

Marketing Strategy Analysis Based on Consumer Psychology

-Taking Tiffany as an Example

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Abstract: Tiffany, an iconic American jewelry brand established in 1837, has become emblematic of luxury and sophistication. As the digital age has ushered in new modes of communication, luxury markets face increased competition, necessitating a deep understanding of consumer needs, preferences, and motivations. This paper delves into Tiffany's consumer demographics and psychology, revealing that the majority of its buyers are females aged 25-34. Yet, the over-45 demographic struggles to adapt to Tiffany's online marketing approaches, perhaps due to their unfamiliarity with online luxury shopping. To cater to younger consumers, Tiffany has revamped its marketing strategies, choosing younger brand ambassadors and launching youth-centric products. Despite the brand's rejuvenation, it maintains its high-end luxury profile, targeting mid to upper-income groups, many of whom prioritize product quality over price. David Dubois's concept of the psychology of luxury consumption highlights the tensions between personal interpretations and societal definitions of luxury. This dynamic is evident in Tiffany's strategic use of narratives and interactive digital campaigns to foster deep consumer connections. To further distinguish itself from competitors, Tiffany emphasizes product craftsmanship and uniqueness. The brand can expand its reach through regionalization, tailoring its marketing strategies to resonate with local cultures and values. Employing consumer psychology insights, such as encouraging customer storytelling and leveraging modern technology for personalized shopping experiences, can further solidify Tiffany's position in the luxury market.

Keywords: Future of luxury brands, Consumer Behavior, Marketing Strategy

1. Introduction

1.1. Research Background

Tiffany is a worldwide recognized American Jewelry and fine accessories company founded in 1837. It is known for its high-quality jewelry, silver, crystal, and luxury gifts. Tiffany offers a wide variety of jewelry and accessories including engagement rings, wedding bands, necklaces, bracelets, earrings, watches, etc. Their designs are unique and often blend classic and modern elements. The history of Tiffany can be dated back to 1837, when the founder Charles Lewis Tiffany established the first boutique jewelry store in New York City. Since then, Tiffany has become synonymous with luxury and sophistication. Its special blue gemstone box, known as "Tiffany Blue" has become one of the

world's most recognizable gift packages, and the color Tiffany Blue has also become an unrepeatable color. With the appearance of new and emerging means of internet communication, the luxury market has become more competitive, not only from traditional competitors but also from emerging online brands. Therefore, understanding the needs, preferences, and motivations of Tiffany's consumers is crucial for the brand to compete in the long run.

In recent years, consumer behavior has begun to evolve. Social media, digital experiences, and sustainability awareness are among the factors that are changing the behavior of luxury consumers. We need to figure out how Tiffany's consumers are adapting to these changes and how they can engage with the brand. According to Tiffany's annual report in 2020, Tiffany's total revenue was 4.47 billion euros, down 17 percent from last year. Its total profit was 830 million euros, a decrease of 28 percent from last year. The net profit was 470 million euros, a decrease of 34 percent from last year. Due to the data, it shows that in the year 2020 after the epidemic, Tiffany's overall earnings in 2020 are declining, thus Tiffany needs a new strategy and market transformation to turn around.

1.2. Research Content And Significance

Therefore studying Tiffany's consumer demographic and consumer psychology is essential for the brand (Tiffany) and the luxury industry, which can better improve Tiffany's competitiveness in the market. Firstly, through an in-depth understanding of consumers, Tiffany can better satisfy the needs of consumers and consequently improve its competitiveness in the luxury market. Secondly, the study of customized market strategies can assist Tiffany in developing personalized market strategies, which can better attract and retain consumers. Lastly, promoting brand innovation can further understand consumer psychology and consumer trends, which can provide better support for Tiffany to adapt to the dynamic market.

1.3. Paper Organization

The purpose of this paper is to conduct an in-depth study of Tiffany's consumer base and consumer psychology to fill in the gaps in existing research. The research will focus on using data analysis. By collecting and analyzing consumer behavior data, this research will examine the following. Firstly, this paper will explore the key characteristics of Tiffany's consumer population for further analysis. Secondly, this paper will specifically analyze the key motivations of consumers when purchasing Tiffany's products as well as use the data to further explore consumer perception and loyalty to the Tiffany brand. Finally, the paper will also explore simultaneously how social, cultural, and economic factors influence the consumer behavior of Tiffany consumers.

