5%)		21 (7.3%)	
Impulse Purchase			32 (11.1%)	
Relaxation				

this product must be the best of the top comparing to others.”

To analyze the definition of “affordable luxury,” we used a similar content analysis of their open-ended responses. Eleven themes emerged from this analysis. After achieving satisfactory reliability ($I_r > 0.70$), we found that, in most cases, participants believe affordable luxuries to be non-necessary items (70.8%). This percentage should be noted, given that the number of people that indicated that affordable luxuries are non-necessary items was 50 points above luxury products.

Although some participants were able to think about the intrinsic characteristics of luxury products and articulated a more traditional definition of “luxury,” most respondents struggled in reconciling the terms “affordable” and “luxury.” As one participant indicated, “An affordable luxury product is kind of an oxymoron to me. Luxury to me is based a lot on price. However, an affordable luxury product could be a small luxury, such as something small that might be too expensive for the price, but is something that I have the money for.” Another participant opted for a definition often used by scholars by calling it a “premium product” (Brun & Castelli, 2013).

Perhaps the novelty of the term made it difficult for respondents to explain their perceptions of affordable luxuries. This might explain why a large percentage of answers were categorized as “other” (28.8%). The following quotes represent some of the responses: “An expensive dinner” and “An affordable luxury product would be a new iPhone.” It is important to note that, in comparison to luxury items, 28.8% (vs. 35.4%) of participants consider affordable luxuries to be of high quality but not requiring a big financial outlay (i.e., “High quality, low price”) and 12.2% to be exclusive (e.g., “things that are scarce and valuable” or “an affordable luxury is an item that is considered highly praised in public”).

Following both analyses, three new descriptive categories were introduced for affordable luxuries: relaxation opportunities, impulse purchases, and indulgence. 11.2% of participants indicated that affordable luxuries are a means to provide them with relaxation opportunities, “a product you enjoy using/consuming that is at a reasonable cost.” 8.2% of the respondents saw affordable luxuries as the result of impulse purchases (e.g., “something you decide you can afford to splurge on”) and 1% participants related affordable luxuries with indulgences (e.g., “An affordable luxury good is something that you do not need, but like to have as a part of your daily life. Starbucks coffee, smoothies, and other items people treat themselves with that are not vital to their daily processes. Each unit of such products is not expensive, but with time it adds up.”).

Each open-ended response was categorized to facilitate the analysis and comparison of the perception differences between luxuries and affordable luxuries. We found that, for both constructs, affordable luxury (AL) and luxury (L), 7 categories overlapped. Participants suggested AL or L products could (1) improve one’s quality of life, (2) be bought for pleasure, (3) offer emotional satisfaction, and (4) elevate the owner’s socioeconomic status. In addition, these products were seen as (5) unnecessary, (6) exclusive, and (7) high quality goods.

Interestingly, the main difference in the emergent themes defining these two concepts focused on the perception of affordable luxuries as unnecessary (70.8%), which was more so than luxury goods (20.8%). Although participants were capable of thinking about definitions of L that were mostly consistent (87.5%) with Hauck and Stanforth’s (2007) categories for reasons to purchase unnecessary products, 28.8% of respondents struggled to provide a concrete characterization of AL. The responses suggest that the perception of exclusiveness and purchasing for pleasure of AL and L products differs. While 21.9% of respondents indicated L is associated with exclusiveness, only 12.2% did so for AL.

The second research question focused on which kind of products participants perceived as being affordable luxuries. The majority of respondents (75%) indicated that fashion products are affordable luxuries, followed by wines and spirits (58%), and jewelry and watches (57%). Interestingly, 56% of respondents considered food products to be an affordable luxury. Results are summarized in Table 2.

Table 2
^aAffordable luxuries product categories.

Product Category	n (N==262) ^b	%
Fashion	197	75.19%
Jewelry	150	57.25%
Perfumes & Accessories	143	54.58%
Wines & Spirits	153	58.40%
Watches	127	48.47%
Foods	147	56.11%
Other	26	9.92%

^a Participants could choose more than one option.

^b n=262 valid responses out of 288 participants.

