

Ionela – Valeria POPESCU,
Valeric OLTEANU,
The Bucharest University of Economic Studies, Romania

LUXURY TOURISM: CHARACTERISTICS AND TRENDS OF THE BEHAVIOR OF PURCHASE

Empirical
study

Keywords

Luxury tourism
Behavior of purchase
Consumer habit
Trends in tourism
Luxury tourist package

JEL Classification

M31, L83

Abstract

Regardless of the economic situation of a country at a given moment, luxury tourism is an activity constantly practiced by the people with substantial material resources, even if their number may fall or rise depending on the economic impact had periods of crisis on areas of activity in which they operate.

The work aims to feature overview luxury tourism, starting with target groups which is addressed, its definition, the expression of consumer behavior of luxury tourist packages and trends that this form of tourism has in its development, now and in the years to come. Research shows a habit of consumption of tourists with high material possibilities, manifested by orientation toward expensive holidays, to express social status they have managed to achieve, to offer them unique experiences and help to their presentation in the society as successful people, with a high level of life.

Introduction

Luxury tourism represents a special category of the tourism industry, both with regard to the supply, and especially to the demand. When it comes to destinations, agencies's offers with regard to luxury tourism packs are relatively constant, but there's a permanent concern to satisfy the desires of tourists who want to spend their exclusive holidays in places that are usually only frequented by celebrities (e.g. cosmopolitan cities, exotic islands, far away countries located on other continents) or, on the opposite end of the spectrum, places untouched by humans (e.g. deserted islands, isolated beaches, cities that are lesser known, unpoluted or have a special history).

Even though, in the last few years, people's economic conditions have been difficult and sorely tried due to job loss, lower standards of living, working two or more jobs in order to survive, luxury tourism still exists and has even seen a rise in volume (number of tourists), and in value (amount of money spent/trip).

Thus, at the level of the existing tourism market, one can observe the existence of a very wealthy client segment, with great financial means, that are willing to pay colossal amounts of money for a trip due to a desire to outshine others in their social circle and to spend their hard-earned money on relaxation and pampering. Such people are generally between 25 and 55 years old, have a medium or superior level of education, own their own business or occupy middle or upper management positions in large companies, have an average monthly income of 1500-2000 Euros, frequent exclusive spots and are interested in only being provided with high quality services, as their standard of living is very high. Given that they spend most of their time working and are responsible both for the well-being of the company and for that of its employees, with the purpose of maintaining a good partnership relation, tourists that select luxury tourism packages believe that their efforts must be rewarded through expensive vacations during which they can spend the money that they've worked for, get celebrity treatment, receive high quality services and, perhaps most importantly, show off their standard of living in society and prove that they are successful and can enjoy all the benefits of that success.

1. Current state of knowledge

Luxury tourism or high-life tourism includes all categories of clients for which practicing tourism is not conditioned by the level of their earnings, in the sense that money is not an issue for them since they have more than enough. Even though there is a *low level of demand* on this market, the luxury tourism market is still profitable for economic agents, even though it is difficult to monitor, due to the customized demands with

regard to the quality level of services. As a matter of fact, demand for the different types of luxury tourism is manifested in multiple manners that are sophisticated and, at times, even extravagant and can only be covered by five star accommodation structures and, to some extent, by four star structures (Teodorescu 2009).

Fedeli (2010) believes that, even in the tourism sector, the definition of the concept of luxury is relative, based on a series of physical factors, as well as the perceptions and personal evaluation that people attribute to them.

Over the last few years, the luxury tourism market has become more and more diverse and the concept of luxury has become blurred due to the development of the number of new products and services based on travellers' tastes and market trends. The concept of luxury in tourism has lost the unique character that it had up to the twentieth century, as it is currently out-of-date and in dire need of broader significance. However, the concept of luxury in travel and tourism has seen a shift from traditional luxury products, such as five star resorts, to a large variety of unique and exclusive experiences (Bakker, 2005).