By following these concepts, this paper will provide the Tiffany brand with useful insights on how to better meet consumer needs and maintain brand loyalty, while highlighting the importance of research into the luxury industry.

2. Literature Review

In their most recent sustainability report for 2021, Tiffany & Co. (2022) delivers an in-depth analysis of its contributions in the realms of society, environment, and charity over the preceding year. The documentation reveals that Tiffany & Co. marked notable advancements socially and environmentally in 2021. In terms of products, the firm reached unparalleled milestones in the traceability of precious metals, with an impressive 99% of gold, silver, and platinum used in their jewelry being sourced from identifiable mines or secondary providers. Furthermore, Tiffany & Co. has expressed its ambition to source all its gold, silver, and platinum from regenerated origins. Regarding its workforce, the company has seen strides in gender inclusivity, boasting over 70% of its workforce as females, and a significant 60% of leadership roles occupied by women. Environmentally,

in 2022, Tiffany & Co. pledged to establish both short-term and long-term absolute emission reduction goals, aligning with the net-zero criteria set by the Science-Based Targets Initiative (SBTi). Moreover, they have vowed to phase out all single-use plastics by the year 2025. In the charitable domain, in 2021, Tiffany & Co. successfully fund raised \$6.5 million in favor of The Nature Conservancy (TNC) to champion the preservation of vital ecosystems [1].

Dubois, David, SungJin Jung, and Nailya Ordabayeva (2021) explored the psychology of luxury consumption in their research. Their research, published in Volume 39 of the journal *Current Opinion in Psychology*, provides a detailed analysis of people's consumption mentality towards luxury goods and the psychological drivers behind them. The article highlights the various psychological reasons why consumers choose luxury goods and how these choices reflect their values, social status, and identity. Additionally, they explore how luxury brands can build and maintain their brand loyalty by meeting the psychological needs of consumers. Overall, this study provides us with valuable insight into the psychological mechanisms underlying luxury consumption [2].

It explores the relationship between customer engagement on Tiffany's Facebook fan page and their intention to purchase Tiffany jewelry. A survey of 200 Asian Facebook users showed that 58% of users interact with Tiffany's fan page occasionally every month. Engagement positively affects perceived brand equity, including image, loyalty, visibility, and quality. Customer satisfaction and brand equity significantly predicted 57.4% of purchase intentions. In essence, social media engagement enhances brand perception and satisfaction, which directly affects the intention to purchase Tiffany products [3].

They introduce a comprehensive consumer psychological brand model that incorporates individual constructs such as brand emotion and brand attachment. The model divides consumer engagement into three levels: object-centered, ego-centered, and social-centered, and details five processes: recognition, experience, integration, signification, and connection. It proposes testing the model through traditional and consumer neuroscience techniques. The authors highlight the need for an inclusive model in brand research to gain a holistic understanding of consumer behavior and marketing strategies [4].

They delve into the psychology behind luxury consumption, focusing on the strong emotional bonds people have with luxury goods and experiences. It highlights new factors and consequences of luxury consumption in recent research. The central theme is the tension between personal interpretations of luxury goods and the social definitions that determine luxury consumption behavior. This tension affects the desire for luxury goods, the signals of being recognized as luxury goods, and the consequences of consuming luxury goods. The article suggests that understanding these tensions can provide insights for future research on the motivations and effects of luxury consumption [5].

3. Tiffany's Consumer Group Analysis

According to statistics from Similar-Web, 36.03% of men purchase from Tiffany, while 63.97% of the consumers are women. The largest audience segment falls within the 25-34 age bracket, making up 33% of the total consumers. Meanwhile, individuals aged 45 and above constitute 32.72% of the total consumer base. From these data, we can infer that the majority of Tiffany's customers are females between the ages of 25 and 34. Conversely, people over 45 years old seem to be less receptive to Tiffany's new online marketing strategies. This resistance might be attributed to the older generation's hesitancy to purchase luxury goods online. In a recent development in China, the American luxury jewelry brand Tiffany announced YiYangQianxi as its brand ambassador through its official social media channels. Historically, jewelry and other luxury items have been targeted at mature consumers with ample financial resources. However, as the luxury consumer demographic skews younger, brands are pivoting towards younger brand ambassadors to appeal to this changing audience. Given that Tiffany's primary consumers are millennials and the post-00s generation, the brand recognizes

