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The essence of luxury: An Asian perspective: LVMH-SMU Luxury Research Conference 2016

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THE ESSENCE OF LUXURY

An Asian Perspective

LVMH-SMU
Luxury Research Conference 2016

THE
ESSENCE OF
LUXURY

An Asian Perspective

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Contents

04

Foreword

08

The Experiential Aspect of Purchasing Non-Deceptive Luxury Counterfeits:
When Sense Meets Sensibility

*By Anne-Flore Maman Larraufie, Academic Director MS SMIB -
ESSEC Business School & SémioConsult (Paris)*

30

Consumption and Counterfeits:
The Role of Brand Familiarity, Perceived Quality and Anticipated Regrets

*By Adilla Anggraeni, Deputy Head of Program (Business Management and Marketing),
Binus Business School, Bina Nusantara University (Indonesia)*

41

From Glitz to Gloom:
Consumer Responses to Luxury Brand Related Status Threat

*By Dina Khalifa, Lecturer in Luxury Brand Marketing,
Glasgow Caledonian University (United Kingdom) and Paurav Shukla,
Professor of Marketing, University of Essex (United Kingdom)*

65

Spoiling Ourselves: Consumers' Choice of Luxury Products

*By Susan Calderon, PhD Candidate, Antonios Stamatogiannakis and
Dilney A. Goncalves, Assistant Professor of Marketing, IE Business School - IE University (Spain)*

77

A Conceptual Understanding of Inconspicuous Consumption
in the Luxury Business Sector

*By MinHye Lee, Lecturer (Assistant Professor) in Marketing and Innovation,
University of Winchester (United Kingdom)*

94

Conceptualizing the Framework for Branding Luxury
in Ultra-Luxury Consumers

*By Marissa Chantamas, Lecturer, Martin De Tours School of Management and
Economics, Assumption University (Bangkok, Thailand)*

Contents

112

**Overviewing New Tools to Facilitate Luxury Management:
Luxury Index, Luxury nChoice, Limited Editions,
Connoisseurship and Design Iconizer**

*By Oliver P. Heil, Chaired Professor of Marketing & Director of Center for
Research on Luxury and Center for Markenwechsel and Daniel André Langer,
Management Consultant, Johannes Gutenberg University of Mainz (Germany)*

126

**Luxury Brands in the Digital Era:
A Cross-Cultural Comparison of the Effectiveness and
Underlying Mechanisms of Personalized Advertising**

*By Shubin Yu, PhD Researcher, Liselot Hudders, Assistant Professor and
Verolien Caubergh, Associate Professor, Ghent University (Belgium)*

148

**Creating & Managing Customer Value, Satisfaction & Loyalty:
An Introspective into India's Luxury Market**

*By Abhay Gupta, CEO and Founder, Luxury Connect Business School,
Tanushri Purohit, Independent Corporate Trainer and Consultant, and Nitika Kapoor,
Senior Lecturer, Pearl Academy (India)*

166

**Consumer's Motivation to Buy Fashion Luxury Goods:
A Comparison Study of Online and
Physical-Store Luxury Consumers in Indonesia**

*By Evi Rinawati Simanjuntak, Faculty member, Marketing Undergraduate Program and
Anindia Hayu Sukanto, Alumnus, Bina Nusantara University (Jakarta, Indonesia)*

182

Young Adult Luxury Consumers

*By Janie Chia Pin Sin, Assistant Director, Hospital Services, Ministry of Health,
Siok Kuan Tambyah, Associate Professor, and Pritish Bhattacharya, Research Assistant,
Department of Marketing, NUS Business School, National University of Singapore*

205

Marketing Indian Haute Couture Brands

*By Saima Khan, Assistant Professor, Effat University, KSA (Saudi Arabia) and
Bilal Mustafa Khan, Professor, Aligarh Muslim University (India)*

Foreword

The world of luxury products, those which provide an experience of indulgence beyond the functional minimum, has been accessible to the richer echelons of human society since time immemorial. But the term ‘luxury goods’ as we know it today started appearing only around the 20th century, with an initial focus on smaller items like shoes, bags, perfumes and clothing. At present though, luxury is identified with not just these items, but an array of products including automobiles, watches, jewellery, to even food items.

Often associated with elusiveness, exclusiveness and inaccessibility, the luxury market has been changing in response to the global tide of rising economies and shifting customer mind-sets. No longer limited to an elite few, it has become a viable option to the masses.

In the developed world, particularly the western countries, luxury products and brands have often been closely associated with conspicuous consumption. Originally created for the leisure class or the ‘nouveau rich’, these products allow the newly wealthy a means to demonstrate a lifestyle of opulence and high living, and acquire social respect.

THE RISE OF LUXURY CONSUMPTION IN ASIA

A number of developments in the luxury market have been attributed to the arrival of luxury products in Asian markets. The modernisation of Japan some decades back paved the way for a growing trend towards imbibing western lifestyles in Asia. Japan’s economic success after the Second World War was a key factor responsible for the introduction of luxury marketing in Asia. In the 1970’s, Japanese tourist-shoppers became a noticeable phenomenon in Europe. The European luxury houses were quick to recognise the opportunity and began setting up branches and luxury outlets in Japan. The Japanese were not only the driving force behind the growth of luxury fashion retail all over Asia, but were also responsible for the growth of duty-free luxury sales, as they travelled across destinations hunting for luxury products. Japan continues to be one of the major markets for luxury products and goods.

When we talk about the Asian market, needless to say, we think of China—a market that has been a top priority for luxury brand owners in the more recent decades. Chinese shoppers account for a whopping proportion in almost every segment of the luxury market. Interestingly, trends for luxury consumption here do not necessarily follow those of the

western world. The Chinese perceive luxury brand value in terms of the country's unique cultural background. Just like the Japanese, the Chinese consumers too have a strong preference for shopping for luxury goods overseas. Also, giving gifts is an integral part of Chinese social culture, and luxury products have become an important part of the personal and corporate gifting system, accounting for a large chunk of luxury goods sales in China.

Today, India and Southeast Asia are on the radar of many global luxury brands as they consider upcoming markets. India, in particular, is a rapidly growing market when it comes to the demand for luxury products. In the span of a decade or so, it has moved from small mom-and-pop stores to glitzy malls, forcing a change from the consumer mind set of frugal-living to 'wanting it all'. The combination of a large young population, rising income levels, overwhelming consumer optimism and increasingly urbanised lifestyles have driven high consumption growth in India.

Globalisation and the economic development of Asia have thus resulted in a trendy transformation of the consumer choices of the Asian young and elite. At the same time, there has been an explosion of retail development and luxury brand stores, and malls in Asia began to provide consumers with a real-life setting to interact with luxury brands and associate themselves with the lifestyle they portray. Today, luxury goods are accepted and revered by Asian consumers across a wide and varied customer base, and western luxury products have gradually become symbols of success and social standing among the Asian elite.

CHANGING CUSTOMERS, CHANGING STRATEGIES

It is not only the geographic expanse and market orientation of the luxury market that has changed significantly over the past decade. Consumer purchase patterns and the variety of consumers opting for luxury products have also evolved over the past few years. One growing consumer segment is the young adult segment, which has absorbed luxury marketing and relate luxury shopping to uniqueness and experience. 'Nibblers' or one-off buyers, are also another consumer segment that is growing fast.

Additionally, fast-emerging global trends like digital marketing, luxury holiday shopping and the advertising/marketing on social media have enabled the luxury market to expand rapidly. The rise of digital marketing in engaging luxury goods consumers, particularly in Asia, has been a frontrunner in gaining traction in this market. Although luxury shopping has typically been associated with depicting a particular lifestyle, and a one-of-a-kind exclusive shopping experience of going to a classy retail

unit, preferences are quickly changing. People are increasingly willing to forego the unique experience of shopping in a luxury retail unit to the convenience of buying the product online. Luxury brands have noted this trend and are foraying into digital integration to work profitably alongside their brick and mortar stores.

Another trend that has seen a rise is the concept of luxury holiday shopping, where shoppers enjoy travelling abroad to shop for luxury products. Noteworthy here is the fact that even though Asia constitutes a significant portion of the global luxury market, the actual size of Asian spending is higher as a majority of Asians like to shop abroad. With the notable growth in high net worth individuals in many Asian countries, the luxury market is well positioned to take advantage of this trend.

With the changing facets of luxury consumption and marketing, luxury brand management itself has also seen several changes over the years. Originally, brand management relied on traditional methods of positioning a few major product and service characteristics based on market survey results on the consumer's purchasing decisions. However, it is becoming increasingly evident that this approach is not sufficient to create unique symbolic benefits, especially in the lifestyle and luxury segments.

LUXURY BRAND IDENTITY

The uniqueness and the quality of a luxury product is now seen to be gaining popularity over the idea of conspicuous consumption. The real differentiator for the luxury audience comes in the look, feel, design and adornment of the product. A luxury brand in the current global world is oriented towards the consumer and their self-identity. The relatively new concept behind positioning, namely the concept of 'brand identity', is undeniably more suitable for that purpose.

Brands are typically associated with a brand identity. While brand image corresponds with the public perception of a brand, brand identity is related to the brand's own self-image. The brand identity of a product corresponds to the brand's own self-perception, which influences how the brand is perceived by target groups of consumers. Brand identity is broadly based on the physical functionality and the abstract emotional component of the product-related consumer association. While a double-stitched seam or the logo of a Louis Vuitton bag is a physical representation of its brand identity, the non-functional characteristics of a brand are a more personality-driven, emotional-abstract component and aims to correspond to the personality of the consumer it aims to

attract. In contrast to mass-market positioning, a luxury brand identity represents the company's vision and image of their product, and its own values. Unlike regular products and services, a luxury brand does not redefine or constantly adapt itself based on consumer survey feedback, but is identity-driven; and it is its brand pride that is displayed to the world as it tries to connect with like-minded individuals who have a similar vision.

The world of luxury is changing, and so are the consumers of luxury products. Successful brands are already targeting key social media influencers to drive their brand messages. As the trends in luxury marketing continue to evolve, the luxury market is faced with a plethora of challenges, counterfeiting being one of them. It will be interesting to note how the future of luxury products unfolds as the consumer become more informed and the market becomes increasingly competitive.

The Experiential Aspect of Purchasing Non-Deceptive Luxury Counterfeits: When Sense Meets Sensibility

By **Anne-Flore Maman Larraufie**, Academic Director MS SMIB - ESSEC Business School & SémioConsult (Paris)



ABSTRACT

Counterfeiting is a key issue for luxury brands, especially in terms of potential negative impact on their brand image. We examine the non-rational feature of knowingly purchasing a fake luxury product, researching its experiential aspect through the analysis of 24 in-depth interviews. The social, playful, exotic and sensory dimensions are identified. Interactions and evolutions in-between those are discussed and potential implications for decision- and policy-makers are presented to help them design better suited anti-counterfeiting communication campaigns.

Counterfeiting is considered a key issue in the international business environment. It harms local economies, blurs the rules of competition and innovation, and can be harmful to consumers, if not lethal. Connections with terrorist activities and illegal trafficking of drugs, arms, women and children have also been found. Therefore, this is a worldwide issue which involves far more than pure industrial parties and interests.

When speaking about counterfeiting, one has to make a clear distinction between deceptive and non-deceptive counterfeiting (Grossman et Shapiro, 1988). In the first case, the final consumer is not aware that he is buying fake goods. This would be typically the case for spare parts in the airplane industry or in the car industry. Conversely, when a consumer engages in non-deceptive counterfeiting, he knows perfectly that he is not buying the genuine branded product. This is obviously the case for luxury counterfeits. Proxies to assess whether a good is a fake or a real one would be the place where it is sold and the price discrepancy between the regular price of the branded item and the one displayed (Phau et al., 2001; Prendergast et al., 2002). Non-deceptive luxury counterfeits will be the type of counterfeiting this paper will focus upon.

Actually, counterfeiting is a key issue for luxury companies, which experience loss of sales and, perhaps worse, loss of brand image (Wilke et

Zaichkowsky, 1999). Some luxury conglomerates have engaged in a highly mediated fight against counterfeiters, as shown by the recent or ongoing court cases brought by Tiffany & Co. and LVMH to stop counterfeits bearing their brands being sold on eBay. The LVMH group has even created a legal entity fully in charge of prosecuting potential counterfeiters, and another one in charge of training custom officers to identify fakes.

However, as José Manuel Barroso, President of the European Commission mentioned in a speech, “this is a battle that needs to be fought on two fronts: the supply side and the demand side” (Barroso, 2008). Therefore, better knowledge of the consumers of non-deceptive luxury counterfeits is needed in order to design more efficient communication campaigns than the ongoing ones. Research in consumer behaviour can help achieve this objective.

While past research on counterfeiting from the consumer side has mainly focused on trying to measure the impact of various factors (demographic & psychographic) on a consumer’s willingness to buy counterfeits or not (Eisend et Schuchert-Güler, 2006), such consumer-related factors in relation to the context of purchase has been under-explored. Specifically, it is now widely admitted within the scientific community that consumers of the 21st century do not solely buy products, but look for some kind of experience while shopping (Belk, 1975; Holbrook et Hirschman, 1982). This is especially the case for luxury purchases, which are highly symbolic and associated with the ‘dream formula’ (Dubois et Paternault, 1995). As mock-ups of luxury products, non-deceptive luxury counterfeits might just be facing a similar a priori attitude from regular or occasional consumers. Therefore, studying the purchase experience associated with knowingly buying luxury counterfeits could provide new insights on this demand side of the trade. The present paper aims at providing a first exploratory step on this topic.

After a review of the literature dealing with past research on the consumption of non-deceptive luxury counterfeits, we will introduce relevant literature which would lead to the definition of research questions, taking into account the experiential aspect of such consumption. Then, the methodology used to collect and analyse data will be presented and followed by the results and conclusions drawn from the analysis. The last part will wrap up findings, acknowledge the limits of the present study, and present directions for future research.

LITERATURE REVIEW

Previous research has investigated the reasons why a consumer would

choose to buy a luxury counterfeit knowing that it is a fake. Most of the findings have stressed the rationality of such reasons, usually presenting price-advantage as reason number one. Actually, price has been approached in four different perspectives: a low price would attract people to buy non-deceptive luxury counterfeits (Tom et al., 1998); the comparison between the price of the counterfeit and the level of potential penalty for buying would be seen as reasonable (Harvey et Walls, 2003a); the price-to-quality ratio of the fake product would be acceptable for consumers; and the quality of the lower-priced counterfeit would be similar to that of the genuine product (Cordell et al. 1996; Tom et al. 1998; Eisend et Schuchert-Güler, 2006; Viot et al., 2014).

In their study of consumer demand for counterfeit goods, Tom et al. (1998) were able to identify two types of consumers: the 'sly-shoppers' and the 'economically-concerned shoppers'. While the latter turn to counterfeits simply because they cannot afford the real version of the product, the former think that the quality difference between the real good and its copy does not justify the price discrepancy. Therefore, they consider their purchase of a counterfeit as a clever alternative to the genuine product, at a bargain price.

Cordell et al. (1996) found that "a consumer's likelihood of knowingly purchasing a counterfeit product will be significantly influenced by price concessions for a counterfeit with low investment-at-risk, but not for a counterfeit with high investment-at-risk". Therefore, sly-shopping is less considered for these last products. Still, in their three-country experiment, Ozcan et al. (2012) found that counterfeits of luxury products with highly discounted prices elicit higher purchase intention and better attitude towards them than their less discounted counterparts. Therefore, price-concern has been identified as a key precedent to considering buying a fake luxury good.

Consumers who are concerned about saving money should be necessarily concerned about not losing too much if being caught, as shown by Harvey and Walls (2003b). Using a random-effect probit model of purchase decisions in response to changing relative prices and expected penalties associated with the purchase of luxury counterfeits, the two researchers came to the conclusion that the same level of increase in price of the authentic good and of penalty for buying its counterfeited version would lead people to switch from the purchase of the fake good to the real one.

Besides price determinants to buying luxury counterfeits, non-price determinants have been identified. Given that they are said as product-

specific (Bloch et al., 1993; Wee et al., 1995; Tom et al., 1998), the literature review will focus upon luxury counterfeits exclusively.

The very first reason why people consider buying fake luxuries is highly connected to the brand personality of the original brand and the perceived image benefit of holding it, even in a counterfeited version. Actually, as shown by Wilcox et al. (2009), the very way a luxury brand's meaning is created through advertising can affect a consumer's desire for a non-deceptive counterfeit of this brand. The desire for the brand will come directly from the perceived congruence between the brand image and the self-image that the consumer holds of himself (Dolich, 1969), as directly expressed by the brand personality (Aaker, 1997). This is obviously true for luxury consumption, given the degree of symbolism associated with it, but still holds for luxury counterfeits as demonstrated by Bian and Moutinho (2009). This is especially so for fashionable products, the perceived image benefit and general attributes of which are "significantly influential on the consideration of the counterfeit version". This would come from the fact that what people expect from this counterfeit is to look as similar as possible to the original item.

For less fashionable products, say, more functional ones, there is more emphasis on the "variables related to product function" (Bian et Moutinho, 2009). People tend to purchase counterfeits of this category to try the product and eventually buy it afterwards (Gentry et al. 2001, 2006). Consumers advance very rational reasons in this situation: the trial is less risky from the financial perspective, and is also a "cheap way to stay current" (Gentry et al., 2006) at a time when fashions become obsolete very quickly.

To wrap it up, consumers look like behaving really rationally when considering the purchase of luxury counterfeits. This argument has been elaborated by Penz and Stöttinger (2005). Trying to develop a comprehensive model of the antecedents and drivers for purchasing non-deceptive counterfeits, they came up with the conclusion that the Theory of Planned Behaviour (Ajzen, 1991) was a valuable instrument.

The Importance of Context in the Purchase of Non-Deceptive Luxury Counterfeits

Other researchers have tried to identify the contextual elements that may impact the decision to engage in the consumption of luxury counterfeits. Chiki and Benhabib (2007) conducted an exploratory research on this topic and found five situational variables that might fill this role: the degree of involvement concerning the product; previous

satisfaction with counterfeits; place of purchase (mall vs. market); social pressure; and perceived risk (related to the product category). The place of purchase was found as being particularly important in the case of luxury products, depending on the level of trust it would convey to the consumer. Specifically, trust is not that important when buying a fake in a market, while on the Internet it would be. Ozcan et al. (2012) confirmed this with their experiment: luxury counterfeits sold in upscale stores elicit better attitudes towards the product.

Given the importance of brand image and personality in the decision process of knowingly purchasing a fake luxury brand, social influence has a direct impact as well (personality comes from the Latin persona, meaning 'mask as displayed to others'). This finding was reiterated in a recent working paper by Lee et al. (2008) who included it in their framework for intention to purchase counterfeit luxury brands in a Singaporean context.

Last but not least, the vision that consumers have of the luxury world/industry might in the end drive them towards purchasing the fake versions of the brands and products (Maman, 2014). For instance, seeing the luxury world as a superficial/artificial world is very much connected with the idea that some people engage in the consumption of counterfeits to display artificial symbolic codes of belonging to a given social class.

Going Further: Purchasing Non-Deceptive Counterfeits as an Experiential Moment

In their latest paper, Wilcox et al. (2009) proposed that "consumers' desire for counterfeit luxury brands hinges on social motivations underlying their luxury brand preferences". Therefore, the act of engaging in this illegal consumption would obey the same symbolic rules as the consumption of real luxuries. One aspect of this highly symbolic consumption of luxury goods is the whole purchasing atmosphere attached to it (Dubois et Laurent, 1996; Elliott et Wattanasuwan, 1998). Logically, given the transitive nature of any deductive thought, the purchase of non-deceptive luxury counterfeits should be lived as well as an experiential time.

This has actually been touched upon or came out unexpectedly in past research. For instance, while trying to propose and validate (via Structural Equation Modelling) an explanatory model for the volitional purchase of fake goods, Viot et al. (2014) found that the very first reason why a consumer would hold this behaviour was pleasure. Similarly, the purchase is supposed to be fun (Viot et al., 2014) and adventurous (Gentry

et al., 2006). A typology of consumers based on their consumption values has been identified using semiotics in a PhD Dissertation (Maman, 2012), relying upon postmodernism as a new behavioural framework for consumers of luxury counterfeits: acting as a tourist in a world where immediate satisfaction is sought, the consumer would just use the new postmodern ethics (hyper reality, decentring of the subject, polytheism of values) to rationalise his behaviour and feel the experience of it, for postmodern consumption is all about trying, feeling and enjoying the act of purchase, in a highly symbolic way. In this typology, all but one category are actually based on rational values.

In the same vein, Gistri et al. (2009) use Holt's (1995) typology of consumption to anchor their own typology of consumption practices in the counterfeit area. They came up with four types of luxury counterfeit consumption similar to Holt's: consumption as experience, as integration, as classification and as play.

However, both Maman (2012) and Gistri et al. (2009) do not actually focus on the act of purchase per se as a potentially memorable experience. Besides, they have a 'sorting out' approach focusing on presenting typologies of values of consumption, or of consumption itself. They do not fully explore the aspects of the purchase experience, thus leaving room for interactions in-between features. Such perspectives would enable some more dynamic and phenomenological study of the process, thus leading to yet unexplored findings in the area.

The present research will try to push further the argument of the experiential attractiveness of purchasing non-deceptive luxury counterfeits. Therefore, the following research questions will lead the course of the research process: *What are the dimensions in the act of buying non-deceptive luxury counterfeits that may induce the consumer to wish engaging in such behaviour? How is such an experience lived by the consumer?*

METHODOLOGY

To explore the stated research questions, we conducted a series of 24 in-depth interviews (40 minutes to one hour) with consumers of non-deceptive luxury counterfeits. The sample included 16 MBA students, 3 high school pupils and 5 working adults. Respondents were selected on the basis that they acknowledged being regular buyers of fake luxury goods (at least three times per year), including bags, shoes, and fashion accessories. This panel of respondents enabled us to get the thoughts of three different classes of people in terms of income and age.

Students from Western business schools are usually said to have more

purchasing power and as being more sensitive to the consumption of conspicuous goods, such as luxury or luxury-looking goods, than other types of students. These individuals are also regular consumers of non-deceptive luxury counterfeits (Ha & Lennon, 2006). High school pupils are usually considered as having no or low purchasing power, as they only get a limited amount of pocket money, and have been found as important influencers in some act of purchasing a counterfeit (Maman, 2012). Working adults dispose of a regular income they can spend the way they want, including eventually in real accessible luxury goods.

It was important for the present project to get access to these various types of social classes—the literature review had clearly pointed out the importance of the ‘price’ factor in the rational decision making process when buying luxury counterfeits. Therefore, the experiential aspect of the consumption of luxury counterfeits might be different for one class relative to another, depending on the importance of this ‘price’ factor. For purposes of generalisability, including in the sample low/no-income people, future high-income and ‘regular’-income respondents was key.

Besides, as the social context impacts attitude towards counterfeits (Teah & Phau, 2007), we asked respondents their family type and parents’ family type. However some respondents were reluctant to answer the question (marked as in Table 1). Table 1 presents the sample’s data. Age range was 16-40. The sample was quite balanced in terms of gender, with 10 men and 12 women. As the place of living could impact the perception of counterfeit or luxury, we collected the data as well. People living in the Parisian Area are marked with *.

“Depth interviews are much the same as psychological, clinical interview” (Zikmund et al., 2003). Therefore, this research method suits our needs uncovering underlying motivations, beliefs, attitudes and feelings. We need a detailed understanding of complicated behaviour and this can be at least partially assessed by depth interviews. Besides, to be able to take into account the emotional dimension of the respondents’ attitudes, as social agents we have to rely on very personal data and refer to a poststructuralist method of analysis (Holt, 1997).

Since the objective was to focus on the experiential aspect of the purchase, we did not use a detailed interview protocol but a more semi-structured type of interview. Respondents were encouraged to describe in the most accurate possible way their past experience with luxury counterfeits. The interviewer probed answers by asking questions upon what the respondents were speaking about. The objective was to

The Experiential Aspect of Purchasing Non-Deceptive Luxury Counterfeits:
When Sense Meets Sensibility

| Participant Number | Gender | Age | Position / Job | Nationality | Place of Living | Family Types (Parents / Self) |
|--------------------|--------|-----|--|---------------------|---------------------------------|-------------------------------|
| FR01 | Male | 20 | MBA Student | French | Paris (75)* | Married / Single |
| FR02 | Female | 23 | MBA Student | French | Paris (75)* | Married / Single |
| FR03 | Male | 20 | MBA Student | French | La Rochelle (17) | Married / Single |
| FR04 | Female | 23 | MBA Student | French & Lebanese | Paris (75)* | Married / Single |
| FR05 | Male | 21 | MBA Student | French | Cergy (95)* | Married / Single |
| FR06 | Female | 21 | MBA Student | French | Paris (75)* | Married / Single |
| FR07 | Male | 21 | MBA Student | French | Versailles (78)* | Married / Single |
| FR08 | Male | 22 | MBA Student & Apprentice | French | Cergy (95)* | Married / Single |
| FR09 | Female | 25 | Manager of a Limited Liability Company | French & Italian | Paris (75)* | Married / Engaged |
| FR10 | Female | 53 | Medical-Psychological Assistant | French | Nyons (26) | - / Married |
| FR11 | Female | 28 | Special Needs Teacher | French | Roaix (84) | - / Engaged |
| FR12 | Female | 40 | Educator-Monitor | French | Saint Pantaléon les Vignes (26) | - / Single |
| FR13 | Female | 30 | Service Agent | French | Grillon (26) | - / Married |
| FR14 | Male | 17 | High-school student | French | Carpentras (84) | Divorced / Single |
| FR15 | Female | 16 | High-school student | French | Nemours (77) | Widow / Single |
| FR16 | Male | 16 | High-school student | French | Avignon (84) | Married / Single |
| GB01 | Female | 22 | MBA Student | French & Portuguese | Cergy (95)* | Married / Single |
| GB02 | Male | 22 | MBA Student | French | Paris (75)* | Divorced / Single |
| GB03 | Female | 22 | MBA Student | German | Cergy (95)* | Divorced / Engaged |
| GB04 | Male | 28 | Executive MBA | Indian | Cergy (95)* | Married / Single |
| GB05 | Female | 30 | Executive MBA | Singaporean | Cergy (95)* | Married / Married |
| GB06 | Male | 36 | Executive MBA | Italian | Clichy (92)* | Married / Single |
| GB07 | Female | 23 | MBA Student | Russian | Cergy (95)* | Divorced / Engaged |

Table 1: Nature of the sample of respondents

go further and further in the recall process upon the point where the respondent would really express how he felt, without being directly asked this question by the interviewer.

For the analysis, the interviews were transcribed and manually coded, with a goal to identify the key dimensions emerging from the discourse (see Spiggle, 1994 and Strauss and Corbin, 2008 for a discussion of the procedures used in this stage). In the next stage of analysis, findings from each respondent were compared with and contrasted against findings from the other ones. The goal at this stage was to identify the key dimensions on which the respondents differed/were similar as well as to identify the bases for such differences/similarity points. Coding schemes were modified as analysis progressed and new concepts were uncovered, following the general procedures of grounded theory (Strauss and Corbin, 2008). Results of the analysis were shown to the interviewees, which is one criterion of validation for qualitative methods, hence ensuring internal acceptance of the findings (Mucchielli, 1994).

FINDINGS

We were able to identify four different dimensions in the act of buying non-deceptive counterfeits: the social, playful, exotic and sensory dimensions. Figure 1 summarises them.

Purchasing Non-Deceptive Luxury Counterfeits: A Social Experience

A key dimension which emerged from the analysis of the interviews is the social dimension attached to the purchasing experience. Consumers of luxury counterfeits took three different perspectives on the social aspect of their consumption: the purchase could be a way to feel integrated in a group, acting as everybody else does; a way to show how bold they were; or a way to experience a purchase as a member of a primary group of influence (family or close friends).

The purchase of counterfeits can be considered as either socially acceptable or looking like being authorised given the non-retaliatory actions related to it or the market size, as stated by the following recipient: *“In China, for example, you have always fake products, so it gives the feeling of a more normal reaction.”*

The social acceptance of the issue comes from the very fact that, under certain circumstances, so many people engage in the illegal purchase that it would appear illogical not to abide by this group’s non-official rule of consumption, as defined by the group: *“I think that everyone came back with counterfeited goods. [Since] everyone buys, then...”*

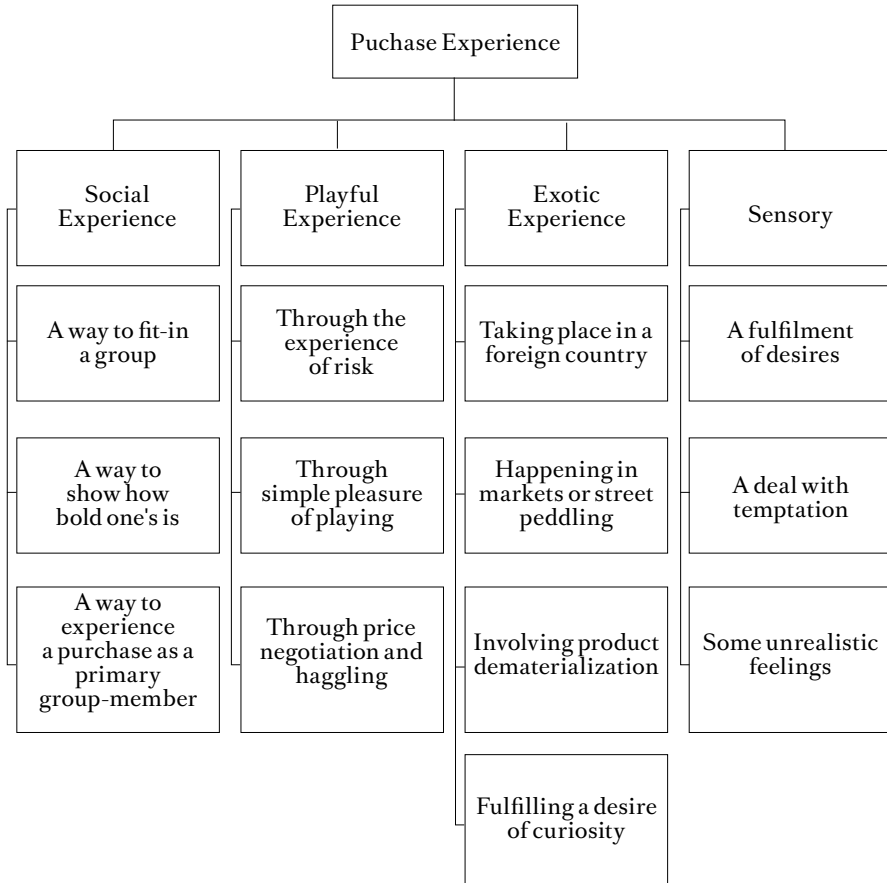


Figure 1: The four dimensions of the volitional act of purchasing a luxury counterfeit

In both cases, purchasing a counterfeit version of a luxury product is a way to fit into the group, looking like a regular subject who acts in the same fashion as all others. Group pressure is indirect but more conveyed by the context of purchase: most of the time, the two cases would not happen in Western countries (except Italy: “*Back there it’s special, they know but they don’t care.*”), but as presented later in this paper, they do in a more exotic place.

However, the respondents would not admit this mimetic aspect of their consumption directly. They prefer the self-expression rationale to it. They saw their act of purchase as a way to show others how bold they were. Others could be: other consumers, the people they hang with or the legal state entities. As one respondent stated: “*One must have quite a nerve, at least at first glance.*”

This wish to display one's boldness would even be strengthened in the case of a group experience. Most respondents would indeed not buy fakes by themselves. They were either with close friends, or with immediate members of their families, such as their brother/sister or mother/father. Friends would endorse the role of the informant, or just act as partners in this foolish shared experience.

For instance, when being asked about how she would proceed if she wanted to buy a counterfeit luxury item in France, one respondent stated: *"I think I will go with my friend who buys the real products because she can tell me if it is a good imitation or not"*. In this very situation, the friend does not directly share the purchase experience but still has an active part in it, since she would in the end lead the final decision of buying the product or not.

For other respondents, the purchase experience was a real 'group thing' and the focus was not on the type of product which would be purchased, but really on the shared aspect of the shopping moment: *"I would be with friends. We say that we could go, with one another, just to buy something for fun. Have a nice time..."*

Whatever the perspective taken by the respondent towards the group, the important characteristic of the experience of knowingly buying counterfeited luxury products stands in its social nature—either as a way to express one's personality in a group, to fit into a group norm or to share some time with others. The interesting point with this experiential dimension of consumption of fakes is that the product/brand is barely mentioned by the respondent. And it is the same story for the price. Therefore, the rational model of decision making, based on product evaluation and price concern, is challenged by this dimension.

Purchasing Non-Deceptive Luxury Counterfeits: A Playful Experience

The second dimension emerging from the respondents' description of their purchase experience is highly connected to games. This is achieved thanks to three lexical fields in the verbatim: one related to the risk associated with betting, one associated with the pure pleasure of playing and a final one associated with price negotiation or haggling.

Actually, the respondents were aware of the risks associated with their illegal purchase. None of them ignored the fact that buying counterfeits was forbidden by law. However, what some of them were looking for while engaging in such behaviour was the temptation of fate. They experienced the thrill of risking being caught. Basically for them, *"it [was] a question of good or bad luck"*. Therefore, the purchase of fakes was experienced as

playing Russian roulette. In any case, it was lived as a positive experience, for *“it was a risk to take”*.

This risky dimension of the purchase experience was somewhat counter-balanced by the pleasant and funny aspect associated with it. Basically, buying counterfeit luxuries was seen as *“a funnier thing”* than purchasing the genuine good. This feature of ‘fun’ must be connected with the group feature of the experience: either it’s fun to engage in illicit consumption with others, or it’s fun to show others that you play with traditional rules. This was the case for this respondent who bought a shirt on which the luxury brand was misspelled. He stated: *“I think it’s funny if I see someone running around with this [altered name of the brand]. Maybe it’s making fun of people who are wearing [real name of the brand] because they consider it necessary for their personal environment...”*

This funny aspect is also clear in holding of fake products along with real ones: *“A wallet is something you can have in several exemplars. So it may be funny to have one with a counterfeited brand!”*

But more than the product, it’s really the experience which was lived that is funny. This was the case of this man, as described by his son: *“He finds it pleasant. He speaks with the sales people who tell him it’s real. He knows it’s fake but buys it. Then he laughs...”* What is really interesting in this last quotation is that the consumer knows pretty well what he is doing and lets others know that he is seeking for amusement, since his son is able to describe his intent.

The last aspect of the purchase experience which may be associated with games is the fact that, for almost all respondents, purchasing a fake luxury had to be done via a price negotiation. This feature is highly related to once again the exotic dimension of the purchase experience (foreign country with a different culture and place of purchase), as presented later in the paper.

This exigency of haggling can be seen as part of the nature of buying counterfeits. This was the case for this respondent, who stated that he *“knew that there is some kind of negotiation margin for these kinds of products”*. He admitted that *“it [was] custom”* to do it. However, it may also be just a sought for feature of the purchase experience: *“I like negotiating the price. It makes me feel like I really made a good purchase”*. In this case, people did not even think of the very possibility of not negotiating the price: *“You have to. It’s part of the product that you buy”*. This last quotation points out the fact that, what is bought here illegally is not only the product but the experiential dimension of its purchase. This is another strong argument for the non-rational aspect of knowingly buying luxury counterfeits.

The playful feature which is sought for can be related to the postmodern experience of consumption which involves playing with traditional rules and defining one's own ethics of consumption (playing with law as well in a sense). But this is re-enforced by the touristic characteristic of any postmodern consumer: as mentioned earlier in this part, the playful dimension of the purchase experience is often connected to another dimension, related to the environment within which the purchase takes place. This environment has to be different from usual settings surrounding more 'classic' purchases.

Purchasing Non-Deceptive Luxury Counterfeits: An Exotic Experience

Purchasing non-deceptive luxury counterfeits has to be an unexpected moment, highly specific with a lot of features not met in other purchase situations. Specifically, respondents mentioned four specificities of the counterfeiting purchase experience: it has to take place in a foreign country; it often happens in markets or street peddling; it involves some kind of dematerialisation of the product/purchase; and it fulfils a desire of curiosity.

All respondents had engaged in purchasing a fake luxury in a foreign country. Interestingly, the mentioned country was mostly an exotic destination (Asia, Africa), instead of closer ones (i.e. Italy, Portugal), as if it was important to get the feeling of really being far from home, including home culture. Some respondents even put this foreign characteristic as a necessary condition to buy counterfeits: *"I would wait to go to another country. Some places are well known for it"*. This exigency of elsewhere was further re-enforced by the "on holidays" aspect of the time of purchase: people who engaged in non-deceptive purchasing of fake luxuries did it during a holiday trip, not during a business one. This feature points to the playful dimension of the purchase experience: business can't be playful, while holidays are supposed to be enjoyable. Some respondents did it *"during a trip in Vietnam", "at the border", "each time I go back home for holidays in Morocco"*.

