

## Luxury Shopping as a New Opportunity for Tourism Market Development

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### **Abstract**

*The global economic development and changing perception of customers led to increasing amount of consumption in luxury products, yet the academic interest on luxury tourism shopping remained as limited. The aim of this manuscript is to fill the gap by taking the attention to the unused potential of luxury shopping in tourism market. The methodology of this study will be literature review related to the findings in the previous literature, and the critical evaluation of the findings. The research will begin with a brief introduction of luxury goods and the motivational factors for customers to engage in luxury shopping. Then, the focus will shift to the context of tourism, with current examples of luxury shopping tourism practices across the world such as in Dubai, Hong Kong and so forth. Finally, the study will conclude that the development of luxury shopping tourism in a particular destination can be facilitated through the contributions of governmental bodies to lure international brands to the region with necessary fiscal arrangements such as tax reductions, as well as local stakeholders to improve the conditions for luxury shopping tourism infrastructure including accommodation facilities, means of transportation, shopping malls, as well as development of new high-quality brands for the consumption of both international and national tourists.*

**Keywords:** *Luxury shopping, tourism, destination marketing*

## Introduction

Shopping opportunities have always been an integral part of tourism activities where tourists tend to purchase new goods which they cannot find in their home countries, or in some cases, they are able to find the same good for a more considerable price in the destination countries, or they are merely interested in collecting some memories materialized in their purchases from souvenir shops. The average tourist spending was recorded as 920\$ in 2014, where shopping accounts for the second largest tourism expense after accommodation (Suhartanto, 2018). Despite the substantial impact of shopping in tourism, it should be noted that there is a clear distinction between the terms of tourist shopping and shopping tourism. First of all, tourist shopping includes all sorts of purchasing behavior while travelling, such as duty free shopping in airports, luxury goods shopping, shopping mall or outlet visits, local brand discovery and so forth (PATA, 2018). Since shopping satisfies several social and psychological needs, it is considered among most memorable touristic experiences through increasing the satisfaction of tourists (Brochado et al., 2018). Moreover, tourists might be interested in special offers and discounts, entertainment purposes or just following others' consumption patterns regarding to social expectations, while they are engaging in shopping activities (Murphy et al., 2011; Régi et al., 2016). Regardless of its motivation, tourist shopping implies that the main target of tourism activity is not shopping itself, but rather it is an additional activity that enhances the satisfaction of tourists during their visits through expanding their experiences and turns these experiences into more memorable ones by solidifying their memories in the items they have purchased.

As opposed to tourist shopping, shopping tourism is an activity where the primary concern of tourists is shopping, and the target goods are generally luxury goods (Danziger, 2017). In other words, the main motivation of shopping is linked to several other tourism offers. For instance, Dubai appears as the common example of the new trend of "retailtainment" combining the shopping activity for luxury goods with leisure time entertainment activities for the tourists (Brochado et al., 2018), and tourists are visiting Dubai primarily because of its offers in luxury shopping, and other entertainment activities such as swimming and sunbathing, cultural sights, gastronomical tours, and so forth, are present as accompanying activities. The literature regarding to luxury shopping as the main motivation factor for tourism activity is limited although luxury shopping has recently become one of the primary touristic activities accounting for a significant share of tourism expenditure (Choi et al., 2016). Previous studies suggest that the luxury purchasing patterns vary among the types of tourists, and it is dependent on the frequency of shopping and the degree of importance attached to shopping (Park et al., 2010). In addition to this, findings of previous literature indicate that shopping tourists are likely to stay more at a particular

tourism destination and spend almost four times more than other tourists (Choi et al., 2016). Although the impact of luxury products on the purchase intentions of consumers have been addressed by several studies (Hwang & Hyun, 2017), the role of luxury shopping in the development of tourism market in a destination has not been investigated sufficiently. In order to understand the dynamics of luxury shopping tourism and its contribution to tourism development as a new opportunity, the motivations behind luxury consumption need to be clarified properly.