the importance of resonating with these groups' desires for uniqueness, freshness, and emotional brand connections. To cater to this demographic, Tiffany is continuously updating its brand image and tweaking its marketing strategies. This includes selecting younger brand ambassadors and launching youth-centric products and campaigns. Such shifts in strategy are reflective of Tiffany's adaptive response to post-pandemic market dynamics. According to the myGemma website, Tiffany's engagement rings start at \$1,500, with luxury rings often priced well above \$100,000. These price points suggest that Tiffany's target demographic belongs to the middle to upper income tiers. Likely, these consumers have established careers, possibly as doctors, lawyers, entrepreneurs, or top-tier executives. Such consumers, who often hold prominent societal positions, prioritize product quality over price. This preference leads them to invest in timeless, valuable, and classic items. Despite the younger age of its audience, Tiffany & Co. has not compromised its luxury brand image but has upheld its elite brand reputation. As highlighted in Tiffany & Co.'s 2021 Sustainability Report, the company introduced the Love Grant Program—a \$2 million grant for students in arts and creative fields—in collaboration with BeyGOOD and the Shawn Carter Foundation. Such initiatives resonate with affluent consumers passionate about travel, art, fashion, and philanthropy, thereby enhancing Tiffany's brand recognition. Not only does this bolster Tiffany's brand image, but it also increases its visibility among students, potentially attracting a broader consumer base. Given that Tiffany's clientele is typically well-educated, often with college or advanced degrees, and possesses a genuine appreciation for art, design, and history, these consumers find alignment with Tiffany's values and offerings.[6].

4. Consumer Psychology

According to "The psychology of luxury consumption", David Dubois proposed that the psychology of luxury consumption is governed by a series of tensions between what luxury means to the individual and the external forces that define luxury consumption [2]. This means that the psychology of luxury consumption is based on the relationship between an individual's understanding and the meaning of luxury consumption. Based on this concept, consumers' purchasing desire is aroused because they want to satisfy themselves [3]. According to "The Psychology of Luxury Consumption, Current Opinion in Psychology", Dubois D believes that when consumers see a post about luxury goods on Instagram, consumers of higher social status will want to own the same item in order to maintain their social status and self-esteem. This article suggests that one way to enhance consumer appeal is to advertise or post in areas with large wealth gaps. This can stimulate local residents who have the means to purchase luxury goods to buy them.

This article believes that the consumption behavior of Tiffany's customer base can be attributed to two main categories. One is the complex behavior type, which means that when consumers are highly engaged in purchasing some expensive products, they will buy after careful consideration. The other is the habitual behavior type, which means that after repeatedly purchasing a brand already well-known to the consumer, the consumer does not need a high level of involvement and decision-making process [7]. This article believes that both of these consumer behaviors require the consumer to have loyalty to the brand. Cialdini's 6 Principles of Persuasion are reciprocity, scarcity, authority, commitment and consistency, liking and consensus. The first principle is reciprocity, which means that when one person gives benefit to another, the other person will reciprocate. For Tiffany, they can use a membership card model to attract customers. When customers have the benefits of a membership card, they are more likely to spend on the brand. The second principle is scarcity, meaning that when something is less available, people desire it more. For Tiffany, they can use the unique Tiffany blue color to create distinctive designs and then make these designs limited edition to attract consumers. The third principle is authority, which means that certifications and other proofs of expertise make things more trustworthy. For Tiffany, ensuring the quality of each design and

maintaining the brand image will earn the trust of consumers. The fourth principle is commitment and consistency, meaning that once someone commits to something, they are more likely to stick to that decision and act in a consistent manner. For instance, Tiffany could launch a digital media campaign where participants create Tiffany-related videos and share them on social media. After achieving a certain number of likes, they could receive prizes from Tiffany. The fifth principle is liking, which means that people are more likely to be persuaded by those they like. For Tiffany, they can choose contemporary popular celebrities as brand ambassadors, thus consumers might buy products because they like a particular celebrity. The last principle is consensus, meaning people often look to the actions of others to guide their own behavior [8]. For example, Tiffany can advertise on various apps and promote some brand philosophies. By creating a bandwagon effect, they can attract more consumers to purchase.