Not only located in a foreign country, the place of purchase had to display exotic features as well. Basically, what the respondents wanted to experience was also the walk in an outdoor market, mixing vegetables and counterfeits, as well as being among street peddlers. Products were usually sold *"in bulk, one put over the other"*. They were supposed to be offered in large quantities, *"on the ground"*, like in an open-air warehouse in Russia described by one respondent: *"That place was huge, so crazy, like Saint Ouen Flea Market times ten. Only fakes products there."*

Respondents were ready to experience the abundance of fakes but not in an unsafe situation: *“If the place is unsafe, I won’t go there; if it is a very safe place, ok.”* Therefore, the respondents acted as true postmodern consumers: tourists with Western codes of consumption. Once again the playful dimension of the experience comes out: going for the purchase of a non-deceptive luxury counterfeit is like going to the bazaar, but a western-style one, like in an entertainment park. It should be a lived experience in a hyperrealist setting.

This hyperrealist feature of the exotic dimension of the purchase experience can also be found in the dematerialisation of the product or the way of getting it. For instance, a lot of respondents would just use the Internet as an alternative to the foreign environment, such as this one: *“I bought those on eBay, quite convenient”*. The frontier was also described as an unreal setting in a way, for respondents had the feeling of being nowhere *“like in this movie you know, it’s kind of free-zone”*. Besides, all respondents looked for a brand, not a product, when searching for something specifically: *“I would buy a fake LV”* was the most heard sentence. This is coherent with a previous finding from Gentry et al. (2001) who found that brand and product are separated in a counterfeit culture.

All those features of foreignness, holiday, bazaar experience, dematerialisation of the object/place of purchase help fulfil a need of curiosity. The idea behind this is that respondents were willing to experience something different to discover, try and know better uncommon situations. This was particularly the case of one respondent, who explained: *“I just love watching the guys who sell counterfeits”*. His family said of him that he was so curious that they would look for such places when going abroad.

Curiosity met, positive feelings would necessary appear. Similarly, when the social dimension of the purchase experience is met, people just feel pleased. This conclusion leads directly to the fourth dimension of buying fake luxuries: the sensory nature of it.

Purchasing Non-deceptive Luxury Counterfeits: A Sensory Experience

Respondents not only wanted to experience the act of purchase, its environment or its playful experience, but they also wanted to please their senses. Actually, engaging in the non-deceptive purchase of luxury counterfeits was described as an experience associated with positive feelings, coming from the fulfilment of desires and from being able to deal with temptation. Besides, respondents admitted that they liked

the deceptive aspect of the experience which gives them some kind of unrealistic feelings.

The positive feelings associated with the experience were either directly stated by the respondents, or just expressed by non-verbal cues. We could mention here the voice tone or the little light in their eyes while describing the experience. It was the case of this respondent who said: *“Oh! There are some imitations which are really good to buy here”*. Feelings which are mentioned include happiness, satisfaction, pleasure, good state of mind. As one respondent admitted: *“It’s true that in the end, you’re not too unhappy!”*

Besides, positive feelings are also associated with the playful dimension of the purchase experience, especially when considering the quote describing how it is a way of making fun out of people. What would be the point of playing with others if no positive feelings came out of the experience?

These positive feelings are enhanced by the satisfaction associated with being in a state of temptation: *“I craved it”*. Some people could just love this state of being *“fully tempted. It’s so great!”* Here, the respondents clearly mentioned the pleasant experience of purchasing fake luxuries without any reference to the negative aspects inherent in any surrender or failure to resist temptation. Respondents are in the search of immediate satisfaction, which is once again one aspect of postmodern consumption (Maman, 2009).

Last but not least, purchasing fake luxuries enabled some of the respondents to live in a fake world. It was a way to deceive themselves and to mask the reality of their daily life. For instance, one girl said that she regularly bought fake luxuries because *“[she had] the feeling that she [was] the girl on the cover of Vogue”*.

Therefore, we can say that more than a purchase experience, buying counterfeits is a sensory experience, a characteristic further strengthened when we think about the market-type place of purchase. Even if not mentioned by the respondents directly, all the colour and smell of various products (coming from the mix of vegetables and counterfeits, as described by one respondent) and the social experience of being at a bazaar would logically appeal to one of the five senses of the respondents.

Moreover, this sensory dimension of the purchase experience is also highly connected with the feeling of saving money, which is part of the rational process of decision-making during the purchase. This ‘savvy’ feature is related to price negotiation/haggling: *“I felt great when I got a good bargain. I really didn’t care about the price, I just wanted to win the deal!”* This sensory dimension, even if apparently in opposition to the rational

way of consumer decision-making, would appear as the reconciling tool between the purchase experience and the rational process i.e. when sense meets sensibility.

DISCUSSION, LIMITS AND FURTHER RESEARCH

Going back to the stated research questions, we were able to identify four different dimensions in the act of buying non-deceptive counterfeits: the social, playful, exotic and sensory dimensions. All those are interrelated and occur simultaneously, turning the buying moment into a real purchase experience. Figure 2 provides a summary of all identified dimensions and sub-dimensions as well as their interactions.

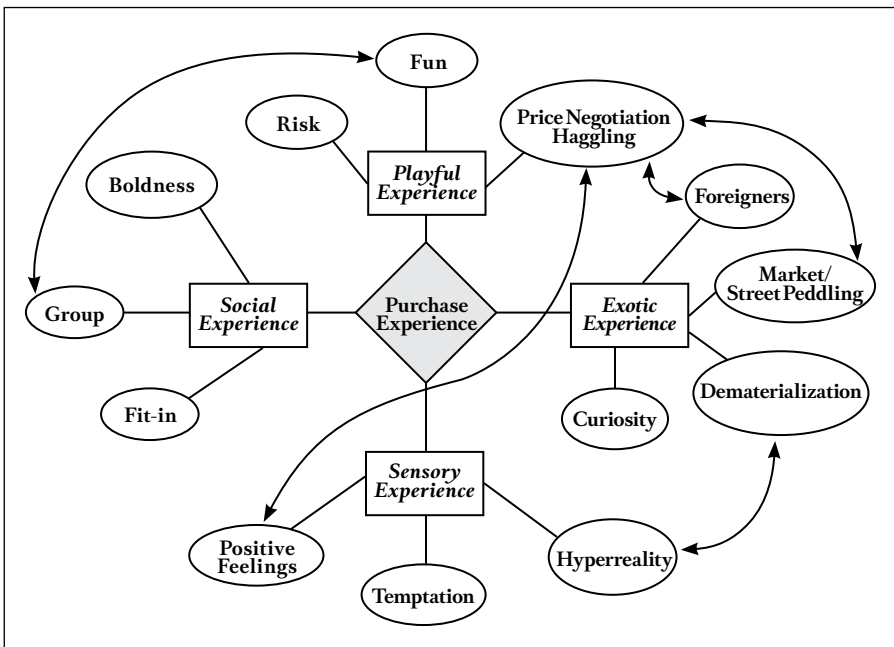


Figure 2: Dimensions and interactions in-between sub-dimensions of the experiential purchase of non-deceptive luxury counterfeits

These findings relate to some extent to Gistri et al. (2009) and Holt (1995) four types of consumption, except that they do not deal with object consumption, but actually act of purchase consumption. This means that consumers engage in consuming fake luxury goods for the sake of buying them and not for consuming them or displaying them. The experience is with the action of buying and not with the object that is bought. This perspective is a new one in the literature dealing with luxury counterfeits consumption. It shows that the antecedent for buying fakes might in the

end not be ex-ante but ex-simultaneous. This shows to some extent the ritualistic aspect of buying fake luxury goods, which would be mirroring the already identified ritualistic aspect of selling fake luxury goods (Maman, 2011). The various aspects of this ritualistic process (Real/Ideal-self ritual? Social-self ritual? Ideal social-self ritual?) is worth further exploration, probably through phenomenological studies.

Evidence has shown that it was actually this experiential of the consumption process that consumers were looking for when engaging in such illegal behaviour. They were attracted by non-rational reasons and made their purchase decision accordingly. This is by no means a denial of the rational process going along with buying counterfeits, as previously explored by other researchers, but more a wish to take a broader view upon the issue. Specifically, this could enable professionals and state entities to take into account those dimensions in their anti-counterfeiting communication campaigns. So far, such campaigns have focused on the side-effects of counterfeiting (loss of jobs, financing of terrorist activities...) or on the illegal aspect of the consumption, emphasising the retaliation processes (jail, fines...). Such arguments, even if perfectly valid and understandable from the consumer's perspective, only appeal to the rational part of his decision-making process.

New perspectives could include more non-rational ways of trying to reach and convince consumers, based on present findings on the experiential aspect of knowingly consuming luxury counterfeits. In this perspective, further research would be needed to define which cues consumers would be more sensitive to. It could be done via an experimental design in which specific features of the ads could be manipulated and reactions to the ads assessed, through the measurement of attitude toward counterfeiting and the purchase intention.

Another potential extension of the present research would be to include in the sample consumers who buy luxury counterfeits exclusively online. One might wonder whether they are also looking for a purchase experience or if they engage in a pure rational-way of decision-making.

The main limit to the present study is the representativeness of the sample of respondents. Even if care were paid to draw respondents from various social classes, they came from convenience samples and therefore might not represent a full subset of the population. However, with the present research being exploratory and focused on personal experience of consumption, it is commonly accepted not to have a large sample but more a rich one in terms of content (Holbrook et O'Shaughnessy, 1988). Besides, no attempt is made in the present paper to generalise results, especially

across cultures. The research is really western-oriented and takes into account western values and codes of consumption. Future research should be conducted to assess the cross-cultural validity of the present findings and conclusions.

CONCLUSION AND MANAGERIAL IMPLICATIONS

The present study has provided a better understanding of a social phenomenon, limiting itself to Western consumers. It can be useful in several ways for various stakeholders. The counterfeiting issue involves diverse parties with an interest in fighting it or at least understanding it from a social perspective (Maman, 2012). Among them, anti-counterfeiting official bodies (States, Associations of IP-holders), consumers' associations and IP-holders themselves. All display different approaches and strategies but they share a common point: so far their campaigns have been ineffective in curbing the volitional purchase of fake luxury goods. We hereafter provide recommendations for each of these stakeholders.

The social experience dimension clearly points out the importance of peers and group of belonging on the decision to engage in the consumption of fake luxuries. This social component should be used in various dimensions of the communication plan: choice of media, choice of emitter, choice of content and choice of receptor. First, anti-counterfeiting discourse could be more convincing if emanating from more social-oriented entities, such as consumers' associations. This is consistent with past research dealing with the emic perspective towards anti-counterfeiting discourse (Maman, 2012). Similarly, social-oriented media should be used. Digital tools such as social media and eventually participative communication campaigns could be utilised to convince, or at least educate, consumers on the importance of not buying fakes.

It sounds from present research that the creative part of the message is actually more important than its copy, at least from the assessment of the Social Experience dimension of the act of purchase. Therefore, the aesthetic component of anti-counterfeiting communication campaigns should be carefully crafted (instead of focusing on the actual written/said text). Orally conveyed messages could also be strengthened (interpersonal communication), near to spots of purchase.

Lastly, in the present study we have identified the importance of fitting in with a group when travelling abroad as a rationale behind buying non-deceptive luxury counterfeits. We would advocate for more hand-in-hand collaboration between anti-counterfeiting official bodies and

intermediaries in group travel, such as travel agencies, tour operators, travel guides etc. They would be the ideal receptors for anti-counterfeiting discourse, as future 'guides' on socially-acceptable behaviour in touristy places where counterfeits can be bought.

As a member of a group, the luxury counterfeit consumer buys fakes for fun, and does so in exotic places. Therefore, anti-counterfeiting communication campaigns should focus on groups and not on individuals, and should emphasise alternative ways of having fun as a group while maintaining familiar components: negotiation of the price, unusual settings etc. are all inter-related aspects of the luxury counterfeit purchase experience. We could imagine offering to visiting groups of tourists' similar experiences in different settings. This was done at a floor of the Morocco Mall in Casablanca, imitating a traditional Arabic Souk without the fakes as an offer. Even if it does not work well with local people, it is a big success with tourists.

Another implication is for luxury counterfeited brands' managers (IP-holders). It is clear from the present study that consumers of counterfeits seek the buying experience and not the product. Sometimes they do not even use the products they have bought (Maman, 2012). Therefore, they could get inspired by the various dimensions presented in Figures 1 and 2 to rethink their in-store experience. Dematerialisation of the product can be easily achieved through augmented reality for instance, and tempting consumers with a proper display of products and merchandising should not be too difficult for a luxury brand.

So far, luxury boutiques come across more as art galleries than as places for consumers to please their senses and to have fun with their peers (Maman, 2014). They are generally not considered as 'group friendly' places where people go to shop for the collective experience, although they have the potential to be. We believe that for luxury marketers and brand managers, counterfeiting the counterfeiters could be an indirect effective way of boosting struggling luxury counterfeit consumption, at least for the non-economically-concerned shoppers.

Besides, it appears that consumers of non-deceptive luxury counterfeits can buy such products to display boldness. To our knowledge, luxury consumption in general has never been associated with this personality trait. We believe there is room for new branding strategies in this vein that could go through some communication campaigns focusing on the boldness required to purchase specific items, walk with this height of heel or wear such a flashy colour. Of course, such recommendations may not work for every luxury brand; any such campaign should be calibrated to

ensure consistency with the IP holder's brand image. For instance, Chanel is all about disruption and breaking codes, so it ontologically targets bold consumers.

Lastly, even if luxury brands are increasingly implementing experiential marketing in their boutiques, they hardly ever rely upon the tactile sensory experience, one identified component of the volitional purchase of fake luxury goods. Feeling the material is key to understand quality, expertise and raising emotional feelings for craft-based products. Including leather or other fabric samples is not complicated and could even be an interesting option to communicate authenticity, expertise and history. Hermès did it in various exhibits. Why not replicate it in boutiques?

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Consumption and Counterfeits: The Role of Brand Familiarity, Perceived Quality and Anticipated Regrets

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ABSTRACT

Counterfeiting is a prevalent trend in emerging countries such as Indonesia. Even though counterfeiting has existed for a long period of time, only quite recently have luxury brand owners shown concern. Counterfeits may cause luxury brands' value to be diluted. This study investigates different factors that may influence purchase intention of counterfeit products, including brand familiarity, anticipated regrets, and perceived quality of the counterfeit products. This study utilises quantitative methods using survey as its data collection method. The findings of the study have shown that the perceived quality of the counterfeit products influences higher levels of intention to purchase. On the other hand, anticipated regrets are shown to negatively influence intention to purchase counterfeit items. Perceived quality was not shown to influence the purchase intention. The findings are expected to provide managerial insights for luxury brand owners as to how they can better protect their brands by lowering the intention of potential customers to purchase the counterfeit products.

Counterfeiting and counterfeited items have grown steadily over the years (Trinh and Phau, 2012). The loss suffered by luxury brands due to counterfeited items is well documented (Poddar, Foreman, Banerjee and Ellen, 2012). Despite the relatively small size of the luxury industry, its sales and influence are pretty strong (Ko and Megehee, 2012). For Indonesia in particular, counterfeits can be found easily in the market, with variations in quality and price points. It has been noted how counterfeits may have cost Indonesia 42 trillion Rupiahs (US\$3.16 billion, March 2017). The existence of counterfeits also harms the luxury brands, as for these brands to be successful, they have to establish a strong relationship with customers and communicate consistent brand values (Klaus-Peter, Wiedman, Klarman and Behrens, 2015). Counterfeiting dilutes the

brand values and therefore one of vital issues faced by luxury brands (Le Roux, Bobrie, Roy and Thebault, 2016). Despite the perception of lower quality (Jakartapost.com, 2011) of these counterfeited products, demand remains high (Jakartapost.com, 2011).

The high demand for counterfeit products can be fuelled by four different factors: product desirability; ease of obtaining the counterfeit products; having low income and/or education; and the view that complicity is acceptable (Stumpf, Chaudhry and Perretta, 2011). Purchasing luxuries can be seen as a way to achieve the lifestyle of more affluent customers (Amaldos and Jain, 2005 in Wu, Chen and Bang, 2015), even though some counterfeit items are purchased based on their function (Cordell, Wongtada and Kieschnik, Jr, 1996). The high demand for counterfeits may require the luxury brand companies to re-design and change their strategy (Nill and Shultz, 1996).

Despite the negative impact that counterfeiting has on luxury brands companies and national economies, very little research has been done to address this phenomenon. Previous scholars have noted that price differences may not fully represent the reasons why people purchase counterfeit products (Bian and Moutinho, 2011), and therefore, it is an open avenue for investigating other possible factors which may influence counterfeit items purchase intention. Previous studies that have involved demographic factors to predict consumer intention to purchase counterfeit items have had limited success (Stumpf, Chaudhry and Peretta, 2011). In the context of Indonesia, this research is particularly important, as Indonesia has been classified as one of the countries in which counterfeiting is prevalent, be it related to piracy or luxury items counterfeit (Jakartaglobe.com, 2011). The study is expected to investigate the roles of brand familiarity, perceived quality, and anticipated regrets in driving the intention to purchase counterfeit items.

LITERATURE REVIEW

Brand Familiarity

Familiarity in this context can be defined as the knowledge that an individual has towards a product or service derived from their previous exposure to the brand or the company (Luhmann, 1988 in Flavian, Guinaliu and Gurrea, 2006). The concept of familiarity can be used to explain a variety of consumer behaviours (Baroglu, 2001). Counterfeiting can damage a brand's reputation and goodwill (Bloch, Blush and Campbell, 1993; Nia and Zaichkowsky, 2000). Customers'

brand knowledge may lead to brand familiarity. Familiarity is developed over time and persistently (Lee and Kwon, 2011). Developing familiarity is important for companies as it can lead to a stronger relationship with customers (Lee and Kwon, 2011). It is noted how brand familiarity also enhances a company's reputation, and enables the customers to evaluate the company's reputation more easily (Mariconda and Lurati, 2015).

Familiarity can play an important role in counterfeit goods purchase. Consumers who have a higher degree of familiarity of a brand are more knowledgeable, and therefore may exert less cognitive efforts since they possess better established knowledge structures (Alba and Hutchison, 1987). This means they require less external information in making purchase decisions. Consumers who are more familiar with a particular brand are more inclined to choose and consume that brand (Tam, 2008; Yang, 2012). Those who are more familiar with the luxury brands are expected to be more knowledgeable and therefore are better equipped to evaluate the differences between authentic and the counterfeit products. Thus, this means the individuals who are familiar with the brand may prefer authentic products over counterfeits.

Hypothesis 1: The higher the brand familiarity, the lower the intention to purchase the counterfeit luxury fashion products.

Perceived Quality

Perceived quality has been shown to have significant impact on both customer loyalty and company profitability (Frank, Torrico, Enkawa, and Schvaneveldt, 2014). Perceived quality is frequently used to judge the actual quality of a product or brand (Yap, Leong, and Wee, 2012). Consumption of luxury items enables the individuals to enjoy higher quality (Phau and Pendergast, 2001 in Urguzen and Guney, 2012). It has also been noted that the expectation of customers will be high when it comes to luxury products as the quality can be seen as compensation for the higher price of the item (Dubois and Duquesne, 1993). It is noted that quality of a product is highly important as it can strengthen the perceived value (Southworth and Kim, 2015) and influence positive behaviour with relation to that product (Pan & Zinkhan, 2006; Song & Zinkhan, 2003). As noted by Zeithaml, Berry and Parasuraman (1996) inferior quality can lead to unfavourable behavioural intention, such as intention to spend less with the company.

Purchasing counterfeited items is known to provide symbolic benefits such as status at lower quality and cost. Customers tend to purchase counterfeit items should they feel the quality almost matches that of the

authentic products (Poddar et al, 2012). The existence of high quality counterfeit products can damage the exclusiveness of authentic products and thereby decrease consumer willingness to purchase genuine items, while on the other hand increase the intention to purchase the counterfeit items (Wilke & Zaichkowsky, 1999 in Wilcock and Boys, 2014). *Thus, it is hypothesised that:*

Hypothesis 2: The higher the perceived quality of the counterfeit luxury items, the higher the intention to purchase the items.

Anticipated Regret

Anticipated regret refers to the negative feelings of realizing the possibility of negative consequences happening in the future that can be foreseen in the current state (Bui, 2009 in Kim, Njite and Hancer, 2013). Anticipated regret acts as an experiential state, which may be “hot” (in the form of anger, emotional outburst, etc.) or “cold” (in the form of wishful thinking). Anticipated regret may arise when an individual compares the actual outcomes that they have received with the possible outcomes of the other alternatives that were not taken (Reynolds, Folse, and Jones, 2006). Anticipated regret causes negative emotion; and when an individual can accurately predict the possible regrets to be a potent negative emotion, they would be able to choose according to their own expectations (Cooke, Meyvis, and Schwartz, 2001).

Decision-making is frequently influenced by anticipated regret (Zeelenberg, 1999; Zeelenberg, Beattie, van der Plight, & de Vries, 1996 in Hoelzl and Loewenstein, 2005). Experiencing regret is possible even though the individuals may not possess information on all possible outcomes, as they may predict the better outcomes that could be resulted from taking the alternatives (Gleicher et al. 1990; Kahneman and Miller 1986). Previous study has shown how anticipated regrets can have influence on intention (Conner, Sandberg, McMillan and Higgins, 2006).

Anticipated regret may be more apparent in counterfeit luxury consumption as consumption of luxury brands is found to be a part of self-identity communication that is frequently laden with symbolic meanings linked to the identity of the wearers (Elliott and Wattanasuwan, 1998). It should be noted however, that under the concept of anticipated regret, decision processes are not explicitly taken into account (Reb, 2008).

It is expected that individuals who have higher anticipated regrets may have weaker intention to purchase, as they may foresee the purchase as leading them to regret it. For example, the counterfeit items may not

last long, or it may not function as expected, thus leading to regrets. This means the individuals who have anticipated disappointment from buying counterfeit items would not purchase them. *Thus, it is hypothesised that:*

Hypothesis 3: The higher the anticipated regret of purchasing counterfeit items, the lower the intention to purchase the counterfeit items.

PROPOSED MODEL AND METHODOLOGY

The study was conducted involving respondents who are exposed to counterfeit luxury fashion items; which means those who have some awareness about the existence of the counterfeit products. Survey method through usage of questionnaires was utilised as the data collection method. Measurements of each variable were adopted from previous studies. Familiarity measurements were adopted from the work of Gefen (2003) with alterations. The measurements of anticipated regret were adopted from Marcatto and Ferrante (2008). The perceived quality scale was adopted from the original work of Zeithaml, Berry and Parasuraman (1996) with alteration to suit the context of luxury products, whereas the intention scale was adopted from the theory of planned behaviour of Ajzen (1985). The data gathered were analysed using regression analysis.

FINDINGS AND DISCUSSION

Prior to the distribution of the questionnaire to the respondents, the measurements were pre-tested to ensure that they are valid and reliable. Table 3 shows the reliability of each variable.

| Variable | Cronbach's Alpha (≥ 0.6) |
|---------------------|---------------------------------|
| Brand familiarity | 0.800 |
| Anticipated regrets | 0.761 |
| Perceived quality | 0.745 |
| Purchase intention | 0.805 |

Table 3.1: Reliability of the measurements

As evident from the table 3.1 above, all the measurement of variables in the study (brand familiarity, anticipated regrets, perceived quality and purchase intention) are shown to have good reliability. Table 3.2 shows the validity of each variable.

| Variable | KMO value (>0.5) | Bartlett's Test (<0.05) | Communalities (>0.5) | Component Matrix (>0.7) |
|---------------------|---------------------|----------------------------|--|--|
| Brand Familiarity | 0.663 | .000 | Familiarity2: .811 Familiarity3: .587 Familiarity4: .680 Familiarity5: .478 | Familiarity2: .900 Familiarity3: .766 Familiarity4: .831 Familiarity5: .691 |
| Anticipated Regrets | | .000 | Regret1: .535 Regret2: .884 Regret3: .845 Regret4: .365 | Regret1: .732 Regret2: .940 Regret3: .919 Regret4: .604 |
| Perceived Quality | .675 | .000 | Quality3: .708 Quality4: .619 Quality5: .683 | Quality3: .841 Quality4: .789 Quality5: .794 |
| Purchase Intention | .680 | .000 | Intention1: .823 Intention2: .848 Intention3: .646 | Intention1: .907 Intention2: .921 Intention3: .804 |

Table 3.2: Validity of the variables

FINDINGS AND DISCUSSION

The data collection yielded usable responses which were further analysed using multiple regression analyses. The respondents consist of both males and females, with age ranging from 18-30 years old. Generation Y was chosen as the respondents as they tend to be more brand- and fashion-conscious due to their vast access to different types of media (Erdogmus and Budeyri-Turan, 2015).

Table 4.1 Hypothesis result

| Hypotheses | Sig Level | t-value | R Square | Remarks |
|---|-----------|---------|----------|---------------|
| H1: The higher the brand familiarity, the lower the intention to purchase counterfeit luxury brand products | .633 | -.479 | .207 | Not supported |
| H2: The higher the perceived quality of the counterfeit product, the higher the intention to purchase will be | .020 | 2.382 | .207 | Supported |
| H3: The higher the anticipated regrets of buying the counterfeit items, the lower the intention to purchase counterfeit luxury brand products | .060 | -2.833 | .207 | Supported |

The findings above indicate that both perceived quality of the counterfeited products and anticipated regrets of buying counterfeit items can influence an individual's intention to purchase the products. On the other hand, brand familiarity was not shown to influence purchase intention. The findings are not aligned with the findings of Laroche, Kim and Zhou (1996), which noted that familiarity with a brand increases customer confidence toward the brand and eventually their purchase intention. The findings are also different from the findings of Park and Stoel's study (2005) which indicated that brand familiarity leads to purchase intention in online apparel shopping.

There are several implications of these findings. First, it is evident that familiarity with the brand itself may not be sufficient to prevent people from purchasing counterfeit products. It is possible that respondents may not be exposed enough to the existence of the authentic luxury brands, and hence have low familiarity with those brands. Moreover, since the respondents' age range from 18 to 30 years, it is plausible that they may not have sufficient experience dealing with luxury brands. It has been noted in previous studies that customers who have higher levels of familiarity will be more equipped with the knowledge about intrinsic attributes of the corresponding brand (Johnson and Kellaris, 1988).

The finding is not aligned with the argument that suggests the responses given by luxury brands with regard to shifting customer preferences may lead to overexposure, as these brand owners seem to ensure that their products are readily available almost everywhere (Doss and Robinson, 2013). Meanwhile, this may suggest that counterfeits may not pose a problem to the brand and the sense of ownership of luxury goods (Nia and Zaichkowsky, 2000). The companies as marketers of these goods should go beyond improving the familiarity and knowledge that the customers have. Marketers and original luxury brand name companies should concentrate on marketing the psychological advantages of their product, focusing more on the parts in which the luxury products can help the consumer gain approval in social situations (Wilcox, Hyeong and Sen, 2009).

Nevertheless, the brands that luxury products bear may act as a symbol of wealth which is perceived as desirable (Nelissen and Meijers, 2011), and purchase of counterfeits, regardless of the quality, are seen as indicators of social status superiority (McFerran, Aquino and Tracy, 2014). Moreover, the customers of these counterfeits may see the price advantages as deciding factors to purchase (Bloch et al., 1993).

With regards to the anticipated regrets, it is important to highlight to

the potential customers that purchasing counterfeit products may lead to substantial amount of regret, as the authentic items may last longer and function as expected as compared to the counterfeits. It is also possible to emphasise to these potential and existing customers that uncertainties resulting from purchasing counterfeits will not happen since the authentic products will be equipped with a warranty and good after-sales service.

CONCLUSION AND RECOMMENDATION

The study of counterfeits and branding is still much needed, especially in South ASEAN (Association of Southeast Asian Nations) countries where counterfeit items can be found pretty easily and the demand is strong. This study is expected to shed some light on the factors which may drive intention to purchase counterfeit items. A next study may investigate how the intensity of anticipated regret may influence intention to purchase the counterfeit items. Other factors that can be taken into account are perceived affordability of the authentic items as well as knowledge of the potential luxury buyers.

The findings of this study indicate that there is a need for luxury brand companies to ensure that the potential customers can see differences of quality between the authentic luxury items and the counterfeits. The characteristics of the buyers may also play a significant role in counterfeit purchase decision (Ang, Cheng, Lin and Tambyah, 2001).

It is acknowledged that there are some limitations of the study. As this study only involved Generation Y individuals, the findings may not be applicable across other demographics. The impact of individual characteristics towards purchasing counterfeit items were not taken into account. Future research can include other possible variables that may have influence on the counterfeit items purchasing intention, such as perceived risks and variety-seeking tendencies.

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From Glitz to Gloom: Consumer Responses to Luxury Brand Related Status Threat

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ABSTRACT

This research examines how consumers respond when status of a luxury brand they identify with is threatened. Across two studies, we find that among consumers who identify with a brand, a threat to the brand elicits defensive behavioural responses. This is observed among consumers with both independent and interdependent self-construal. However, consumers who dis-identify with the brand only exhibit defensive behaviour when they possessed an interdependent self-construal. As for brand dis-identifiers with an independent self-construal, they decrease their purchase intention after exposure to brand-related status threat. Our findings further elaborate that consumers' reflexive responses are immune to brand related status threats regardless, of brand identification or self-construal differences. Our findings expand upon previous work on brand threats and offer a number of managerial implications.

INTRODUCTION

Luxury brands are luring objects of desire (Berry 1994), highly sought after by consumers from different parts of the world, albeit for different reasons (Shukla and Purani, 2012). From status indication and prestige to exclusivity and uniqueness, luxury brands can enrich consumers' lives with a multitude of benefits (Vingeron and Johnson, 2004; Nia and Zaichkowsky, 2000). There is no wonder that consumers use such brands to portray who they are, who they aspire to be, and what groups they belong to (Esvalas and Bettman, 2003, 2005; Shukla, 2012). In fact, luxury brands have become so ingrained in today's societal psyche that they are being intertwined into the consumers' self-concepts. However, the infusion of luxury brands into the self can be a double-sided weapon.

Despite their status and prestige connotations that help consumers create the best versions of themselves, luxury brands are also volatile entities that are vulnerable to a number of threats that may tarnish their equity. These threats can emerge from psychological conditions such as

distinctiveness loss, outgroup reactions, negative news (Tajfel and Turner, 1986; Ahluwalia et al., 2000; Ellemers et al., 2002) or even through economic conditions such as loss of market share, among other threats. We focus on a brand-related status threat which we define as a decline in the brand's status position relative to other brands in its category. Many highly renowned brands have suffered significant such setbacks due to brand related status threats. For example, when label-conscious football hooligans and Chavs started using the Burberry distinctive check en-masse, Burberry—once the darling of the fashion world—lost its status leading to a significant movement away from the brand and it took almost a decade for the brand to recover from such a status threat. In another case, the misleading story about Audi 5000 on CBS in 1986 led to such significant status threat that it took Audi nearly 20 years to return to its pre-1986 American sales numbers. Even the news of declining sales figures in other markets could lead to brand related status threats. For instance, reports indicating that Prada suffered from store closures and falling revenues could lead to brand-related status threat. This, in turn, can lead to further severe negative consequences for luxury brands and can distort perceived high status which is one of the core values for any luxury brand (Shukla and Purani, 2012). These status threats can have significant influence on consumers—especially those who highly identify with the brand—as research suggests that committed consumers experience brand threat as a personal threat (Lisjak et al., 2012) resulting in a decrease in their self-esteem (Cheng et al., 2012).

The seriousness of such threats and their high probability of occurrence demands further attention. Extant research predominantly focuses on brand threats originating from the brand misconduct, either relating to product defects or ethical scandals (Ahluwalia et al., 2000, 2001; Dawar and Lei, 2009; Dutta and Pullig, 2011). However, academic research so far has been oblivious to consumer responses to luxury brand related status threats. Our study fills this gap in literature by employing insights from literature on social identity threats to a brand-related status threat. Moreover, in order to provide a comprehensive understanding of how consumers experience and respond to brand threats, we aim to investigate consumers' responses during two stages—the reflexive and reflective stages. The reflexive stage refers to the immediate reactions to threats manifested in needs and affect while the reflective stage refers to the behavioural responses used to fortify the threatened identity (Williams, 2009). Lastly, we also examine a number of moderators relating to consumers' brand identification and self-construal; both of which were

found to moderate consumer responses to different types of brand threats (Swaminathan et al., 2007).

We specifically ask the following questions: (a) When facing brand related status threat, do consumers who highly identify with the brand demonstrate different response than those who dis-identify? (b) Do these actions differ between the above groups in their reflexive and reflective state responses? and (c) How will consumer self-construal interact with the level of identification and, in turn, influence consumer responses to brand-related status threat?

To answer these questions, we apply insights from the literatures examining social identity threats (Tajfel and Turner, 1986), self-construal (Markus and Kitayama 1991; Singelis 1994) and social rejection (Williams, 2009) to the domain of brand threat (Cheng et al., 2012; Lisjak et al., 2012). In doing so, we lay the platform for a conceptualisation of how consumers respond to brand-related status threat during the reflexive and reflective stages.

LITERATURE REVIEW

Identity and Luxury Brands

An identity can be defined as a multifaceted, malleable knowledge structure, consisting of multiple traits, roles and social groups (Tajfel and Turner, 1986). It consists of personal identity, which includes the set of unique characteristics, traits and behaviours that differentiate the individual from others (Sedikides et al., 2013) and a social identity, which involves an individual's perceived and actual memberships in groups and the emotional attachment and the shared characteristics with other group members (Tajfel and Turner, 1986) such as gender, ethnicity or nationality. In addition to personal and social identities, brands can also constitute part of the self (Escalas and Bettman, 2005; Lisjak et al., 2012). In his early work, James (1890/1950) proposed a broader definition of the self-concept that includes non-social material possessions. Additionally, later studies indicate that consumers tend to create self-brand connections with brands associated with their reference groups (Escalas and Bettman, 2003, 2005) and that loved brands can become self-defining to the extent that they can overlap with the consumers' psychological selves (Trump and Brucks, 2012).

People tend to create self-images and communicate who they are through their consumption (Escalas and Bettman, 2003). They choose the brands used by their favourite reference groups while steering away

from the brands used by unfavourable groups (White and Dahl, 2006, 2007). The associations and meanings of reference groups' usage can later be transferred to the consumers and helps them define and create their self-concepts, indicating that consumers not only use brands to represent who they are but they also integrate those brands into their self-concepts (Escalas and Bettman, 2003). Luxury brands are highly hedonic objects providing a number of psychological benefits (Berry, 1994; Nia and Zaichkowsky, 2000). Research indicates that consumers are motivated to purchase luxury brands for a combination of social and personal motives, such as the desire to impress others and at the same time experiencing intrinsic pleasure through the consumption of high quality goods and services (Wiedmann et al., 2009). Studies elaborate that consumers integrate the symbolic meanings of luxury brands into their own identity (Vigneron and Johnson, 2004) to develop and construct their self-concepts (Dittmar, 1994).

Threat to Identity and Brands

Research indicates that people tend to behave in a way that is consistent with the activated identity in a certain context. In addition, people are inclined to direct their behaviour toward protecting a given identity against threats (Sedikidies et al., 2013). An identity threat is defined as "Any thought, feeling, action, or experience that challenges the individual's personal or social identity" (Breakwell, 1983: 13). According to this definition, identity threat can manifest in several forms targeting either the individual self (e.g. reminders of one's mortality) (Ferraro et al., 2005), or an aspect of the individual's social identity such as status differences between one's in-group and other relevant out-groups (Tajfel and Turner, 1986). Identity threats have implications for consumers' cognition, affect and behaviour (Ellemers et al., 2002). Additionally, these responses can be categorised into three stages namely: reflexive, reflective and resignation. Reflexive stage refers to the immediate reflexive reactions to threat such as threatened needs and affect. Reflective reactions include the behavioural responses aimed at fortifying the threatened needs, while resignation stage refers to the long term effects of prolonged episodes of threat (Williams, 2009).

Recent research indicates that brand threats can stimulate similar defensive responses as identity threats (Cheng et al., 2012; Lisjak et al., 2012). Brand threats are unexpected, widely spread, negative brand occurrences that thwart consumers' expected benefits from the brand (Ahluwalia et al., 2000; Dawar and Pillutla, 2000; Dutta and Pullig, 2011)

either based on actual information or rumours (Dawar and Lei, 2009). There has been rising academic interest in studying brand threats and consumer responses from two perspectives namely, product-harm crisis and values-related crisis. Product-harm crisis indicates defective or dangerous products that reduces a brand's perceived ability to deliver its functional benefits (Dawar and Pillutla, 2000; Pullig et al., 2006; Dawar and Lei, 2009). Examples include a defective part in a car that interferes with its functioning or poor tailoring of a jacket. Values-related crisis can be defined as unexpected events that threaten a brand's perceived ability to deliver expressive or symbolic benefits (Dawar and Lei, 2009; Pullig et al., 2006). They do not involve the product but rather the social or ethical values of the brand (e.g., Pullig et al., 2006). For example, the poor working conditions in the factories of some of renowned fashion brands or unfair employee wages.