We were further interested in knowing how often consumers purchase products they consider to be affordable luxuries. We found that the majority shop for affordable luxuries monthly or less (35.4%), followed by at least monthly (26.4%). Additionally, 17.4% of the participants indicated they shop for affordable luxuries two to four times per month, 4.5% two to three times per week, 1.4% four or more times per week. 3.8% of respondents indicated they never purchase affordable luxury products.

In summary, we found that respondents made reference to indulgences as affordable luxuries and that they expect high quality from affordable luxuries at a lower price than luxury goods. Given that some of the respondents listed everyday activities as affordable luxuries (e.g., dinner out), our second study investigated whether or not participants can distinguish affordable luxuries from necessities and adds to Study 1 by delving deeper into price as an informant of the respondents’ perceptions of affordable luxuries.

1.5. STUDY 2

Based on the results from Study 1, we were then interested in understanding additional parameters for differentiating luxury and affordable luxury products among millennials. The following research questions were formulated:

RQ₃: What products do millennials perceive to be affordable luxuries (vs. necessities)?

RQ₄: How is price paid for an item related to millennials’ perceptions of luxury (vs. necessities)?

RQ₅: What attributes do millennials’ associate with affordable luxuries?

1.5.1. Questionnaire

The questionnaire was comprised of three sections. The first section examined the extent to which participants understood the difference between a luxury, an affordable luxury, and a necessity. Because open-ended questions can produce unexpected results that might complicate the analysis, we presented participants with a list of 26 attributes normally associated with luxury products (e.g., crafted, expensive, exquisite) to gain a more nuanced understanding about the intrinsic and extrinsic product characteristics that help differentiate affordable luxuries from necessities (modeled after Vigneron and Johnson, 2004). To do so, participants rated their agreement as to whether each attribute was related to affordable luxuries on a 7-point scale (1=strongly disagree; 7=strongly agree). In addition, we asked participants whether or not an affordable luxury should be more expensive than necessities. If they answered positively, then they were asked to indicate how much more expensive these goods should be (in increments of 20%, from 0 to 100).

The second part of the questionnaire listed fourteen products and services (e.g., bread, milk, electricity) and eight activities (e.g., going to a concert) that represented both necessities and affordable luxuries (modeled after Kemp, 1998). If participants indicated they had previously purchased one of the items, they were asked how much

was spent for each of the items within the last month. Then, participants were asked if the price of the item was to be doubled, how often would they continue to buy the product compared to how often they did at present (1=never; 5=all of the time). Finally, participants were asked to provide demographic information. The scales used for this study are available online through (LINK REMOVED FOR BLIND REVIEW).

1.5.2. Subjects

Participants were recruited through a sample pool at a large U.S. Midwestern university and the questionnaire was administered online through Qualtrics. A pre-screening question was used to select only millennials (i.e., those born between 1977 and 1994). The sample (N=116) consisted of 36 males (31.03%) and 80 females (68.97%). From this total, 76 identified as White (65.5%). The average age of participants was 21 years (sd=1.60; range=19 to 28) and the majority reported a household income of \$60,000 or above.

1.5.3. Results

RQ₃ dealt with millennials' perceptions of which products they classified as affordable luxuries vs. necessities. Our findings were in line with Kemp (1998) and the responses gathered in Study 1. For example, products considered to be affordable luxuries were watches (m=5.61, sd=1.23), concert tickets (m=5.44, sd=1.54), sports tickets (m=5.29, sd=1.64), and specialty coffee (m=5.15, sd=1.73). The products classified as necessities were bread (m=1.80, sd=1.20), milk (m=1.90, sd=1.26), and electricity (m=1.93, sd=1.23). We also asked participants to indicate whether they would continue to purchase the product if the price were to double. The mean responses for continuing to purchase affordable luxuries (m=2.14, sd=0.52) and necessities (m=3.00, sd=0.52) should the price double were not statistically different ($\chi^2=339.53, p > 0.05$). Further, there were a number of products that were not easily discernible as being either a necessity or an affordable luxury (e.g., chocolate, sports shoes, going to the movies); these items had a mean ranging between 4.16 and 4.73. Means and standard deviations for product classifications and purchase likelihood are presented in Table 3.