### **Motivations behind Luxury Consumption**

To begin with the definition of luxury, the term comes from Latin word “luxus” referring to the gratification of senses (Hwang & Hyun, 2017). Apart from being the synonym of “prestige”, luxury consumption has an intrinsic value both for the consumer as well as for the spectators, since the luxury consumption is related to a sense of status, which is hard to obtain for others (Loureiro et al., 2017). The consumption of luxury goods has been mainly associated with middle aged individuals in their forties or fifties who are belong to the upper socio-economic segment of the society, yet the scope of luxury consumption has recently expanded to younger segments, and showing a rapid growth at a global scale (Kang & Park, 2016). Moreover, previous studies also indicate a difference between novice and experienced luxury consumers, such that new entrants of luxury shopping tend to purchase luxury goods with conspicuous motivations signified by logos, brand names, and so forth, while experienced luxury customers are more inclined to involve in “low-key” consumption instead of logo-displaying behavior (Atsmon et al., 2012; Hung et al., 2018).

Parallel to the economic growth, the consumption of luxury products has increased so rapidly that the phenomenon was even named by Frank (1999) as “luxury fever”. There are several motivations behind this growing inclination for luxury consumption, such as impression of other people, an urge for enhancing social status, satisfaction of hedonistic desires, representation of uniqueness, or seeking high quality in products, especially in electronic goods (Hung et al., 2018). Compatible with these motivations, the perception of luxury goods is generally shaped by five major constructs, namely quality, hedonism, conspicuousness, exclusivity and extended self (Hwang & Hyun, 2017). The study conducted by Kang and Park (2016) revealed that luxury brand consumers have more narcissistic tendencies with respect to their conspicuous requirements and impression management, compared to other individuals. In a study by Ioana-Daniela et al. (2018) on luxury cruise tourism, the role of fantasy as a social value in luxury brand preference is also highlighted. Furthermore, the consumption of luxury goods and services is inherently dependent on the global economic situation, given the huge price discrepancy compared to normal goods (Kang & Park, 2016). As corroborated by numerous studies, the motivations of individuals for luxury consumption preference cannot be reduced to a few factors;

rather the consumption patterns vary regarding to an amalgamation of psychological factors whereby consumers perceive, evaluate and value the luxury goods as well as external issues such as economic development, accumulation of capital, changing tastes within the global trends, and other social influences.

Considering the fact that shopping experience is a combination of products and services offered by retailers, in-store atmosphere and location of the store, and tourists are capable of evaluating those elements separately (Suhartanto, 2018), the satisfaction of consumers as a result of luxury good consumption is not only limited to quality of goods or the value of brand, rather it is also dependent to internal and external factors on luxury shopping stores such as internal decoration, service quality, or placement of the store. For that reason, luxury consumption is not solely based on the relationship between customer and brand, but instead it fundamentally requires the creative participation of stakeholders, since their marketing strategies appear to have significant impact on the consumer preferences in the domain of luxury goods. In short, the individual efforts as well as collaboration of luxury suppliers are capable of motivating customers and increasing their likelihood to purchase luxury goods, which in turn, increase the revenues for the shopping destination.

### **The Development of Luxury Shopping Tourism**

Having provided a brief discussion on the motivational factors of luxury consumption, the focus can be shifted to the development of luxury shopping tourism in particular destinations. In today's world, several regions in different parts of the world are considered as prominent destinations for luxury shopping and associated with shopping tourism, such as Hawaii and Las Vegas in North America, Paris and London in Europe, Dubai and Abu Dhabi in the Middle East, as well as Hong Kong, Singapore and Thailand in Asia-Pacific (Martens & Reiser, 2017; Correia et al., 2018). Within the context of tourism industry, luxury shopping has become an important market segment for tourism development with its rapid growth rate where the sales are expanding 7% annually (Park et al., 2010; Brochado et al., 2018). Nevertheless, the development of luxury tourism in these locations is not a coincidence; rather there are various underlying factors which render the establishment of luxury shopping tourism and contribute to the development of existing tourism facilities into luxurious consumption services.

Starting with the most common example of luxury shopping tourism, previous studies confirmed that Dubai is strongly associated with "luxury" and "shopping" concepts along with architecture and beach holiday (Martens & Reiser, 2017). Furthermore, an investigation on the development of luxury shopping in Dubai revealed that tourists generally perceive Dubai as a top shopping destination with respect to several factors such as the availability of impressively wide range of retail

services, presence of high-quality shopping malls, variety in products and shopping venues, special offers, promotions or availability of bargains, along with social, economic and political elements including annually organized unique shopping festivals, opportunities of entertainment and leisure which creatively combined with shopping experience, strategic location of Dubai with its relative proximity for luxury consumers in Europe, Middle East and Asia-Pacific as well as the political stability of the country (Alhosani & Zaidan, 2014). In this sense, luxury shopping tourism development cannot be reduced to the mere existence of brands; rather there are several other reasons from geographical location of the destination to quality and variety in the products.