However, brands can be threatened in a multitude of ways not necessarily related to product or values associations such as market conditions in comparison to their competitors (e.g. market share loss, downsizing, negative publicity, etc.). Moreover, due to their high status value (Shukla and Purani, 2012), luxury brands can be particularly vulnerable to a variety of external market threats amidst tough market competition. Many leading European luxury brands such as Louis Vuitton, Prada and Gucci reported slowing revenue growth in Europe and Asia due to decline in demand in China, coupled with fluctuations in currency exchange rates (Roberts, 2015). Such threats can lead to many negative consequences for brands that manifest in financial losses as well as threats to future growth (Paton, 2015, 2015). Despite the seriousness of such threats and the negative consequences they may entail, how consumers respond to brand related status threat has largely been neglected. Status threat originates from literature on social identity threat, which refers to an inferior in-group status in comparison to other relevant out-groups within a certain comparison dimension such as competence, knowledge or other resources (Ellemers et al, 1999). We seek to apply the foundation of status threat to brand identity level by manipulating the relative status of a luxury brand which threatens the brand's position in comparison to competition. By investigating consumer responses to brand related status threats, our study aims to apply social identity threat theory in the context of branding as well as extend the literature on brand threat literature. In addition, we will offer managerial insights on predicting consumer responses to such threats. We capture both reflexive and reflective responses.

Building on previous studies (Cheng et al., 2012), we suggest that consumers' need for self-esteem may be threatened after exposure to brand-related status threat. However, previous research indicates that brand identification moderates this relationship. Consumer brand identification reflects the extent to which consumers regard the brand as part of their identity (Escalas and Bettman, 2005; Swaminathan et al., 2007). When consumers highly identify with a brand, a threat to the brand is experienced as a personal failure resulting in lower self-esteem (Cheng et al., 2012; Lisjak et al., 2012). On the other hand, when consumers do not identify with the brand, brand threat should be irrelevant to their internal needs. Following threat detection at the reflexive stage, individuals appraise the meaning and significance of the threat experience to decide on the appropriate response strategy during the reflective stage (Williams, 2009). Research in brand threat literature indicates that high levels of brand identification result in favourable brand attitudes and commitment following exposure to brand threat (Cheng et al., 2012; Lisjak et al., 2012). Extending this argument for reflective stage, we posit that after exposure to brand-related status threats brand identifiers will maintain their positive behavioural responses as a defence strategy. Contrary to identification, dis-identification entails a perceived feeling of disconnection with a given entity as a means to preserve a positive sense of identity (Einwiller and Kamis, 2008). Therefore, we further argue that brand dis-identifiers will find brand related status threat to be irrelevant to their internal states. Based on this rationale, we hypothesise that consumer responses to brand related identity threats will show differences in reflexive stage while both identifiers and dis-identifiers will maintain their original response strategy in reflective stage. Hence,

H1: During reflexive stage, consumers with high brand identification will report lower self-esteem following brand-related status threat while brand dis-identifiers will not be affected.

Moderating Impact of Self-Construal

Drawing insights from self-construal theory we further suggest that consumers' level of self-construal (Markus and Kitayama, 1991) can interact with brand identification to moderate consumer responses, but only during the reflective stage. With regards to reflexive stage, we build on Williams' model of ostracism (2009), which proposes that the immediate reflexive responses to personal threat occur regardless of

individual differences. This suggests that self-construal differences will not moderate consumers' reflexive responses. Self-construal can be defined as a "constellation of thoughts, feelings and actions concerning one's relationship to others such as the self being distinct from others or connected to others" (Singelis, 1994: 581). Individuals with independent self-construal are more likely to behave and act based on their own personal thoughts and feelings rather than depending on others' opinions. They are motivated by individual goals. Alternatively, individuals with interdependent self-construal mainly depend on their reference groups to guide their own thoughts, feelings and behaviours (Markus and Kitayama, 1991). The extent to which individuals' self-construal can be independent or interdependent depends on their cultural background (Markus and Kitayama, 1991). However, research also shows that due to the dynamic and complex nature of the self (Singelis, 1994), individuals can possess both independent and interdependent traits under different occasions (Reed, 2004) and that situational priming can temporarily activate either aspect of self-construal (Agrawal and Maheswaran, 2005).

Self-construal has direct implications for different aspects of consumer behaviour such as self-brand connections (Escalas and Bettman, 2005), advertising appeals' persuasiveness (Agrawal and Maheswaran, 2005), and brand evaluations (Ng and Houston, 2006). In addition, it is reported to moderate consumers' responses to product harm crisis. For example, in their study, Swaminathan et al., (2007) elaborate that when brand identification is high; consumers with an independent self-construal refute negative brand information and maintain their positive evaluations while consumers with an interdependent self-construal decrease their brand evaluations in response to negative brand information. On the other hand, when brand identification is low, both consumers with independent and interdependent self-construal decrease their brand evaluations further following product harm crisis. We build on this stream of research to develop our hypotheses with two extensions. We focus on consumers who dis-identify with the brand rather than those with low levels of identification and dis-identification entails extreme behaviours. Additionally, we focus on brand related status threat rather than product harm crisis. Based on this premise, we posit that brand dis-identifiers will show a no different behavioural pattern such that they will not demonstrate significant further negative brand behaviours and maintain their responses after exposure to brand related status threats (Einwiller et al., 2006; Einwiller and Kamis, 2008). Thus, we hypothesise that:

H2: Consumer's level of self-construal will interact with brand identification in moderating consumer responses during the reflexive stage but not during the reflective stage.

H2a: When brand identification is high, exposure to brand-related status threat leads to lower purchase intentions in the threat condition (relative to no-threat condition) during the reflexive stage for consumers with an interdependent self-construal. For consumers with an independent self-construal, there will be no change in purchase intentions in the threat condition (relative to a no-threat condition) during the reflexive stage.

H2b: In brand dis-identification condition, exposure to brand-related status threat will not lead to any significant differences in the threat condition (relative to a no-threat condition) for consumers with independent or interdependent self-construal during the reflexive stage.

A set of two experiments tests the predictions arising from our conceptualisation of reflexive and reflective responses to brand-related status threats. Due to the nature of manipulation in Study 1 and Study 2 which requires a customized survey based on respondents' answers, data was collected using online survey software—Limesurvey. This, in turn, overcomes the limitation of over-reliance on student samples (Sears, 1986) by reaching larger and more geographically diverse samples. Additionally, it enhances accuracy and reduces errors in data collection (Fiske et al., 2010).

Study 1 measured the impact of brand related status threat on consumers' reflexive responses while Study 2 measured consumers' reflective responses. The moderating role of brand identification was measured in both studies while the role of self-construal was only investigated in Study 2.

STUDY 1

As a first test of our theoretical framework, Study 1 is designed to examine how high brand identifiers versus brand dis-identifiers respond to brand-related status threat during the reflexive stage. Following from our conceptualisation, we predict that while high brand identifiers' self-esteem needs will be negatively affected by brand related status threat, brand dis-identifiers will not be affected.

Method

Participants and Design

A total of 104 respondents (26.9% males and 73.1% females aged 18 to 54) participated in an online survey disseminated using social networking websites. They were randomly assigned to two brand identification conditions and two threat conditions. This study utilised a 2 (threat manipulation: Status threat vs. No threat) x 2 (Brand identification: high identification vs. dis-identification) between subjects experimental design. The dependent variable was need for self-esteem. Brand identification and brand threat were manipulated while the need for self-esteem was measured. Prior to running the experiment, a pre-test was conducted to create the threat manipulation.

Pre-test

Brand threat was manipulated following previous studies (Ahluwalia et al., 2000) by presenting negative information about the brand. However, due to the conceptualisation of brand threat as a status threat, the content of the negative information differed from previous studies. Therefore, a pre-test was conducted to devise threat and control conditions. In the pre-test (n=39), respondents were exposed to a false marketing industry report about a luxury brand. They were either presented with the threat or no threat conditions. Then they completed a check for threat ("How threatening was the article to the brand?") on a 7-point scale (1=not at all threatening and 7=very threatening); adopted from White et al., (2012). The threat condition was significantly more threatening than the no threat condition ($M_{\text{THREAT}} = 3.10$, $M_{\text{NO THREAT}} = 1.78$, $t(37) = 3.01$, $p < .01$).

Additionally, to check if the threat is indeed status related, respondents were asked to indicate the status of the brand after reading the report on a 7-point scale (1=low status and 7=high status). The threat condition was significantly lower on status than no threat condition ($M_{\text{THREAT}} = 4.38$, $M_{\text{NO THREAT}} = 5.67$, $t(37) = -3.07$, $p < .01$). And lastly, both versions were measured for their believability on 7-point scale (1=not believable at all and 7=very believable) adopted from Ahluwalia et al., (2000). There were no significant differences in believability between the threat condition and the no threat condition ($M_{\text{THREAT}} = 4.48$, $M_{\text{NO THREAT}} = 5.11$, $t(37) = -1.11$, $p > 0.05$).

Procedure

The study began with a cover story informing participants that they would be volunteering to take part in a study that aims to measure

general brand preferences. In the study, brand identification was manipulated by randomly assigning participants to two conditions, high brand identification and dis-identification. In the high brand identification condition, respondents were asked to name a luxury brand they identify with: “In the box below, I would like you to type in a luxury fashion brand that you identify with. This can be a brand that you like or you actually own or wish to own or it can be a brand that shares the same image as you (e.g. Gucci, Chanel, Louis Vuitton, Prada, Mulberry, etc.)”. While consumers in the dis-identification condition were asked to name a brand they dis-identify with: “In the box below, I would like you to type in a luxury fashion brand that you do not identify with. This can be a brand that you dislike or you are less likely to buy/use or it can be a brand that has the opposite image from you (e.g. Gucci, Chanel, Louis Vuitton, Prada, Mulberry, etc.)”. This was followed by manipulation checks by asking respondents to complete Escalas and Bettman’s (2003, 2005) self-brand connection scale. Next, threat manipulation was administered in the form of a marketing report by a luxury brand consultancy, Interbrand.

Respondents in the threat scenario read a customised report about the brand of their choice containing either a negative or neutral message. The brand name mentioned by the respondent earlier was propagated in this report through customisation. Again this was followed by additional manipulation checks by asking respondents on a 7-point scale: “How threatening was the article to the brand?” (1=not at all threatening and 7=very threatening). After a short, unrelated filler task designed to reduce potential demand effects, participants were asked to report their self-esteem using self-report measures adopted from previous research (Heatherton and Polivy, 1991). The scale is originally composed of 20 items categorised into three dimensions; Performance self-esteem, Social self-esteem and Appearance self-esteem. The performance self-esteem dimension can be threatened by presenting unsolvable tasks that undermines the individual’s performance while appearance self-esteem can be threatened by manipulations heightening the salience of physical appearance (Heatherton and Polivy, 1991). The social dimension of self-esteem measures the degree of sensitivity and consciousness about one’s public image. It can be threatened by situations that raise self-presentational concerns (Baumeister, 1982). Given the nature of manipulation in the current study which entails the loss of status for luxury brands that are used by consumers to communicate their self-concepts and create favourable social impressions (Wiedmann et al., 2009), the

study focused on the social self-esteem dimension. Specifically, this study used the 6 item social self-esteem sub-scale: “I am worried about whether I am regarded as a success or failure,” “I am worried about what other people think of me,” “I feel inferior to others at this moment,” “I feel self-conscious,” “I feel concerned about the impression I am making,” and “I am worried about looking foolish”. The study ended with some demographic information and a debriefing statement.

Results

To check if brand identification manipulation was successful, an independent sample t-test was conducted and the results indicated that participants in the high brand condition reported significantly higher score than respondents in the dis-identification condition ($M_{\text{HIGH IDENTIFICATION}}=4.97$, $M_{\text{DIS-IDENTIFICATION}}= 2.12$, $t(106) = 10.55$, $p < 0.01$). Moreover, the results of an independent sample t-test carried to check if threat manipulation worked indicated that the threat condition was perceived as significantly more threatening than no threat condition ($M_{\text{THREAT}}=3.50$, $M_{\text{NO THREAT}}=2.67$, $t(103)=2.86$, $p < 0.01$) and thus the manipulation was valid.

The predictions were tested using a Two-way analysis of variance including the main effects of brand threat, brand identification and the two-way interactions between brand threat and brand identification. The study utilised a 2 (status threat vs. no threat) x 2 brand identification (high identification vs. dis-identification) between subjects design. The dependent variable was the averaged self-esteem scale.

The results revealed that the interaction effect between threat manipulation and brand identification was not significant ($f(1, 100)=0.36$, $p > 0.05$). Additionally, there was no significant main effect for either threat manipulation ($f(1,100)=3.39$, $p > .05$) or brand identification ($f(1,100)=0.25$, $p > 0.05$). This indicates that although participants perceived the manipulation as threatening to the brand, their self-esteem was not affected. The results of Study 1 do not support H1 and therefore it is rejected.

Discussion

Contrary to previous findings in brand threat literature (Cheng et al., 2012), the current findings indicate that both high brand identifiers and brand dis-identifiers self-esteem were not affected by brand threat in their reflexive stage. Although consumers viewed the negative brand information as threatening to the brand, they didn't perceive it as a

personal threat. This could be due to the nature of threat manipulation which indicated that the brand has moved down the luxury brand rank for the first time in years while it has previously enjoyed higher sales for the preceding years, indicating the instability of status hierarchies. Research on status threat indicates that members of low status groups are threatened when status differences are stable (Scheepers, 2009). However, when status hierarchies are unstable and the possibility for status improvement arises, the threat turns into a challenge resulting in more group commitment (Ellemers et al., 1997). Hence, in the current study, the sudden drop in sales may be perceived as only temporary, giving consumers' hope that the brand may easily regain its high rank.

Another reason for the contradictory results could be attributed to the variations in the measurement of self-esteem. In their study Cheng et al. (2012) use Heatherton and Polivy's (1991) 20 item scale to measure self-esteem. The scale consists of three dimensions: social state self-esteem, appearance state self-esteem and performance self-esteem. Their results indicate that brand threat negatively affects performance self-esteem while appearance and social self-esteem aren't affected. In the current study, only one dimension of the aforementioned scale was used which is social self-esteem, so in a way this finding is consistent with Cheng et al., (2012) who also found that brand threat didn't negatively impact social self-esteem. So replicating the study using the full dimensions of the self-esteem scale may yield different results.

Another possible explanation is that luxury brands are usually associated with high perceived status value (Shukla and Purani, 2012) and research indicates that when consumers are highly committed to a brand, they tend to perceive negative brand information that is not consistent with their pre-existing attitudes as less relevant for decision making (Ahluwalia et al., 2000). Therefore, high brand identifiers may have been biased when processing the importance of the information presented in the report while brand dis-identifiers may have found it irrelevant.

STUDY 2

Study 2 extends our investigation in two important ways. First, Study 1 measured consumers' responses during the reflexive stage only, while Study 2 extends this investigation by examining how high brand identifiers versus dis-identifiers respond to brand related status threat during both the reflexive and reflective stages. Second, we introduce a new moderating variable namely, consumer self-construal. We predict that self-construal differences will interact with brand identification in

moderating consumer reflective responses. Self-construal was measured by chronic differences in independent and interdependent self-construal (Singelis, 1994).

Method

Participants and Design

A total of 238 respondents (26.5% males and 73.5% females aged 18 to 61) participated in an online survey disseminated using social networking website (Facebook). This study utilised a 2 (Threat manipulation: Status threat vs. No threat) x 2 (Brand identification: high identification vs. dis-identification) x 2 (self-construal: independent vs. interdependent) between subjects experimental design. The dependent variables were consumer self-esteem and purchase intentions.

Procedure

The study began with a cover story informing participants that they would be voluntarily taking part in two unrelated studies; one study aims at measuring personality traits while the other investigates general brand preferences (the order of the studies was counter-balanced). In the first study, participants completed the entire Singelis (1994) 24 item scale for independent (12 items) and interdependent (12 items) chronic self-construal followed by a filler task.

In the second study, brand identification was manipulated using the same procedure as in Study 1, which was also followed by the same manipulation check. Next, threat manipulation was administered using the same procedure as in Study 1, followed by the additional manipulation check also similar to Study 1. After a short, unrelated filler task designed to reduce potential demand effects, participants completed the self-esteem scale and were asked to indicate on a 7-point Likert scale (1=strongly disagree and 7=strongly agree) their intentions to purchase the brand (adopted from Shukla and Purani, 2012). The study ended with some demographic information and a debriefing statement.

Results

Prior to testing our hypotheses, we ran a number of independent sample t-tests to check if the manipulations worked. The results indicated that participants in the high brand condition reported significantly higher score than respondents in the dis-identification condition ($M_{\text{HIGH IDENTIFICATION}}=4.87$, $M_{\text{DIS-IDENTIFICATION}}=2.16$, $t(274)=17.66$, $p<0.01$). Moreover, respondents deemed the threat condition as significantly

more threatening than respondents in the no threat condition ($M_{\text{THREAT}}=3.95$, $M_{\text{NO THREAT}}=2.86$, $t(242)=5.35$, $p<0.01$).

To re-test H1, a two-way analysis of variance was conducted with brand identification and brand threat as the independent variables and averaged self-esteem scale as the dependent variable. The results revealed that the interaction effect between threat manipulation and brand identification was not significant ($f(1, 234)=0.48$, $p>0.05$). Additionally, there was no significant main effect for either threat manipulation ($f(1, 234)=1.54$, $p>0.05$) or brand identification. This replicates the findings from Study 1, indicating that brand related status threat does not have an impact on consumer self-esteem whether they highly identify or dis-identify with the threatened brand.

Furthermore, to understand the role of self-construal in moderating consumers' responses to brand threats during the reflexive stage, a mixed between groups ANOVA was conducted, including the main effects of brand threat, brand identification and self-construal, the three-way interaction as well as all possible two-way interactions. Following previous studies (Escalas and Bettman, 2005) participants were divided into high and low on independence or interdependence based on median splits. Participants who are high in independence and low in interdependence were coded as independent, while participants who are high in interdependence and low in independence were coded as interdependent. Specifically the study utilised a 2 (status threat vs. no threat) x 2 brand identification (high identification vs. dis-identification) x 2 self-construal (independent vs. interdependent) between subjects design. The dependent variable is the averaged self-esteem score.

The results indicate that there was a main effect for self-construal ($f(1, 220)=5.95$, $p<0.05$) indicating that consumers with an interdependent self-construal ($M=4.14$) have higher self-esteem scores than consumers with an independent self-construal ($M=3.65$). However, the three-way interaction between brand threat, brand identification and self-construal was not significant. None of the two-way interactions were significant indicating that self-construal does not moderate consumer responses during the reflexive stage.

To test whether self-construal differences moderate consumer responses during the reflective stage, a mixed between groups ANOVA was conducted, including main effects of brand threat, brand identification and self-construal, the three-way interaction as well as all possible two-way interactions. Specifically, the study utilised a 2 (status threat vs. no threat) x 2 brand identification (high identification vs.

dis-identification) x 2 self-construal (independent vs. interdependent) between subjects design. The dependent variable was purchase intention. The results indicate that there was a main effect for brand identification ($f(1, 94)=135.71, p<0.01$) indicating that high brand identifiers ($M=6.08$) have higher purchasing intentions than dis-identifiers ($M = 2.41$). However, there was no main effect for self-construal ($f(1, 94)=2.42, p>0.05$) or Brand threat ($f(1, 94)=0.212, p>0.05$).

The three-way interaction between brand threat, brand identification and self-construal was significant ($f(1, 94) = 5.21, p<0.05$). To explore the three-way interaction further, data was split by brand identification and a two-way ANOVA between brand threat and self-construal was conducted for both high identifiers and dis-identifiers. In the dis-identification condition, the two-way interaction between self-construal and brand threat was significant ($f(1, 47)=4.43, p<0.05$). However, in the high identification condition there was no interaction effect between self-construal and brand threat ($f(1, 47)=1.25, p>0.05$) indicating that both independents and interdependents who identify with the brand maintain their purchasing intentions following threat.

A simple effects test in the dis-identification condition indicated that there were significant differences in purchase intention between threat and no threat conditions for consumers with an independent self-construal ($M_{\text{THREAT}}=1.54, M_{\text{NO THREAT}}=2.54; t(24)=-2.34, p<0.05$). This shows that brand dis-identifiers with an independent self-construal decrease their purchasing intentions following threat. However, in the interdependent condition, no significant difference in purchasing intention between threat and no threat condition was observed, ($M_{\text{THREAT}}=3.25, M_{\text{NO THREAT}}=2.31; t(23)=1.13, p>0.05$). This shows that consumers with an interdependent self-construal, who dis-identify with the brand, maintain their purchasing intentions under threat.

The results of this study provide support for H2 and partial support for H2a and H2b. The hypothesised pattern of responses for independents was significant only in the high brand identification condition. The predicted responses for consumers with an interdependent self-construal were not significant in both in high and dis-identification conditions.

Discussion

The results of Study 2 provide additional support for our conceptualisation with regards to consumer responses to brand threats during the reflexive stage, indicating that brand-related status threat does not impact consumers' self-esteem whether they highly identify or dis-identify with

the brand. However, when it came to their reflective responses, high brand identifiers reported significantly higher purchase intentions than brand dis-identifiers regardless of the occurrence of threat. These findings offer further support to the existing literature with regards to the role of brand identification in stimulating brand defence (Ahluwalia et al., 2000; Einwiller et al., 2006; Cheng et al., 2012; Lisjak et al., 2012).

In addition, the current findings show that the immediate reflexive reactions to brand related threats are immune to self-construal differences and thus extending Williams (2009) predictions to the realm of brand identity research. However, self-construal differences moderated consumer reflective responses. For instance, consumers with an independent self-construal maintained their purchase intentions following threat when they highly identified with the brand. These findings are consistent with studies in brand threat literature elaborating that high level of identification results in defence mechanism in the face of brand threat (Ahluwalia et al., 2000; Swaminathan et al., 2007; Cheng et al., 2012).

The current study focused on high brand identifiers versus brand dis-identifiers. Brand dis-identifiers exhibit extremely negative attitudes toward the identification object (Einwiller and Kamis, 2008) and therefore they were expected to maintain their negative purchase intentions. However, consumers with independent self-construal who dis-identified with the brand decreased their behaviour further following threat. This can be attributed to the nature of independents who are extremely concerned with their uniqueness and differentiation (Markus and Kitayama, 1991) and therefore they strive to avoid any association with the threatened brand, even if minor, as it may threaten their unique image.

Consumers with an interdependent self-construal rely on their reference groups to guide their own thoughts, feelings and behaviours (Markus and Kitayama, 1991) and therefore, they were expected to lower their purchase intentions when they highly identify with the brand (Swaminathan et al., 2007). Surprisingly, the findings were contrary to expectations elaborating that consumers with an interdependent self-construal maintained their purchase intentions toward the brand following threat. This counterintuitive result may be attributed to the nature of manipulation of brand identification in the current work. In previous studies, brand identification was measured to a specific brand chosen based on a pre-test (Trump, 2014; Lisjak et al., 2012; Cheng et al., 2012; Dutta and Pullig, 2011; Swaminathan et al., 2007; Ahluwalia

et al., 2000) or it was manipulated to a fictitious brand (Ahluwalia et al., 2001). However, the current study manipulated brand identification by asking respondents to choose a brand with which they identify the most or reflects who they are. The use of fictitious brands does not reflect the experiences and emotional connections that consumers may have with actual brands and that form part of their brand relationships. Additionally, the use of previously chosen brands may not capture the level of identification that consumers may have with their favourite brands. For example, some studies measured identification towards Nike which is a very popular brand among students. However, if a student reports a high level of identification with Nike that does not necessarily mean that Nike is his/her favourite brand. He/she could prefer Adidas for instance and therefore what constitutes a high level of brand identification with Adidas is stronger than high identification with Nike. Consequently, defensive behaviours towards Adidas may be stronger and more evident than defensive behaviour towards Nike. Therefore, the manipulation of brand identification in the current study reflects a stronger measure of the strength of consumers' connection with the brand, which may have accounted for the defensive behaviour exhibited by both independents and interdependents.

Additionally, the current study manipulated brand identification by asking respondents to name a brand that they personally identify with and that shares their "personal image". Therefore, the nature of manipulation may have activated individual identity rendering it more salient than group identity even for interdependents. Self-categorization theory (SCT) (Turner et al., 1987) postulates that identity can fluctuate between the individual and social selves and that any identity can become momentarily salient as a function of contextual factors (Ellemers et al., 2002; LeBeouf et al., 2010). It also indicates that the salience of one identity decreases the salience of the other identity. Consequently, despite the nature of interdependents that make them less influenced by their personal feelings (Markus and Kitayama, 1991), their personal identity may have temporarily become more primary following manipulation and hence resulting in defensive responses.

Furthermore, previous studies have focused on certain categories of products limited to athletic shoes (Ahluwalia et al., 2000; 2001; Dutta and Pullig, 2011; Trump, 2014), consumer electronics (Swamintahan et al., 2007; Cheng et al., 2012), food (Cleeren et al., 2008) or drinks (Lisjak et al., 2012), with the exception of one study that focused on jeans (Huber et al., 2010). While consumers may build relationships with

these functional products, hedonic products such as luxury fashion clothing and accessories help consumers express their actual or ideal self-concepts (Ericksen and Sirgy, 1992) and hence they entail a higher degree of consumer brand relationships. The current study specifically focused on luxury fashion brands. These are hedonic products for which functional attributes are considered less important (Nia et al., 2000). Additionally, they are used to communicate consumer's self-concept (Tsai, 2005; Vigneron and Johnson, 2004). Furthermore, due to the high prices of luxury brands, they may be perceived as having higher financial cost which in turn increases the luxury brand's desirability especially among collectivists (Shukla, 2011; Shukla and Purani, 2012). This may explain the defence mechanism exhibited by interdependents. As for interdependents who dis-identified with the brand, they maintained their negative purchase intentions as predicted. Since brand threat did not involve any direct threat to their social connections, there was no reason for them to further decrease their purchase intentions.

GENERAL DISCUSSION

The results of two empirical studies demonstrate the impact of brand related status threat on consumer responses during the reflexive and reflective stages. Study 1 sought to examine consumer responses to brand-related status threat during the reflexive stage. Contrary to previous findings (Cheng et al., 2012) the results indicated that consumers' self-esteem was not threatened by brand-related status threat whether consumers identified or dis-identified with the brand. This indicates that consumers did not perceive brand threat as a personal threat. With regards to the reflective responses to brand related status threat, Study 2 examined how consumers' purchase intentions differ upon exposure to threat. In addition, the study examined the role of brand identification and self-construal differences in moderating consumer responses. Similar to previous studies (Ahluwalia et al., 2000; Einwiller et al., 2006, 2008; Cheng et al., 2012; Lisjak et al., 2012) the results elaborate the role of brand identification wherein high brand identifiers exhibited higher purchase intentions than brand dis-identifiers even after exposure to brand threat. In addition, self-construal differences were found to moderate consumer response; however only when they dis-identified with the brand. Consumers who dis-identify with an independent self-construal decreased their purchase intention upon exposure to brand threat while consumers with an interdependent self-construal maintained their purchase intention. High brand identifiers maintained

their purchase intentions, whether they possess an independent or interdependent self-construal.

Taken together, the results of our studies elaborate that brand-related status threats did not affect consumer reflexive responses; however, they influenced their reflective responses. Additionally, the reflective stage was moderated by the level of brand identification and self-construal. Our findings make a number of contributions to academic theory and practice, which we discuss next.

THEORETICAL CONTRIBUTIONS OF THE RESEARCH

The key contribution of our research is that we provide an integration of perspectives from social identity threat, brand threat, the social rejection literature, and self-construal theory to predict how consumers respond to brand-related status threats during the reflexive and reflective stages. In doing so, we uniquely contribute to each stream of research. We add to the brand threat literature by investigating the impact of new types of brand threats on consumer responses during the reflexive and recovery stages. In addition, we add to research on identity threats by elaborating that brand threats can be responded to as social identity threats. Moreover, in line with previous findings on social identity threats and brand threat literatures, we further support the well-documented buffering effect of identification. However, we also extend previous research by illuminating the moderating role of self-construal. We further make a contribution to self-construal theory by merging a self-construal perspective with that of brand threat. Specifically, we demonstrate instances in which the behaviour of interdependents can be situationally primed and temporarily altered to act in a more independent manner by achieving personal goals.

MANAGERIAL IMPLICATIONS

Our findings have important implications for luxury brands marketers. Many well-established European luxury brands have suffered from declines in status amidst tough market competition (Roberts, 2015). These brands are facing tough challenges to increase their profitability and continue their worldwide expansion. Our findings offer insights that could help these brands regain their status. For example, one of the main findings of the current research suggests that brand loyalty can buffer the negative effects of status decline. This implies that brand managers should use different response strategies for loyal and non-loyal customers following brand threat rather than a mass approach. For instance, research

suggests that brand marketers should use the diagnosticity strategy with loyal consumers by undermining the importance of the threat occurrence. However, it is more advisable to use the counter-argumentation strategy for non-loyal customers by refuting the validity of the threat (Ahluwalia et al., 2000). Furthermore, when dealing with high brand identifiers, brand marketers can utilise global strategies as our research indicates that high brand identifiers defend the brand against threats, whether they possess an independent or an interdependent self-construal. However, for brand dis-identifiers, brand marketers must pay careful attention to markets dominated by independent consumers—our current findings indicate that they react more negatively to brand threats. In addition, our findings indicate that the extent to which loyal customers can be forgiving of the brand decline may be dependent on their perception of the degree of status stability. This indicates that brand managers must communicate messages that reemphasize the brand's long heritage, elaborating to consumers that the decline in status is temporary. For example, as mentioned earlier, Burberry suffered from a major decline in status due to its distinctive check becoming associated with an inferior and cheap image. However, it managed to regain its status by reviving its heritage image (Neate, 2013).

DIRECTIONS FOR FUTURE RESEARCH

With respect to broader threat research, our studies offered a number of insights to the identity threat and brand threat domains and illuminated a number of avenues for future research. However, the study comes with its limitations. Our current investigations focused on only status threat; however other identity related threats such as stereotype threat or distinctiveness threat could also be applied to brand level. Moreover, brand threats stemming from other internal and external factors can be investigated. For example, previous studies have elaborated that consumers can build relationships with brands based on country of origin connection (Swaminathan et al., 2007). Therefore, it could be interesting to investigate the impact of identity related threats targeting the brand country of origin.

Furthermore, we focused on brand-related status threats; however, we did not take into consideration the impact of the stability of status differences. Previous studies have elaborated that threat to group status may take different forms depending on the status stability. For instance, high status group members feel threatened when group boundaries are unstable while members of low status groups are threatened when status

differences are stable (Scheepers, 2008). Therefore, investigating the role of status stability can yield different results.

Consumers' level of self-construal was measured by chronic tendencies, however previous research elaborates that due to the dynamic and complex nature of the self (Singelis 1994), individuals can possess both independent and interdependent traits under different occasions (Reed, 2004) and that situational priming can temporarily activate either aspect of self-construal (Agrawal and Maheswaran, 2005). Therefore, future studies should replicate our findings by manipulating self-construal.

Another interesting area for future research would be to investigate the long-term effects of brand-related status threat. In his model of ostracism, Williams (2009) categorised responses to personal threats into reflexive, recovery and resignation stages. The current research shed light on consumers' responses during the reflexive and recovery stages only. However, some studies suggest the temporality of brand defence (Cleeren et al., 2008) indicating that brands with high equity or high customer loyalty are immune from the negative impact of severe brand threats in the short-run only. This opens an interesting research avenue to elaborate how consumers are likely to respond on prolonged episodes of brand-related status threat.

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Spoling Ourselves: Consumers' Choice of Luxury Products

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People always had a desire for luxury. Even in democratic Athens, where expressions of luxury and differentiation were seen as disturbing the social harmony, Athenians always found ways to display wealth and status: from building monuments for the city to having an exquisite diet (Braund, 1994; Scott, 2011). During his reign, Alexander the Great made the conspicuous display of luxuries part of his policies, as a statement of power (Scott, 2011). In the renaissance, luxury already was an essential part of society, available to the greater public through the trade of luxurious goods such as fine glass, paintings, books, fashion garments, jewels and chocolate (Goldthwaite, 1987). Since then, individuals frequently face the decision “Should I choose a more, versus a less, luxurious product?”

Nowadays, with more and more luxury products available, and with higher levels of disposable income (Hodgson, 2015), the choice of luxury goods has become even more important. People drink cappuccino with a tasteless 24-carat gold topping, wear exclusive fashion designer clothing, and use handmade leather handbags. Over the past 20 years, the number of consumers purchasing luxury goods has consistently grown, with luxury retail sales reaching €250 billion in 2015 (D’Arpasio, Levato, Sito and de Montgolfier, 2015). Given the abundance of options that can define luxury, today’s consumers face a more complicated question: “Which luxury product should I choose?”

This research seeks to provide a picture of how consumers choose luxury products. Specifically, we examine choices of luxurious products along the two questions mentioned above. First, we discuss factors that influence the tendency to choose luxury products—the decision of consumers to choose a more over a less luxurious option. Second, given the many available options for luxury acquisition, we open the discussion on how consumers not only decide between more versus less luxurious

products, but also choose between products that offer similar levels of luxury, but differ in other characteristics related to luxury. We discuss how both individual characteristics (e.g., gender, wealth, desire for unique products, and need for status), and situational influences (e.g., identification with lower status groups, mating motives, and social exclusion), as well as their combination (e.g. uniqueness seeking behaviour in the presence of psychological pressure), impact consumers' choices.

We conclude with recommendations for companies marketing luxury products, for consumers interested in these products, as well as for future research on luxury.

CHOOSING LUXURY: FACTORS INFLUENCING THE TENDENCY TO PURCHASE LUXURY PRODUCTS

Who Chooses Luxury? Individual Characteristics Influencing the Choice of Luxury versus Non-Luxury Products

Research shows that both observable (e.g., gender, wealth) and unobservable but relatively stable individual characteristics (e.g. needs, personality differences) consistently affect consumers' decision processes (Haugtvedt, Petty and Cacioppo, 1992; Kassarian, 1971), including the choices between more and less luxurious products. Consumer wealth and income are two of the more obvious determinants of the preference for luxury products (Dubois and Duquesne, 1993; Veblen, 1899). However, given that nowadays luxury products are available to the wider public, preferences for these products do not only follow economic criteria.

Consumer gender also plays a role for the choice of luxury products, especially for relationship building. Men prefer to purchase and display luxury products to attract mates, especially as a short-term mating strategy (Sundie et al., 2011). On the other hand, women prefer luxury products because they help them keep away potential rivals who could pose a threat to their romantic relationships (Wang and Griskevicius, 2014). In this case, acquisition and display of luxury products signal to other women a special devotion of a romantic partner, because others would assume that the partner purchased the luxurious product.

The desire for status also motivates the choice of luxury products (Veblen, 1899). Indeed, researchers usually describe a link between the preference for luxury products and the social advantages that these products award (Bearden and Etzel, 1982; Eastman, Goldsmith and Flynn, 1999). Just like in the Renaissance, especially in the times of Louis XIV who displayed luxurious crowns and jewels, nowadays consumers

purchase Prada handbags or Rolex watches in order to project status. This status serves both to satisfy internal needs and to communicate social standing to consumers' closer social environment (Rucker, Dubois and Galinsky, 2011). Thus, the preference for luxury products has to do, at least partially, with how much status they provide.

Despite their importance, status motives are only one of the personality aspects of consumers that can influence the tendency to choose luxury over non-luxury products. Other socially driven motives are the desire to differentiate from others (Leibenstein, 1950), the identification with a desired social group (Dubois and Duquesne, 1993), and the projection of success (Mandel, Petrova and Cialdini, 2006). It is, therefore, no surprise that many successful stars from the movie, music or sports entertainment industries are often leading figures in advertising campaigns, as they signal success and accomplishment.

Other individual needs that lead to the choice of luxury products are related to how these products make people feel, without necessarily a reference to any social setting. For instance, luxury products provide significant emotional benefits (Hirschman and Holbrook, 1982; Vigneron and Johnson, 1999), such as rewarding feelings of pride. Consumers who are chronically prone to experiencing pride will prefer more luxury than non-luxury products because pride might make people feel as if they deserve to indulge, inducing them to spend more conspicuously (McFerran, Aquino, and Tracy, 2014).

Finally, besides pride, materialistic desires also increase the choice of luxury products (Richins and Dawson, 1992). Materialism refers to the exacerbated interest in acquiring material goods rather than pursuing social goals (Sahlins, 2013). Materialistic people regard themselves as successful to the extent they can possess products that project their desired images of success. As such, people high in materialistic desires would be more prone to prefer luxury products over others as a signal of their higher level of income (Richins and Dawson, 1992).

When Do We Choose Luxury? Situational Influences on the Choice of Luxury versus Non-Luxury Products

Besides individual characteristics, situational factors also affect the choice of luxury over non-luxury products. Considering the idea that acquisition of luxury products is a possible path to attaining status, temporal feelings of powerlessness will shape choices in favour of luxury products. Indeed, temporal states of low power can foster desires for luxury products as a compensatory strategy (Rucker and Galinsky, 2008). Since these products

signal status, they are filling the void left by the feeling of powerlessness and thereby serve to compensate for the power that was lost. Moreover, people in a state of low power prefer more “visible” luxury products, i.e. products with larger logos (Rucker and Galinsky, 2009). In the hope of re-establishing power, states of low power not only boost preference of luxury products, but also encourage public display of these possessions to get recognition (Rucker, Galinsky and Dubois, 2012).