Today's luxury hotels are focused on more than offering a simple product or service; they are not limited to material products, but are more interested in realizing a mix of different components and concepts based on experience and authenticity (Bakker 2005, Yeoman and McMahon-Beattie, 2006), rather than financial value. In this regard, the tourism industry represents an exception, as it is a sector where the intangible and the experiential factor can play a major role as a successful component for satisfying clients with high demands. Therefore, at present, luxury can mean a variety of things: mass market, not traditional, but personal, authentic and experiential. However, the old word of luxury in consumption and exclusiveness remains an original icon (Yeoman et al 2006).

2. Research methodology

This paper was realized by analysing the characteristics of luxury tourism and the way in which it influences the evolution of the number of tourists and the development of the exclusive branch of tourism. Another aspect that the research focused on was the trends in the consumer behaviour of the tourists acquiring luxury tourism packages.

The research method that was used was based on data from secondary sources, i.e. documentation from professional literature, magazine articles and other such publications, handouts issued by companies operating in the field, the Internet and press specializing in articles with regard to tourism.

Another research direction was the presentation of study results and classifications developed by specialists for clarification purposes, as well as a presentation of their views with regard to the evolution of luxury tourism and the concept of tourism in this field over the years.

The working hypotheses that the paper is based on are:

-> Luxury tourism exists and should be considered by tourism agencies since there is demand in this regard and there are financially able tourists that are willing to pay large and very large sums of money in order to satisfy all of their desires during their dream vacation.

-> Clients that practice luxury tourism stem from multiple categories and must be treated differently, with customized offers, with care and consideration for their needs, expectations and demands.

-> At a global level, there is a series of trends in the evolution of luxury tourism that need to be monitored by tourism agents in order for them to have the possibility to anticipate their clients' demands with perpetually updated offers, with new destinations and as many high quality services as possible.

3. Research analysis and results

By researching tourism demand typologies, Teodorescu (2009) identified three main categories of tourists that can be differentiated based on their aspirations and demand for tourism products and vacation destinations, as follows:

-> tourists whose economic constraints don't restrict their selection of vacation forms and destinations, i.e. the category of "luxury" clientele;

-> "active" tourists, who have the necessary financial resources or are seeking resources in order to establish a financial balance between their economic means and the demand for vacation trips;

-> "passive" tourists (also known as "captive" tourists in professional literature), whose aspirations for acquiring tourism products do not exceed the limits of their economic conditions. A study published in 2013 contains a segmentation of luxury tourists based on two relevant aspects: income and psychographic profile (Table 1).

Based on the analysed criterion, luxury tourists are characterized by:

Based on income:

1.a. They manage to make any material fantasy come true, including those referring to holidays. Hotel keepers who have such clients in their portfolios must be able to fulfill their every wish, even unusual ones such as: having a helicopter landing zone on the roof, a fish-shaped swimming pool for their children or a fireplace by the sea.

1.b. It's possible for the financial means of these tourists to be less impressive than in the case of the first category, but they demand impeccable tourism services, from the moment when they leave their homes up to their return, i.e. confidentiality, customized and individualized services. They have a lot of demands and do not forgive mistakes, regardless of whether they are the result of accidents, omissions or intent.

1.c. They require quality services for the entire duration of their trip. They usually have to continue working in order to maintain their lifestyle, which is why they seek value for the money that they spend as a matter of principle, not as an issue of sound financial management.

Based on psychographic profile:

2.a. They represent the „traditional" luxury market, as they are extremely interested in their image and status. They are focused on exclusiveness and experiences that are unique or not available to other people.

2.b. They have the same tastes as those belonging to the first category, but lack the financial means to satisfy them.

2.c. They represent the source of „new money" on the luxury market. They are astute clients, that are interested in value for their money, bargains and discounts. They use the Internet a lot and represent a growing market segment.

2.d. They are thrill-seekers who are interested in the environment and want to enjoy experiences and sounds in places that are not frequented by tourists. Luxury in itself is not part of their profile, they are most focused on unique experiences.

2.e. They don't really care about appearances. They are generally older and wealthy, but do not travel a lot.

