Conceptualising Luxury Residential Property For Marketing

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Abstract

Today, the luxury residential property segment in Malaysia has experienced product development in an exponential rate, causing the segment to encompass more than just exclusivity, fancy address and facilities. For purchasers, the luxury concept has moved beyond the physical product. As such, it is important for marketers to understand how luxury is perceived from a larger perspective so that they can gauge, shape and fulfil potential purchasers’ expectations. In the current soft market for luxury apartments, such understanding is crucial to the business sustainability of developers. This paper attempts to conceptualise luxury residential property based on an extensive review of the relevant literature. Ultimately, the findings of this paper will contribute towards an effective marketing strategy to boost the sale of luxury high-rise residential properties which are currently experiencing a soft market. The 4P’s of marketing underpinned the formulation of the concept of luxury residential spaces in this paper. Information is gleaned from texts, articles, journals, books and seminar papers from various perspectives including real estate, marketing, economics and sociology mainly from international authors. As such, the scope of this paper is much wider than simply capturing the nuances of local culture in shaping the notion of luxury residences, but rather take a global and academic view of the conceptualisation of luxury residential property. The framework of luxury residential property as presented in this paper will give practitioners and researchers an informed insight into the evolution, normalisation and development of the concepts of luxury and luxury residence with potential applications for benchmarking and research. Although far from definitive, sufficient theories, definitions and discourse from the body of knowledge on luxury real estate have been covered and thus provide a valuable reference.

Keywords: Conceptualisation, Luxury, Maslow’s hierarchy of needs, Residential property.

Introduction

In recent years, marketing has become increasingly important as a potent business strategy for housing developers. In a highly competitive market that is afflicted by market uncertainties, high buyers’ expectations and exorbitant land values, developers have been under pressure to become more creative with their products to attain customer loyalty and establish branding (Lee, 2006). Having a loyal customer base enables a company to stay competitive in the market (Angelini and Bianchi, 2015). This has led to the proliferation of new development concepts in an attempt to carve a niche in the housing market and attain brand loyalty. With house buyers becoming more sophisticated and discerning (Lee, 2006), developers who focus on luxury residential property have no choice but understand how potential purchasers’ expectations on their products can be gauged, shaped and fulfilled.

The development of luxury residential property has become a growing trend globally, especially in metropolitan areas (Gyourko and Linneman, 1993; Lee and Young, 1996). The target buyers for this type of niche product in the market are mostly high net worth individuals. With changes in the socio-economic profile of the household, housing needs will also experience adjustments to reflect the variation in taste, preference, status and affordability level. Increasingly affluent individuals or households who are looking to upgrade their living style will inevitably be looking to own a luxury residential property. As a reflection of purchasers’ changing expectations, current luxury residential property encompasses a range of tangible and intangible elements that have
gone beyond exclusivity, fancy address and facilities. These enhanced living and building features become the main marketing points for luxury residence and what set it apart from conventional residential developments. However, marketers of luxury residential property also have to distinguish themselves from their competitors’ products. Marketing is an indispensable business function for developers; the performance of the sales team is highly linked to the performance of the marketing team. Thus, poor marketing strategies can dampen the sale of luxury real estate products and in a worst case scenario, lead to business failure for developers.

Developing the Framework

With the proliferation of luxury residential property and seeing that effective marketing is critical in ensuring its successful disposal, these questions arise: Is there a universally accepted definition of ‘luxury’? Is there a standard of ‘luxury’ that all pertinent stakeholders i.e. developers, purchasers and professionals (including marketers) agree on and adopt? At present, each developer use their own interpretation of luxury based on their respective perception of purchasers’ expectations and observations of current industry practices. At the same time, the idea of luxury for purchasers is very much influenced by their own personal background, experiences and exposure. Marketers can be seen as occupying the middle ground, matching developers’ offer and managing purchasers’ expectations. Within this context and in a broad sense, ‘luxury’ residential property can be taken to represent a residence that offers the best in terms of location, brand, design, security service, convenience, lifestyle, privacy and experience. However, this definition is too simplistic and will not withstand rigorous scholarly scrutiny. This paper aims at capturing the nuances of local culture in shaping the notion of luxury residences as well as taking a global and academic view of the conceptualisation of luxury residential property.