Related to feelings of powerlessness, social exclusion has important implications for luxury preference (Lee and Shrum, 2012). Being ignored by others makes people choose luxury products over other products as a way to gain attention and impress others. This attention-seeking behaviour has the goal of re-gaining power over others (Rucker and Galinsky, 2008). Due to the close relationship between power and status, similar effects occur if a member of a high status group gets temporally identified with a lower status group, even when the person does not actually belong to that group (Massocco, Rucker, Galinsky and Anderson, 2012). The effect of such an association is equivalent to the temporal experience of low power. Thus, the preference for luxury products gets stronger as the gap between the previously and the currently experienced states of power or status gets wider. To illustrate, a lawyer mistaken for a sales person in a shopping mall, would be more likely to choose a Rolex over a Casio watch.

Recent research has gone further in suggesting that the mere presence of other consumers might drive preference for luxury products. Even the passive presence of another person can elicit feelings of pleasure, desire and joy, as well as increased attention to luxury products in comparison to non-luxury products (Posharliev, Verbeke, Van Strien and Bagossi, 2015). These findings suggest that this increased attention on luxury products could translate into more sales (Shang, Wedel, and Pieters, 2009).

A RISING CHALLENGE: THE CHOICE AMONGST LUXURY PRODUCTS

Recent market reports show that consumers, having higher discretionary income (D’Arpasio et al., 2015), are spending on luxury products more and more consciously. Indeed, the global luxury market surpassed the €1 trillion in 2015, and is expected to continue growing by 3% on average till 2020 (Bain & Company, 2016). Spending for personal luxury goods accounts for €250 billion—a 13% growth since 2014 (D’Arpasio et al., 2015). Today, consumers find themselves deciding amongst a variety of luxury products that are equally luxurious but that can differ in other relevant product dimensions.

Despite the importance of such consumption situations, our knowledge on how consumers choose amongst luxury products is limited. Research on this topic has focused on the influence of the visibility of the brand of the luxury product. Indeed, a first study suggests that the need for status affects the choice amongst luxury products (Han, Nunes, and Drèse, 2010). People with high need for status prefer more conspicuously branded products, while people with low need for status either prefer less conspicuously branded products or simply do not buy products that provide status. A second study found that consumers' knowledge also affects choice amongst luxury products (Berger and Ward, 2010). Consumers knowledgeable about the luxury market show stronger preference for less conspicuously branded products than for more conspicuously branded products, whereas consumers with little knowledge show stronger preference for more conspicuously branded products than for less conspicuously branded products (Berger and Ward, 2010). In other words, familiarity with the luxury industry makes a difference when choosing amongst equally luxurious products that differ in the conspicuousness of their brand.

Our own investigations examine another relevant dimension in which luxury products might differ; the duration for which they provide uniqueness benefits. For example, some luxury products provide strong uniqueness benefits for an extended period of time (typically referred to as *classic* products), whereas others provide strong uniqueness benefits for a limited period of time (typically referred to as *in-fashion* products). *How do consumers choose between classic and in-fashion products?* Our research explores this question. As a starting point, we conducted a survey amongst sales professional working at luxury stores to examine the importance of this question. Our results indicate that experienced sales professionals consider the choice between classic and in-fashion products important to study, and that the results of our study will help their business. Sales professionals agree that understanding uniqueness duration is a very relevant dimension in a product, especially for the luxury retail industry.

Regardless of being perceived as classic or in-fashion, luxury products are often marketed as scarce. Indeed, the luxury industry is known to exploit psychological pressure through the "rarity principle" (Phau and Prendergast, 2000). By suggesting that their products are in limited edition, exclusive, and only available for a short time, marketers of luxury products usually are exerting psychological pressure on their consumers. In addition to this, consumers of luxury products (some more than others)

are naturally looking for something special and unique. This need for uniqueness (NFU) or uniqueness seeking behaviour might be part of the personality of consumers (Snyder and Fromkin, 1980) or might be triggered by the situation (Maimaran and Wheeler, 2008) in which the choice of a luxury product is made. In light of the importance of this issue, a question worth analysing is whether and how psychological pressure and uniqueness seeking behaviour together might influence the choice between classic and in-fashion luxury products.

In our survey, sales professionals and consumers of luxury products were also asked to imagine a uniqueness seeking consumer choosing between a classic versus an in-fashion product. This consumer had to choose under either pressure or no-pressure. Results show that none of the groups could predict any choice pattern of the hypothetical consumer. This illustrates that professionals and consumers do not have very good intuitions about the phenomenon, which makes the development of a theory even more important.

To know if the choice tendency would change depending on psychological pressure and uniqueness seeking behaviours, we conducted two experiments using different ways to manipulate psychological pressure. In the first experiment we manipulated time availability by giving participants 60 or 40 seconds (our pre-tests showed that 40 seconds were enough to make this choice), and telling them that this time was “enough” or “barely enough” (respectively) to choose the product of their preference. After choosing between a classic and an in-fashion dress-shirt, participants completed the NFU scale (Snyder, 1977) as a way to test chronic uniqueness seeking behaviour.

In the second experiment all participants had 80 seconds to choose between two bags (classic versus in-fashion bag), knowing that two participants would actually receive the bag of their choice. We manipulated time pressure by telling participants that most people take 120 seconds (high pressure) or 80 seconds (low/no pressure) to make this choice (Briley and Aaker, 2006). This procedure guarantees that all participants have the same time available, but some feel more psychological pressure because they expect the time to be less than enough. Then, participants chose between the two bags and complete the NFU scale. In both studies the products were pre-tested, such that one was considered classic, and the other in-fashion.

We find evidence in both studies that the interplay of personality and situational factors plays a strong role in the choice amongst luxury products. Specifically, uniqueness seeking behaviour and psychological

pressure influence the choice between classic and in-fashion products. Consumers seeking uniqueness under pressure will tend to choose the classic product. However, consumers seeking uniqueness under no-pressure will tend to choose the in-fashion product. Consumers who do not seek uniqueness do not show any choice tendency.

Interestingly, in another experiment, we found that psychological pressure and uniqueness seeking behaviour also affects the amount of effort participants spent on deciding between a classic and an in-fashion product. Initial results suggest that participants seeking uniqueness spend more effort on the decision when they are under pressure than under no-pressure.

IMPLICATIONS FOR MARKETERS OF LUXURY PRODUCTS

Given the current global changes in the luxury market, it is even more important that managers of luxury products are aware of the unique way that individual and situational factors can affect consumer decisions, and use these factors when designing products and strategies to satisfy consumer needs. Wealth is not a sufficient determinant for the preference for luxury products. Several individual characteristics prompt consumers into buying luxury. As we saw through this article, easily identifiable characteristics such as gender could make a difference in the marketing strategy of luxury products, particularly for relationship building. Findings on this matter suggest that companies should acknowledge mating motives depending on gender, and potentially adjust their offerings and advertising appeals with these motives.

In addition, many relatively stable consumer characteristics could motivate a luxury purchase. Some of them are the desire for differentiation (Leibenstein, 1950), need for status (Eastman, Goldsmith, and Flynn, 1999) or materialism (Richins and Dawson, 1992). Although it may be sometimes difficult, trying to understand what is the motive of a consumer, and thus offering a luxury option that matches it, is a good strategy. For instance, a status-oriented consumer may prefer flashy products, whereas a materialistic consumer may prefer expensive ones. This might be the determining factor in the competitive luxury industry.

In addition to individual characteristics, situational influences, potentially controlled by managers, can increase the likelihood of the choice of luxury products. As shown, incidental feelings of low power (Rucker and Galinsky, 2008, 2009), identification with lower status groups (Mazzocco et al., 2012), social exclusion (Lee and Shrum, 2012), and the mere presence of others (Pozharliev et al., 2015) results in higher

preference for luxury products. Companies could try to identify when consumers are under the influence of these factors, or even artificially generate them. The mere presence of sales professionals could affect consumers' decisions. Alternatively, inducing consumers to come to a luxury shop with someone else (e.g., offer a small discount for shoppers accompanied by others) could increase the likelihood of a sale.

More importantly, this chapter reveals the need to explore in greater depth the choices amongst the variety of luxury products. The limited research on this question suggests that individual and situational factors, as well as their combination, can affect the choice between luxury products in unexpected ways. Consumers with higher need for status prefer more conspicuous products (Han et al., 2010), but consumers with more knowledge about the luxury market prefer less conspicuous products (Berger and Ward, 2010; Han et al., 2010). Again, the correct identification or targeting of consumers could determine the success of the marketing strategies. Through our investigation we find that uniqueness seeking behaviour and psychological pressure interact to impact choices between classic and in-fashion products, with consumers seeking uniqueness preferring classic (vs. in-fashion) products under high (vs. low) psychological pressure. As a consequence of our research, we suggest that companies that offer classic and/or in-fashion products should carefully analyse their costumers' profile and decide which strategies to use. If they can control psychological pressure, for example, through the use of advertising appeals, they should consider that it can be advantageous for classic products, but detrimental for in-fashion products. For example, psychological pressure could be used (e.g. in-store promotions) before the launch of a new collection of classic products. After the collection is launched, psychological pressure should be removed from the choice contexts to not hamper the sales of in-fashion products. Further simultaneous effects of personality and situational factors have to be considered in the decisions of marketers.

IMPLICATIONS FOR CONSUMERS OF LUXURY PRODUCTS

If luxury acquisition is important to consumers, it is also important to understand how consumers could satisfy their luxury needs in a better and more efficient way. Given the premium price of luxury products, it is important that consumers avoid over-expenditure that could lead them to economic adversities. Consumers should understand what these products have to offer, in order to identify the ones that will best fit their needs. For example, if consumers want to gain social benefits, they might be better off

choosing conspicuously branded products: products with more exposure of the brand, or brands easily recognisable by the social environment, as suggested in previous research (Berger and Ward, 2010; Han et al., 2010).

In our research, we examine choices between products that satisfy needs related to uniqueness for longer versus shorter time. Although in the short-term both types of products may be equivalent, in the long-term classic products satisfy uniqueness in an economically more efficient way, as they have to be replaced less often. As psychological pressure may increase the choice likelihood of classic products, a good practice by consumers could be to consciously shop under pressure (e.g., right before the shops close) when purchasing luxury products. This might help them avoid the temptation of fashion, saving them resources in the long run for the satisfaction of other important needs.

IMPLICATIONS FOR THEORY AND DIRECTIONS FOR RESEARCH IN LUXURY PRODUCTS

This chapter shows that the way consumers choose luxury products is a complex phenomenon. The evidence presented in this chapter exposes the need for moving beyond the level of luxury, and investigating other relevant differences amongst luxury products. Along these lines, past research has highlighted the important role of the visibility of the luxury brand (Berger and Ward, 2010; Han et al., 2010). We categorise products considering how long the uniqueness benefits last: classic versus in-fashion. Future research might want to consider investigating other dimensions of luxury consumption such as the purpose of conspicuous consumption (to project status vs. expertise about the category), the audience of the conspicuous signals (in-group vs. out-group), the means to project status (e.g., price vs. brand), and brand heritage, since both traditional and emerging conspicuous brands are attracting consumers.

Moreover, other important factors that may play a role in how people choose (amongst) luxury products are individual perceptions of luxury, ethical and pro-social attitudes, hedonic or indulgent tendencies, mood, or customer involvement with the luxury brand. Researchers could also try to understand the effect of claims related to country of origin, quality appeals, and language used in advertising.

To conclude, individual and situational factors matter when deciding what luxury product to buy, but unfortunately, little is known about what these factors are and how they affect the choice amongst the variety of luxury products. Overall, it seems that the phenomenon of the choice of luxury products is becoming more and more complicated. As such,

the way it is investigated (by researchers), endorsed (by managers), and materialised (by consumers) should also become more sophisticated. Our research paves the way for a deeper understanding of the factors that differentiate luxury products and that affect consumer choices once consumers have decided to spend in luxury.

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A Conceptual Understanding of Inconspicuous Consumption in the Luxury Business Sector

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ABSTRACT

Purpose

The purpose of this paper is to explore the notion of inconspicuous consumption to understand the sociocultural aspects of today's luxury consumption.

Design/Methodology/Approach

This is a conceptual/theoretical paper extracted from the author's PhD thesis (published in 2015). This paper attempts to critically analyse and evaluate Veblen's theory of conspicuous consumption, and seeks to find value of its successive and expanded concept: inconspicuous consumption.

Findings

The current global luxury consumers become less interested in acquiring conspicuous symbols and more interested in the actual worth of products even though they are hidden and hardly noticeable by others. This demonstrates the limitation of the applicability of conspicuous consumption to the contemporary luxury business sector. Instead, inconspicuous consumption helps to explore how a variety of today's luxury consumers make social distinction, constructing their identities and presenting their ethos and values through 'subtle' luxury consumption practices.

Research Limitations/Implications

The study presents an initial view of the concept of inconspicuous consumption. Based on the current conceptual understanding, the relevant empirical studies should be further conducted in order to develop more specific theoretical frameworks and demonstrate the applicability of the theory to luxury business practices.

Practical Implications

The global luxury brands, marketing practitioners or researchers could expect to bring out innovation by taking a multidisciplinary approach such as revisiting the existing concepts or theories in other fields in order to find a link with the luxury sector. In particular, they should find value in applying the notion of inconspicuous consumption to luxury business practices.

Originality/Value

Veblen's conspicuous consumption has been extensively employed in the field of consumption especially in the luxury business sector. However, it is arguable that only a few studies had an in-depth and critical analysis of Veblen's theory and its modified form: inconspicuous consumption. This paper critically revisits conspicuous consumption, and highlights the value of understanding inconspicuous consumption in the luxury business sector.

Keywords

Conspicuous consumption, Inconspicuous consumption, Luxury business sector, Sociocultural perspective, Luxury brand building

Paper type

Conceptual paper

1. INTRODUCTION

Luxury is everywhere in these days and everyone seems to understand what luxury is about. However, no one seems to define the exact meaning of luxury as the contemporary concept of luxury is much more complex, that is, associated with the social and political structure of our society (Kapferer and Bastien, 2012). Moreover, it cannot be involved in an absolute category, but it rather belongs to a relative group. Duesenberry (1949) explores that households not only care about their own consumption level but also about their consumption level *relative* to those of other households in their 'reference group' (Leibenstein, 1950). This is called the 'demonstration effect', which explains a phenomenon of suffering loss which is known to occur when one's relative consumption declines while others' consumption levels rise (Arrow and Dasgupta, 2009). Possessions themselves have no meaning, but they have to be displayed and observable to others, which is based on the social context. Doane (2006) asserts that contemporary scholarship on sociocultural

consumption has its roots in the work of Veblen (1899/1994). Veblen (1899) develops an evolutionary framework, that is, conspicuous consumption in which preferences are determined socially in relation to the positions of individuals in the social hierarchy (Trigg, 2001). This approach is in line with the sociological aspect of consumption. By moving away from the classical models of consumer behaviour which focus on individual decision-making, utilitarianism and cognitive processes, Veblen has been acclaimed for opening a broader sociocultural paradigm of the consumer. In particular, the notion of conspicuous consumption has been widely embraced by popular culture and everyday discourse mainly adopted by culturally-inclined consumer researchers (Patsiaouras and Fitchett, 2009). Even though there is an argument that the literatures of consumer research and marketing seem to have paid scarce attention to Veblen and his theory (Mason, 1998; O’Cass and McEwen, 2004), it is well worth revisiting Veblen’s ideas in order to further understand social accounts of consumption.

This paper aims to build a conceptual understanding in the field of luxury consumption through a sociocultural perspective. This paper revisits Veblen’s theory of conspicuous consumption which is extensively explored and employed in the field of luxury consumption (Han et al., 2010). By critically examining Veblen’s study, the author attempts to introduce and explore the modified notion of Veblen’s theory: inconspicuous consumption. From this, the author suggests to apply the concept of inconspicuous consumption to contemporary luxury business practices. This paper is developed based on the chapters extracted from the author’s PhD thesis: *Lone No More: The Sociable Ethical Consumer* from the University of Leicester (2015). It makes a theoretical and conceptual contribution in the field of luxury business and consumer research in terms of investigating innovative approaches to the success of contemporary and future luxury businesses, and finding opportunities to conduct empirical studies based on this conceptual exploration.

2. LITERATURE REVIEW

2.1 Veblen’s Conspicuous Consumption

Veblen argued that economic thought could be developed further by comprehending the evolutionary nature and interrelations of political, social and economic institutions (Qualey, 1968). In his book, Veblen frequently used the terms ‘natural selection’ and ‘struggle for existence’, explaining how individuals progress under the influence of evolutionary

selection, considering how the mental processes of learning, imitating and acting are imparted through instincts, habits and human culture (Patsiaouras and Fitchett, 2009). According to Gopnik (1999), in the era of pre-industrial predatory barbarianism, the human focused on acquiring more women, slaves and acres of land—symbols of ownership through wars and hunting that pervaded social life. However, in an industrial society, there is no obvious way other than seeing where people shop and what they buy. Patsiaouras and Fitchett (2009) explain this phenomenon, arguing that in the new phase of sociocultural evolution, the ‘struggle for subsistence’ has been replaced by the ‘struggle for wealth’. O’Cass and McEwen (2004) also argue that one of the strongest measures of social success and achievement in the consumer society is the acquisition of material goods. Veblen (1899) introduced the notion of conspicuous consumption, describing extravagant spending on products as an intention of chiefly displaying wealth and thus signalling status. In his book *The Theory of The Leisure Class*, Veblen (1899:69) says that “unproductive consumption of goods is honourable, primarily as a mark of prowess and a perquisite of human dignity; secondarily, it becomes substantially honourable in itself, especially the consumption of the more desirable things.” The possession of wealth does not aim solely to satisfy a consumer’s physical and intellectual needs, but it also strives to fulfil the primordial motive of emulation which is for Veblen “probably the strongest, most alert and persistent of the economic motives proper” (Veblen, 1899: 110). This is in line with Veblen’s particular emphasis on the concept of waste and surplus that does not require those who are financially affluent to keep working and this makes a clear differentiation from the working class. Thus, individuals who acquire more properties, become wealthy, and can be wasteful are considered to have higher positions in the social hierarchy.

Veblen understands the presentation of conspicuousness in consumption practices as a purposive conduct in which the instincts of emulation and predation is transformed and status considerations predominate (Chaudhuri and Majumdar, 2006). In other words, consumption practices are also determined by social needs such as prestige (Grubb and Grathwohl, 1967; Belk, 1988) rather than just material needs. Leibenstein (1950) argues that consumers purchase status goods in order to distinguish from other consumers or to imitate them, resulting in a ‘snob’ or ‘bandwagon’ effect, respectively. People buy status brands which have high perceived quality, luxury, prestige and/or high class attached to them (Shermach, 1997) as they indicate a visual representation of status.

By consuming these types of brands or products, consumers expect to display a certain level of status and possessions, exercising a snob effect. The case of Chinese shoppers today is a prominent example, in which, for instance, the young who love to flaunt their status shout “look, I am rich” by purchasing prominent logo-oriented luxury goods (*The Economist*, 2004). A bandwagon effect can be noticed by so-called followers who attempt to imitate these kinds of consumption practices in order to achieve similar or the same levels of status, image or identity. These consumption practices are caused because an individual’s position or status in society is judged, based on a display of wealth, by other members of society (Trigg, 2001). In other words, the ownership of property symbolises the acquisition of status and honour, and no property means the absence of status. This accommodates a hierarchical structure in the consumer society. In this sense, Veblen (1899/1994) considers conspicuous consumption as the most important factor in determining consumer behaviour for all social classes because it shows and puts emphasis on the relative social performance of members in society.

2.2 Historical Features and Conspicuous Consumption

In American history, the prestige of wasteful and lavish consumption was manifestly seen in the gilded age when *the leisure class* was written about and debated. ‘The Gilded Age’ refers to the period of enormous change in the United States as the country was transformed by the forces of immigration, industrialisation, corporatisation, urbanisation, mechanisation, and a revolution in transportation (Shrock, 2004). The term ‘Gilded Age’ was coined by Twain and Warner (2007) in their book *The Gilded Age: A Tale of Today*. Here, the name referred to the process of gilding an object with a superficial layer of gold and was meant to make fun of ostentatious display while playing on the term ‘golden age’. The Gilded Age resulted in the creation of modern, mass urban society that embraced leisure as one of the best things in life (Shrock, 2004). During the 1870s and 1880s, the United States economy grew at the fastest rate in its history, with real wages, wealth, GDP, and capital formation—all increasing rapidly (Kirkland, 1961). In this period, Veblen described the phenomenon of conspicuous consumption as individuals’ efforts “to excel in pecuniary standing” or “in the struggle to outdo one another the city population pushed their normal standard of conspicuous consumption to a higher point” (Veblen, 1899: 53). Thus, for Veblen, all social change was the result of mere animal-like adaptation, devoid of conscious decision-making concerning means and ends. Even though there is an

argument that conspicuous consumption is an unconscious action which is motivated by human's instincts of emulation, if considering phases of the times, we can also argue that conspicuous consumption can be seen as a deliberate and conscious action to achieve the objective of status enhancement (Chaudhuri and Majumdar, 2006). The pursuit of obtaining status through consumption practices is in line with the role of social performances. Therefore, it is important to re-examine and critically review Veblen's conspicuous consumption in terms of understanding the sociocultural role of consumption and specifically social performance.

2.3 Criticisms of Conspicuous Consumption

Even though Veblen's theory has been acclaimed by economists and sociologists, Trigg (2001) argues that the theory of conspicuous consumption has been subjected to considerable criticism outside of the mainstream. Chaudhuri and Majumdar (2006) suggest the needs to re-establish the theory with a reflection of the contemporary management circumstances. We can think of the limitations of Veblen's theory theoretically, academically, and historically.

2.3.1 Disregards the Private Pleasure of Consumption

First of all, Veblen seems to believe that the only motivation of consumption which exists as an absolute entity is to create stratification in society. Trigg (2001) analyses this key point of conspicuous consumption, arguing that a hierarchy develops when some people own property and others do not; to own property is to have status and honour, a position of esteem in this hierarchy; thus, to have no property is to have no status. However, Veblen seems to downplay the pursuit of private pleasure or the personal motivation of consumption behaviours. For instance, Olen (2013) describes today's mothers' possessions, saying that you can easily find a perfectly coiffed and dressed 'yummy mummy' pushing an infant in a \$900 Bugaboo stroller, complete with a \$200-plus diaper bag slung over her shoulder on the streets of any major American city. Possessing a \$900 branded baby stroller can be interpreted as an example of conspicuous consumption in terms of presenting one's high level of financial property. However, the mother who purchases this particular item may have a personal motivation or a specific purpose of buying a particular type of baby stroller which is light but strong and safe, made with special steel. Chaudhuri and Majumdar (2006) also elucidate the existing preoccupation in terms of understanding conspicuous consumption, discovering that people can choose to buy and display any product which

is different merely for the sake of being different from other consumers, rather than to display their wealth or social status. Postrel (2003) argues that the status critique sees only two possible sources of value: function and meaning. It denies the existence or importance of aesthetic pleasure, and the many meanings and associations that can flow from that pleasure. Connected to this, the following example is noteworthy:

“Frank, the cultural analyst, writes that, “The status symbol of the 1990s has been the restaurant stove.” Fancy stoves are, in his opinion, entirely about keeping up with the neighbours’ kitchens. To bolster his argument, he quotes a woman who owns a \$7,000 stove, despite rarely cooking at home. Does she say she felt social pressure to buy an overpriced appliance? Does she say she wanted to stand out from the crowd? No, she describes the stove as a work of art: “you think of it as a painting that makes the kitchen look good.” The supposedly damning quotation demonstrates the opposite of what Frank maintains: The woman sees the stove primarily not as a status symbol but as an aesthetic pleasure... Obviously the stoves serve something besides functional needs. But that ‘something’ is more complex and sensual than status, combining a vision of an ideal life of home cooking with the immediate pleasures of beauty and power. Whatever status a fancy range conveys comes less from its cost than from its ability to show off the owner’s discerning eye (Postrel, 2003: 76).”

As this description shows, consumption practices and the possession of products cannot be simply understood as an activity for the achievement of status. Rather, the expression of personal taste which is in line with Bourdieu’s (1984) notion of taste and cultural capital or the pursuit of private pleasure cannot be underestimated when understanding consumption practices. This will be further explored in the following section, taking into account the phases of the contemporary times.

2.3.2 Disregards the Time and Place

Theorists such as Lury (1996) and Slater (1997) suggest that conspicuous consumption was the main reason for consumer behaviour in the age when Veblen coined the phrase, but in intervening years, other motivations offered a better explanation of people’s consumption activity. Heibroner (1953) criticises Veblen’s approach in the book *The Worldly Philosophers*, arguing that while Veblen’s theories are valid for his time (the 1890s and the Gilded Age) and his location (the United States

in general, and the city of Chicago in particular), these theories are now outdated. In current periods, because of growing purchasing power, in an era of transitional capitalism (Holt, 1998), and the industrialisation process adopted by manufacturers, products that used to be considered exclusive (salmon, perfumes, first-class hotel services) are now widely consumed by the public (Dubois and Duquesne, 1993). Thus, goods are becoming relatively more affordable as disposable income levels keep rising. Taylor and Tilford (2000) also support this phenomenon, arguing that in industrial countries, the standard of living has risen so that items considered luxuries a few decades ago are common among the middle class today. Study by Essec Business School (2014) also claims that luxury isn't just for the elite anymore because traditional 'luxury' brands have been reaching out to a broader spectrum of society and finding innovative ways to appeal to an aspirational clientele. In this vein, status judgments based on the goods one owns are of little value (Holt, 1998). Consumption is not just about an attempt to achieve a competitive hierarchy of social status; rather, it has to be understood in a wider sense than that, in relation to a means of establishing 'symbolic capital' (Bourdieu, 1984).

2.3.3 Disregards the Needs to Go Beyond Status-Oriented Consumption

Finally, Veblen's theory of conspicuous consumption has been understood and interpreted by numerous researchers through a rather limited notion of status emulation (see Baudrillard, 1988; Douglas and Isherwood, 1996). Campbell (1995) investigates this phenomenon in academia, arguing that post-1950s literature on Veblen continues to extend the concept based mainly on the original logic of status signalling without showing any interest in incorporating other psychological or sociocultural constructs. Chaudhuri and Majumdar (2006) also criticise that the literature focuses mainly on explaining status signalling, merely using different nomenclature, jargon and concepts: Hirsch's (1976) 'positional goods', Ng's (1987) 'diamond goods', Congleton's (1989) 'status games', Ireland's (1994) 'market for status signals in the presence of visible goods', Pesendorfer's (1995) 'fashion cycles', etc. Purchasing behaviour is not just about impressing other people or displaying status and success (Davies *et al.*, 2012). Therefore, to extend the scope of Veblen's theory of conspicuous consumption from being only a status driven consumption behaviour, more diverse approaches have to be considered.

To synthesise, it seems appropriate to revisit Veblen's theory of conspicuous consumption in relation to contemporary business

circumstances. Chaudhuri and Majumdar (2006) also argue that the understanding of conspicuous consumption is still not complete, and it is evident in the continuing interests of researchers. This paper attempts to revisit the notion of conspicuous consumption, particularly focusing on the sociocultural role of consumption. Dubois and Duquesne (1993) also point out that in subsequent years many social scientists have started to explore the various facets of sociocultural influence on consumption behaviour. This may start with going beyond the status-oriented consumption practices of Veblen's conspicuous consumption. This paper argues that Veblen's theory plays an important role in understanding how consumers present their identities through consumption practices. This view also opens a discussion of how they differentiate themselves from others or construct a group identity with those who have similar consumption practices. Chaudhuri and Majumdar (2006) emphasise that when consumption moves to the symbolic realm, distinctive display can be made even with less expensive material possessions, still communicating the symbol of distinctiveness. Moreover, it is noticeable that the way of displaying or presenting something which can show who you are, is changing as well. Rather than taking a manifestly visible way, just like what Veblen's theory of conspicuous consumption says, a more invisible, subtle or even hidden way of presentation is being considered. For instance, in the past, buying exclusive branded luxury goods embossed with logos and labels was a way of presenting one's wealth. However, in the 21st century a more sophisticated and moderate way of consumption, such as investing in new technology (e.g. spending money to clone one's pet cat) is noticeable (*The Economist*, 2005). Connected to this, the author puts particular emphasis on the notion of inconspicuous consumption which will be further explored in the next section.

2.4 The Notion of Inconspicuous Consumption

The notion of inconspicuous consumption has recently been employed in the field of consumer research and marketing (Shove and Warde, 2002; Granot and Brashear, 2007; Berger and Ward, 2010). When we firstly see the term 'inconspicuous consumption', we may jump to the conclusion that it is totally opposite to conspicuous consumption. This is because the meaning of 'inconspicuous' is by and large understood as 'not clearly visible or attracting attention' (Oxford Dictionaries, 2014). However, as it is a relatively new concept, it has not yet been fully defined but rather is being understood in many different ways.

2.4.1 Ordinary Goods and Services

Shove and Warde (2002) employ the phrase ‘inconspicuous consumption’ to refer to the routine normative consumption of ‘ordinary’ goods and services: for example, purchasing logo-oriented goods but for invisible products such as underwear, a jacuzzi in one’s bathroom, etc. Even though wearing Calvin Klein underwear symbolises the wearer’s wealth and luxury in being able to afford expensive undergarments, the labelled item cannot overtly flaunt the wearer’s wealth like a Calvin Klein shirt or jeans. Here, focusing on goods and services which can be found in mundane and daily consumption is significant because Veblen’s theory deals only with peculiar or luxurious goods which are different from ordinary goods. Sullivan and Gershuny (2004) draw attention to the fact that less research has been directed at ‘ordinary’ consumption practices than at the more ‘glamorous’ areas of consumption. They focus on both the intangibility and satisfaction which may be obtained by the mere knowledge of possession that symbolises the imaginary future. For example, they identify a form of consumption in which purchases of expensive leisure goods are made, but these goods are subsequently stored away due to a lack of time. Even though consumers cannot use the purchased goods, they are still satisfied with their consumption because of an intention to use them at some imagined future time. This understanding follows that of ‘fantasy’, ‘imagined’ or ‘idealised’ consumption in which purchases are imaginary rather than real.

2.4.2 Subtle Signals

Berger and Ward (2010) also examine inconspicuous consumption but introduce the concept of subtle signals. While some products may not use explicit brand identification, their design, shape and other aspects may allow insiders to recognise the brand. Importantly, it actually requires a similar level of tastes (or cultural capital) which may be indecipherable by outsiders. Their study draws attention to the social symbolism of inconspicuous consumption and in this way extends the work of Shove and Warde (2002) and Sullivan and Gershuny (2004). They focus on the role of inconspicuous consumption in that it requires a certain level of knowledge or taste so that only a few people can have the ability to decode the value of one’s possessions. For instance, people in the West buy more discreetly branded luxury goods (e.g. non-logo goods) identifiable only by those ‘in the know’ rather than presenting prominent logos or brand names (*The Economist*, 2004). Some people can recognise particular products which have no logos or brand names by noticing particular types

of materials used or particular patterns of the design. The role of subtle and hidden cues is particularly noticeable, opening a discussion of ‘new luxury’ in the 21st century (*The Economist*, 2005).

2.4.3 New Luxury

Granot and Brashear (2007) define ‘inconspicuous consumption’ as one of seven categories which explain the notion of ‘new luxury’. In their empirical study, they investigated the characteristics of inconspicuous consumption, and found that participants purposely choose goods that are of high quality and relatively expensive but that do not display any visual brand elements. *The Financial Times* (2009) explains the new desire for inconspicuous consumption by citing the following incident:

“In November, Net-a-Porter, the online fashion retailer, began offering customers a ‘brown bag service’ delivering items in unmarked brown bags. Since then, and as customers come back to the luxury end of the market in greater numbers, other companies have followed Net-a-Porter’s lead.”

Connected to this, designer Karl Lagerfeld has called it ‘The New Modesty’ and others term it ‘the death of bling’ (*The Financial Times*, 2009). This is in line with the current trend of the global luxury consumers who become less interested in acquiring conspicuous symbols and more interested in the actual worth of products even though they are hidden and hardly noticeable by others (Bellaiche et al., 2010).

The analysis above show that inconspicuous consumption is understood and interpreted in various ways. However, it is undeniable that inconspicuous consumption is involved in the symbolic realm (both self-symbolism and social symbolism) of consumption which is in line with the concept of conspicuous consumption. Even though Veblen’s theory of conspicuous consumption has been challenged, debated and modified in the current society, the aspect of consumers’ motivation to distinguish themselves (which emerged from an instinct of emulation as per Veblen but may be not in this case) is emphasised in the understanding of inconspicuous consumption and demonstrates its relevance today. The aspect of making a distinction from others includes the notion of status, but it is not just about Veblen’s vertical form of status such as the social hierarchy. Status can be the horizontal one which is more like a ‘unique’ group. This is similar to the characteristics of subcultural groups: members create and present particular values and identities, constructing

their own social boundaries (Beverland et al., 2010). As inconspicuous consumption builds on the notion of conspicuous consumption, this paper understands inconspicuous consumption as a successive and expanded form of conspicuous consumption.

3. CONCLUSION

In summary, consumers have different perceptions toward consumption—shifting from a simple purchasing activity or an exchange activity for possession to the means of defining the self. In other words, consumption becomes the means through which individuals define their self-images to themselves as well as to others. The importance of self and social images has given rise to the phenomenon where products serve as symbols, and are evaluated, purchased, and consumed based on their symbolic content (Zaltman and Wallendorf, 1979). By the same token, value-based consumption, such as luxury consumption or ethical consumption, is the presentation of particular values and ethos through consumption practices which display the self and social symbolism.

Veblen's theory of conspicuous consumption plays an important role in understanding how individuals behave and present themselves through consumption practices. Veblen (1899) explained the notion of conspicuous consumption, focusing on extravagant spending on products because this is the way of displaying one's wealth and thus signalling status. While wealth display may not be as relevant or central to understanding contemporary consumers, Veblen's contribution to understanding the signalling and display remains relevant. Conspicuous consumption shows the relative social performance of members in society.

The notion of inconspicuous consumption as a successive and expanded form of conspicuous consumption is also explored in this paper. Inconspicuous consumption has been employed in contexts such as the luxury, household or leisure industries (Sullivan and Gershuny, 2004; Coupland, 2005; Berger and Ward, 2010) but in a limited approach. Inconspicuous consumption has not been extensively used in the context of luxury consumption but it would seem of potential relevance because luxury consumers pursue particular value-based consumption practices which ultimately construct their own social world. In other words, inconspicuous consumption may help to explore how a variety of today's luxury consumers make social distinction, constructing their identities and presenting their ethos and values through luxury consumption practices. In particular, the role of subtleness has an importance because it demonstrates how people in a particular group or segment share and

build an authentic group identity and membership (Hebdige, 1979; Kidder, 2005; Berger and Ward, 2010). Berger and Ward (2010) emphasise that without any explicit identification, consumers make themselves subtly distinct from others, valuing other aspects which can symbolise a certain level of taste in which the majority rarely decipher. As Hebdige (1979) shows, individuals with a domain-specific style may prefer subtle forms because it can be more authentic by restricting imitation by outsiders, making them in-group tastes which are hard to copy. By the same token, luxury consumers would like to make themselves distinct from others but at the same time they want to share a certain level of taste or value in luxury. An authentic style performance is implicit as it is described as natural, and mostly goes unnoticed unless there are errors in the performance (Elliott and Davies, 2006). The people in the same segment or group take an authentic style for granted so they don't even recognise it because they are too familiar with it. Here, the notion of style can be interpreted as a particular taste that enables a form of distinction from others.

4. IMPLICATIONS AND FURTHER RESEARCH

Even though this paper offers an introductory level of conceptual understanding of the notion of inconspicuous consumption, there is great potential to be further developed by conducting empirical studies with Asian luxury consumers. In particular, global luxury brands, marketing practitioners or researchers should find value in applying the notion of inconspicuous consumption to luxury business practices. Bruno and Barki (2015) found that if luxury companies want to have a more sustainable approach, they need to innovate. Here, the approach to innovate should not be limited to the development of new products or an evolutionary paradigm shift. It is rather to revisit the existing concepts or theories in other fields or other areas of study in order to find a link between the luxury sector and other sectors. Professor Srinivas Reddy, the director of SMU's Centre for Marketing Excellence also puts particular emphasis on the importance of integration of online and offline shopping for the future growth in the luxury business sector (Turner, 2015). Obviously, we acknowledge the existence of both online and offline shopping but the importance lies in the way of integrating these two existing concepts. The author finds, in her PhD thesis, a close link between and great potential to further develop research in the relationship between ethics and luxury which seems to be disassociated with each other. In particular, it is argued that the way to understand

and apply the notion of 'ethics' to the luxury business sector should go beyond the aspect of ethical product buying behaviour. In this vein, this paper suggests that the luxury business sector should take a multidisciplinary approach both in an academic and practical sense so that it could find ways to adapt to the future landscape.

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Conceptualizing the Framework for Branding Luxury in Ultra-Luxury Consumers

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ABSTRACT

The polarization of consumers based on income has presented marketers with new challenges in terms of consumption behavior. One of the most lucrative segments is the ultra-luxury consumer. This study explores the branding narratives of 58 highly exclusive Thai socialites regarding a range of product categories including dining, clothing, accessories, cars, residence, shopping malls, and banking services. It is found that the respondents go through the process of identifying, signaling, experiencing, and integrating with the brand through engagement levels of object-centered, self-centered, and social layers. Differing from existing theory is the emphasis on co-creating of the brand experience. It is posited that this is the result of the personal characteristics of these individuals as cultural elites or socially-connected individuals. As a result, they do not need a brand to form a community, on the flip side the brand becomes part of their network. This group even takes advantage of this relationship and their position in their network by making the brands they love part of their business. This type of engagement in the co-creation of the brand experience is the ultimate expression of a profitable brand relationship.

