

## PREFACE

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The art of signalling social status through luxury and exclusive possession has been an inherent tendency of an affluent society. Consumption of luxury products and availing of luxury services to gain other's attention and respect in the society and also to denigrate the consumption by other people is nothing but conspicuous. Such a conspicuous consumption does not follow the Law of Demand, and the demand is observed to increase with the increase in the price. Products bearing such characteristics are referred to as Veblen products in the literature. The present work is devoted to the study of available literature on Veblen products and the related marketing strategies, besides developing inventory models for them.

Consumption behaviour for Veblen products varies according to socio-economic condition, culture, and ethnicity and religion. The luxury market has significantly grown in the past two decades, and, it has reached a level of \$1.45 trillion by the end of 2019. It is likely to further grow at the rate of 4-5 % until 2025.

In the global competitive market, the product-pricing is very important for a firm, and it is a very challenging task. Pricing policy has an impact on demand. The product promotion can also have a significant impact on the demand by creating awareness, and on the price by enhancing the perceived value. The present work is an attempt to develop pricing and lot-sizing policies, and to determine optimum promotional expense as well, for some Veblen products. This thesis consists of 6 chapters.

Chapter 1 introduces the idea of conspicuous consumption and the reasons for the same. The presence of the Veblen effect in various luxury products and services has also been discussed. Our findings on the presence of the Veblen effect in an Indian telecom industry has also been presented.

Chapter 2 details the conspicuous consumption and the various factors responsible for the same based on extensive literature review. The promotion strategies for Veblen products have also been reported. A total of 183 articles, including journal papers, conference papers, books, theses and survey-reports, have been reviewed. Gaps identified from the literature review have also been reported upon which the researchers can work.

Chapter 3 presents the pricing and inventory management problem of a single retailer, who is interested in determining its pricing and inventory policies independent of its supplier. The demand considered is price-dependent, and it has the Veblen effect. The problem of determining optimal order size and sales price for the product has been mathematically formulated for the objective of maximization of profit for the retailer. Taking a few numerical problems, with some variation in the demand profile by extending the curve either on low price side or high price side or both, have been studied in deciding optimal pricing and inventory management policies. In order to evaluate the robustness of the solution, sensitivity analyses with respect to various inventory related parameters have also been carried out. The optimal decisions corresponded to those parts of the price-demand curves where the Law of Demand was operative.

Chapter 4 addresses the problem of Chapter 3 while considering product promotion by incurring promotional expenses. The promotion is assumed to influence the selling price in an upward direction by enhancing the perceived value of the product and not the demand. The promotional expense required for niche market was found to be lower than that for the mass market. The proposed formulation of the considered problem is a non-linear integer programming mathematical model and is NP-hard. Therefore, Genetic Algorithm (GA) and Teaching-Learning-Based Optimization (TLBO) based heuristics are proposed for solving the problem in a computationally efficient manner but

were found to be computationally inefficient. Increase in the setup cost or holding cost rate does not impact the pricing policy and demand, but the lot size as usual. However, the increase in the unit price causes an increase in the sales price but decrease in the additional sales price, resulting in the final price to customers to increase. Demand going down causes annual profit to shrink

Unlike the previous chapter, Chapter 5 assumes product promotion to increase the demand and not the sales price. The promotional expenses help to increase the demand and sales price, and thus the overall profit.

Chapter 6 provides a summary of the research work and concludes the outcome of the research undertaken. It also presents the scope for further research that can be undertaken in future as an extension to the present work.