The main method used in this paper is an extensive review of the relevant literature. Two main bodies of knowledge will be analysed and reconciled to produce a conceptual framework for luxury residential property. Information is gleaned from texts, articles, journals, books and seminar papers from various perspectives including real estate, marketing, economics and sociology mainly from international authors. The paper begins by providing the background to the discourse on ‘luxury’ before proceeding to discuss important concepts related to luxury. Next, the place of luxury within Maslow’s hierarchy of needs will be discussed. The paper concludes by proposing a conceptual framework for ‘luxury’ residential property.

Literature Review and Discussions

The 4P’s of Marketing

Marketing mix is one of the main concepts in modern marketing that is defined as the set of actions, or tactics that are used by the company to promote its product in the market in order to capture value from customers in return (Londre, 2015). As shown in Figure 1, the marketing mix is generally set within 4 marketing variables namely price, product, promotion and place (Koontz, 2004). It is important for marketers to get the right balance of the marketing mix so as to maximise impact among potential customers and therefore maximise business profits.

Price is a definite amount which the consumer has to pay in return for a product offered in the market (Schindler, 2012). As the price is the only component in the marketing mix that generates profit, any price adjustment will have a profound impact on the marketing strategy and most of the time, affect the demand and sales. Next, product is the combination of goods and services which is offered by the organization in the market to satisfy consumers’ needs and requirements (Ehmke et al. n.d.). It can be either tangible or intangible attributes which are profitable or potentially profitable to the organization. Promotion refers to the method used by an organization to communicate with the consumers about the product or service to convince the consumers to make a purchase. The various elements of promotion directed to the targeted consumers comprise advertising, publicity, public relations, personal selling, and sales promotion.
Price
- Penetration pricing
- Skimming pricing
- Competition pricing
- Product Line pricing
- Psychological pricing
- Cost plus pricing
- Cost based pricing
- Optional pricing
- Premium pricing
- Bundle pricing

Product
- Design
- Quality
- Features
- Branding

Promotion
- Advertising
- Public relations & sponsorship
- Personal selling
- Direct marketing
- Sales promotions

Place
- Direct distribution
- Indirect distribution
- Dual distribution
- Reverse channels

Source: (Anon 2014).

Figure 1. Marketing variables and mix

The ultimate goal of promotion is to influence the consumers’ purchase decision (Neha and Manoj, 2013). Finally, place involves proper distribution of a product to a right location at a right time. It is an important process that focuses on ways to reach the target market. There are a few factors to take into consideration when determine the place to sell the products including distribution channel, transport, location of the business, location of the target market, inventory management and market-coverage strategy (Truell, 2007).

A Primer on the ‘Luxury’ Discourse

‘Luxury’ is a concept that is debated, examined and applied across many disciplines. Among others, it has permeated the academic discourse in housing (see for instance Nicolae, Ioan, Florin and Liviu, 2009), business and marketing (see for instance Brinberg & Plimpton, 1986; Brun & Castelli, 2013; Heine, 2012; Stokburger-Sauer & Teichmann, 2013), management (see for instance Berthon, Pitt, Parent, and Berthon, 2009), economy (see for instance Leibenstein, 1950; Trigg, 2001) and psychology (see for instance Braun & Wicklund, 1989; Gould & Barak, 1988; Kwan, John, Kenny, Bond, and Robins, 2004; Wong & Ahuvia, 1998).