INTRODUCTION TO THE STUDY

Continued volatile economic conditions have resulted in a marked polarization of consumers. The middle class appears to be rapidly vanishing while there is a bias towards growth in the higher income and lower income groups. Recent research conducted by Knight Frank in 97 countries released in 2015 revealed that the segment of ultra-high-net-worth-individuals (UHNWIs) having assets valued over \$30 million has grown in size to 172,850 individuals. This is a growth of 3.1% since 2013. It is estimated that this group grows at a rate of 15 individuals reaching this status per day. Within the next 10 years, the population of UHNWIs will grow by 34% to about 231,000 individuals. Asia has the highest growth of

UHNWIs at the rate of 3.5% in 2015. Consequently, while other segments may be affected by the deteriorating economic conditions, this group remains a lucrative market because of their numbers and buying power. So far the industry has shed insight into their investment preferences but tapping into their lifestyle is equally important in understanding branding implications.

Previous studies regarding luxury branding that have large samples have been conducted on student samples or luxury mall intercepts (Shukla, 2011; Bauer, von Wallpach, and Hemetsberger, 2011). Qualitative studies conducted usually have a small sample size rationalizing that once the responses started to be repetitive the interviews are terminated (Roper, Caruana, Medway, and Murphy, 2013). Thus, the first contribution of this study is the exploration of branding narratives using inductive categorization conducted on 58 respondents—considered a fairly large sample for a highly exclusive target group across different product categories. It is expected that the findings would lead to the development of a framework to explain branding luxury rooted in experience from a psychological perspective developed by Schmitt (2012), which is the second contribution of this research.

BRANDING LUXURY

The study of luxury brands has traditionally focused on how consumers perceive and define luxury brands (Bauer et al, 2011; Keller, 2009). Implications of these studies indicate that the growth in luxury brands is promoted by the desire to project a desired image (Truong, Simmons, McColl, and Kitchen, 2008; Belk, 1988). Factors identified as important in luxury branding are status relating to the product quality and conspicuousness in signaling wealth (Truong et al., 2008).

More recent research shifts the focus to the experiential aspect of luxury brand consumption (Shulka, 2011; Bauer et al., 2011; Roper et al., 2013). This is in line with the recent interpretations of the brand, exploring its definition as a “physical and metaphysical presence, an economic and festive fixture that binds stakeholders in a multifaceted relationship” (Sherry, 2005). This post-modernistic view of the brand broadens the scope of brand relationships to include the fact that brand consumption has become a ritual in daily life, shaping the perception of contemporary reality. Reinforcing this view, Schultz and Schultz (2004) explained that the customer creates their own dreams or fantasy through experience where the product and brand makes some sort of aspiration possible. Consumer Culture Theory explains that the consumption is imbued in

the contextual and symbolic experiences that result from the branded interaction (Arnould & Thompson, 2005).

Brakus, Schmitt, and Zarantonello (2009) defined brand experience as a set of sensations, feelings, cognitions, and behavioral responses that are evoked by the stimuli in the customer interaction with the brand both directly and indirectly. Other definitions include a distinctive experience that can be created by managing the functional and emotional elements of the brand (Berry, Carbone, and Haeckel, 2002; Morrison and Crane, 2007). By putting together the appropriate experiences, connecting with customers goes beyond the functional benefit of the product or service extending to the creation of an emotional connection through engaging, compelling and a consistent context (Pullman and Gross, 2004).

Synthesizing the previous brand studies Schmitt (2012) proposed the idea that the previous brand models so far took a strategic approach rather than a view rooted in psychology. Schmitt suggested a model that distinguishes five brand-related processes: identifying, experiencing, integrating, signaling, and connecting with the brand at three levels of consumer engagement namely object-centered, self-centered, and social. Schmitt reasoned that different needs motivate the consumer, thus the three layers of engagement. The innermost level is the object-centered engagement driven by the functional and utilitarian benefits of the brand. The middle layer is the self-centered engagement where the personal relevance is developed. The final outer layer is the social engagement anchored in the community; thus at this point the brand is especially meaningful to the consumer. Hollebeek, Glynn, and Brodie (2014) explained these engagement dimensions as positive cognition, affection, and behavioural activation imbued in branded interaction.

The model then distinguishes five brand-related processes. 'Identifying' happens when the consumer identifies the brand and its category, forming associations and making evaluations regarding it. 'Experiencing' is the sensory, affective participation with the brand. 'Integrating' is the combination of the brand concept, personality and the resulting relationship. 'Signaling' is the process wherein the consumer uses the brand as an identity signal for symbolic purposes. Finally, 'Connecting' is the resulting attitude, attachment to the brand, and attachment in the brand community. These five processes can be explained by the Self-Expansion Theory, which posits that individuals are motivated to include others including brands into their self-concept (Aron & Aron, 1986). Once brands become part of their self, consumers will expend financial, time, and social resources in order to sustain the relationship.

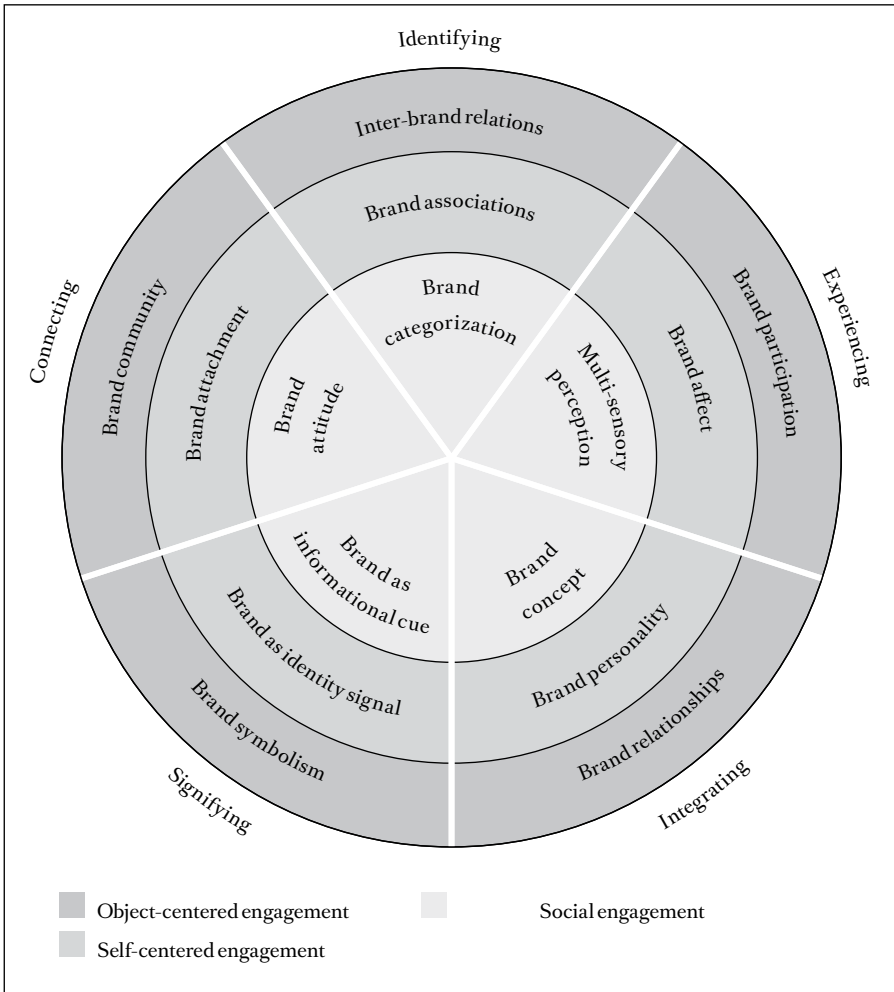


Figure 1: Consumer psychology of brands from schmitt (2012)

Schmitt (2012) explained that the five processes have not been defined chronologically and the three levels of engagement have not been defined as psychologically distinct. This is a gap in the research that will be addressed as a new framework for brands in the luxury segment is developed. Brands are created on the foundation of the product, the marketing activities that have been generated to support it and the “use/non-use” by consumers (Keller and Lehman, 2006). As a consequence, this study aims to address the recommendation by Schembri (2009) regarding the question about how consumers experience a brand through marketer-controlled and personal sources of information, and ultimately join in the co-creation of the experience.

As a consequence, the research objectives are developed as follows:

1. To study the process in which ultra-luxury consumers experience brands.
2. To explore the impact of brand communications compared to personal influences in brand choice for ultra-luxury consumers.
3. To explore the role ultra-luxury consumers play in experiencing brands.

RESEARCH METHODOLOGY

In line with previous studies on brand meaning and co-creation of brand value through experience, qualitative research methodology was selected for this research (Roper et al., 2013; Tynan, McKechnie, and Chhuon, 2010). The in-depth interview method was selected for exploring consumer narratives to gain knowledge about the role of luxury brands in the consumer experiences (Bauer et al., 2011).

Thailand can be considered a suitable place of study because the Knight Frank research estimated that the ultra-high-net-worth-individuals (UHNWIs) segment there has a growth of 2.5%, which is only slightly lower than the Asian average of 3.5%. The population of the study was derived from the list of 500 high profile individuals in Thai society printed by an international publication. The wealth factor was confirmed by their membership of the privileged local banking services, which requires a minimum of \$2 million with the bank (due to privacy issues the exact wealth of individuals cannot be disclosed). The study used a judgmental sampling approach as in the research of Roper et al. (2013), which studied eight luxury consumers in a community with one of the highest home prices in the United Kingdom. Subsequently, the participants were asked to recommend another friend to be interviewed to ensure similarity in their profiles (Roper et al., 2013; Malhotra and Birks, 2006). The data was collected from 58 individuals during 2014-2015. To ensure the generalizability of the data, participants ranged from 25 up to 70 years of age to represent different life stages of consumers (Roper et al., 2013).

Respondents were asked to relate their experiences on categories encompassing a broad range of products and services including groceries, restaurants, apparel, jewelry, watches, cars, homes, and banking services that they used. A semi-structured guide was used to explore their lifestyles and the brands that they use. The researcher then probed deeper by asking them to tell anecdotes about the brand which they strongly relate to. The interview was set in a place determined by the respondent such as their

home or office to ensure a natural interview setting in line with previous research (Bauer et al., 2011; Roper et al., 2013).

The analysis was conducted based on the inductive categorization suggested by Spiggle (1994). This technique was used by previous research including Bauer et al. (2011) and Roper et al. (2013). To control for researcher bias in the analysis two independent coders were employed to develop the emergent themes, which was then compared to the notes developed by the researcher. These themes were then referenced to existing theory to complete the data interpretation for the analysis.

RESEARCH FINDINGS

The respondents had a higher proportion of female respondents (81%). According to Bauer et al., (2011) having more female respondents was a normal phenomenon in luxury brand research. This may also have resulted from using the snowball sampling methodology so the respondents recommended their friends, thus resulting more female and older respondents in both genders. The respondents are business owners in industries ranging from food production, beverage production, telecommunications, automotive sales, property development, media, hotel, manufacturing, construction materials production, mining, and jewelry production.

| | Male (11) | | | Female (47) | | |
|-----|-----------|---------|---------|-------------|---------|---------|
| | 25 - 40 | 41 - 55 | 56 - 70 | 25 - 40 | 41 - 55 | 56 - 70 |
| Age | 27% | 27% | 46% | 21% | 36% | 43% |

Table 1: Age profile of respondents

It is found that younger respondents especially those aged 40 and below of both genders have usually studied in a foreign country, at least at the graduate level. In all male age groups and the two younger female age groups, the education level is at least a bachelor's degree. Only the youngest age group of both genders include individuals who are still single. There is a difference in the education level of the women aged 56-70 years, which includes those who have a high school education up to those holding Ph.Ds. In this group, there are only 25% who are still currently employed. The remaining two women groups are all employed. The men are still working in all age groups. The daily routine for all groups across all genders is divided between time spent working, exercising, and socializing. (Working for the female retirees includes taking care of

grandchildren and maintaining the household.) Those aged 56-70 years of both genders tended to adopt a hobby as they got older. Men largely played golf while women generally preferred to learn to paint and in one case started to learn ballroom dancing.

In terms of information search, the older respondents of both genders tended to rely on word-of-mouth (WOM) and representatives of companies that they could trust. In addition to the two sources mentioned earlier, the younger generations also sought information from specialized magazines or websites of their interest such as watches, art pieces, furniture, apparel, or supercars. Health is an important issue for all age groups. They were selective in their food consumption, engaged in regular exercise, and took action to ensure maintenance of good health. The older female group tended to enjoy merit-making activities including travel to temples in Thailand and going on pilgrimages to Buddhist monasteries in India.

The younger generation of both genders, due to their exposure to Western culture through their time studying abroad, tend to have a different idea of relaxation from their parents. These younger business leaders work hard and know they need time off for annual breaks. They enjoy travelling on their own, either renting a car and driving around Europe or yachting along the Riviera, while some enjoy hunting for good restaurants in Japan or Europe.

DISCUSSION

Based on the framework explained by Schmitt (2012) starting from identification information, experiencing the brand, to integrating information and experiences, to signifying and connecting with the brand anchored in the three engagement layers—object-centered, self-centered, and social-centered—the structure for the analysis was developed. The quotes best expressing each process at each level of engagement is presented in the following section.

| Object-centered | Identifying |
|------------------------|---|
| Brand Categorization | Definition: Schmitt (2012)—This would include the brand name, logo, and defining brand category. |
| Male aged 65 | “I have always known Piaget as a top name in the luxury watch industry since my days studying in Hong Kong. Piaget never stops creating new designs. It is very thin, making it a special design among luxury watches and movements.” |

| Object-centered | Identifying |
|--------------------------|---|
| Female aged 26 | “I think my style is reflected in the designers I choose. For Thai designers I like Issue and Chai Gold Label. These two houses feature clothes that are feminine yet elegant. My favorite foreign designer is Alexander Wang. These designs are very contemporary allowing me to mix and match easily.” |
| Self-centered | Identifying |
| Brand Association | Definition: Keller (2003)–This would include the attributes and characteristics like country of origin or factors that may not directly relate to the product. |
| Male aged 60 | “I bet that most of the watch collectors in Thailand would start with a Rolex, so did I. But when you start to learn more about watches, you start to look for pieces that truly reflect your style. It is a combination of eye-stopping beauty and sophisticated mechanisms. The watch of my choice is Ulysse Nardin Moonstruck, the celestial wristwatch with moon phases that is in limited edition of only 500 pieces.” |
| Social | Identifying |
| Inter-brand Relations | Definition: Schmitt (2012)–Co-branding, ingredient differentiation, and preference in the luxury category. |
| Male aged 48 | “This is a unique mall more like the ones in Hong Kong or Singapore. I must say there is none quite like it here in Bangkok. It is just impeccably designed. The artistic theme and sophisticated exclusive ambience just makes it a perfect place to meet up with friends and even business associates.” |
| Object-centered | Experiencing |
| Multi-sensory Perception | Definition: Schmitt (2012)–This would include the touch points through which the brand can be experienced. The environment as in the case of retail allows for this multi-sensory experience (Bauer et al., 2011; Caru and Cova, 2007). The purchase situation or the exclusivity of the experience is one of the hallmarks of a luxury brand (Bauer et al., 2014; Keller, 2009). |
| Female aged 57 | “We were looking for a house in the area valued in the range of 100 million baht. In fact, we visited many developments but felt that it did not truly answer what we wanted. We were not just looking for a nice home but also one where we could enjoy the environment and people in the neighborhood. We value exclusivity so we chose this development. My friends said this place is like a fort, it is not easy to just drop by. Well, it is a castle—the privacy and exclusivity have to be guarded well.” |

| Object-centered | Experiencing |
|---------------------------|---|
| Female aged 52 | “The food selection is great and everyone can take the pick of their favorite dish and eat together. No compromise is needed. What we do is choose a quiet nook with a large table so we can enjoy our meal exclusively. I really love this idea of self-selected dishes.” |
| Self-centered | Experiencing |
| Brand Affect | Definition: Ahuvia (2005)–The things including the brands people love shapes the sense of self of the individual. Fournier (1998) stated that at the core of a strong consumer-brand relationship is love, which can be defined as rich affective grounding. |
| Female aged 52 | “I just love Givenchy. It is a brand that both my daughter and I can enjoy together. We simply love doing things together and it is very fortunate that we have similar tastes.” |
| Female aged 25 | “I love Tag Heuer because I think it is a good reflection of my style. I love this ceramic watch because it is tough yet it is elegant with studded diamonds. I bought the watch along with the ring in the set because it is a perfect accessory that reflects my style.” |
| Social | Experiencing |
| Brand Participation | Definition: Schmitt (2012)–The consumers experience the brand through active participation and interacting with it. |
| Male aged 37 | “If you look around you can see that banks may be offering similar products but the real difference lies in whether you can trust the bank and the representative assigned to you. It is about the chemistry. Sometimes the investment may not grow but you know and accept that you can wait. If you can’t get along there will only be problems all along.” |
| Object-centered | Signifying |
| Brand as Information Cues | Definition: Zeithaml (1988)–Brands use price and quality as information signals signifying brand value, premium, and luxury. |
| Female aged 54 | “Sitting here today brings back the memories of the bank in Talad Noi that always glowed with warmth. Having known this bank all these years, I feel that their commitment to their customers never changed. As my father passed on the bank’s service to me, I will pass it to my children too.” |

| Self-centered | Signifying |
|---------------------------|---|
| Brand as Identity Signals | Definition: Escalas and Bettman (2003)–Brands create and maintain a sense of self for users. |
| Female aged 29 | “Balenciaga is my brand of choice because of its timelessness, elegance, and touch of playfulness that fits my personal glam style. I love the classical look that has a hint of fun that is characteristic of the brand. The timeless color palette coupled with stylish embellishments perfectly blends my love for couture with my lifestyle–my passion, my style, my Balenciaga.” |

| Social | Signifying |
|-----------------|---|
| Brand Symbolism | Definition: Woodside, Sood, and Miller (2008)–Brands may be symbolic representations of myths and archetypes. Consumers not only use products or services but they are immersed in the experience which can be interpreted as an escape from their daily lives or reliving nostalgic moments (Bauer et al., 2014; Caru and Cova, 2007). |
| Female aged 29 | “When I am not skiing, I go to enjoy the sea. I love the allure of the beautiful islets of Europe. I just love cruising through the islands and enjoying the exotic experiences of exploring new cultures and ways of life. I decided to choose an art piece that reminds me of the deep blue sea and lively cities along the Riviera.” |

| Object-centered | Connecting |
|------------------------|---|
| Brand Attitude | Definition: Keller (2003)–An overall evaluation of the brand. Brand attitude is not only determined from functional benefits derived from using the brand but also comes from the symbolic aspects (Kressmann, Sirgy, Herrmann, Huber, Huber, and Lee, 2006). |
| Female aged 75 | “We love Chinese food so oftentimes we go to our favorite Chinese restaurants especially the ones owned by my friends. We will all sit at a big table and eat together sharing stories and simply having a good laugh. Sometimes we also eat at the house of some of the members. It is good fun really.” |
| Male aged 65 | “There are so many choices available in the market so you need people who understand your needs to narrow down the choices for you. My favorite store knows just how to do that very well so I can be confident of every purchase I make.” |

Self-centered

Connecting

Brand Attachment

Definition: Park, MacInnis, Priester, Eisingerich and Iacobucci (2010)—The strength of the bond connecting self to the brand. Schmitt (2012) regarded the self-centered engagement process needing associations that lead to brand attachment.

Male aged 63

“Nowadays a good watch with sophisticated movements comes with a hefty price tag. One of the brands I buy is Parmigiani, which adapts the pocket watch design with modern interpretations. The unique design gives it an outstanding character. This is my newest purchase from the brand, *Ovale Pantographe*.”

Social

Connecting

Brand Community

Definition: Lee, Kim, and Kim (2011) suggested that “social psychological processes” motivate consumers to participate with brand communities.

The respondents do not participate in brand communities. However, they attend social gatherings that may be organized or supported by brands.

Schau, Muniz, and Arnould (2009) explained that there are three emerging perspectives in the relationship between consumers and brands as follows: (1) Value is manifested in the collective enactment of practices; (2) Ceding control to the customers; (3) Deriving added brand value from creatively using customer resources. The interpretation of this value creation has been applied to co-creation of the branding experience. In this ultra-luxury consumer group, they invest with the brands they love and in some cases even make it part of their business.

Co-creation

Definition: Schau et al., (2009)—The value-creating practices consumers engage with brands.

Female aged 50

“My husband’s family used to import Raleigh bicycles. Our latest introduction, *Elliptigo*, is a very unique bicycle because it combines the features of the Elliptical workout machine in the gym but it can actually be used outdoors. I expect this to be a hit soon. In addition, we also collect brand name bicycles like *Hermes* and *Aston Martin*. It is a hobby everyone shares in the family.”

Co-creation

| | |
|----------------|--|
| Female aged 36 | “My best friend had her internship at Joseph so I had a chance to spend some of my time at the store. It was there that I learned about how the brand was so exquisitely made and certainly it had a very big impression on me. At that time, I was in Law School and it was a time when I had to start using suits. Joseph was the perfect answer, the fine cutting, beautiful material, and neat stitching made such a great impression. I instantly fell in love with the brand.” |
| Female aged 33 | “I enjoy driving and I am sure many people share this passion. This is an opportunity that I seized for my business. Personally, I love Ferrari and Lamborghini. I love the sheer raw power of the engine as it soars on the road. But I also love the beautiful sleek design of these two brands. Honestly for me I look at design first. Well that’s the feminine view of cars for you. In addition to the sexy looks of these cars, they are also highly performance driven. When driving, I can feel that fun in the speed of the cars.” |

THEORETICAL CONTRIBUTION

Based on the research findings, a model explaining branding of luxury is developed. The model explored the processes first posited by Schmitt (2012) with other theoretical developments to explain luxury brand experience.

The process of identifying and signifying the brand image can be measured as functional or symbolic (Dobni and Zinkhan, 1990). The functional aspects correspond to the identifying process, which is related to the product attributes or inherent characteristics of the brand to conform to the category expectations (Grace and O’Cass, 2002). The symbolic aspect corresponds to signaling. It is identified as the non-product related attributes that can satisfy the higher-level needs of the consumers such as social approval needs or personal expression for maintaining self-esteem (Keller, 1993). Respondents make references to the quality of the product, its history, its country of origin and its reputation when sharing their narratives with the brand, similar to findings of Shulka (2011). Therefore, the process of identifying and signifying are combined as demonstrated in the following quote.

“I don’t think it is necessary to have many watches. It is like in life you don’t have that many people you love because there are only a few who are close to your heart. I chose A. Lange because this is a unique German

brand with a long history. In keeping with its roots the date numbers are taken from the design of the numbers on the dial of the clock tower in Dresden, where the company traces its roots from the famous clockmaker and keeper of the tower clock at the royal court. Like all things German it is minimalist yet created with a touch of sophisticated technology using the unique material, German Silver, which enhances its value.”

(Male aged 43)

Clark (1987) stated that consumers find value in the brand, its heritage, and the experience of their interaction with it hence leading to the next step in the model, which is a combination of experience and integrating. Experience corresponds to the consumption defined by Schembri (2009) as an opportunity for users of the brand to co-construct the brand experience. This co-construction of experience is enhanced through the symbolic roles of individuals that contribute to their identity and extended self (Schembri, 2009; Ahuvia, 2005). The brand consumption experience becomes a part of the relationship of users corresponding to integrating. As found by Schembri (2009) and Cova (1997) the postmodern view of brands includes the communal dimension of consumption that is derived from the network and strong emotional links. The respondents exhibit the personalization of consumption experience by linking it to their own nostalgic memories or with family.

“It was a great memory for me to represent Oxford on many occasions including during the traditional match against Cambridge. At around that time Joseph was growing in popularity and clout so among my colleagues there was a lot of talk about its fine cutting and elegance. So I got to learn about Joseph through the people I met in this elite circle of friends.”

(Male aged 48)

Unlike the proposition made by Schmitt (2012) regarding the connecting process being part of a brand community, the respondents have their own community through their social networks. The brand is part of it. To explain this phenomenon, the characteristics of these consumers need to be considered since they are more likely to be influencer types (Brown & Reingen, 2005). These respondents fit in the cultural elite and socially-connected types. The cultural elite individuals are defined as those who are well known in fashion, music, or sports. The socially-connected individuals are defined as those who are active in their

respective networks. Considering that their names were sourced from the list of top 500 socialites in Thailand by a well-reputed international publication, the respondents may consequently have pronounced influencer characteristics, thus they have no need to rely on brand communities for their socialization needs. Consequently, this research has found that this ultra-luxury consumer group actively co-create the experience with the brand. For instance, the respondents actively participate in the activities organized by their favorite brands such as being models in the fashion shows, being presenters for the brands, and even making the brand part of their business.

These ultra-luxury consumers choose a brand not only for its functional attributes but also for its symbolic meaning. As a result, the process of identifying and signifying happens in the same stage because it is the point where the consumer considers the information that is both functional and symbolic prior to the purchase or consumption. The brand becomes a marker of the desired self-image corresponding to the cognitive dimension of engagement defined by Hollebeek et al. (2014). The consequent step is the experiencing of the consumption or the purchase during which the user will integrate the brand through relationships, forming attachments. Once consumers have a strong bond with brands, they co-create experiences by taking roles participating in activities, becoming presenters for the brand, and some involve the brand in their businesses. Moving along the stages in the brand experiencing process, the engagement level with the brand increases. The strengthening of the bond happens as consumers make the brand part of their own personal and social identity.

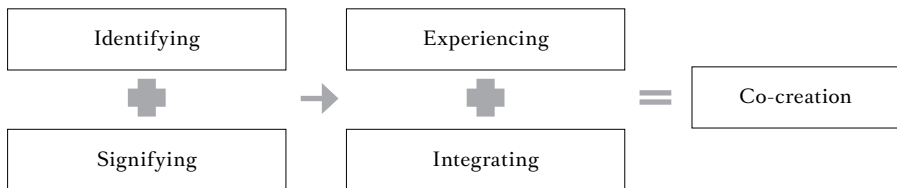


Figure 2: Luxury branding model

MANAGERIAL CONTRIBUTION

From the consumer narratives, it is found that those interviewed are actively involved in their social network. These socialites enjoy parties and activities together. Entertainment and business are merged seamlessly. These socialites are featured in affluent magazines and television

programs specifically following this group. Due to the close-knit nature of the group they tend to “help one another” supporting each other’s businesses, as the old Thai adage says, “Money grows money.” Therefore, brands can take advantage of this strong network in three ways.

The first opportunity for brands is to enlist these consumers as their dealers or representatives. The research discovered that respondents who truly loved a brand not only expressed it through consumption but also by making the brands part of their own business. Three respondents reported that they became dealers or representatives of the brands they loved in Thailand. This is a co-creation activity that clearly contributes to the profitability of the brand. It is the ultimate expression of brand advocacy. They take advantage of their affluence and connectedness in their network to market the brand relying on word-of-mouth to target people like themselves. This may be done in the form of being presenters for the brands in affluent magazines or television shows as advertorials or directly recommending it to their friends.

The second opportunity is the development of novelty ideas that truly matter to the consumer group. It is recognized that marketing must create the brand by delivering value to consumers in a way that truly puts the consumer at the focal point of all activities in a holistic manner (Kotler and Keller, 2011). With the opportunity to highly engage them, brands have the ability to personalize their message; evoking nostalgia or creating novelty is important especially in this luxury brand segment. However, it is important to point out that novelty for this target group needs to be something that they truly find interesting. Examples of novelty from consumer recommendations are party themes like English Garden or Derby Fashion. Respondents explained that it is common courtesy to respect the themes and dress accordingly. They enjoyed these parties because everyone participated. As a consequence, brands catering to this group started to create themes that entice their consumers.

Finally, brands must understand that it is necessary to ensure consistency at each of the touch points where the customer meets the brand. One of the most important experience that reflects luxury is exclusivity. The retail environment or consumption environment that is managed by the brand must emphasize this by having special rooms dedicated for these exclusive clients. Also, this may be reflected in the location of the store in an area that exudes prestige. The brand representatives must also make these ultra-luxury consumers feel special by gaining their trust, what one respondent referred to as “chemistry”. In addition, it is important to recognize that the person assigned to deal with

these consumers need to have the position and necessary empowerment. These ultra-luxury consumers do not tolerate waiting for decisions on their requests and do not tolerate amateurs servicing them. They demand the highest quality of every experience.

FUTURE RESEARCH DIRECTIONS

The research is conducted on Thai consumers who are predominantly of ethnic Chinese and Thai origin, thus the questions of applicability to global consumers need to be further explored. Shulka (2011) explained that to be able to generalize the findings globally, it is necessary to compare the findings across different cultures. This is because cultural characteristics and market conditions may affect the consumption of luxury brands. Therefore, for generalizability, it is recommended that studies be conducted in many countries that exhibit different cultural and market conditions.

The active co-creation of the brand experience is an interesting finding. Due to their affluence these consumers can involve their favorite brand as part of their business. However, this involvement has to be further explored. This is in line with recommendations of previous researchers questioning the process and particular activities that yield the desirable outcomes to the brand and the necessary conditions for it to happen (Schau et al., 2009; Bhattacharya and Sen, 2003; Fournier, 1998). Also, the consequence of making the loved brand part of business needs to be studied since the profitability performance may in turn affect how the brand is perceived.

Finally, Schmitt (2012) proposed that future research should study whether the three levels of engagement are psychologically distinct. This study found it difficult to distinguish these engagement levels due to the qualitative nature of the methodology selected. Future research may attempt to verify whether these levels of engagement are distinct using the mixed research methodology. Combining qualitative and quantitative inputs may be more effective for a better understanding of the phenomenon.

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Overviewing New Tools to Facilitate Luxury Management: Luxury Index, Luxury nChoice, Limited Editions, Connoisseurship and Design Iconizer

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ABSTRACT

The emerging area of research on luxury has experienced much growth during the recent years and is entering a new phase. While during the initial years, much conceptual research on the nature of luxury has been produced, a new phase is on the horizon that can be characterized as providing more technical and theoretical instruments to guide the management of luxury.

In this chapter, we argue about that, still, too few tools exist to guide luxury managers, causing many luxury brands to not be managed to their full potential, Thus, our aim is to develop comprehensive tools that allow luxury brands to arrive at higher revenues and profits, increase their competitiveness and develop more relevant offers for their consumers.

In addition, luxury products are typically consumed by a few consumers only. Thus, the use of traditional market research tools, designed to better understand large markets and often require sample larger than many luxury segments, is questionable. However, many brands are managed either with traditional marketing tools or with simply relying on the creativity and heuristic expertise of its management.

In this chapter, therefore, we provide an overview and describe a number of emerging instruments and tools to guide luxury management.

The Luxury Index (LI) provides one of the first and most powerful tools to manage luxury brands in a more profitable and sustainable fashion. It allows the luxury manager to plan brand portfolios and line extensions in a (much) more precise way.

Next, we discuss another tool by delving into the issue of difficulty of luxury consumption and provide initial theoretical discussion as a

prologue of an instrument to manage luxury along the lines of difficulty of consumption called connoisseurship.

Furthermore, we touch on the emerging area of luxury neuroscience by proposing nChoice to measure brain waves due to one's exposure to luxury products that are being developed or those that competitors offer. Importantly, nChoice performs with surprisingly small sample sizes, making it a perfect fit for luxury research.

Next, the Design Iconizer (LDI) is described. This technique allows luxury managers to create, assess, compare and evaluate various design options in a fast and cost-effective way.

Next, we describe a tool to optimize limited editions (OLE) as limited editions are ubiquitous in the luxury business. However, as our illustration shows, even the smartest companies offer limited editions that are too large or too small—reiterating the need and potential of OLE.

Implications for the luxury manager conclude the chapter.

1. THE LUXURY INDEX: A TOOL TO EVALUATE A LUXURY MARKET OR SEGMENT

To help manage luxury brands with more precision, the Luxury Index (LI) enables evaluation of the luxury potential of a market or segment—and does so quickly, reliably and at a reasonable cost. In the following, we sketch the structure and theoretical bases of this instrument. Generally speaking, the LI has some parameters that make it particularly useful:

- Input with few easily available variables (e.g. highest, lowest price).
- LI can be used to assess if an existing category already developed a luxury tier or, also, if NOT.
- Helps to determine if a line extension is congruent.
- Identifies how consistent a brand is positioned across different categories.
- Helps to find non-linear pricing opportunities, i.e. 'how high is high' with regards to pricing opportunities?

The key finding of the LI is that in principle one cannot exclude the possibility that each and every product category can develop a luxurious (top) segment. Looking at different categories of products, it is easy to identify that the luxury segment is typically at a price point that is more or less far away from the lowest price in a given category. An example is provided by the category of wristwatches: The cheapest watch costs about \$1 and most expensive watch currently in production is more than one

million times more expensive than the cheapest. Similar distances can be observed for cell phones, lingerie, shoes and wine. That is, the LI starts by observing the relationship between the highest price point of a category, which indicates the item with the highest perceived value, and the lowest price point and the range of prices feasible in that product category.

The result is a numeric score that is a proxy for the magnitude of the added luxury value (ALV) as main component of consumer utility for the highest priced items sold. Additionally, the median of the pricing dimension provides an indication of the spread between the lower and upper half of the category. For example, if the median is low, then there are more offerings at higher price points. Roughly, the initial conjecture entails: the lower the LI, the higher is the potential for a luxury within a category. Subsequently, this notion can then be further detailed with methods like cluster analysis. More details on the LI's structure are spared, due to space constraints.

However, we do note that the initial inputs for the LI are rather simple, suggesting robustness of the instrument. One of the few parameters needed for an initial analysis are the highest and the lowest price points within a category, as well as the resulting median. The focus on price points has a huge advantage: it makes it possible to compare different categories independent of their nature. We do caution, however, that in practice, the measurement of these seemingly simple parameters is a little more difficult as prices for given products are likely to vary depending on channel, time, season, etc.

Obviously, it would be possible to include more facets like quality or perceptions thereof (and these options are not excluded). However, we note that the current focus on price points is extremely useful for its simplicity, transparency and speed.

In categories with seemingly existing luxury segments, we can find in real life assessments price spreads that can be seen as surprising in magnitude. The LI often reaches values far beyond 10,000, in some cases even beyond one million. The implication is that such a category has at least one luxury item with a price that is one million times higher than the base product of the same category. This is thought to reflect a rather high ALV. At the same time, the median is likely to be close to the bottom of the pricing spread due to the high top price point.

In short, the challenges developing luxury brands are multifold with several pitfalls that can easily destroy the value proposition of luxury offers. Thus, the LI is argued to provide a simple and robust instrument to provide managers with a more detailed understanding about the kind

of luxury market a given category entails. For example, if the LI reveals a high median for a category, managers may arrive at different evaluations of a possible entry or exit decision. In this context, line extensions may also be seen in a different light. Our observations of incongruent, cheaper line extensions of luxury brands reveal that many brands may ignore insights that the LI can offer and thus, may not be managed in an optimal fashion. Similarly, as many portfolio extensions that endanger the consistent perception existing brands are made, using the LI could prevent negative impacts for an individual product.

LI and Competition

Importantly, the LI allows for a variety of insights on a wide range of topics that are important to the luxury manager. At this point, we briefly focus on the LI and market competition. That is, the pricing assessment through the LI can reveal much about the intensity of competitiveness in a luxury segment of a category (sometimes with help of cluster analyses). Those analyses allow managers to assess their marketing strategies and validate decisions about launch, extensions, support or market exits.

Furthermore, the LI allows for unique competitive analyses. It is possible to measure the relative distance to competitors across categories. This helps to optimize price positioning, among other benefits. In relation to their own portfolio, the LI can help to improve a manager's understanding of the probable success rate of brand stretches into new categories.

To illustrate the LI's potential for luxury managers, we offer the following. The Italian sports car maker Lamborghini introduced a limited model, the Lamborghini Reventón, which had a price point that was six fold over the car on which it was based. Taking an objective criteria, there were only few changes between the base model and the Reventón. Hence, the pricing delta cannot be explained in a rational or linear way. However, changes that objectively seem small can be perceived by consumers as large and important subjective changes and trigger a dramatic increase in LI. Thus, large increases in the LI can signal a change in the competitive landscape of a category.

Additional insights can be derived from an LI-based look at Hi-Fi speakers. Speakers have an LI of 50,000 compared to an LI of 3,000 for headphones and 3,000 for speaker cables. Benchmarking this with TV sets with an LI of 400, home phones of 60 and mobile phones of 1,000,000, there is a clear indication that the luxury segment developed differently across categories. TV systems and home phones could have a

luxury segment in a much stronger way than what is developed to date. As a result, the LI signals luxury potential in these categories.

In fact, several of these insights hold across many categories. In the beverage category, we found an LI of 160,000 for wine, 333 for beer, 200 for water, 90 for milk, 58 for champagne and 16 for apple juice. Intuitively, many would have assumed a different order, particularly comparing wine, champagne and water. The LI allows a simple, fast benchmarking within and across categories, with high validity and pregnant with managerial implications (again, details spared, due to space constraints).

As we pointed out, the empirical findings of the LI showed that in general, each product category could develop a luxury segment. Importantly, this instrument can deliver numerous signals, cues and suggestions to managers.