Table 3
Affordable luxuries vs. necessities.

	Luxury vs. Necessity		Would Purchase if Price Doubled	
	M	SD	M	SD
Watches	5.61 ^a	1.23	2.07 ^b	0.80
Concert	5.44	1.54	2.09	0.81
Sports tickets	5.29	1.64	1.86	0.72
Specialty coffee	5.15	1.73	2.15	1.17
Wine and spirits	5.07	1.54	2.59	0.99
Colognes	5.07	1.46	2.08	0.81
Movies	4.73	1.60	2.49	0.88
Music	4.64	1.71	2.36	0.98
Holiday accommodations	4.48	1.61	2.26	0.83
Sport shoes	4.30	1.42	2.16	0.77
Chocolate	4.16	1.62	2.31	1.04
Lunch with a friend	3.94	1.60	3.07	1.02
Taxis	3.94	1.54	1.92	0.92
Newspaper	3.36	1.52	1.75	0.95
Books	3.15	1.41	2.58	0.91
Bus	3.12	1.51	2.03	1.03
Gas	2.21	1.44	3.69	1.10
Meat products	2.19	1.43	3.69	1.10
Visit to the doctor	2.05	1.68	3.19	1.23
Electricity	1.93	1.46	4.14	0.98
Milk	1.90	1.26	3.52	1.14
Bread	1.80	1.20	3.53	1.04

^a 5= Strongly agree.
^b 5=All of the time.

Table 4
How much should affordable luxuries should cost (vs. necessities)?.

	n	%
0–19% more	33	34%
20–39% more	33	34%
40–59% more	19	19.6%
60–79% more	8	8.2%
More than 80%	4	4.1%
Total	97	100%

To shed light on the relationship between price and perceptions of luxury (RQ₄), we asked whether or not participants believed that affordable luxuries should be more expensive than necessities. Not surprisingly, 77.6% of respondents answered positively. We then asked respondents to indicate how much more these affordable luxuries should cost in relation to necessities. The majority (68%) indicated that prices should be up to 40% more expensive, while only 4.1% indicated that affordable luxuries should cost more than 80%. A more detailed report on participants' responses can be found in Table 4.

Further, we asked participants to indicate how much they had paid for the aforementioned list of products and activities in the past 30 days. We conducted two one-way ANOVAs to compare their perceptions of whether a product or activity (e.g., sports tickets, bread, specialty coffee) was considered to be an affordable luxury or a necessity based on the amount spent (divided into three price segments).

There were three levels of expenditures (lower=\$0-\$98; moderate=\$99-\$257, high=\$258-\$500). We combined the amount spent on all affordable luxuries and all necessities to analyze whether or not the price paid for the product or service influenced respondents' view of the product or service as an affordable luxury or necessity.

The first ANOVA drew comparisons between the price paid for a list of hedonic products and activities as well as participants' perceptions of those items as being an affordable luxury. A significant difference was found ($F(2,110)=3.65, p < 0.05$). A Tukey test indicated that those participants that paid the lowest price considered the items to be more of an affordable luxury (m=5.65, sd=0.84) than those that paid the highest prices (m=4.71, sd=1.28). Those that paid a moderate price were also more inclined to consider it more of an affordable luxury (m=5.70, sd=1.34). In other words, the lower the price paid for products on the list, the greater the degree to which participants considered a product to be an affordable luxury, which could indicate a ceiling price for affordable luxuries.

The second ANOVA drew comparisons between the price paid for the list of utilitarian products and participants' perceptions of those items as being a necessity. There was no significant difference for the price segment groups when comparing the perception of necessities and the price paid ($F(2,110)=0.612, p > 0.05$). This finding could be explained by the relative low cost of necessities in the United States. Further, given that these products are part of participants' basic needs, price might not be an important determinant when it comes to making a purchase decision.