Authors have examined the meaning of luxury and how the meanings have changed throughout time (Akther, 2014; Berry, 1994; Bellaiche, Mei-Pochtler, Hanisch, 2010), which reflects the contextual and temporal specific nature of luxury. In addition, researchers also attempted to uncover the motivations in the consumption of luxury goods; in the late 19th century, Veblen proposed the ‘Theory of conspicuous consumption’ in his book “The Theory of the Leisure Class” whereby consumers were said to purchase luxury items to display their wealth and income rather than to fulfil an actual need (Campbell, 1995).

In the past, luxury goods were always related to wealth, distinctiveness, power and satisfaction of non-basic needs (Brun and Castelli, 2013). In particular, luxury was associated with price, whereby an item was likely to be rated as luxury if it was something that not everyone could afford. Over time however, other authors have taken a more sophisticated view of luxury. For instance, Prendergast and Wong (2003) stated that other than price, quality is also one of the determining factors when buying premium goods. In addition, Nicolae et al. (2009) argued that luxury is more than just wealth; it is the combination of complex concepts in sociology and psychology.
The multifarious topic, nature and volume of discussion on ‘luxury’ can be overwhelming. However, the first step towards understanding ‘luxury’ would be to unpack its meaning.

**Defining ‘luxury’**

The concept of luxury has become harder to define due to the increase in the availability and variety of luxury goods and services in the market. The word ‘luxury’ is often used in a casual and clichéd manner in both daily conversation and advertising work (Csaba, 2008). The luxury concept has experienced different interpretations in the hand of different types of people depending on each individual’s social position and consumption experiences or situation, hence, making it difficult to provide a global definition (Akther, 2014; Bellaiche et al., 2010; Csaba, 2008). Also, there is no suitable method or standard to measure luxury (Nubani, 2001). Although the definition of luxury is very subjective, scholars across all disciplines such as economics, economic psychology, sociology or socio-economic research, psychology and marketing have offered their insights to shed light on buyers’ purchase decision of luxury goods and services (Kastanakis, 2010).

Sombart (1922) provided a useful starting point in the definition of luxury. Luxury is deemed to be an expenditure above necessary items. Based on Sombart’s statement, the basic definition of luxury involves non-necessary items that are used as symbols of personal and social identity (Bearden and Etzel, 1982; Ferrer 2016; Vickers and Renand, 2003). Personal identity refers to internal factors, for instance, feelings and emotions, which prompt the consumers to purchase luxury goods or luxury brands (Vigneron and Johnson, 2004), whilst social identity refers to external factors like others’ perceptions, influences, recognition and the interaction with them, that motivates the buyers to acquire luxury goods or luxury brands (Groth and McDaniel, 1993).

For the last three decades, researchers from various disciplines have been involved in conceptualising luxury. Within the luxury dimension, sociological studies suggest that prestige and social interaction play vital roles in consumer opinions and cultural capital (Bourdieu, 1984; Campbell, 1995; Chaudhuri and Majumdar, 2006; Hilton, 2004; Rojek, 2000; Trigg 2001). Psychological research further explored the sociological research by studying on how character and self-identity influence consumership (Braun and Wicklund, 1989; Brinberg and Plimpton, 1986; Gould and Barak, 1988; Kwan et al., 2004; Markus and Kitayama, 1991; Singelis, 1994; Tian et al., 2001, Tian and McKenzie, 2001; Triandis, 1989) whilst epicureanism is a supplemental factor in the acquisition of premium good, as shown by buyer behaviour analyses (Dubois and Duquese, 1993; Holbrook and Hirschman, 1982; Vigneron and Johnson, 1999).

One of the fundamental aspects when defining luxury is to identify its relationship with necessity because “luxury is a relational concept” (Ryan, 2007). To elucidate, luxuries are desired to enhance comfortable living while necessities are used to ease an unpleasant situation (Berry 1994). Traditionally, the understanding of the luxury concept can be attained when the consumers can ascertain their needs (Sombart, 1922). The availability or exclusivity of resources is used to distinguish luxury and non-luxury items (Cerqueira, 2015; Heine, 2012). According to Bearden and Etzel (1982), almost everyone possesses necessities, but only selected, exceptional people own luxuries (Berry, 1994).