Another benefit of the LI is that companies who are already present in the luxury space can now easily and quickly compare current categories with other potential categories. The result of this new type of benchmarking allows one to identify the potential for new luxury offers as well as an evaluation of current offerings. To illustrate, the LI may suggest an underdeveloped category—from a luxury perspective, of course—and that could cause a manager to enter earlier than others. Thus, the LI can help to obtain an enormous competitive advantage in form of being a first mover.

Another, more numerical, illustration of LI's potential for the profitable management of categories can be shown with the segment of luxury cars. Let us compare the LI of model cars with that of 'real' cars. The LI for cars is around 250 with the most expensive production car offered at around US\$2 million. The most expensive model car, however, was recently offered for US\$3.5 million, in that category we estimate LI to be above one million. By just comparing the two categories, it seems to indicate that the most expensive cars sold today could be considered cheap in relation to the luxury offers in other categories. Another indication is that only recently, cars with price points above US\$1 million appeared. Due to Bugatti, and limited editions of other carmakers, the price point for the most expensive cars now moved towards US\$2 million, and more for some one-off models. The Lamborghini Aventador J is such an example, which was sold for US\$2.8 million, according to Lamborghini's former CEO Stephan Winkelmann (Autoweek.com, March 5, 2012).

It seems remarkable, that an extreme car, limited to one, is sold just slightly above the Bugatti Veyron, which was available in significantly higher numbers. This indicates that the pricing was somewhat linear in

relation to other super cars, in a sense positioned on a pricing continuum, while our research indicated the potential for non-linear pricing for true luxury goods. Especially for a product limited to one, non-linear pricing is key to make it profitable. Also, the sale of the car before the official 'sale' indicates that the pricing potential was not fully exploited and that the offer was too cheap. There could have been a realistic potential to find consumers willing to buy it at a significantly higher price point. Along these lines, we venture the guess that the most expensive cars are too cheap. The initial application of the LI indicates nothing less. It also showed just by looking into this one category that strictly limited offers could be much more profitable than what we find today.

We argued that in principle, all categories have the potential to develop luxury offers. Our luxury management tool, the LI, allows an efficient assessment to analyze and assess the potential of luxury segments and benchmark them across categories. The findings of our category assessments show that there is still a significant and unexploited potential for luxury goods.

The LI can furthermore help managers avoid underestimating the dynamics of luxury products and categories. What is luxurious today is fascinating and attracts many people. However, once these products become too 'normal', the product's LI decreases, consumer's value perception and their willingness to pay also decreases. In this context, the LI can generate early warning signals.

In conclusion, the LI provides an intuitive instrument that is rather easy to use and enables quickly answering a multitude of questions that managers of luxury brands face in their daily challenges—and do all that with high validity. Our current research focuses on refining the LI to identify luxury potentials even earlier and even more precisely, and to allow prognosis on the entrance and potential market moves of competitors.

2. DIFFICULTY IN LUXURY CONSUMPTION—EXPERTISE & CONNOISSEURSHIP

Luxury has often been defined as being—among other things—something difficult to use (e.g. Langer & Heil 2013, p.90). Difficult to use appears a little contradictory, as luxury should be, say, of better quality, offering more functions or comforts, etc. Thus, luxury should, at first glance, be rather easier to use. However, the psychology of luxury consumption suggests that, often times, it is important for the luxury consumer to be able to set him/herself apart. This unique status can, of course, be achieved

by having a product of the highest quality or being a product that is very rare. In a sense a bit surprisingly, luxury-status can be achieved as well through the ability to consume a luxury product in a way that is difficult to achieve.

For example, red wines need certain temperatures, need to be de-corked ahead of time (neither too early nor too late), the glasses have to be right, the wine has to be moved neither too quickly nor too slowly in the glass, smelling the wine should not take too long, and swallowing should certainly not amount to gobbling but also not indicate that the consumer's palate produces no longer any reaction to the red liquid. Obviously, adding ice cubes to red wine qualifies the consumer as very, very nouveau riche. This little illustration clearly shows that using luxury products can amount to a science. Also, numerous instances could be found in the consumption of luxury shoes, fancy cars, historic books, limited edition watches, opening-night concert tickets of Wagner's ring, etc. There are dos and don'ts or more precisely, there are a lot of dos that amount to what we call difficulty of consumption. Only those who master all the difficulties can produce the added signaling value as they qualify as a unique breed and segment of luxury consumers as they possess a unique

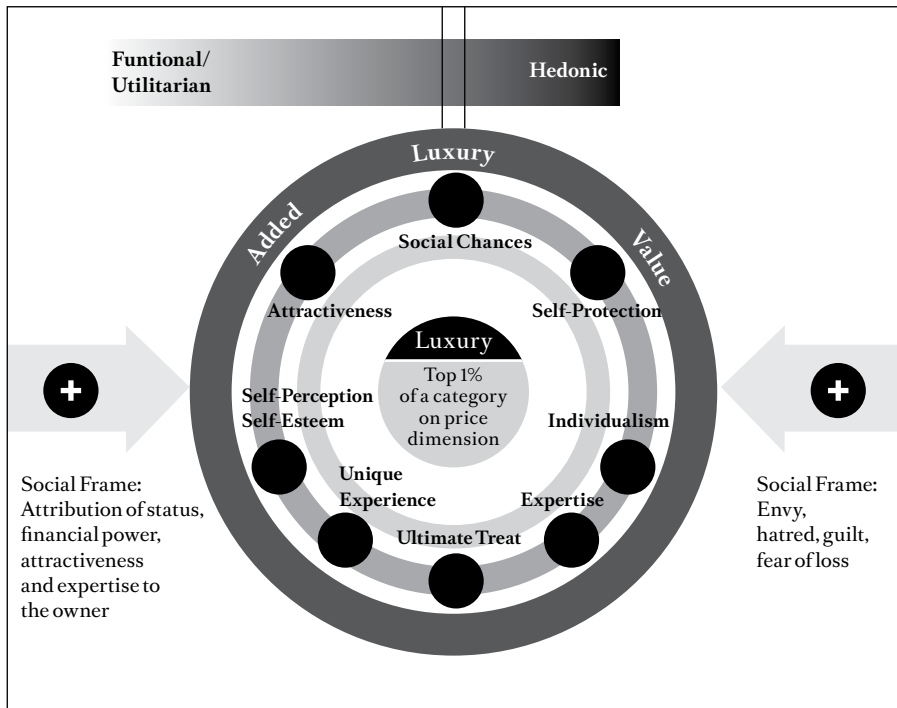


Figure 1: Luxury definition (adopted from Langer & Heil 2013)

expertise. These are the luxury connoisseurs. Figure 1 summarizes our depiction of luxury and shows how luxury expertise or connoisseurship occupies an important spot.

The hedonic nature of luxury is also part of the luxury expertise and connoisseurship. Luxuries appeal to the emotion of consumers in a conscious or unconscious way (Langer & Heil, 2013) by creating a significant added value far beyond functional and normal emotional values. The precise value proposition, including hedonic aspects, is key to successfully managing a luxury brand over time.

Interestingly, one might argue that to fully enjoy a luxury, a certain expertise is needed to arrive at the full luxury consumption experience. Wine tastings are commonplace and drivers' camps for new consumers of super cars help these consumers to get the most pleasure out of their newest acquisition (and to live long enough to buy another one in the future).

Yet, at the same time, luxury consumers are sensitive about producers' suggestions that they need 'help' in the consumption of a luxury product—as the latter sometimes seem to question the self-perception, self-esteem and expertise of the luxury consumer. As a result, any efforts related to an education of a luxury consumer must be assessed carefully and precisely by the luxury manager.

In summary, producing luxury products that are difficult to use opens a somewhat surprising avenue to market luxury products along dimensions including expertise and connoisseurship. However, the practicing manager needs to carefully design any educational activities, as consumers are likely to be very sensitive about being seen as possessing limited abilities to properly consume a luxury product. Obviously, the consumption expertise and connoisseurship are largely at the conceptual stage and more research is needed—and under way—to develop an instrument that can guide managerial decision-making.

3. CONSUMER NEUROSCIENCE: LUXURY NCHOICE® (LNC)- UNDERSTANDING CONSUMERS' APPERCEPTION

As pointed out, targeting luxury consumers provides a fundamental challenge for traditional market research tools. One such challenge entails emotional processes that are often pivotal for luxury consumers (in addition to difficulties caused by their need for relatively large samples). For example, no one needs a Ferrari but the car is simply stunning. Importantly, it needs to be noted that failing to sufficiently incorporate emotional and cognitive processes that occur 'within' the luxury consumer

produces a dangerous bias, i.e. the exaggeration of a segment size. When the incorporation of emotional dimensions gains relevance, this issue may in fact, explain why an increasing number of luxury products fail.

Typically, luxury managers employ methods that subscribe to the so-called S-O-R-paradigm, i.e. a stimulus will be processed within an organ (e.g. a consumer's brain) and that processing leads, subsequently, to a reaction. That is, the luxury manager develops some kind of an input that correlates—more or less—with an output or a reaction, e.g. a purchase. Importantly, the actual processing between stimulus and reaction is not really looked at—and, in a sense, amounts to some kind of black box. To make matters worse, it has been shown that even those who react, i.e. the consumers, are often at a loss when trying to reveal their true reasons for a luxury purchase. As a result, traditional methods fail to identify, analyze and understand the emotional drivers of a luxury purchase.

Luxury nChoice® (LnC) attempts to fill this gap and will be briefly described in the following. Building on neuro scientific insights, it employs pattern-matching algorithms to monitor and measure the brains' neural activities during the purchase process. In a sense, luxury nChoice produces a kind of a live copy of the consumer's brain activities while he/she decides on a luxury purchase. In addition, luxury nChoice uses the intra-personal Chance® method to build up success and failure predictions or estimations. It should be noted that the Chance method produces precise and reliable outputs with surprisingly small samples. Furthermore, we note that luxury nChoice is not limited to purchase processes but evaluates advertising designs or competitive advertising, as well as different advertising format including traditional print, TV or internet actions. Due to space constraints, we are limited to this simple, descriptive overview of the instrument only. Its detailed mechanics and research-based underpinnings are available upon request.

In short, LnC provides a new, unique, very fast and cost-effective way to conduct consumer and competitive market research in the domain of luxury products.

4. OPTIMAL LIMITED EDITIONS (OLE)—A NEW TOOL TO SET THE OPTIMAL QUANTITY AND PRICE

Limited editions are often called the 'power of less' as the identification of an optimal restraint in a product's quantity signals unique luxury, enhances the product's brand and increases its margins as well as overall profits.

However, finding that optimal restraint is not easy as the following

example shows. In fact, we will see that even smart and experienced companies fall victim to the (asymmetric) errors in the area of limited edition-making too many or too few. Recently, a well-known sports car maker offered one of its top cars in a limited edition of 1,500 units. As that limited edition was too large, only about 1,000 cars could be sold at full price and the remaining found buyers for less than the full price. This caused previous buyers to suffer a decline of the value of their investment—used cars were only worth about half the initial price—thereby damaging the brand and reducing the probability of future purchases.

Another maker of fancy cars made 400 units, selling out the whole lot and buyers enjoying nice appreciations of the investment, sometimes selling the cars for double of what they had paid. Next, yet another famous maker of sports cars, made only 20 units of a limited edition. The cars sold quickly and appreciated. However, the limited edition could have easily been five times the quantity released, increasing related profits by more than 500%.

In short, only one of three famous, smart and experienced carmakers found the right level for their limited edition. The other two either made too many or too few cars, losing out either way. Similar anecdotes can be found for watches, handbags, etc. as makers fail to understand the optimal size of a limited edition in their category.

Thus, finding the right quantity for a limited edition poses a major challenge for the luxury manager and the OLE algorithm is designed to facilitate exactly that decision. Overall, we note that the profit should at least equal the case of serving natural demand entirely. That is, the luxury manager needs to balance maximal quantities versus optimal quantities and do the same with prices.

The OLE instrument incorporates optimizations related to quantity, pricing, willingness to pay as well as product/brand reputation and product conspicuousness. The resulting recommendation include an OLE price as well as an optimal quantity. Again, space constraints prevent us from providing more details but the related research papers are available upon request.

Finally, we note that the OLE produces estimates that are category specific as optimal editions differ much across categories and for specific product forms within a category.

5. THE LUXURY DESIGN ICONIZER (LDI)

The factor 'design' is gaining rapidly in relative importance as, say, high

quality of a luxury product is presumed and, if not present, amounts to a killer attribute. As a result, design needs to be measured and, subsequently, managed more carefully. To that end, LDI has been developed.

The LDI is a unique and proprietary design simulator tool that allows cost- and time-effective market research to identify the optimum degree of innovation regarding evolutionary design of luxury brands. It is based on a structured and analytic process to identify existing iconic design features according to brand, 'gestalt', surface characteristics and graphics.

In addition, it can detect in a highly realistic computer-model simulation process specific consumer preferences according to willingness to pay and accepted-or expected-degree of innovation. Furthermore, it can contribute to identify unknown and unexpected consumer preferences in a counterintuitive way. Accordingly, LDI can support managers to make design decisions in order to avoid financial risks due to inappropriate design but also to increase brand value and design progress in a sustainable, innovative and consumer-centred manner.

In addition, we note that if we compare the amount of design development costs in relation to the total product development costs with the potential positive sales effects due to a fitting design, the factor design can lead to a tremendous leverage effect. We intentionally speak of 'fitting' and not of 'good' design because the definition of what is "good" design is characterized by an infinite number of individuals' (often philosophic or dogmatic) opinions. Managers should regard design as a main success factor and strategic marketing management tool. The challenge however is, that design can hardly be objectified and managers—who eventually decide on design—are confronted with high potential risks due to design failure on the one hand, and possibly missing design innovation chances on the other hand.

6. CHALLENGES OF MANAGING LUXURY BRANDS DUE TO THE USE OF TRADITIONAL, MASS-MARKET TOOLS

Improper, 'Mass-Marketing-Type' Focus of Luxury Management

It appears that a typical mistake in luxury management is a focus on volume growth. Many luxury brands are managed as if they were mass-market brands—but at higher price points. Many times, we find them prioritizing volume over profit growth. This has fatal consequences, often leading to incongruent line extensions, inconsistent portfolios, diffused value propositions and major mistakes in pricing. Importantly, these mistakes are very difficult to correct. As a result, there is a long list of luxury brands

that fail or struggle—among those some of the Who-Is-Who in luxury, with Prada and Maybach being recent examples. Typically, external effects are publicly cited for brand related failures. However, upon close inspection, we often find an improper steering of portfolio, brand equity and pricing as main drivers for declining revenue and profit. These pitfalls can easily destroy the equity of a luxury brand.

Pricing Strategies Inappropriate for Luxury Products

It seems that, even when growing in revenue and profit, many luxury brands are not managed to their potential. To illustrate, typically non-linear pricing within a category can be found (refer to Figure 2). To be relevant at a non-linear price point, products must offer a significant perceived consumer ‘value jump’ that entices the purchase.

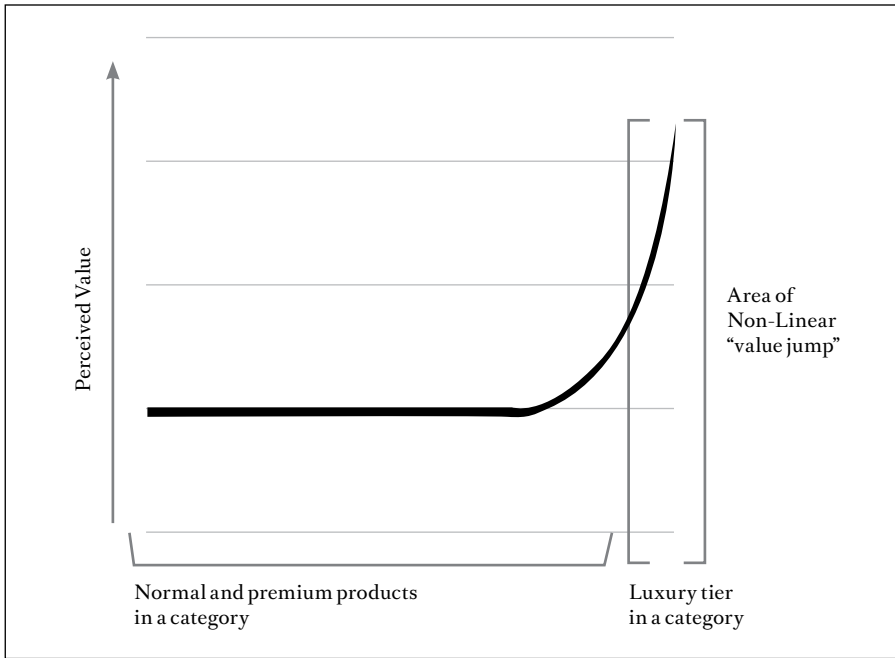


Figure 2: Luxury value jumps or steps

In relation to managing luxury brands to their potential, these non-linear value jumps are essential. Non-linearity offers a significant profit potential beyond volume growth. Paradoxically, only very few brands build their profit growth strategy with this insight. Most stretch their portfolio into entry-level products and seek growth by more volume (while some extends too much as has been recently witnessed in the case of Cartier timepieces).

Lack of Operationalization of Meaning and Definition of Luxury

One of the most consistent findings we observe repeatedly in our work is the elusiveness of the concept of luxury. We reiterated the lack of precision in the utilization of the term luxury, but even more striking is the widespread lack of understanding of key luxury drivers in the luxury industry. Many companies build their portfolio based on very basic market assessments, user experience or sometimes just a 'gut feeling' when it comes to portfolio and pricing decisions for their luxury products.

A FEW IMPLICATIONS FOR MANAGERS AND RESEARCHERS

In this chapter, we briefly introduced a number of new and evolving instruments and techniques that seemingly carry the potential to greatly enhance the management of luxury products. The luxury index (LI) allows a manager to effectively assess a market's luxury potential. That way, the LI can facilitate entry/exit decisions and/or line extensions.

Similarly, luxury nChoice provides a remarkable technique. It is fast and cost-efficient, yet goes to depth into what is previously unavailable to the luxury manager. Importantly, LnC allows the manager to, with full validity, access the luxury consumer's true emotions and cognitive process and, through the chance approach, do so with remarkably small samples of luxury consumers. That way, LnC offers a new level of precision, detail and depth.

The concept of difficulty of consumption of a luxury product entails that luxury products should sometimes be made such that they offer less comfort and are, thus, a bit difficult to use. That way, a consumer's desire for status can be satisfied as he/she can use the luxury product to signal expertise and connoisseurship. In addition, the chapter alerts to the evolving and elusive meaning of luxury. We maintain, that the definition and content of luxury continues to be dynamic, if not volatile.

Similarly, the OLE instrument enables improving the design of limited edition products. We illustrated that even the smartest companies offer limited editions that are too large or too small, and also depicted the dramatic consequences of such editions for profits and brands. The OLE can dramatically reduce such losses.

Related to this, we maintain that traditional research methods and techniques may not be optimal to analyze luxury markets, which can, among other things, be characterized as being comprised by very small numbers of consumers or products (etc.). This, in turn, reiterates the need for concepts, instruments and methods tailored to luxury markets.

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Luxury Brands in the Digital Era: A Cross-Cultural Comparison of the Effectiveness and Underlying Mechanisms of Personalized Advertising

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INTRODUCTION

Nowadays, luxury brands are going global due to a limited size of the local clientele (Kapferer & Bastien, 2012) and the increasing purchasing power of emerging economies. Therefore, as an important strategy of globalization, e-commerce is now being accepted for use by more and more luxury brands. Most renowned luxury brands like Fendi, Prada, Armani and Burberry have opened their own online shops. Therefore, luxury consumers from different regions worldwide can easily purchase their products online. To maximize revenues and attract consumers to their e-commerce websites, luxury brands display their online ads via emails or ad-networks (e.g., Google Display Network, Yahoo Advertising) to consumers from all over the world. Furthermore, new technologies in online advertising make it possible to adapt the ad content according to different recipients.

Based on these technologies, online marketers develop traditional personalized direct mails into a full-fledged online advertising strategy. Generally speaking, online personalized advertising displays **personally relevant** ad messages to individuals (Vesanen, 2007; Huang & Shyu, 2009) based on their personal information, preferences or behaviors online. Previously, salespersons in luxury stores used to offer their clients personal recommendations. Nowadays, luxury companies send personalized emails to their consumers. According to *Luxury Daily*, marketers consider personalization as an effective marketing strategy for luxury brands to boost conversion rates (Jones, 2015a & 2015b). There are ample studies where the effectiveness of personalization is being investigated empirically (e.g., Maslowska, Putte, & Smit, 2011). Among these studies, prior ones focus on personalized vs. non-personalized printed materials (e.g., Kreuter, Bull, Clark, & Oswald,

1999), while more recent studies investigate personalization with respect to online communication like web surveys (e.g., Heerwegh et al., 2005), newsletters (e.g., Maslowska, Putte, & Smit, 2011), online ads (e.g., Lambrecht & Tucker, 2013) and websites (e.g., Bol et al., 2013). In particular, these studies have shown that personalization in web surveys can increase the response rate by 8.6% (Heerwegh et al., 2005) and lead to lower ad avoidance (Baek & Morimoto, 2012). In addition, research by Maslowska, Putte and Smit (2011) reveals a positive effect of personalization on consumers' evaluation of the message. However, none of these studies explain the underlying mechanism involved in the way personalization affects the ad effectiveness. Although Bang and Wojdyski (2016) suggest that a personalized message can attract more attention than a non-personalized ad when doing a high-cognitive-demand task, they do not reveal an indirect effect of personalization on attitudinal or behavioral through ad attention. In a nutshell, although personalization is generally considered as an effective strategy, we do not know why it is effective.

Apart from merely understanding how personalization works, this paper also investigates when personalization works. In particular, we focus on the moderating impact of a dimension of the cultural orientation, individualism. The reason why we examine the individualism dimension is that individualism has been found to be highly correlated with the effectiveness of personalization (e.g., Kramer, Spolter-Weisfeld, & Thakkar, 2007; Irani, 2008). Furthermore, as one of the key dimensions in Hofstede's cultural model, the empirically measured scores of individualism of almost every national culture can be easily obtained in either Hofstede's studies or the GLOBE model (House, Hanges, Javidan, Dorfman, & Gupta, 2004). As such, cultural segmentation based on the level of individualism enables marketers to use personalization to target the right market. Previously, Kramer et al., (2007) find that a personalized recommendation is effective for people who show independent or individualistic tendencies. Additionally, Irani (2008) suggests that people with a higher level of individualism tend to be more satisfied with highly personalized feedback. However, cross-cultural research that investigates the effectiveness of online personalized advertising is scarce. Hence, to fill the gap, this research will compare the effectiveness of personalized advertising in two cultures differing greatly in the level of individualism and unveil the underlying mechanism.

THEORETICAL BACKGROUND

Defining Personalization

Personalization is neither solidly defined among marketers (Vesanen, 2007) nor researchers (Huang & Shyu, 2009; Baek & Morimoto, 2012). Personalization in marketing was first applied in the design of products or services that were adapted to individuals' preferences, for instance allowing them to choose the color they preferred (Surprenant & Solomon, 1987; Hanson, 2000; Peppers, Rogers, & Dorf, 1999). Surprenant and Solomon (1987) categorize three forms of personalization in the context of hotel services, namely programmed personalization, customized personalization and option personalization. Programmed personalization refers to "routinized actions with personal referents to make each person feel like an individual" (Surprenant & Solomon, 1987, p. 89). For example, salespeople or hotel receptionists include consumers' name in small talk to refer to them and make them feel like an individual. Customized personalization is "based on the desire to assist the customer in attaining the best possible form of the service offering for his or her needs" (Surprenant & Solomon, 1987, p. 89) and option personalization "allows the consumer to choose from a set of service possibilities" (Surprenant & Solomon, 1987, p. 89). In this period, Peppers and Rogers (1998) consider personalization as a process to deliver a targeted service to a consumer based on his/her information. Later, personalization was used in online marketing communications (Huang & Shyu, 2009; Baek & Morimoto, 2012) due to the development of information technologies (Vesanen & Raulas, 2006). Many scholars have given their definition of personalization in the online context. Imhoff, Loftis, and Geiger (2001, p. 467) define personalization as "the ability of a company to recognize and treat its customers as individuals through personal messaging, targeted banner ads, special offers on bills, or other personal transactions". Personalization Consortium (2005) gives a technology-based definition:

"Personalization is the use of technology and customer information to tailor electronic commerce interactions between a business and each individual customer. Using information either previously obtained or provided in real-time about the customer, the exchange between the parties is altered to fit that customer's stated needs as well as needs perceived by the business based on the available customer information".

Personalization in Luxury Advertising

As a matter of fact, personalization has been widely used as a service

strategy by many luxury brands (Mattila, 1999) for quite a long time. For example, salespeople in luxury stores communicate with their customers personally and cater their need individually. In addition, haute couture (high-level dressmaking) is the creation of exclusive custom-fitted clothing, in which luxury brands often invest. Even for Prêt-à-Porter (ready to wear), consumers can customize the product. For example, consumers can add their own initials to the scarf when purchasing one from Burberry. In-store personalization is widely adopted by luxury brands but online personalized communication is less often used (Jones, 2015a).

With the embracement of digital media (e.g., social media, apps, email advertising) and e-commerce, digital marketing strategies are gradually adopted by luxury brands (Bjørn-Andersen & Hansen, 2011; Woolley, 2013) to attract new consumers and maintain a closer relationship with current customers. Luxury consumers tend to value the sensory aspect of luxury goods (Okonkwo, 2007). In this scenario, consumers can make purchase decisions by touching, feeling, observing and even smelling the product and by communicating with the salespersons and receiving advice from them. However, the attribute of Internet limits all these possibilities. Personalization is regarded as a possible solution to substitute in-store personalized advice from the salesperson (digitizing-luxury, 2015). Researchers (Mattila, 1999; Bruce & Kratz, 2007) and practitioners (Jones, 2015b; Woolley, 2013) in the luxury industry regard personalization as an effective marketing strategy, because it can strengthen the feeling of being appreciated and important among consumers, get closer to them and create a deeper feeling of connection and uniqueness (Woolley, 2013). However, personalization may also give rise to privacy-related concerns (Liu & Simpson, 2016). Personalization works by utilizing consumers' personal information. It remains questionable whether the luxury consumer wants to be tracked or not (Kapferer, 2015). Nevertheless, studies about the effectiveness of personalized communication for luxury brands are scarce. An exception is a study by Murphy, Schegg, and Olaru (2007) that indicates that most luxury hotels respond to emails in a personalized manner. However, this study does not further investigate the underlying reason and its effectiveness. Therefore, the actual effectiveness of online personalized advertising for luxury brands remains unknown (Kapferer, 2015).

How Personalization Works: Self-referencing and Psychological Distance
The Elaboration Likelihood Model (ELM, Petty & Cacioppo, 1984; Petty & Cacioppo, 1986) suggests that personal relevance increases a

consumer's motivation to consider the relevant information diligently (Petty, Cacioppo, & Schumann, 1983). Accordingly, consumers are more inclined to process the advertisement in-depth when the message appears to be personally relevant for them (Kreuter, Bull, Clark, & Oswald, 1999). Kim and Han (2014) find that in mobile advertising, the relationship between personalization and flow experience (i.e., the degree to which individuals become absorbed in their activity) is mediated by cognitive factors like perceived informativeness, entertainment, and credibility. In other words, a higher degree of personalization leads to higher flow experience through higher perceived informativeness, entertainment, and credibility. Recently, Bang and Wojdyski (2016) conducted an eye-tracking experiment and indicated that respondents pay more attention to a personalized ad (using the information of the recipient's location and university to recommend a local coffee shop) compared to a non-personalized ad when doing a high-cognitive-demanding task at the same time. While doing a low-cognitive-demanding task, a personalized ad does not have a significant difference to attract consumers' attention compared to a non-personalized ad. The reason may be that individuals involved in a low cognitive demanding task (less motivated) pay attention to peripheral information and neglect the central (personalized) information.

A good example of programmed personalization can be "*Dear Mr. Green, we recommend this watch for you*". When addressing the name of the recipient, the recipient will feel that he/she gets individual attention from the firm. Personal information and personal pronouns like "you" make the recipient relate the message to him/herself. Instead of thinking why the product is attractive (abstract and distant, high-level construals), they may have self-directed thoughts (Muehling & Pascal, 2011; Burnkrant & Unnava, 1995) like how they would look like with this product or how this product meets his/her need (concreteness and proximal, low-level construals). Self-referencing is "a process strategy where one processes the information by relating it to one's self-structure" (Burnkrant & Unnava, 1995, p.17). The self is a complex memory (Greenwald & Banaji, 1989) that contains both semantic (e.g., the name) and episodic (e.g., one's experiences) knowledge (Burnkrant & Unnava, 1995). Self-referencing increases the message elaboration (Burnkrant & Unnava, 1995; Rogers, Kuiper, & Kirker, 1977) and persuasion (Burnkrant & Unnava, 1989). In line with the ELM, Burnkrant and Unnava (1989) posit that an argument has a greater impact on attitude and cognitive responses under high than under low self-referencing. Studies (Debevec & Iyer, 1988; Debevec &

Romeo, 1992) confirm that ads that can induce personal relatedness lead to more positive outcomes than messages that are not personally relevant.

In addition, we expect that this type of information processing can affect the psychological distance. As noted earlier, self-referencing consists of concrete and detailed thoughts (e.g., concrete: how do I look with this watch vs. abstract: why is this watch attractive). This in-depth processing can imply that consumers perceive more details when processing the message. This concrete information processing is linked to a low level of psychological distance according to the Construal Level Theory (Trope, Liberman, & Wakslak, 2007). Prior research (Benedicktus, 2008; Conway & Swift, 2000) suggests that lower psychological distance brings more trust beliefs and more positive attitudinal outcomes. As such, we expect a serial mediation model of personalization on purchase intention. More specifically, personalization elicits self-referencing, which leads to lower psychological distance and in turn brings higher purchase intention.

H1: Personalization has a positive indirect effect on purchase intention through self-referencing and psychological distance sequentially.

When does Personalization Work: The Moderating Impact of Individualism

The expectancy theory of motivation (Vroom, 1964) helps us to understand when personalization works and when it does not. This theory is widely used to explain organizational behavior, which “assumes that an individual’s choice is determined by his or her expectations about attaining desired outcomes”. Hann, Hui, Lee, & Png (2007) applies this theory to the study of online information privacy. The motivational force for a behavior or action is associated with three distinct perceptions: expectancy, instrumentality, and valence. The expectancy is the belief that an individual’s effort will result in attainment of desired goals. In the case of personalized advertising, an individual may pay attention to attain the information of the ad. Instrumentality is the belief that an individual will receive certain rewards if the performance expectation is met. In this study, instrumentality is the belief that a person will gain benefits such as a proper recommendation or personal attention from the company if he/she elaborates the information of the ad. Lastly, valence refers to the value that an individual places on the rewards of an outcome. The valence is based on their needs, goals, values. For example, if an individual perceives that a proper recommendation or personal attention is important, the valence will be positive. In this case, he/she is motivated to pay attention to the ad. However, if an individual does not attach importance to personal

recommendations, the valence will not be positive. As a result, he or she may just ignore the ad.

The motivation force is the multiplication of the expectancy, instrumentality, and valence. The higher the motivation force is, the more likely an individual elaborates the ad message diligently. This also implies that the motivation force may depend on individuals' perception and value. Individuals who attach importance to their personal needs may perceive personalization more rewarding. Therefore, we expect that the effectiveness and mechanism of personalization differ in different cultures, because people in different cultures may value their individual preferences in different levels. Previous studies (e.g., De Mooij, 2004; Kramer et al., 2007) investigating the relationship between personalization and cultures focus mainly on the individualism dimension of the culture. Individualism is identified as one of the cultural dimensions by Hofstede (1984) in his cultural model, which consists of five dimensions: power distance, individualism, uncertainty avoidance, masculinity-femininity and long-term orientation. Individualism (IDV) is defined as "the degree of interdependence a society maintains among its members" (Hofstede, 1984, p.84). People in a highly individualistic culture tend to value individual decisions and strive to be unique individuals, while people in lowly individualistic cultures focus more on conformity to the group.

In fact, collectivistic countries use less personalized headlines than individualistic countries (Cutler, Erdem, & Javalgi, 1997). As a main feature of personalization, personal pronouns such as "you" and "I" are less used in collectivistic cultures (Kashima & Kashima, 1998). This phenomenon of dropping personal pronoun is found to correlate significantly with a low-level individualism (De Mooij 2004). Many studies have confirmed that personalization is more effective for individualistic people (e.g., Kramer et al., 2007; Irani, 2008). For example, Moon, Chadee and Tikoo (2008) investigate the correlation between consumers' purchase intention towards personalized products and their cultural orientations. They find that the individualism dimension affects the purchase intention while the power distance and uncertainty avoidance dimension do not have any significant effect. More specifically, highly individualistic people exhibit higher purchase intention towards personalized products than individuals who are less individualistic. The reason is that personalization emphasizes personal benefits and this is effective in an individualistic culture where people attach more importance to individual preferences (Moon et al. 2008; Han & Shavitt, 1994). As a result, according to the expectancy

theory of motivation (Vroom, 1964), people in a lowly individualistic culture may not have the motivation to elaborate a personalized ad and relate the ad content to themselves because the valence in the motivation force is low or missing. Consequently, personalization cannot generate self-directed thoughts and will not decrease the psychological distance for people in the lowly individualistic culture. As such, we propose the following hypothesis (refer to Figure 1).

H2: In the highly individualistic culture (e.g., The Netherlands), personalization has an indirect influence on purchase intention through self-referencing and psychological distance sequentially. However, this moderated serial mediation model of personalization on purchase intention is not valid in the lowly individualistic culture (e.g., China).

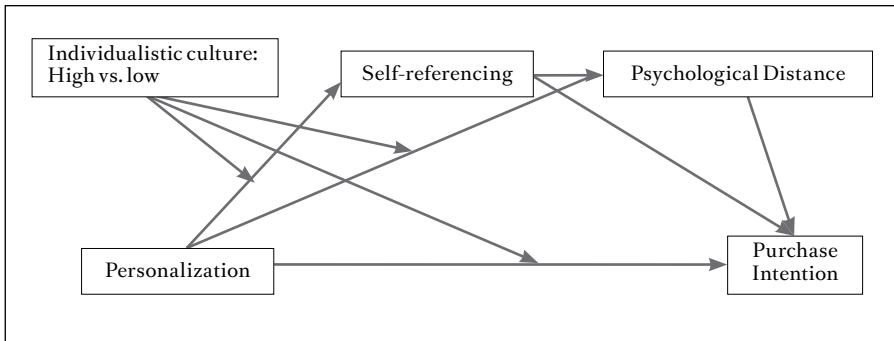


Figure 1: The conceptual model of the indirect effect of personalization on PI

METHOD

Experimental Design

An experimental study using a 2 (Personalized vs. non-personalized ad) by 2 (Individualism: low, China vs. high, the Netherlands) between-subjects factorial design was conducted to test the hypotheses. We selected China and the Netherlands because they differ greatly in the level of individualism according to the Hofstede model and the GLOBE model. The experiment was conducted online by using Qualtrics software. Within each country (China and the Netherlands), respondents were randomly assigned to one of the personalization conditions by the Qualtrics software.

Stimulus Material

To investigate the effectiveness of personalization in luxury advertising, fictitious email ads were designed for a fictitious watch brand “Ripple”.

As one of the most important categories of the luxury goods market, watches are both the historic giant and recent winner among all luxury products regarding the market share, accounting to nearly €30 billion (US\$30.04 billion, 2017) from 2000 to 2014 (Bain & Company, 2014). In addition, it is a product category that is appealing to both men and women. Two watches were shown in the ad, one masculine (black watch) and one feminine (blue watch).

The brand name 'Ripple' in these ads was fictitious in order to avoid pre-existing brand knowledge or experiences of consumers with the brand that might influence the measured result. We chose an American brand name that would be equally distant for Dutch and Chinese respondents. Ripple, chosen from a list of 'the 100 most beautiful words in English', has no other meaning in Dutch and Chinese. To emphasize the luxuriousness of the brand, the introduction of the brand was adapted by using the following description: "*Ripple is a luxury brand. This watch has superior quality and an extraordinary design, available at exclusive stores. The price is 8,000 euro*". Apart from the introduction, the background and font of the image were adapted to look more luxurious and magnificent. In this respect, the ad used a blue and gray curved shading background and Optima font (refer to Appendix 1).

The email ads consisted of several elements including an introduction, subject line, header (brand logo), email body, greeting, image (the product, background, and slogan) and other elements (the unsubscribe button and practical information, etc.) that made the email ad realistic. The level of personalization was manipulated by adapting the introduction, subject line, greeting, email body, and the image while keeping all other elements (structure of the email and some basic visual elements referring to an ad) constant. The ads were developed using Adobe Photoshop. Both a Dutch and Chinese version of the ad were designed, so that respondents were able to read the email ad in their mother tongue. The backward translation was done by native Chinese and Dutch speakers to ensure consistency between the Chinese and Dutch version of the ad and scales.

To manipulate the level of personalization, the name of the respondent, which was collected at the beginning of the survey, was shown in the subject line and addressed again in the greeting. The personal pronoun 'you' was used in the body of the mail and the slogan in the personalization condition, while a general form of address (dear sir/madam) was used in the non-personalization condition (cf. Appendix).