With regard to the trends that have been observed in luxury tourism over the years, in 2012 a few future directions of development were identified (Fitzsimmons, 2012). They are:

-> Going on luxury trips with more generations of the family;

-> An increase in the number of active vacations, in which tourists shall engage in certain sports and activities that help them stay in shape and offer them the satisfaction of trying new things during their vacation;

-> Realizing itineraries with a sense of the location, i.e. with a keen knowledge of the selected destination. Tourists try to identify with the location and live in the spirit of the places that they are visiting;

-> Seeking novelty and the next big thing, i.e. focusing on originality, innovation and the undiscovered when choosing a vacation destination;

-> Travelling at home or practicing luxury tourism in one's country of origin or even in the city where

one lives, by identifying high quality service providers that satisfy one's expectations;

-> Added value offers, that, in addition to the standard set of included services, add new, customized services, attention to detail and the adaptation of the tourism agency to every client by personalizing the service package;

-> Cooking and culinary programs – cooking and the culinary art are increasingly becoming the focus of interest from people in general. In the case of tourists practicing luxury tourism, gastronomy is viewed as a way of getting to know other cultures through food, discovering new flavours and special combinations and becoming familiar with the secrets of cuisine by frequenting restaurants with several Michelin stars from around the world.

Another trend in luxury tourism is captured by Doran (2013), who highlights the fact that a new wave of accessibility is forcing luxury tourism operators to develop more ambitious products for their top clients.

Due to gaining access to several financing forms for their travel budgets, to the savings practiced by those with above average income and to the rising number of people who would rather go on a single holiday in a large period of time, as long as the holiday in question is a luxury one, luxury tourism service packages have become accessible to a larger number of people compared to previous years.

This observation is meant to highlight the fact that, as shown by the classification of tourists previously featured in the paper, there are also differences within the segment of luxury clients, and these need to be studied prior to tourism agencies creating offers.

By analysing the most recent trends in luxury tourism, fashion, restaurants and technology, Evisonturism (2014) presents the results of a survey conducted by Small Luxury Hotels of the World (SHL). According to the study, luxury tourists' *favourite destinations* are the Maldives (13%), Italy and France (12% and 11%, respectively). Another result of the study shows that tourists appreciate above all others *5 star treatment and authentic experiences* (28% and 26%). With regard to what the most important factor for respondents is when choosing a luxury hotel, it's making *them feel "like home away from home"* (30%). With regard to the options that respondents most often choose for luxury vacation packages, they are characterized by *customized service* (17%).

Most respondents (43%) associate the idea of a luxury vacation with a *hotel complex with a beach far away from civilization. Eco-friendly hotels* also influence the choice of an important percentage of those interviewed (30%), who prefer this type of accommodation due to its care for the environment. Other luxury vacation focal points for

tourists are *rural mansions* that managed to attract the interest of French, German and British citizens, while the Chinese and Russians show an above average preference for *wellness and spa centres*.

The same study conducted in August 2013 on a test group of over 800 SHL clients from around the world with the purpose of identifying the habits and desires of luxury tourists, shows that an overwhelming majority *has significantly increased the consumption of tourism industry luxury products* (62%) over the last five years. During this time, the biggest increase in the consumption of luxury products was experienced by Russian respondents and amounted to almost 90%.

Finally, with regard to the most recent trends in luxury tourism, Pedro (2014) summarizes three new directions that are appearing in this field, that is:

-> All brands are interested in travelling – the penetration of international markets by tourism luxury brands, regardless of whether they provide products or services;

-> The expansion of non-guilt trips – an increase in tourists' concern for the conservation of the Planet, the preservation of the environment and practicing environmentally friendly activities on holidays and acquiring services from companies with the same vision;

-> Redefining peer-to-peer – practicing luxury tourism in groups that are equal from the point of view of their financial means, with the purpose of identifying common passions and activities that are familiar to all of the tourists in the group, who are accustomed to a high financial level.