The distinction between luxury goods and non-luxury goods can be based on three classic dimensions which are functional, experiential and symbolic dimensions (Berthon et al., 2009; Vickers and Renand, 2003). According to Berthon et al. (2009), the three dimensions ought to be handled simultaneously. The three dimensions are further discussed in the subsequent sub-sections.

i. **Functional dimension**

The functional dimension of luxury is about the characteristics, physical attributes, core benefits and basic utilities of the products or services that drive the consumers to spend based on its luxury value including the superior quality, uniqueness, usability, reliability and durability (Lahtinen, 2014; Sheth et al., 1991; Wiedmann et al., 2007). It is often linked to physiological needs, giving the idea that
luxury goods can solve the problems and necessities of customers (Korchia, 2000). In brief, functionality is about what an object can do literally instead of what it signifies.

Luxury goods are acquired because of their intrinsic product qualities which allow the consumers to enjoy their superior functional benefits of impeccable comfort and security that are mostly absent in mass-produced goods, ensuring premium satisfaction of the consumers’ needs (De Barnier et al., 2006). It gives attention to every single detail which one might not be able to get from a non-luxury item (Nubani, 2001). Consumers anticipate the best in terms of quality and functionality from the purchase of luxury goods than the ordinary items due to the premium price paid (Vigneron and Johnson, 2004). However, a contrary school of thought claims that luxury goods can be marketed at a substantially higher price than the non-luxury goods even if the functionality of luxury goods may not surpass that of non-luxury goods (Stokburger-Sauer and Teichmann, 2013).

**ii. Experiential dimension**

The experiential dimension of luxury justifies an individual subjective value (Berthon et al., 2009), which represents a status experience and an idea of sensorial pleasure when an individual owns a luxury good (Brun and Castelli, 2013; Korchia, 2000; Vickers and Renand, 2003). In terms of experience, it is claimed that “luxury goods create emotion themselves” (Snakers and Zajdman, 2010).

In addition to the tangible benefits of the luxury goods, people pursue hedonic consumption for experiential benefits such as good feelings and intrinsic pleasure (Holbrook and Hirschman, 1982, Wiedmann et al., 2007). Consumers prioritise hedonic value of luxury goods when they spend on expensive stuffs for themselves in order to be out of ordinary (Wong and Ahuvia, 1998).

Hedonistic experience is reflected by multisensory aspects, like vision, olfaction, audition, tactile stimulation and gustation (Hirschman and Holbrook, 1982). This means that an individual who acts according to experiential dimension will be viewed as irrational and emotional as he could change his cognitive attitude to a more hedonic attitude in evaluating a product, which may ultimately influence his attitude, preference, intention to purchase and even purchase decision (Snakers and Zajdman, 2010). In other words, reasons behind luxury goods consumption is very subjective when hedonic value is involved as it is largely depending on the consumer’s personal taste. Therefore, something that is perceived as hedonistic to one person might be considered dull or even abhorrent to another.

**iii. Symbolic dimension**

The symbolic dimension of luxury is the realm of social collective (Berthon et al. 2009). It refers to the discovery of real satisfaction of the consumers through the recognition obtained from their own social groups when they acquire goods or services that comes with conspicuousness value and prestige value, which may significantly impact their evaluation and tendency to consume luxury goods (Bearden and Etzel, 1982; Brinberg and Plimpton, 1986; Vigneron and Johnson, 1999; Vigneron and Johnson, 2004).