The manipulation was pretested by 133 respondents (81 Chinese respondents, 43 Dutch-speaking respondents and 12 respondents of other

nationalities). Respondents were randomly assigned to one of the ads. They were asked to read the introduction, the screenshot of the mailbox and the email ad. Then they were asked to fill out a questionnaire regarding the personalization degree of the ad. Both the questionnaire and the ad had two versions of language: Chinese and Dutch. The results showed that ads with personalized messages were perceived more personalized than the non-personalized ads ($M_P = 4.10$, $M_{NP} = 2.70$; $t(133) = -6.54$, $p < .001$).

Procedure

Participants received a link to the questionnaire in their mailbox, in which they were asked to participate in a short study on an evaluation of the new advertising campaign of Ripple. When they clicked on the link, participants were automatically directed to the Dutch or Chinese Qualtrics questionnaire. The system recognized their location or default browser language, and presented the corresponding language version accordingly. Respondents first had to indicate some socio-demographic information, gender, age, family income, nationality, and their first name (to be able to personalize the ad). Then, respondents were exposed to one of the commercial emails. The respondents first had to read an introductory text of the brand Ripple and afterward were shown a screenshot of a mailbox, indicating the subject line (with either the name of the respondent (personalized condition) or a general form of address (non-personalized condition), the time, and the sender. They were asked to look carefully at the ad and evaluate it afterward. Next, respondents had to complete various ad effectiveness measures, the manipulation check variables, and mediating variables. When it was finished, participants were thanked for their participation in the study.

Measures

Advertising effectiveness was measured with purchase intention. Most of the scales are measured using a seven-point Likert scale, except the one to measure psychological distance. Purchase intention was assessed using a three-item scale answered on a seven-point Likert scale (Cronbach's $\alpha = .92$) developed by Sääksjärvi & Morel (2010). Next, a manipulation check was undertaken to measure the perceived degree of personalization. A three-item, seven points Likert scale (Cronbach's $\alpha = .87$) was extracted from Bol et al., (2013) and Short, Williams, & Christie (1976). It was measured using items like 'This ad shows personal involvement', 'My personal information is used in this ad' and 'This ad mentions me in the advertisement'. The Values Survey Module (VSM) was designed by

Hofstede (1980) to assess dimensions of culture. Individualism (IDV) is one of the cultural dimensions. Four items from the VSM (2013; the latest version) were used to measure the IDV of the respondents. Respondents need to rate the importance of statements like ‘have sufficient time for your personal or home life’, ‘have security of employment’, ‘do work that is interesting’, and ‘have a job respected by your family and friends’ with 1 (of utmost importance) to 7 (of very little or no importance). The final score of the four items was calculated according to the formula developed by Hofstede. As the mediating variable, the scale of psychological distance was adapted from Bar-Anan et al., (2006) and Benedicktus (2008). This scale is a six-item, nine-point Likert scale (Cronbach’s $\alpha = .91$) to measure respondents’ psychological distance perception, ‘the physical features of the brand ‘Ripple’ are very concrete/abstract to me’, ‘This advertisement is very real/hypothetical to me’, ‘This advertisement is very direct/indirect’, ‘When I think about the features of this advertisement are very apparent/vague’, ‘This ad is very general/detailed’, and ‘In my mind, the features of Ripple are very tangible/intangible’. Another mediator that we measured was self-referencing developed by Martin and Lee (2004) on a four-item Likert scale (Cronbach’s $\alpha = .95$). Self-referencing was measured by rating statements like “The ad made me think about my personal experiences with the product”, “The ad seemed to relate to me personally”, “The ad seemed to be written with me in mind”, and “I can easily picture myself using the product portrayed in the ad”. A multi-group confirmatory factor analysis (MCFA) was performed to guarantee the measurement equivalence (Cheung & Rensvold, 2002). The analysis showed that the measurement equivalence of the scales held across two countries (detailed information available upon request).

Participants

The data were collected using a Qualtrics panel of Dutch and Chinese participants. Given the fact that we aim to test luxury ad effectiveness, we specifically targeted middle- and high-class working consumers, whose monthly family income is higher than 3,000 Euro in The Netherlands and 15,000 Yuan (US\$2,174.59) in China (based on the purchasing power parity rate). The age of respondents varied from 24-60 years. Respondents who did not meet the criteria were excluded. After removing eight invalid respondents (respondents who were in the personalization condition and used a faked name like “aaa”, “A”, “hh” and the like), a total of 240 completed questionnaires were collected. The number of respondents per condition was ranging from 57 to 63. The number of Dutch respondents was

125 (52.1%), while the number of Chinese respondents was 115 (47.9%). 134 respondents (55.8%) were male and 106 (44.2%) respondents were female. The mean age was 41.6 (SD = 10.51). More than 81.9% respondents held a bachelor or higher degree. More than 84.6% respondents' family incomes were higher than 3,000 euro or 24,000 yuan per month (after tax).

RESULTS

Manipulation Check

We conducted a t-test on the measures of the individualism to examine whether Chinese subjects differ significantly from the Dutch subjects. Consistent with previous research, there was a significant difference between China and the Netherlands in the level of individualism ($t(1, 238) = -9.68, p < .001$). Dutch respondents ($IDV_D = 92.3$) displayed significantly higher individualistic tendencies than Chinese respondents ($IDV_C = 8.17$). Another t-test conducted on perceived degree of personalization yielded a significant effect for personalization condition ($t(1, 238) = -2.40, p = .017$). As we expected, subjects in personalization condition ($M_P = 4.42$) showed higher perceived degree of personalization than subjects in non-personalization condition ($M_{NP} = 3.99$).

Tests of the Hypotheses

To test the first hypothesis, the independent variable (personalization), the moderator (individualism), two mediators (self-referencing and psychological distance) and the dependent variable (purchase intention) were submitted to the SPSS macro PROCESS (Hayes, 2012) for a moderated serial mediation analysis. PROCESS has been used by researchers for serial mediation analyses (e.g., Krieger & Sarge, 2013) because of its simplicity, convenience, and validity. PROCESS uses an ordinary-least squares (OLS) path analysis to identify the direct and indirect effects. However, since there was no such model in PROCESS 2.15, we conducted the test according to the way Hayes (2015) recommends in his study (see fig.2). Firstly, we computed the mean center of the independent variable and the moderating variable. We calculated their product and then performed the model 6 (bootstrap estimates: 10,000). Firstly, the preliminary result showed that as for the total sample, there was no significant indirect effect of personalization on purchase intention neither through self-referencing (Effect = .03, SE = .10, 95%-CI = [-.1708, .2240]), psychological distance (Effect = .01, SE = .04, 95%-CI = [-.0697, .0786]) nor self-referencing and psychological sequentially (Effect = .01,

SE = .02, 95%-CI = [-.0423, .0732]). There was no significant direct effect (Effect = -.16, SE = .12, 95%-CI = [-.4008, .0112]) or total effect (Effect = .03, SE = .05, 95%-CI = [-.2147, .0112]) either. Therefore, the first hypothesis was not supported. However, this might be because of the influence of different cultural orientations (i.e., highly vs. lowly individualistic). Therefore, we continued to test the moderated serial mediation model.

In the last step, PROCESS generated a data file of the 10,000 bootstrap estimates of the 15 regression coefficients. After computing the product of a_{31} and b_1 , a_{32} and b_2 , a_{12} , d and b_2 , the program produced 95% bootstrap confidence intervals for the indices of moderated mediation for the three indirect effects through self-referencing only, through psychological distance only and through self-referencing and psychological distance in serial. The results showed that individualism moderated the serial indirect effect through self-referencing and psychological distance, 95%-CI = [.0006, .2309]. It also moderated the indirect effect through self-referencing 95%-CI = [.0033, .8281] but not through psychological distance 95%-CI = [-.0447, .2697]. To investigate the conditional indirect effect, the serial mediation analysis was performed twice for the Chinese and the Dutch samples separately. The results showed that this serial mediation model was not valid neither for the Chinese sample (Effect = -.05, SE = .05, 95%-CI = [-.2147, .0112]) nor the Dutch sample (Effect = .04, SE = .03, 95%-CI = [-.0038, .1396]) when the confident level for confidence intervals was 95%. However, when the confident level for confidence intervals became 90%, the effect of personalization on purchase intention through self-referencing and psychological distance was significant for the Dutch sample (Effect = .04, SE = .03, 90%-CI = [.0021, .1193]), but not for the Chinese sample (Effect = -.05, SE = .05, 90%-CI = [-.1799, .0021]). This marginally supported the second hypothesis. There was no significant indirect effect of other mediation models (refer to Table 1) in each country.

DISCUSSION AND IMPLICATIONS

In this paper, we investigate whether, how, and when luxury brands can benefit from using an online marketing strategy, personalization. Therefore, the effectiveness and underlying mechanism of a personalized email ad for a fictitious luxury watch brand are tested in China and the Netherlands. By using a moderated serial mediation analysis, we find that the individualistic culture significantly moderates the indirect effect of personalization on purchase intention. Specifically, in the Netherlands, personalization has a positive effect on purchase intention through higher self-referencing and lower psychological distance sequentially.

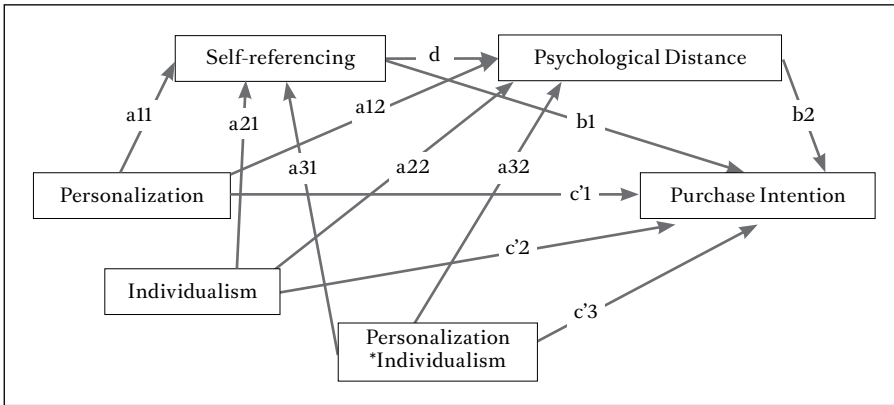


Figure 2: The statistical model of the indirect effect of personalization on PI

| Country | Mediation | Effect | Boot SE | BootLLCI | BootULCI |
|-----------------|-----------|--------|---------|----------|----------|
| China | a11 → b1 | -.2070 | .1593 | -.4923 | .0360 |
| The Netherlands | a11 → b1 | .2035 | .1430 | -.0041 | .4710 |
| China | a12 → b2 | -.0263 | .0416 | -.1121 | .0229 |
| The Netherlands | a12 → b2 | .0653 | .0634 | -.0165 | .1918 |

Table 1: Indirect effects of other mediation models

However, this serial mediation model is not valid for the Chinese sample. The findings are in line with the position that personalization is generally more effective in individualistic cultures than in collectivistic cultures. In a highly individualistic culture, people tend to elaborate a personalized ad message more diligently (i.e., relating the message to themselves, self-referencing) because respondents value their individual preferences more. Self-referencing, a lower level of construals, leads to lower psychological distance and in turn enhance the purchase intention.

Firstly, our findings help to better understand how personalization works through a moderated serial mediation model. In this model, personalization has an effect on purchase intention through self-referencing and psychological distance sequentially. These two models work only in highly individualistic cultures (e.g., the Netherlands), but not in lowly individualistic cultures (e.g., China). These findings suggest that ELM and CLT can be connected in the case of personalization. Previous studies indicate that the fact that people process the information diligently does not necessarily lead to a lower level of construals. However, this research proves that certain ways of effortful information processing (e.g., self-referencing, relating the message to the self) can lead to a lower

level of construals (concreteness and proximity). These findings can be regarded as an extension of ELM, CLT and the expectancy theory in an online advertising context.

Secondly, as the effectiveness of personalization depends on the cultural value of the consumer, it implies that marketers should adapt their marketing strategies according to different cultural segmentation. In lowly individualistic cultures where individual preferences are less valued, personalization may not have any significant effect. In contrast, getting too personal may elicit perceived risk of the privacy and bring reactance (White, Zahay, Thorbjørnsen and Shavitt, 2008). The perceived cost of personalization may exceed the perceived benefit and, as a result, this may produce negative effects. To reduce the perceived risk cost, marketers should collect the information of consumers with permission, indicate why they see the ad and avoid using sensitive information.

Last but not least, in the digital era, luxury brands should make good use of the Internet. Previously, luxury brands were hesitating to embrace the Internet (Okonkwo, 2009) because the Internet is free, fast and open. It seems not to be compatible with luxury brands. However, numerous studies and cases have indicated that luxury brands can use the Internet to communicate. Nowadays, luxury brands start to explore how to go online (Heine & Berghaus, 2014). Transferring off-line services to an online context may bring incredible benefits. This study proves that personalization can be an effective marketing strategy for luxury brands. Luxury marketers should think about how to perfectly integrate personalization in their e-business. For example, Burberry launched a personalized service online. Customers can personalize their design with a three-letter monogram (Royce-Greensill, 2015).

LIMITATIONS & FURTHER RESEARCH

The current paper has several limitations that lead to suggestions for future research. Firstly, the measurement of psychological distance can be improved. This paper measures psychological distance by using the scale of perceived psychological distance. However, examining the thoughts of the respondent directly may be a better choice. For example, researchers can ask the respondent to write down their thoughts after reading the ad. Afterward, researchers can analyze the text to determine the level of construals (concrete vs. abstract) and encode the text. Secondly, this study manipulates the cultural orientation by selecting Chinese and Dutch respondents. Future studies may recruit respondents from other countries (e.g., Japan, U.S.) and see whether the results are consistent.

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Appendix

RIPPLE 2014

RIPPLE

Dear Sir or Madam,

Ripple would like to recommend you the new collection of watches.
These watches are designed with an elegant appearance
and assembled with scrupulous attention to detail.
Ripple, this is elegance.



This is elegance.

[Opening Times](#) [Gift Card](#) [Ripple Club®](#)
[Terms & Conditions](#) [Privacy Policy](#) [Contact us](#) [Unsubscribe](#)

[f](#) [t](#) [v](#) [m](#)

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Non-personalization condition

RIPPLE 2014

RIPPLE

Dear Shubin,

We would like to recommend our new collection of watches for you.
You will be amazed by its elegant appearance and our scrupulous attention to detail.
You deserve this new collection,
because it is especially designed for YOU.



Elegance especially
designed for YOU

[Opening Times](#) [Gift Card](#) [Ripple Club®](#)
[Terms & Conditions](#) [Privacy Policy](#) [Contact us](#) [Unsubscribe](#)

[f](#) [t](#) [v](#) [y](#)

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Personalization condition

Creating & Managing Customer Value, Satisfaction & Loyalty: An Introspection of India's Luxury Market

By **Abhay Gupta**, CEO and Founder, Luxury Connect Business School, **Tanushri Purohit**, Independent Corporate Trainer and Consultant, and **Nitika Kapoor**, Senior Lecturer, Pearl Academy (India).



ABSTRACT

'*Customer retention*' is imperative for businesses to remain competitive. It has recently become much more significant as compared to just simple '*customer acquisition*'. This is further accentuated where the luxury industry is concerned. India's rising luxury consumer base has the money to splurge, but wants a *clear* and *real value* proposition from the brands.

This paper tries to focus on the unique challenges in customer relationship management (CRM) faced by luxury marketers in India. A primary study has been conducted through an online questionnaire sent to brand leaders and managers representing the luxury industry across several sectors in the country. The responses and analysis emerged with not only interesting challenges, but also the strategies to combat them.

INTRODUCTION

Issues and Challenges Faced by the Indian Luxury Industry in Customer Acquisitions and Customer Relation Management

Brazil, Russia, India and China are emerging markets with rapidly increasing consumer spending in the luxury sector. Consumers from these markets value status and luxury more than any other demographics of the world. Besides, these markets are predicted to have the largest base of luxury consumers.

The Indian luxury landscape is experiencing strong evolutionary undercurrents that are redefining the consumer profile and how luxury players will need to operate in this domain during 2016.

In the last few years, luxury in India has been growing at a compounded annual growth rate (CAGR) of about 25 percent. As per a recent report by

ASSOCHAM, the market, from its current size of \$14.7 billion, is expected to hit \$18.6 billion by 2016.

Service areas such as fine dining, electronics, luxury travel, luxury personal care and jewelry saw increasing revenues, and are expected to grow by 30 percent to 35 percent over the next three years. Spending on luxury cars continue to rise growing upwards at 18 percent to 20 percent over the next three years.

Luxury is no longer the privilege of the few who were born into wealth. There is now a larger consumer base, which has the money to splurge but want a real value proposition. In 2016, this will be the biggest challenge faced by luxury brands.

With the trend of luxury consumption changing from 'having' to 'being', more millennial luxury consumers want to enjoy the luxury of owning the product, but they are questioning the need to splurge on the latest collection without a clear value proposition besides being the 'first to own it'. These consumers are bright shoppers who study the brand and its creation before initiating a buying decision.

Retaining customer loyalty with top tier luxury consumers is always going to be a challenge for brands in emerging markets like India. Brands have to keep up with the constant changes on economic factors, fashion trends, competition amongst other retailers and talent retention.

A close study on different consumer behaviors from emerging markets, specifically from a country like India, would be fundamental in making the luxury brand successful. Diverse strategies are needed to handle different demographics in order for brands to be unbeaten in the luxury sector. Luxury experiences, both in store as well as online, have become of prime importance for consumer retention.

It is important for the luxury retailers to understand where the loyalty lies in the mind of the luxury consumer: whether it is in the brand itself, or the designer of the collection, or the aesthetics of the product, or the strong relationship with the personal shopper who has an enormous influencing power in persuading top tier clientele in their purchase decision.

Also, there is often disconnect between the corporate strategies and a misaligned mission-vision with the retail lineups, which might also lead to customer dissatisfaction resulting in loss of sales. With social media and digitalization taking a strong grip on the luxury sector, efficiency needs to be enhanced at the store level to give customers a unique luxury shopping experience.

The objective of the paper is to comprehend:

- i) India's rising consumer segment and their preferences;
- ii) issues and challenges faced by luxury brands in handling expectations and deliverables;
- iii) maintaining the customer relationships of Indian luxury consumers.

The paper, through its primary study, attempts to understand how organizations are crafting a consumer focus environment and enriching the luxury customer experience through care optimizing processes, thus generating opportunities and meeting the lifetime need of Indian luxury customers.

UNDERSTANDING THE INDIAN CONSUMER

The luxury goods market in India is one of the world's most diverse, exciting and challenging markets for brands seeking a presence there. Brands and retailers that want to capture a share of this fast-paced business need to learn to adapt, or risk missing one of the next greatest untapped opportunities for the luxury business.

As more and more brands are entering India with renewed strategies, Indians traveling to London, New York or Dubai for a few weeks and coming back with bags full is gradually becoming a thing of the past.

The following are the key types of customers identified in India.

1. The old money consumer (The original maharaja)

Born with a silver spoon in their mouths, this old money group has inherited wealth; hence luxury is a way of life for them. They are absolute luxury consumers who want exclusivity and customization. The elitist, original, sophisticated, upper class spill over from the erstwhile nawab's and kings, and despite the Privy Purse restrictions, have continued their traditional conspicuous consumption all through the post-independence decades and not been dependent on the new wave of luxury goods into India. The key driver for them is individuality, personalization and a special effect, just for them.

2. The new money consumer (The new age maharaja)

Created post the industrialization phase of the sixties, the new industrialists, the new rich, the new factory owner, by now are staunch consumers of luxury goods. They earned the wealth themselves and want value from the products they buy. While the older generation prefers

spending on safe assets like jewelry, the successive generations prefer to spend on trendy items.

3. The returning Non-Resident Indian (NRI)

This group is well educated, well exposed and tech-savvy. As more and more globe-trotting NRIs make their way back to resettle in India, the luxury industry has hugely benefitted. Used to a certain standard of living and service that they have experienced abroad, these consumers seek the same in India. Particular gains have been seen in luxury real estate, home decor and hospitality, besides fashion and gourmet, etc.

4. The corporate professional

The management graduate earning income from a multinational company; the DINK (double income no kids); the HENRY (high income not rich yet); and the YUUMY (young urban upwardly mobile) buy luxury products like there is no tomorrow. They need to dress well, drink well, eat out frequently, socialize, entertain—basically live well and live for today! They are usually big spenders on luxury automobiles, the latest mobile phones and apparel for seasonal wardrobe changes.

5. The bargain hunters

This class is visible in large numbers during the end of season sales. They are value driven and keep looking for more. They can make impulsive decisions for a seemingly good deal, falling in a 'value trap'. This is a fast-growing class that fuels the demand for all entry level accessible luxury products.

RESEARCH METHODOLOGY

The research started with reviewing secondary research like research data and reports on the luxury industry in India. The data was collected through a structured online questionnaire. The sample selection is based on convenience sampling and the sample population consisted of leaders and managers of luxury goods and services industry in India, encompassing sectors such as apparel and accessories, hospitality, aviation, automobiles, banking and consultancy, e-commerce, cosmetics, logistics and real estate. The overview of research will shed some light on the value proposition offered to customers; status of customer satisfaction, and innovative strategies adopted by brands to improve consumer connect and retention.

A total of 70 completed and valid responses were received, which were analyzed and interpreted to come out with a representation of

the current *scenario of issues and challenges in maintaining customer relationship* faced by India's luxury industry.

The analysis is followed by conclusions and recommendations for customer retention strategies that can be adopted by the Indian luxury industry.

ANALYSIS AND INTERPRETATIONS

Respondent Profile and Experience

The Luxury Industry in India is at a stage where there are pioneers as well as emerging organizations making a foray into the Indian luxury space. Through convenience sampling, respondents selected vary in experience and years spent in the luxury industry. The opinions of pioneers, icons of luxury industry, as well as the new entrants, have been collated to understand the issues and challenges faced by the companies seeking to acquire and retain customers, and the strategies adopted to combat this situation. All respondents are either CEOs, country heads, business owners, senior managers or boutique directors of luxury goods and services brands across categories of fashion, lifestyle, automobiles, travel, food and beverage, etc.

As per Figure 1, luxury pioneers represent 27.9 percent of the respondents. A substantial 38.2 percent of respondents are luxury specialists who have spent about 10 years in the industry. Since India's luxury industry is growing at an accelerated pace, 26.5 percent of respondents are new luxury managers.

A comprehensive research ideally consists of maximum possible segments within an industry. This survey includes respondents from

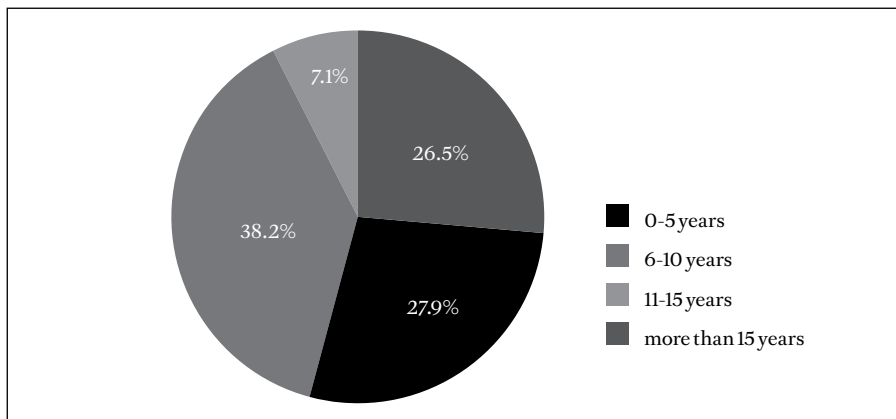


Figure 1: Experience of respondents in luxury industry

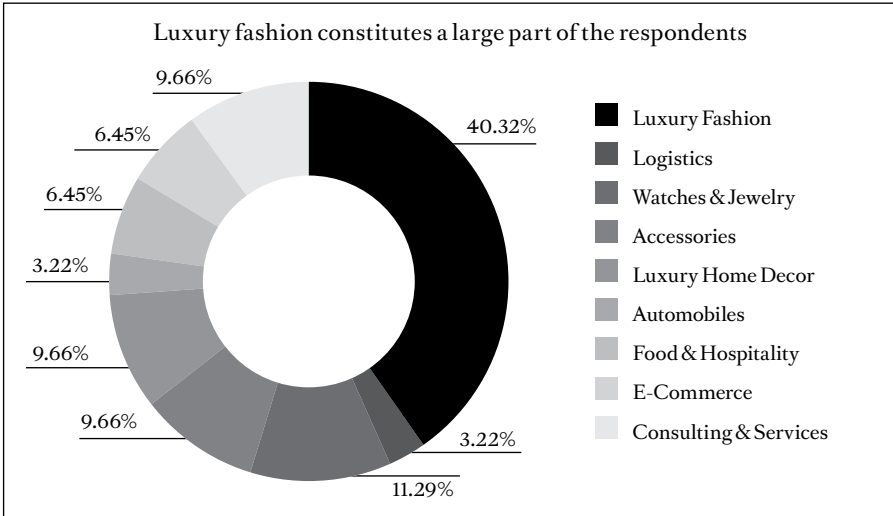


Figure 2: Industry representation of the respondents

all the segments in the luxury business categorized into nine segments (refer to Figure 2). The highest contributing segment is fashion, followed by watches and jewelry, luxury consulting and services, accessories, as well as home decor.

Not all affluent patrons are the same, but finding familiar distinctiveness that defines different age segments among India's luxury consumer base can help marketers to understand and better target this high value consumer base.

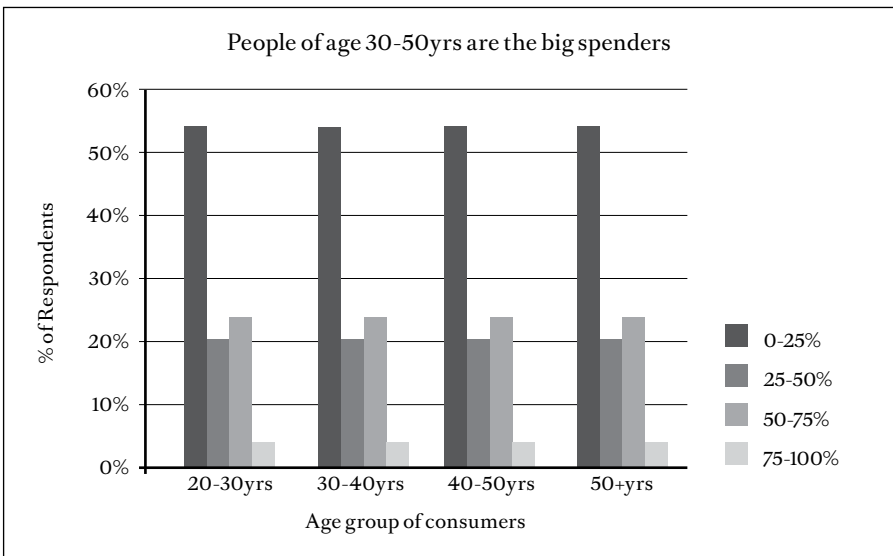


Figure 3: Average age group of luxury consumers

Figure 3 shows that consumers who are 30-40 years and 40-50 years are found to spend the most on luxury items. A total of 47 percent of the respondents indicate that up to 50 percent of their consumers fall into the bracket of 30-50 years. This group mainly comprises ‘the new money consumer’ and ‘the corporate consumer’ who are making luxury a part of their lifestyle.

Furthermore, it is interesting to note that a total of 54.5 percent respondents reported that up to 25 percent their consumers are up to 25 years of age.

Meanwhile, 48.9 percent of respondents said that their biggest consumer base of 25 percent are people at least 50 years old.

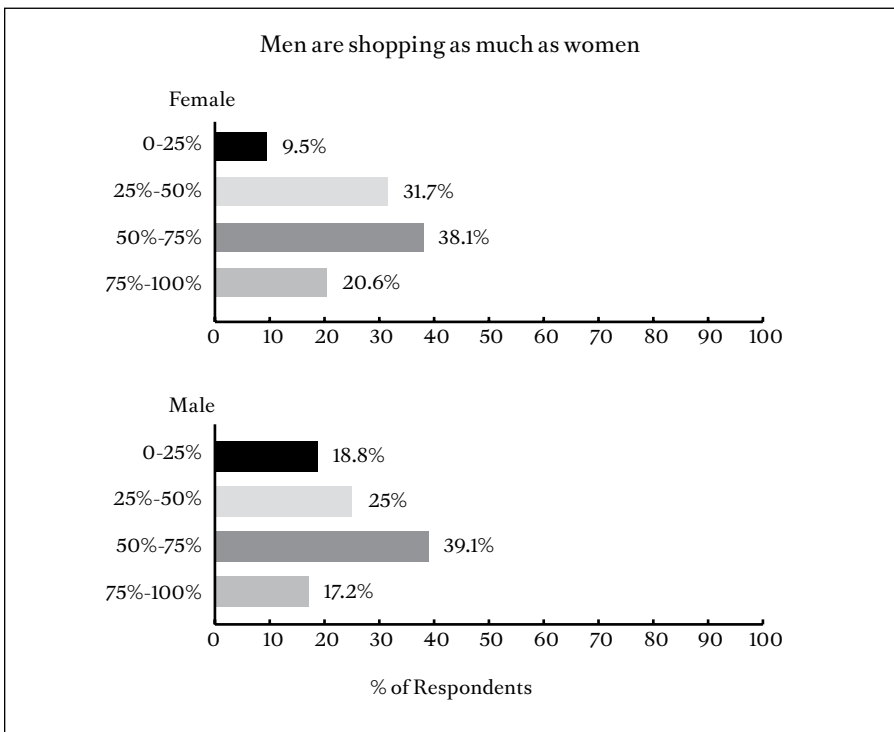


Figure 4: Shopping by gender

An interesting demographic shopping pattern analyzed from the responses received was that majority of shoppers in the category of 50-75 percent was almost equal in male and female category (refer to Figure 4).

This gives an interesting insight for the luxury marketers that their marketing and communication strategies should be aimed at both genders for creating and delivering luxury experiences.

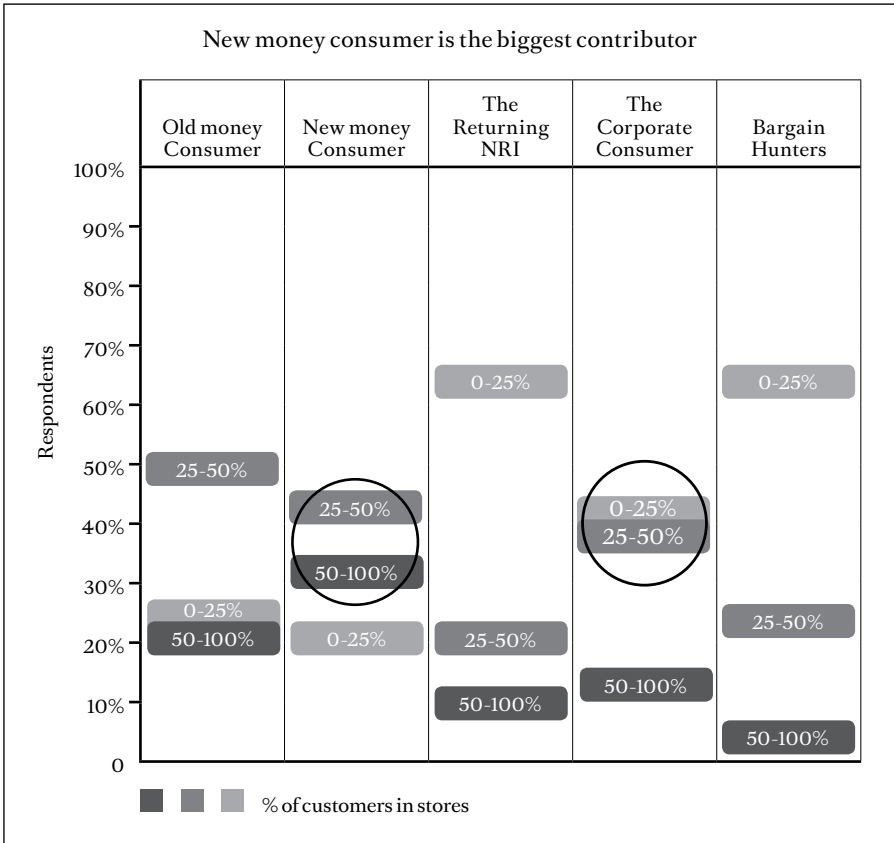


Figure 5: Segmentation of Indian luxury consumers

Figure 5 shows the luxury consumer segmentation by groups in India. The study also aimed to find out which consumer segments would emerge as the most lucrative consumer base for luxury brands.

Approximately 75 percent of the respondents believe that between 25 percent and 100 percent of their customers are new money consumers.

Approximately 90 percent of the respondents' claim that up to 50 percent of their customers are the corporate or HENRY category customers.

They would mostly like fashionable clothing and accessories.

Besides, as a considerable contributor to luxury sales, old money consumers are more attracted to limited edition items than regular collections.

Conversion and retention of a first-time, walk-in customer in a luxury store is of prime significance for the brand. It is important to understand and appreciate the factors or activities carried out by the retailer for conversion and long term mutually beneficial association with the customer.

Figure 6 clearly conveys the importance of various aspects of a store that impact the decision making process of the customer. In-store behavior of sales staff with the customer is rated the highest, which is closely followed by brand recognition and pre to post purchase customer service.

Cost to value proposition ratio of luxury products is considered by respondents to be of least importance.

When it comes to connecting with the customers for branding and promotion activities, public relations (PR) activities emerged as the most preferred means for a new brand launch or introducing a product or collection for an existing brand (refer to Figure 7).

Other ways like using social media, sending personalized emails and making phone calls have almost equal probability of being selected for promotional activities by luxury brands.

These methods have clearly replaced print and outdoor advertisements to a considerable extent.

Further, personal shoppers have been rated better as compared to mobile apps and television commercials for creating better visibility and engagement with the customers.

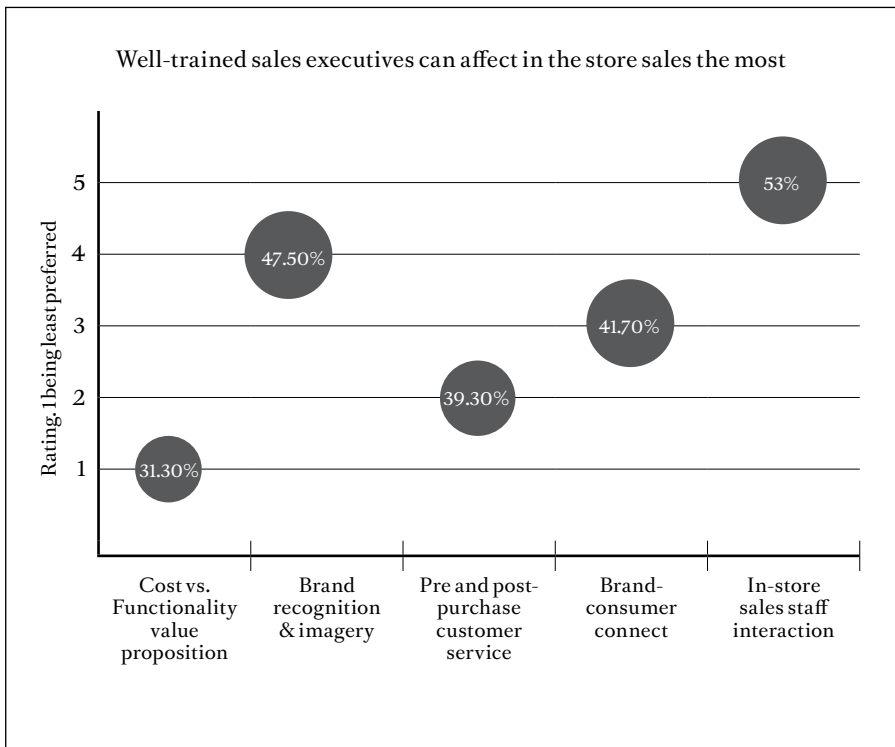


Figure 6: Important aspects of store for customer conversion

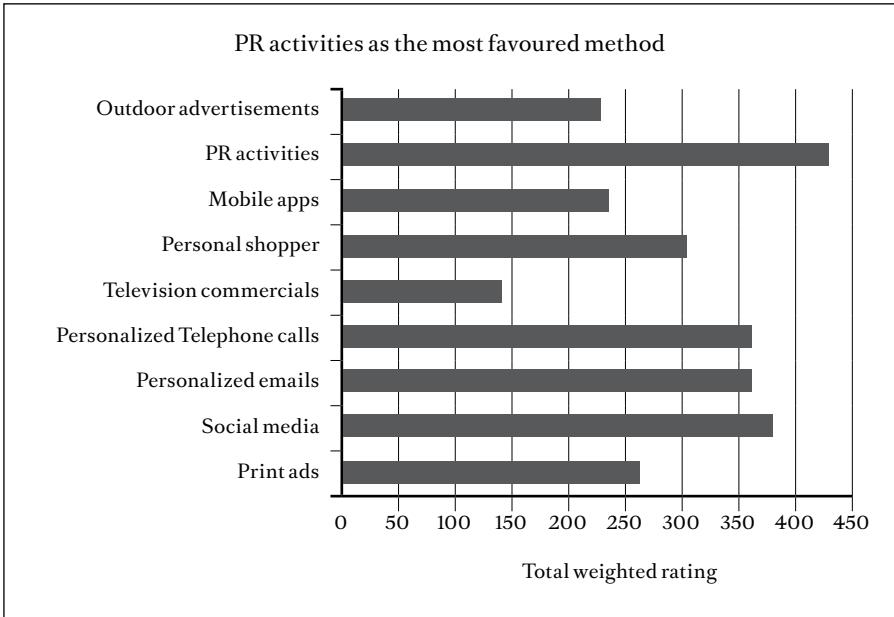


Figure 7: Ways to connect to customers

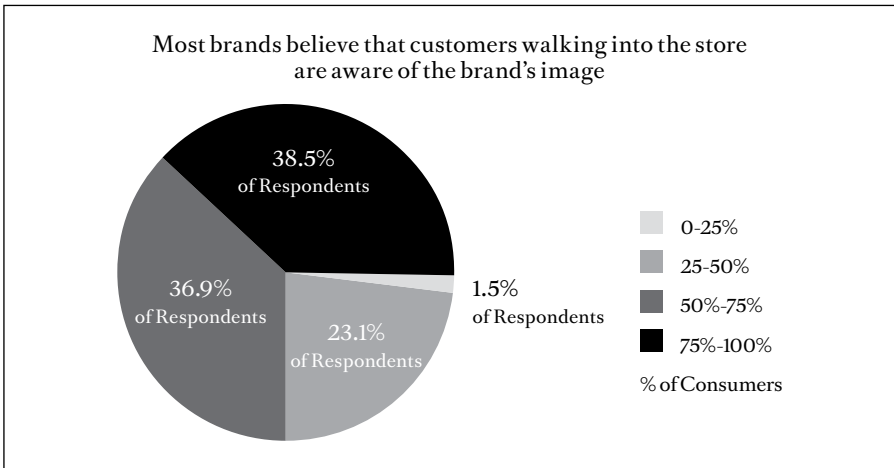


Figure 8: Customers' awareness of the brand

Another interesting fact that emerged from this study is that 37.9 percent of industry representatives state that 50-75 percent of first-time, walk-in customers are aware of their brands (refer to Figure 8).