Besides that, tourism infrastructure also plays a significant role in luxury shopping tourism development, as well as other tourism activities. An earlier study by Brenner and Aguilar (2002) on the impact of luxury tourism development in Mexico suggests that promotion of luxury tourism facilities in coastal areas such as five-star resorts, restaurants, activities, shopping malls and so forth, led to fast growing, highly concentrated enclaves especially for foreign investment. The promotion of tourism infrastructure and luxury tourism facilities can be encouraged by the involvement of luxury brand owner local and national stakeholders as well as the efforts of government for selectively transforming some of these destinations for the concentration of luxury tourism services with tax cuts, branding subsidies and so forth, which would in turn increase the competency of luxury brands in certain destination by decreasing the cost for their sales.

Despite the concentration of luxury shopping tourism in certain destinations in the world, the competence still exists for these destinations, since luxury tourists have the capacity to travel further destinations compared to other tourists groups, therefore they can easily change their destination preferences if a destination fails to compete with their rival destinations at a global scale. For instance, Hong Kong was previously the main luxury tourism destination for Chinese tourists, but over time Japan and European countries have taken the leading position of Hong Kong and became new popular luxury shopping attractions (Hung et al., 2018). Moreover, the completion of an additional shopping center in Abu Dhabi, namely Yas Mall, is also expected to increase the competition between Abu Dhabi and Dubai in terms of luxury tourist arrivals in United Arab Emirates (Martens & Reiser, 2017). Therefore destinations need to be actively investing in their luxury tourism facilities in order to maintain their competitive positions vis-à-vis other luxury shopping tourism destinations.

Nonetheless, the investments in luxury tourism are generally considered as risky. For example, conversion of luxury tourism facilities to other uses appears to be difficult in the absence of luxury tourists due to their long-term tax abatements as in the case

of Sri Lanka, whereas more modest facilities are claimed to be employed for a larger extent in domestic and international tourism, or in the worst scenario, they can be easily converted to public use like clinics, schools, or house projects (Richter, 1999). Given the incapability of using luxury tourism facilities for other purposes in the case of failure, the sector does not develop in many destinations without subsequent incentives provided by market demand, or government subsidies and tax cuts, since the expected returns in the middle and long-run are very unpredictable.

### **Concluding Remarks**

In conclusion, luxury shopping tourism has emerged as an important tourism alternative with respect to economic developments at a global scale and changes in the tastes and preferences for costumers. In addition to the contribution of tourism shopping to the development of retail sector in the destination areas, it also provides economic and social benefits for other residents in the destination (Lin & Lin, 2006). Compared to the potential of luxury tourism for providing an important amount of tourism revenue, there are only a few destinations in the world which lure upper socio-economical segment of tourists for luxury shopping as a primary goal of their travel.

As mentioned previously, the motivations of consumers for luxury product consumption are bounded to numerous, interrelated factors but the development of luxury shopping tourism in a destination is mainly dependent on the collaboration of local/national stakeholders and government, where the stakeholders promote their existing brands, develop new ones, invest in luxury consumption, creatively shape the store atmosphere and service quality; and government is responsible for encouraging the stakeholders for their investments with subsidies, tax cuts, and ensuring the political stability of destination, as well as arrangement of further steps such as establishment of the means for allocating the tourism revenues to the host community or protecting the surrounding natural environment to assure the sustainability of tourism activities. Furthermore, like in all other sectors in economy, there is a competition among luxury shopping destination despite their scarcity. For that reason, destinations must be continuously investing in their luxury tourism and luxury tourism-related potentials such as shopping malls, infrastructure, accommodation facilities, promotion of events, and so forth.

However, it should be also noted that the shopping motivation is not generalizable for all tourists, since previous studies also conceptualized the notion of “anti-shopping tourism”, indicating the resistant attitudes of tourists towards consumption and money spending while shopping-related tours (Régi et al., 2016). Therefore, the luxury shopping tourism needs to be developed in a realistic manner, i.e. targeting the involvement of tourists from upper and upper-middle segments of the societies

and creating strategies accordingly. All in all, tourists differ in tastes, preferences and with respect to their socio-economic backgrounds, and diversification of tourism services in a particular destination would eventually lead to positive outcomes for all tourism participants.

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