Further understanding of the symbolic dimension of luxury consumption divulges that the preeminent issues revolve around the theory of conspicuous consumption by Veblen (1899), together with two significant underlying motives which are the invidious comparison and pecuniary emulation. Veblen (1899) explained that the consumption of luxury goods indicates the consumer’s wealth, of which he will be admired; on the contrary, failure to consume premium items would signify inferiority. As for Veblen (1899), lavish spending was merely an action to display one’s economic power to impress relevant others, which includes the accumulated wealth and income rather than to satisfy the actual needs. Relevant others could be close family members, relatives, friends, neighbours, colleagues or the general public. Based on Veblen’s theory, Trigg (2001) reiterated that possessing a property indicates one’s status and honour in a society and this become part of the hierarchy which is developed when some people own a property, and vice versa. Some other authors also agreed with Veblen’s theory by characterising luxury as a non-necessity, extravagance and ostentatious (Csaba, 2008; De Barnier et al., 2006; Dubois and Duquesne, 1993). Building upon Veblen’s work, Leibenstein (1950) developed the concept of bandwagon, snob and Veblen effects to describe the desire of different groups of individuals trying to fit in (“bandwagon effect”), the
attempts by others to attain exclusiveness ("snob effect"), and the phenomena of conspicuous consumption ("Veblen effect").

Maslow’s Hierarchy of Needs and Luxury Housing

After the task of defining and identifying dimensions of luxury, this section will situate luxury within the residential property ambit. For this purpose, Maslow’s “Theory of human motivation” is chosen as the overall framework to examine luxury within the context of the most basic of human needs, i.e. housing. Maslow (1943) developed a model to simplify human needs by classifying them into five cognitive levels from physiological (lowest) to self-actualisation (highest) (Maslow, 1943). According to the theory, a person has an innate drive to achieve a higher level once the lower levels have been fairly attained and maintained; thus, the highest needs can only be achieved once the fundamental needs are fulfilled (Simons et al., 1987; Huitt, 2004). As explained by Maslow, human behaviour is driven and influenced by the next pre-potent (‘higher’) need by dominating the conscious life. Fundamentally, this theory can explain high net worth individuals’ propensity to own a luxury dwelling as an attainment of a higher need.

Depicts Maslow’s hierarchical pyramid of needs, whereby the needs were shown, in ascending order, physiological, safety, belonging, esteem, and self-actualisation needs. Physiological needs refer to the basic physical essentials for all human beings to survive such as water, oxygen, shelter, food and clothes (Maslow 1943). Safety needs concern the requirement of protection from probable danger which may be afforded by wellness, insurance and law. Meanwhile, belonging needs are related to the feeling of acceptance as human beings enjoy being cared or loved by others. Esteem needs are associated with the way people judge or feel about themselves. People gain self-confidence, respects, appreciation and recognition from others when they achieve esteem needs. Finally, at the top of the pyramid lie self-actualisation needs, an ultimate goal for every person where his full potentials or capabilities are discovered while fully embracing his imperfections and limitation.

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Authors have used Maslow’s hierarchy of needs to indicate consumers’ needs in housing as buyers’ expectations are reflected in their needs (Zavei and Jusan, 2012). Further displayed in are the types of housing that corresponding with Maslow’s levels of need. Habitation can be categorised into three levels namely shelter, house and home, which correspond to Maslow’s theory (Oliver, 2007).

![Diagram of Maslow's hierarchy of needs and housing types](source: Adapted from Maslow (1943))
Shelter represents physiological needs; house represents safety needs and belonging needs; lastly, home represents esteem needs and self-actualisation needs. At its most rudimentary, the physiological needs over housing can be satisfied by shelters as can be attested by homeless people as they merely provide a place for people to sleep, eat and respite from environmental elements. People will subsequently move up to the house level once they are satisfied with their basic needs, looking for improvement to their existing conditions by emphasizing on safety issues and additionally developing a sense of belonging in their residence (Maslow, 1943). The fulfilled shelter need will be replaced with aspiration to enter into a more secure type of housing tenure under social or assisted housing. Social housing also confers a sense of belonging to people due to the availability and proximity of neighbours, facilities and common areas.