5. Internet Resonance

In the Internet era, consumer psychology has become particularly important to a brand's marketing strategy. Tiffany, a globally renowned luxury jewelry brand, for example, has managed to resonate with consumers and consolidate its brand position within the digital space. Firstly, Tiffany has capitalized on the power of digital narratives. Its iconic blue box and the romantic story behind it were showcased in depth on platforms such as Instagram and YouTube, thus creating a deep emotional connection with consumers [9]. At the same time, Tiffany has demonstrated excellent interactivity on social media, attracting and maintaining customer loyalty through collaborations with influencers, user-generated content, and interactive advertising campaigns.

However, in such a competitive environment, relying on brand storytelling alone is not enough. How does Tiffany's strategy differ from other luxury brands? For example, Cartier's "Love Bracelet" campaign focuses on eternal love, while Bvlgari emphasizes the luxury and historical background of its products. In contrast, Tiffany has successfully captured the core values of romance and commitment that are close to the hearts of its primary consumer - young people looking for an engagement ring or other accessory for important life moments. Differentiation is what sets Tiffany apart from other brands. In contrast to brands like Cartier and Bvlgari, Tiffany emphasizes the craftsmanship and uniqueness of its products rather than their history or sense of luxury. In addition, Tiffany employs accurate data analytics to provide consumers with a personalized shopping experience by tracking their online behavior and purchasing patterns [10].

In order to further expand its audience base, Tiffany can employ a strategy of regionalisation. This means that the brand doesn't just market its products globally, but ensures that its marketing strategies are aligned with local cultures and values. For example, in the Asian market, Tiffany could emphasize family values and traditions, while in the Western market it could emphasize individuality and self-expression. In order to appeal to a wider audience, Tiffany can adopt a number of strategies [11]. For example, by integrating with local culture, such as creating advertising campaigns centered around local festivals or traditions, can help the brand expand its consumer base. Additionally, partnering with popular e-commerce platforms or social media influencers can also increase the brand's visibility [12].

From a consumer psychology perspective, this paper can also offer some suggestions for Tiffany. For example, encouraging consumers to share their personal stories and experiences related to Tiffany's products can further enhance the emotional bond between the brand and consumers. In addition, considering the rapid development of modern technology, offering virtual fitting capabilities and personalization services can also provide consumers with a more personalized and unique shopping experience.

6. Conclusion

Tiffany has established itself as a leader in the luxury jewelry industry thanks to its long history and iconic brand image. Its success can be attributed not only to its unparalleled craftsmanship and design but also to its ability to adapt to the ever-changing behavior and preferences of consumers, especially in the digital age. Demographics show a clear preference for female consumers, predominantly between the ages of 25-34, highlighting a key market segment for the brand.

Understanding the ever-changing consumer psyche is critical to Tiffany's continued success. As luxury consumption becomes increasingly focused on emotional connection and personal experiences, Tiffany's strategy of intertwining romance and commitment in its narratives sets it apart from its competitors. By leveraging digital narratives, such as its iconic blue box story, the brand has created a deep emotional connection with consumers. Collaborations and interactive campaigns with influencers further cemented this connection and ensured brand loyalty.

However, differentiation remains key in the crowded luxury market. While competitors such as Cartier and Bvlgari focus on love or historical luxury, Tiffany's focus on craftsmanship and exclusivity offers consumers a fresh perspective. In addition, the brand's ability to leverage data analytics provides consumers with a more tailored and personalized shopping experience, making every purchase feel more special.

To ensure continued growth and relevance, regionalization is a potential strategy. By integrating marketing tactics with local culture and values, Tiffany can resonate with a wider audience and ensure its legacy is passed on from generation to generation. Incorporating local culture, partnering with e-commerce platforms, and fostering community involvement are just a few of the avenues Tiffany could explore to achieve this goal.

Essentially, Tiffany's future is bright, but its continued success will depend on its ability to adapt, innovate, and resonate with consumers in an ever-changing global landscape. The brand's commitment to understanding and adapting to consumer psychology ensures that it remains at the forefront of the luxury industry, setting a standard for other brands to follow.

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