RQ₅ investigated the attributes millennials' associate with affordable luxuries. To answer this research question, participants were asked whether they agreed or disagreed with a set of 25 attributes that could describe affordable luxury products (Vigneron and Johnson, 2004). Out of 25 attributes, the traits with the highest scores (on a 5-point Likert scale) indicated that affordable luxuries are quality products (m=3.91, sd=0.83), for successful individuals (m=3.82, sd=0.87), and they serve as a way of signaling status (m=3.74, sd=0.92). In addition, affordable luxuries are impressive (m=3.71, sd=0.75), superior (m=3.70, sd=0.95) and glamorous (m=3.70, sd=0.85). These results reinforce the categories from the open-ended questions in Study 1 (i.e., high quality products, status granting). Table 5 reflects these results.

Table 5
Attributes associated with affordable luxuries.

	Mean	Std. deviation
Quality	3.91	0.83
Successful	3.82	0.87
Status	3.74	0.92
Impressive	3.71	0.74
Glamorous	3.7	0.85
Superior	3.7	0.95
Rewarding	3.68	0.88
Sophisticated	3.68	0.85
Expensive	3.64	1.03
Crafted	3.62	0.89
Exceptional	3.62	0.85
Distinctive	3.58	0.79
Powerful	3.58	0.83
Fascinating	3.55	0.74
Wealthy	3.55	1.11
Leading	3.54	0.78
Symbolic	3.51	0.92
Stunning	3.5	0.76
Exquisite	3.46	0.89
Precious	3.46	0.92
Exclusive	3.43	1.01
Elitist	3.37	1.08
Unique	3.29	1.03
Conspicuous	3.13	0.90
Emotional	3.08	0.96
Rare	3.04	1.05

While our study is focused on affordable luxuries, these responses seem to confirm previous research on luxury goods characteristics (e.g., high quality, high-priced, exclusive, status-granting) products, particularly the concept of conspicuous consumption coined by Veblen (1899). Our respondents see affordable luxuries as a way to signal economic power, so that even common activities, like having a cup of coffee, are central to satisfying symbolic needs. For example, the craving of status that aligns with certain brands (e.g., Starbucks Coffee).

2. Discussion

The purpose of these studies was to investigate whether millennial consumers had an understanding of the concept of affordable luxuries and how they distinguished affordable luxury products from luxury products. For years, industry experts and scholars have defined entry-level luxury products as “premium” products. However, industry reports and news articles have begun to use the term “affordable luxury” to highlight the rise in popularity of durable goods (e.g., homes), fashion products, and food (e.g., Gaerman, 2016). To gain an understanding of the meaning behind an affordable luxury, we analyzed millennial consumers’ perceptions about these products, the type of products they categorize as such, and how price factors into their perceptions.

We report several key findings. First, participants defined affordable luxuries as unnecessary, high-quality, and status-granting products. Further, the products most associated with this concept were fashion items, jewelry, and fragrances. Another major theme that emerged from the data is that participants’ perceptions of these affordable luxury products were not necessarily related to exclusivity, as was the case with luxury goods. For example, some participants, expected the product to be produced regionally to make the price more affordable. Interestingly, participants made reference to commodities (e.g., specialty coffee) as affordable luxuries one could “splurge on” every so often.

Second, people’s perceptions of affordable luxuries are tied to their price perceptions. The second study revealed that an affordable luxury should offer the same quality as a luxury product, although it should be

within millennials’ spending capabilities. This could be the result of luxury brands offering “gateway” products that are less expensive than their traditional products. For example, Coach offers key chains and Luis Vuitton sells pens at affordable prices compared to their flagship bags. In some cases, they perceived affordable luxuries as discounted luxury products that were not sold for their full price. These findings require further investigation into retail outlets where consumers would expect to find and shop for affordable luxury products. These results reflect the evolution of the term “luxury” into a more flexible concept able to include goods that are not just available to the wealthiest of people, but also to the masses (Case, 2004; Meyers, 2004).

The findings indicated that the majority of millennials expect affordable luxuries to be priced up to 40% more than necessities. This should be of particular importance to marketers when deciding a price structure for their “affordable luxuries.” We found that millennials frequently engage in spending on affordable luxuries and signals a willingness to “trade up,” but there appears to be a ceiling price of approximately \$250 that affects their purchase intentions.