As soon as the buyers are gratified with house level, they will go up to home level, which signifies the success and social status of the owners. Home level is a stage where people are gradually more concerned about symbolic aspects of consumption which may essentially reflect their social and economic status (Batey, 2002). To achieve and satiate the esteem needs over housing, it is commercial housing that would give owners and renters a boost in the social status.

Ultimately, however, it is luxury housing that would signify the zenith of one’s life achievements. A person who can afford a luxurious abode can be seen as someone who has the financial and social standing equivalent to those people who have made it in life, gaining respect from his family, peers and society. Lahtinen (2014) suggested that esteem needs or self-actualisation needs in Maslow’s pyramid can be achieved by consuming luxury goods, in this case referring to luxury housing. It is understood that both the consumers’ needs and desires need to be fulfilled to maintain the luxury status (Nubani, 2001).

The Framework

The concept of luxury residential property as synthesised from literature is represented in Error! Reference source not found.. It can be seen that the three dimensions of luxury (function, experience and symbol) are found in both physical and non-physical aspects of housing. Marketers must find a suitable marketing formula that offer an optimum mixture of these housing aspects. Four main points were derived from the above theoretical discussions.

Firstly, whilst ‘luxury’ eludes a firm definition as the concept, there were several recurring terms and themes to enable a crude depiction of the concept. ‘Non-necessary’, ‘taste’, ‘identity’, ‘prestige’ ‘epicureanism’ and ‘exclusivity’ are some of the keywords that occur in the definitions of luxury. These keywords specify, if not hint, of the attributes and composition of luxury residential property. They describe both physical and non-physical considerations of luxury housing, at both individual and societal levels. As such, luxury residential property does not just concern the residential unit, but also ideas that potential house buyers have about that type of dwelling.

Secondly, there is no standard outlining the minimum requirements of luxury residential property. As revealed in the preceding sections, different tastes, expectations and social status result in different ideas on what are necessities (basic requirements) and non-necessities (luxuries). Luxury means different things to different people in different contexts.

Thirdly, luxury elements as discerned from the literature are functional, experiential and symbolic dimensions. Whilst a universal definition of and minimum standards for luxury residential property cannot be determined, there are luxury dimensions that are present and can distinguish luxury items from non-luxury goods. Functional dimension of luxury items may be summarised as those physical attributes that confer benefits and attributes to consumers that are absent from non-luxury items. Experiential dimension of luxury items may be explained as those emotional attributes that confer hedonic feelings in the consumption of such items that are not available in the consumption of necessities. Finally, symbolic dimension of luxury items is the satisfaction derived from the social recognition obtained during the consumption of luxury items that is not afforded by society when one merely consumes necessities.
Finally, Maslow’s “Theory of human motivation” shows how the attainment of luxury is the natural progression of human activities including in housing once the lower needs have been gratified. House buyers who have reached a certain level of income and societal position would be drawn towards owning property that satisfies functional, experiential and symbolic dimensions of housing. Thus, developers can attract this class of house buyer by offering products that possess physical and intrinsic epicurean values that appeal to the highest denominator of the society, and not only to the individual. The challenge is therefore for marketers to find the attributes that would appeal to most potential buyers by tapping into buyers’ ego and understand the path towards self-actualization.

**Conclusion**

There is much to be explored regarding luxury residential property. This paper has succeeded in developing a conceptual framework of luxury residential property for the purpose of marketing. In sum, luxury can be described based on the three dimensions, namely functional, experiential and symbolic dimensions that must be covered by a suitable marketing mix of physical and non-physical housing aspects. Functional relates to the product; experiential relates to intrinsic experience and perception of luxury; symbolic relates to extrinsic experience and perception of luxury. Based on Maslow’s theory, the demand for luxury residential property is dependent upon social and economic success of individuals. Good marketing is therefore essential in any economic situation. In a booming economy, a sound marketing strategy will ensure that developers have an edge over a large number of competitors for a large number of buyers; conversely in a declining economy good marketing is needed to entice a smaller pool of potential buyers.
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