According to the research, the results of the presented studies and tourism specialists' interest in luxury tourism have led to outlining a theoretical framework that has the purpose of painting an image that is as accurate as possible of the way in which wealthy clients practice tourism, of the way to satisfy them, the aspects that they take into account when selecting their holiday and how tourism agencies can surprise them with offers that include services that are diverse, of high quality and personalized according to their needs and the consumer behaviour that they are exhibiting at the time.

Conclusions

Luxury experiences are a category of activities that, even though it might seem to only target very wealthy people, celebrities, public persons or businessmen leading successful companies from around the world, imply, aside from the material resources available for the acquisition of these service packages, a desire to practice tourism on a superior level that not many people can afford.

As shown by the research, one of the most important factors that determine wealthy clients to

acquire luxury vacations is social recognition, the open manifestation of their social status and showing off in front of their relatives, acquaintances, friends and colleagues the financial level that the persons in question have reached.

The consumer behaviour manifested by wealthy tourists is oriented towards identifying vacations that satisfy a series of requirements, such as: vacation destinations that are as luxurious as possible, far off or difficult to reach; to enjoy unique experiences; to benefit from personalized offers from agencies; to enjoy high quality or customized services once they reach their destination; to receive more than they are expecting from the place/company that they select, so that they are surprised by an overwhelming desire to satisfy their every need; to spend as much money as possible; for the places, locals, company services to provide them with unique thrills that they had never experienced before.

References

1. Bakker, M. (2005). *Luxury and tailor made holidays, travel and tourism analyst*. Chicago, USA: Mintel International Group Ltd;
2. Doran, S. (2013). *To Infinity and Beyond: The Next Frontier of Luxury Travel*. Available at: <http://luxurysociety.com/articles/2013/09/to-infinity-and-beyond-the-next-frontier-of-luxury-travel/>;
3. Fedeli, G. (2010). *The luxury side of tourism and China: A qualitative study of motivations and national values of the affluent Mainland Chinese leisure traveller in Sydney, Australia*, NHTV University of Applied Sciences - Master Program Tourism Destination Management. Breda, The Netherlands. Available at: http://www.academia.edu/453059/Chinese_luxury_tourism_in_Sydney_Australia, pp. 4-5;
4. Fitzsimmons, A. (2012). *8 Luxury Travel Trends for Summer 2012*. Available at: <http://www.forbes.com/sites/anniefitzsimmons/2012/04/25/8-luxury-travel-trends-for-summer-2012/>;
5. Ikkos, A. (2013). *Luxury Tourism: A matter for all, not just hotels*, JBR HELLAS LTD. Business Consultants. Available at: <http://www.gbrconsulting.gr/articles/Luxury%20Tourism.pdf>, pp. 1-2;
6. Pedro, L. (2014). *Luxury travel trends: Building on past successes*. Available at: <http://www.telegraph.co.uk/luxury/travel/21592/luxury-travel-trends-building-on-past-successes.html>;
7. Small Luxury Hotels of the World (SHL), Evisonturism (2014). Available at: <http://evisonturism.ro/cele-mai-recente-tendinte-in-turismul-de-lux>;
8. Teodorescu, C. (2009). *Tourism economy* (Note de curs), University of Bucharest. Bucharest: CREDIS Publishing. Available at: http://www.unibuc.ro/prof/ene_m/docs/2013/noi/23_13_01_014_Economia_turismului.pdf, pp. 2-3;
9. Yeoman, A. and McMahon-Beattie, U. (2006). Premium pricing and luxury. *Journal of Revenue and Pricing Management* 4(4), pp. 319–328.

Table 1. Segmentation of luxury tourists based on income and psychographic profile

No. Crt.	Analysed criterion	Tourist categories
1.	<i>Income</i>	a. Tycoons
		b. Very rich
		c. Rich
2.	<i>Psychographic profile</i>	a. Elite Luxury Lover
		b. Aspiring Luxury Lover
		c. Savvy Luxury Shopper
		d. Luxury Explorer
		e. Satisfied Luxury Admirer

(Source: Realized by authors based on the results of JBR HELLAS LTD. Business Consultants, Ikkos (2013))