From a theoretical standpoint, our findings reveal a need to develop a definition for affordable luxuries that differentiates them from luxuries. We found that participants’ responses did not fit into the criteria of a luxury product as articulated by other researchers (e.g., Chevalier and Mazzalovo, 2008). A definition should include differentiating characteristics of the term to be defined from others in its class (Pepper and Driscoll, 2015). Our findings provide initial direction in formulating a definition that differentiates an affordable luxury from a luxury. Affordable luxuries were differentiated from luxury products by being perceived as unnecessary. Outcome related descriptors included the perception of these products as an impulse purchase with the hedonic motivation of relaxation. Similar to luxury products, descriptors for affordable luxuries included signaling high status (Veblen, 1899; Levy, 1959), high quality (Chevalier and Mazzalovo, 2008), and the hedonic characteristic of being an indulgence. Going forward, further investigations into perceptions of affordable and luxury products should include these descriptions to confirm their robustness across consumer groups.

We found a number of products that were not easily discernible as being either a necessity or an affordable luxury (e.g., movies, music, holiday accommodations, sports shoes, chocolate). Given that our sample was comprised of millennials, a generation with a strong hedonic lifestyle orientation, these products might represent an opportunity for marketers to maximize profits. For example, a targeted marketing communications campaign could influence millennials’ perceptions of chocolate as being an affordable luxury.

While participants would continue to purchase a variety of necessities, even at double the price, this was not the case for affordable luxury products. There was a limit on their willingness to spend for these products. Future research should investigate how different price thresholds affect millennials’ purchase intentions for affordable luxuries as the goods and activities listed in Table 3 seem to all be vulnerable to price increases, particularly sports tickets, watches, and concert tickets.

From a marketing communications perspective, our study provides valuable information for developing advertising efforts. Some participants perceived affordable luxuries as a way to signal their economic status to other individuals. We also found that millennials believe affordable luxuries to be associated with successful individuals. Thus, the branding and marketing efforts for affordable luxuries should put emphasis on evoking hedonic perceptions as a way to distinguish the brand and the consumer from the mass-brands clutter.

The results of this exploratory study contribute to the luxury goods literature by offering an initial look at concrete perceptions of the understanding of affordable luxuries by millennial consumers. In 1995, when Mercedes Benz was one of the first luxury brands to launch an aspirational car with a relative low entry-level price, luxury brand managers were concerned with the devaluation of a venerable brand

(Furman, 2016). However, as more mass-brands introduce their own luxury products (e.g., Acura, Buick, Hyundai), it seems obvious that the dividing line between luxury and mass-produced products is not clear. Our study supports this notion by highlighting that other products, such as colognes, wine and spirits, specialty coffee, and tickets to music events, rank relatively high on the affordable luxury scale. This presents an opportunity to market these products in the same way as luxury products.

Our findings demonstrate that consumers are conscious and demand quality products. While participants' perceived affordable luxuries to be less expensive than luxury goods, 32% of respondents indicated they would expect high quality from these products. Thus, luxury brand managers should be cautious when introducing lower-priced products as a decrease in quality could tarnish the aura of the luxury brand with that of a mass brand.

There are certain limitations worth noting. Although the population of interest for this study was millennials, our sample was comprised of millennial college students. While using a student sample is not always ideal for generalizing results (Ferber, 1977), Druckman and Kam (2009) posit that this does not intrinsically pose a problem for a study's validity. This is simply because the use of student subjects does not reduce experimental realism. However, future studies would benefit from extending the sample to a wider population as less educated or older millennials could have different perceptions of luxury and affordable luxury products.

Further, while we asked participants to what extent they would continue to purchase certain products should the price double, it would be meaningful to investigate how the perception of an item as being an affordable luxury or a necessity is subject to change in different situations (e.g., economic conditions, fashion trends). Future research should also shed light on reasons why affordable luxuries are seen as non-necessary to a greater extent than traditional luxury products. Therefore, it would be meaningful to consider drivers of affordable luxury vs. other types of impulse purchases. In addition, future research should consider whether these perceptions vary across different cultures.

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