Another 37.9 percent of respondents have stated that almost 75-100 percent of their walk-in customers are fully aware of their luxury brands.

This makes us infer that there is an enhanced level of awareness of luxury brands in India.

A whopping 53.7 percent of luxury leaders said that almost 50-75 percent of their customers return to their stores for repeat purchases (refer to Figure 9).

Another 20.9 percent of respondents said more than 75 percent of their customers are their repeat customers.

These figures show an interesting trend that Indian consumers display brand loyalty towards the luxury brands they have already experienced. Hence, there is an enormous opportunity for brands to strengthen their loyalty programs and strategies to help retain their existing customer base.

From Figure 10, almost 50-75 percent of consumers return to the luxury store for repeat purchases. Hence, it becomes imperative for marketers to stay connected to the already loyal consumers.

The study also indicates that event engagements and loyalty programs are the most preferred ways of customer engagement with the brand.

Customer connect is at the heart of every business model. It is essential to provide excellent customer service to potential, new and existing customers. Luxury consumers would always look for value proposition and assurance on service dimension when connecting with a luxury brand.

Prompt and assured service to the customers came out as the most important dimension to retain the existing customer base (refer to Figure 11). Industry experts gave weight to customized experience as an aspect to connecting with customers. This can only be achieved by imparting specialized staff training to the sales staff and personal shoppers who are servicing the luxury customer.

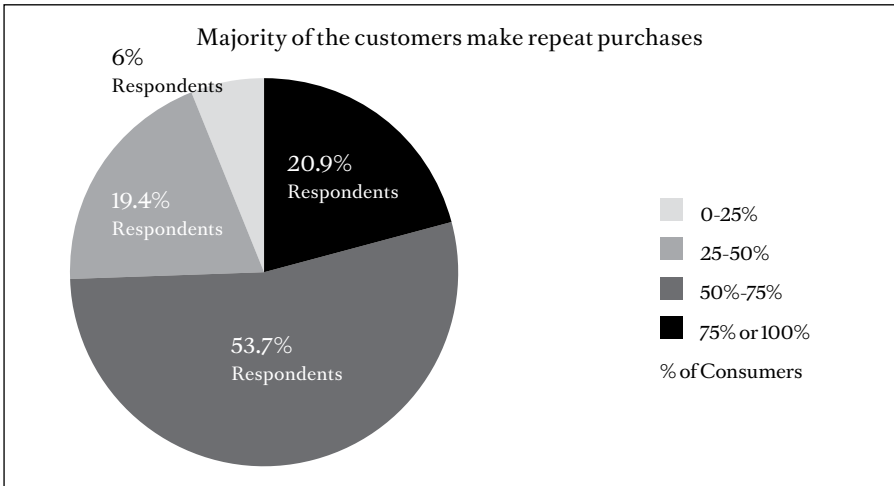


Figure 9: Repeat customers

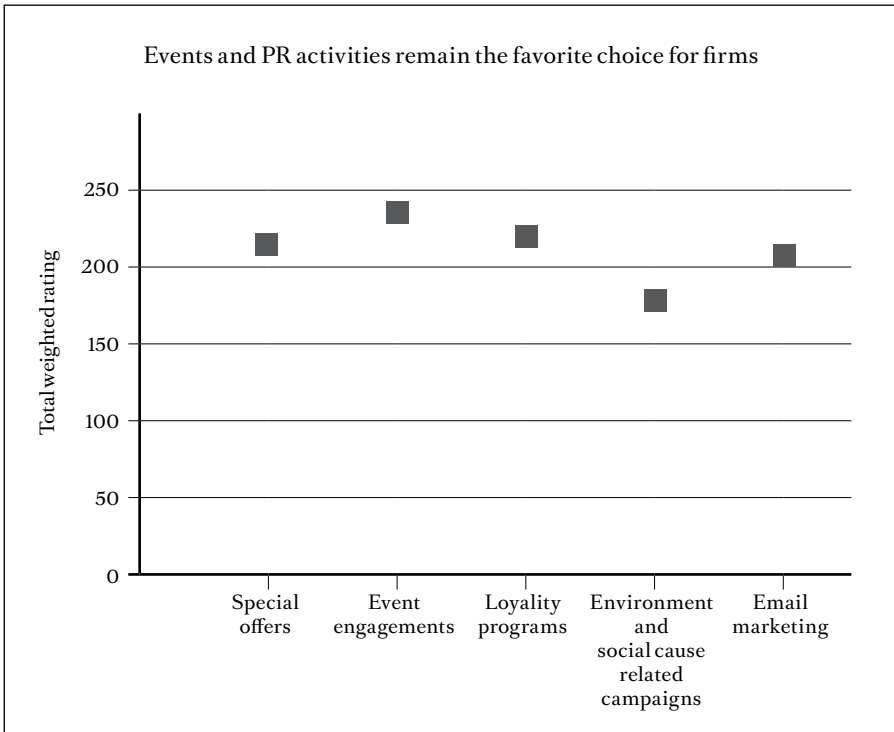


Figure 10: Strategies for brands to retain existing customers

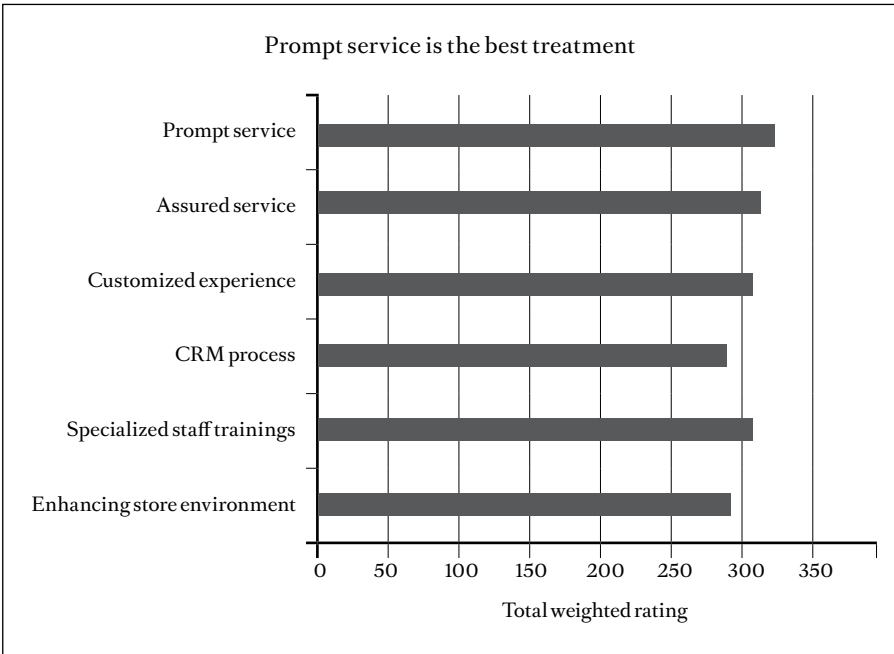


Figure 11: How to best serve customers

India’s luxury market is evolving and growing at an accelerated pace. Customers are looking for value proposition and a lifetime luxury experience. Respondents said that the most challenging aspect is to convince them and justify the high prices of the luxury products.

From Figure 12, respondents said engaging the customers on the digital media, both web and mobile, was found to be the second important challenge.

Furthermore, digital media experience needs to be customized.

Creating brand loyalty through digital media is evolving as yet another challenge with Indian customers.

As hesitant adopters of the digital space, luxury brands have today slowly but surely started taking note of this phenomenon. According to a new research, two-thirds of India’s web users’ access social media platforms daily. Besides, they spend more time on it than on checking their emails. A combination of physical stores, digital experiences and social media engagement is the new mantra. The millennial consumer seeks collaborative opinions and collective influencers to finalize his/her purchase decision.

From Figure 13, a significant 73.1 percent of respondents said their customers are following them on the social media.

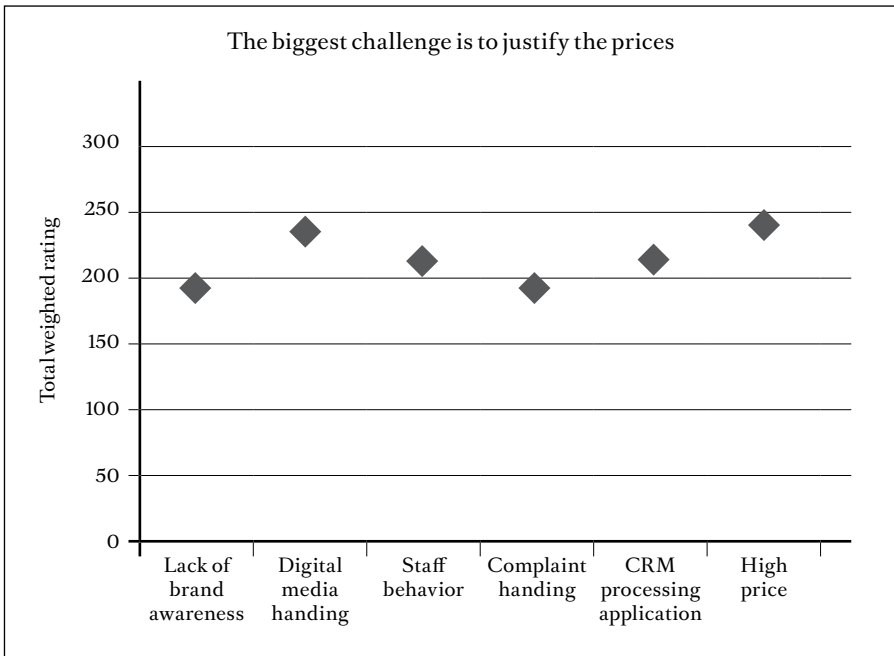


Figure 12: Challenges in handling customer relationship

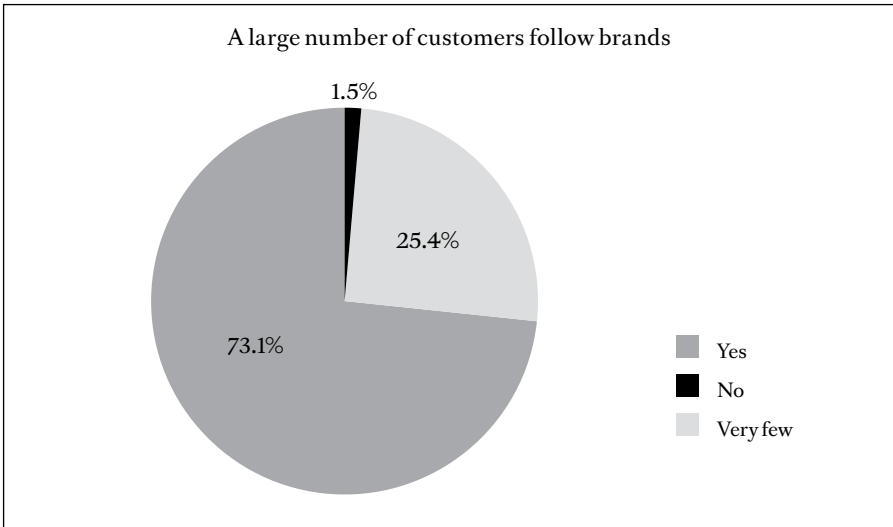


Figure 13: Customers following on social media

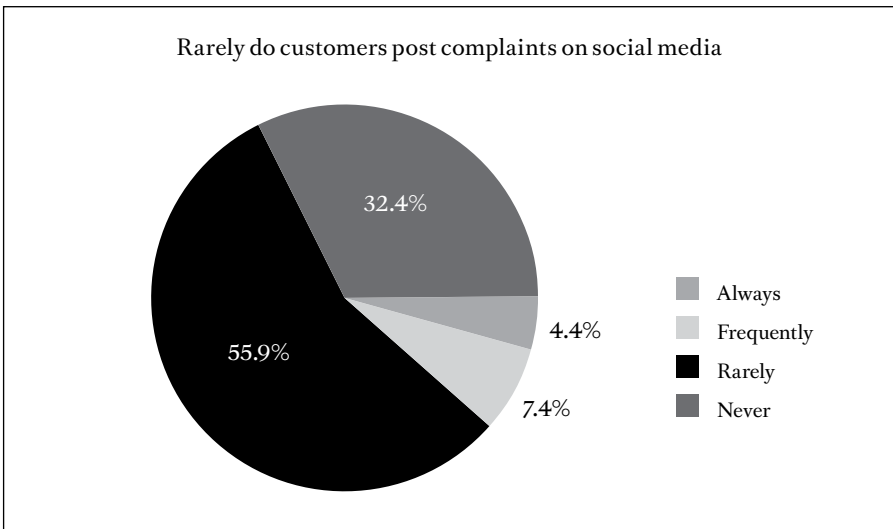


Figure 14: Customers complaining on social media

This very encouraging trend gives an immense opportunity to brands to engage and set up a brand relationship with the customers.

Taking digital engagement forward, respondents were asked whether their customers are complaining on social media with regards to unsatisfactory experiences with the brand. Majority of respondents (55.9 percent) expressed that their customers rarely complained about their experiences on the social media (refer to Figure 14).

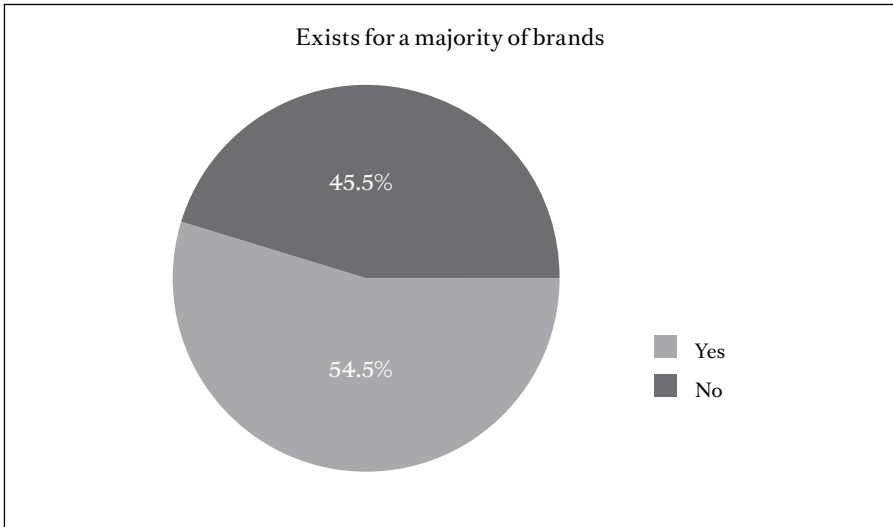


Figure 15: Presence of Indian-specific website

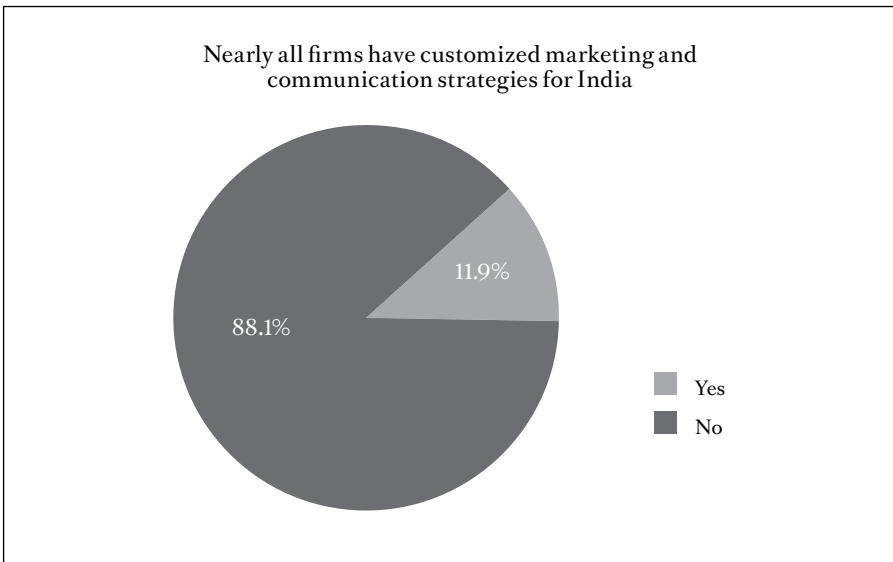


Figure 16: India-specific marketing and communication activities

32.4% respondents expressed that their customers never gave negative viewpoint on social media.

However, 7.4 percent and 4.4 percent of respondents have conveyed that their customers have shared negative experiences on social media. Although a small percentage, this can have a negative impact on the brand image.

In order to strengthen their footprint in India, most luxury brands have designed and implemented an India-specific digital strategy.

While 54.5 percent of respondents have expressed a positive response for having an India-specific website, the remaining respondents at 45.5 percent said they are considering implementing one (refer to Figure 15).

This finding shows that almost all international luxury retailers take a positive stride in addressing India's growing customer base and confirm the need for an India-specific web presence.

India's luxury market is entering the next phase of developmental evolution. It is a market of distinction, challenges and extreme diversity. A 'one-size fits all' strategy cannot be implemented here. However, a concentrated and focused country specific approach addressing the customer needs will strengthen the brand presence.

Meanwhile, Figure 16 shows 88.1 percent of respondents have shown a positive response towards customized India-specific marketing and communication strategies.

Luxury brands therefore need to set realistic goals and customize, design, implement product, pricing and distribution strategies to suit the Indian conditions.

INFERENCES

From the above survey findings, the following could be concluded:

1. Indian luxury customer demographics may be summarized as follows:
 - 25 percent of actual shoppers are around 25 years of age.
 - 50 percent of actual shoppers fall into the 30 to 50 years age bracket.
 - 25 percent of actual shoppers are beyond 50 years age.
 - The male to female ratio of consumers is almost equal.
 - Majority of these spenders are of 'the new money' and 'the corporate spender' categories.
2. 'Justifying the high price' of a luxury product is one of the biggest challenges faced by a new entrant luxury brand into India.
3. Once Indian luxury consumers make up their mind on a purchase, they give the least importance to the 'cost versus functional value proposition', and the most importance to 'in-store staff interaction'.
4. Consumers give most importance to 'Prompt and assured service'. This clearly concludes that staff training and skills enhancement are key requirements for any brand to succeed.
5. About 50-75 percent of customers make repeat purchases with the same brand if they are being serviced well. Attention needs to be paid to pre and post purchase customer service.

6. PR activities and personal shoppers are preferred, hence suggesting methods of creating brand awareness and brand engagements.
7. Customers give a lot of weightage to the 'loyalty program' and 'special event engagement' that are on offer. Hence, luxury brands need to continuously develop and improvise such activities.
8. Almost 75 percent of the consumers follow a luxury brand digitally. Hence, a good strategy would be to develop a physical, digital and social media engagement with them.
9. Most Indian luxury consumers do not use digital media to voice any complaint.
10. An India-specific digital strategy, including an India-specific website is suggested by most existing luxury brands.
11. Most brands have developed a special India-specific marketing and communications strategy to reach out to their customers.

CONCLUDING REMARKS: THE ROAD AHEAD

Luxury comes a full circle in India. The country is not new to luxury brands. What was western luxury brands' biggest consumer base during the times of the maharaja's, is once again the target market for the same brands. This time, it is the new maharaja, the new corporate Henry, the new young pulsating India that are driving the sales of luxury goods.

These customers have dreams and expectations. They want luxury to provide a personalized, customized and Indian experience. India's new breed of consumer indulging in luxury goods and services is expecting a more cherished luxurious experience. Luxury brands should engage in creating brands that connect with the consumers through media, PR and special events.

Luxury brand owners should provide customers with a sense of closeness, uniqueness, product and brand acquaintance with appropriate messages. Educate new Indian customers with your value proposition—reach out, engage, inform, indulge, entertain and then retain them. They will be loyal and will remain with the brand if assured of prompt service, efficient sales staff, continuous engagement and mutual respect.

With varied types of customer categories, it is imperative to connect and convert the first-time, walk-in client in a luxury store. From the study, store staff interaction was considered as one of the most important parameters for customer conversion and retention. Sales staff can elevate the consumers' involvement with the brand, both emotionally and materially. To close the sale and retain repeat customers, brands must deliver influential, enlightening and touching experiences as the physical

store experience is the most memorable form of communication that a luxury brand can offer.

Organizations need to create value experience through the digital platform in alignment with the store experience.

A vast nation, with a multitude of cultures, unity in diversity and a young population, India is a distinct consumer base for the luxury industry. Those brands focusing on India specific strategies and connecting with the local Indian consumer will be the ones to triumph in the coming years.

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Consumers' Motivations to Buy Luxury Fashion Goods: A Comparative Study of Online and Physical-Store Luxury Consumers in Indonesia

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This study investigates motivational factors or themes that may affect consumers' preferences on purchase channels when buying luxury fashion goods online and at physical-store retailers in Indonesia.

This research was conducted with a mixed-method approach. The research design consisted of an exploratory study (qualitative) and explanatory study (quantitative). The exploratory study used open-ended questions to explore the consumers' motivation in purchasing luxury goods through different purchase channels (online and physical stores), while the explanatory study used an independent sample t-test to check differences in motivational factors between purchasing channels.

The findings from the exploratory study revealed different motivational factors in online and physical store luxury consumers. Online consumers are motivated by convenience, price, product availability, online trust, and shopping attitude—mainly showing 'expressive' purchase motives; while physical store consumers are motivated by store trust, aesthetic appeal, customer service, shopping experience, and sense of power—these are mainly 'impressive' purchase motives.

The explanatory study found that there are significant differences in the behavior of online and physical store luxury consumers in valuing convenience, price-consciousness, personal store interactions, and shopping experience. In contrast, there are no significant differences in store trust and perceived product risk.

Since the sample is limited, the findings are not representative and cannot be generalized for the whole population of luxury consumers in Indonesia.

1. INTRODUCTION

Consumer purchasing motivation is a drive in consumers to buy products

or services in order to satisfy their conscious and non-conscious needs and wants (Wilson, 2015). There are several drivers to consume luxury goods product—the concern to have a higher social status, the desire to form a certain self-image, as well as to enrich one's self-image (Nia and Zaichkowsky, 2000).

Although there has been much research studying purchasing motives of luxury goods consumers, there are still many unclear factors that affect purchase motivations. Differences in the countries' welfare may affect purchasing behavior; consumers in developing countries may have a higher level of conspicuous consumption motive to signal a higher social status (Memushi, 2013). Consumer's self-image is closely linked to cultural context of the region. Hoffmann & Coste-Maniere (2012) argue that Eastern consumers have different attitude from Western consumers; they tend to purchase well-established luxury brands, while Western consumers are more open toward new luxury brands.

Another issue that is still under-researched is consumers' motivation when deciding to buy luxury goods online or in a physical store. Previous research noted that buying luxury goods from boutique stores is more favorable for the majority of people (Kamolwan and Wiwatchai, 2010). It is also argued by researchers that one of the reasons why consumers do not purchase online is due to the learning curve involved in understanding online store interface (Ahuja, Gupta, & Raman, 2003). There is a high need to understand more about the behavior of luxury consumers, however, research that explores the difference between behavior in purchasing luxury goods online and physical store is limited. Factors that motivates consumers to buy in physical store or online are still under-researched, and differences in how online and physical store consumers respond to each motivational factor are still unclear, especially in the context of consumers in the Eastern countries.

Adding to the urgency of the situation was the fact that luxury retailers need to formulate a better strategy to grab the opportunity in each channel (Okonkwo, 2009; AT Kearney, 2015). Therefore, this research replicates the work of Liu, Burns and Hou (2013) but in the context of a developing country in East. It aims to provide understanding on motivational factors in purchasing luxury goods online and at physical stores, and to give insights on differences between the behaviors of online and physical store luxury consumers.

2. LITERATURE REVIEW

There are various definitions of luxury good based on different

perspectives (Kapferer, 1997); etymologically, it is rooted in the words 'luxus' and 'luxuria' in Latin (Roux and Floch, 1996). Luxury good is defined as a product with an exclusive brand and premium price in a particular product range (Chevalier & Mazzalovo, 2012; Hedrick-Wong, 2007). Exclusivity of the goods may be determined by the price; the higher the price of the product, the more it is considered as exclusive, and the more attractive it is to luxury consumers (Amaldoss & Jain, 2005; Kapferer, 2012). Due to the advancement of Internet technology, retailers can have higher opportunity to reach the market if luxury goods are distributed through online channels (Radón, 2010).

2.1 Luxury Consumers

Luxury consumers are defined as a group of consumers that show a unique willingness to buy prestigious products to impress other people (Eastman, Bill, David & Calvert, 1997). Previous research depicts several characters of luxury consumers: to certain extent they are considered to be arrogant and pride-seeking. And in purchasing the luxury goods they tend to ignore the actual value of the goods (Leibenstein, 1950), thus indulging in conspicuous consumption behavior. Conspicuous consumption behavior is consuming non-necessity goods in order to gain higher social status and reputation in the community (Atwal & Williams 2009; Boone, 1998). According to Stokburger-Sauer & Teichmann (2013) conspicuous consumers are mainly females, and they value symbolism and social value of the luxury goods.

2.2 Luxury Shopper Motives

Motivational theory explains that the highest driver to buy luxury goods is consumer's internal need to seek exclusivity (Wiedmann, Hennings & Siebels, 2007). However, personal motivation to purchase luxury goods may come also from external cues (Sutanto, 2015), and this may affect consumer's choice on where to purchase luxury goods from (Nwankwo, Hamelin & Khaled, 2014).

However, Hudders (2012) argued that conspicuous consumptions are affected simultaneously by two consumer motives: expressive purchasing motives (e.g. status gain) and impressive purchasing motives (e.g. hedonic experiences). Expressive purchasing motive is strongly associated with conspicuous consumption motive (CCM) in luxury consumers, in which they earn perceived social status gain by consuming fashion luxury goods. Conspicuous consumption motive drives consumers to buy luxury goods to promote their appearance and to gain social exclusivity (Bullock

and Stallybrass, 1977). Therefore, the level of conspicuous consumption motive in individuals can be taken as a proxy measurement of their intention to aim for social status, in turn, predicting the possibility of frequent purchase (Griskevicius et al., 2007).

2.3 Shopping Behavior

Since external motivation may induce consumer's purchasing decision, retailers provide external stimuli in their physical stores (Yeung & Wyer, 2004). This external stimulus drives luxury consumers to visit retailers' physical stores in order to have a direct interaction and avail of customer services, to enjoy their shopping experience, and to experience an immediate exchange process (Mokhtarian, 2004).

The other purchasing channel for luxury goods is the Internet. Some luxury retailers expand the channel to include the Internet in addition to the traditional channels that they use, and some multi-brand luxury retailers open new e-retail stores in order to access a wider market. The Internet has been changing the way consumers purchase luxury goods through e-channels. In an online store, consumers can easily compare products and prices as well as enjoying attractive deals (Atwal & Williams, 2009). Consumers are more exposed to information (e.g. product/brand reviews) about luxury goods as well as the e-retailers through fashion blogs, consumers' forum or other social network channels; this acts as another external stimuli that may affect shoppers' motivation and behavior (Hsu, Chuan-Chuan Lin, & Chiang, 2013).

3. OVERVIEW OF STUDIES

The population of interest in this research was the Indonesian affluent segment (USD600-USD2200 monthly non-necessity spending) and high-net worth segment (>USD2200 monthly spending)-that is approximately around 9 million people-who can afford to purchase and consume fashion luxury goods in Indonesia (Shekhawat, 2014). The unit of analysis was an Indonesian consumer who has minimum non-necessity spending of USD600 per month and has an experience in purchasing fashion luxury goods. We used convenience sampling and judgment sampling to select respondents, both through online and pen-and-paper survey.

Two studies were conducted; Study 1 was an exploratory study, which was qualitative in nature, while Study 2 was an explanatory study that was quantitative based. Study 1 aimed to find motivational factors to purchase online or at physical store channels. Study 2 aimed to show differences in every construct that were developed in Study 1 by comparing the behavior

of online luxury consumers with physical store luxury consumers, and to test the hypotheses developed by Study 1.

3.1 Study 1-Exploratory Study

Method

Exploratory study using a survey with open-ended questions was conducted to obtain data on purchasing motivation factors in luxury consumers, both for online and physical store consumers. In the beginning part of the survey, respondents were requested to answer three filter questions to ensure they fit into the criteria.

The first filter question asks consumers' past experience in purchasing luxury goods. The second question assessed their tendency in consuming luxury goods by measuring their conspicuous consumption motives (CCM) following the scale of Truong, Simmons, McColl and Kitchen (2008) using seven-point Likert Scale. Respondents that answered "yes" on the first question and scored more than 4.0 in the CCM scale were grouped into luxury conspicuous consumers. The third filter question served to check respondent's tendency to purchase luxury goods through online or physical store; and were grouped based on their frequency of buying luxury goods through online stores. The question was: "How frequently do you purchase fashion luxury goods online?" Respondents that answered "never" and "once in two or three years" were put into physical store luxury consumer group, while those whose responses were more often than that were referred to the online luxury consumer group.

Respondents were asked two open-ended questions to determine each group's attitude—"Please tell us the reason why you would (not) purchase fashion luxury goods online?" and "What are the important factors to decide purchasing fashion luxury goods online or directly in the boutique?" Answers were coded by the authors and were put into category of online and physical store luxury consumers' motivational factors. To ensure the manual coding reliability and quality, the authors assigned a second coder to the study (Saldaña, 2012). Both the coders independently coded the responses of each respondent. The themes extracted from coding process were grouped into online and offline motivation category.

Results

A total of 177 respondents from various cities in Indonesia such as Medan, Banjarmasin, Surabaya, Bandung, Bogor and Greater Jakarta were interviewed through online and paper-based survey. Based on filtering

questions, 126 of 177 respondents (71%) stated that they purchased luxury goods in the last 2 years. However, only 45 of 126 (36%) respondents scored high in the Conspicuous Consumption Motive scale (CCM > 4.0). Based on this, only 45 respondents (female=36, male=9) were classified as luxury consumers. Out of the 45 luxury consumers, 16 were categorized as online consumers (36%) and the remaining 29 (64%) were categorized as physical store consumers.

| Online Factors | # of mentioned | % | Physical store Factors | # of mentioned | % |
|-----------------------|-----------------------|-------------|-------------------------------|-----------------------|-------------|
| Convenience | 9 | 41% | Store-trust | 26 | 47% |
| Price | 6 | 27% | Aesthetic appeal | 20 | 36% |
| Product availability | 4 | 18% | Shopping experience | 4 | 7% |
| Online-trust | 2 | 9% | Customer service | 4 | 7% |
| Shopping attitude | 1 | 5% | Sense-of-power | 1 | 2% |
| Total | 22 | 100% | Total | 55 | 100% |

Table 1: Online and physical store motivational factors

This research shows that the highest motivation (mentioned 41% of the time) for luxury consumers to purchase online is convenience (i.e. easy to purchase, time and cost saving, no need to be in lines, and so on), followed by price (27%) and product availability (18%). Meanwhile, physical store luxury consumers' highest concern is about store trust (mentioned 47% of the time), followed by aesthetic appeal (36%) i.e. consumers can directly use sensory power to observe the products, and then shopping experience (7%). These motivational themes were used to develop the following hypotheses, which were tested in Study 2:

H1: Online luxury consumers demand shopping convenience more than physical store consumers.

H2: Online luxury consumers are more price-conscious than their physical store consumers.

H3: Physical store luxury consumers demand a higher level of trust towards the stores than online luxury consumers.

H4: Physical store luxury consumers have higher concern about product risk than online luxury consumers.

H5: Physical store luxury consumers demand personal store service more than the online luxury consumers.

H6: Physical store luxury consumers' demand shopping interactions more than online luxury consumers.

3.2 Study 2–Explanatory Study

Method

The explanatory study aimed to compare luxury consumer’s motivational factors in buying online versus buying at physical stores, and to test the hypotheses developed in Study 1. Another set of sample-independent from Study 1–was taken using convenient and judgment sampling. The similar filtering method as in Study 1 was used to select respondents, to fit into luxury consumer criteria and to separate online customers from physical store customers. Respondents in each group were instructed to fill in the survey, measuring their motivational factors using scales from previous researches, as can be seen in Table 2.

| No. | Variables | Questions | |
|-----|--------------------------|---|-----|
| 1 | Convenience (C) | <i>Based on Forsythe., Liu, Shannon & Gardner(2006)</i> | |
| | | I can shop privately without any control from other people. | C1 |
| | | I can stay at home to do shopping. | C2 |
| | | I can save my energy and cost of not going out from home. | C3 |
| | | I do not have to queue to do the transaction. | C4 |
| | | There is no hassle in shopping. | C5 |
| 2 | Price-Consciousness (PC) | <i>Adapted from Darden and Perreault (1976)</i> | |
| | | I search for the prices on products that I would like to buy. | PC1 |
| | | Before I decide to purchase luxury products, I compare prices between few brands or online retailers. | PC2 |
| | | It is important for me to get the best price for the luxury products that I would like to buy. | PC3 |

| No. | Variables | Questions | |
|-----|---|--|------|
| 3 | Store Trust (ST) | <i>Adapted from Li, Kuo, and Russel (1999); De Wulf et al. (2001)</i> | |
| | | In store retailer gives prompt access of products purchased. | ST1 |
| | | I feel secure when I do the payment directly in the store. | ST2 |
| | | I can determine the authenticity of products directly in the store. | ST3 |
| 4 | Product-Risk Aversion (PRA) | <i>Based on Forsythe et al. (2006)</i> | |
| | | The actual quality of the product might be different when it is online. | PRA1 |
| | | I cannot directly feel, touch, and see the product when it is online. | PRA2 |
| | | I have to pay for extra costs on shipping and handling when it is online. | PRA3 |
| | | I have to wait for my products to be delivered when it is purchased online. | PRA4 |
| 5 | Personal Store Interactions (PSI) | <i>Adapted from Yoo, Park, and MacInnis (1998); Brady and Cronin (2001); Saxe and Weitz (1982)</i> | |
| | | I gain helpful information and knowledge from salespersons in store. | PSI1 |
| | | I feel comfort of the salespersons' kindness and friendliness in store. | PSI2 |
| | | I feel helped with the salespersons' willingness to serve. | PSI3 |
| | | Salespersons try to help me to achieve my goals. | PSI4 |
| | | A good salesperson has to have the customer's best interest in mind. | PSI5 |
| | | Salespersons try to find out what kind of product would be most helpful to me. | PSI6 |
| | | Salespersons try to bring a customer with a problem together with a product that helps him solve that problem. | PSI7 |
| | | Salespersons try to give me an accurate expectation of what the product will do for me. | PSI8 |

| No. | Variables | Questions | |
|-----|--------------------------|---|-----|
| 6 | Shopping Experience (SE) | <i>Based on Rohm and Swaminathan (2004) study</i> | |
| | | I like to go shopping and socializing at the same time. | SE1 |
| | | I feel alone when I shop online. | SE2 |
| | | While shopping on the Internet, I miss the experience of interacting with people. | SE3 |
| 7 | Retail Preference (RP) | <i>Based on Mathwick, Malhotra, and Rigdon (2001)</i> | |
| | | Internet site is the best place to shop. | RP1 |
| | | When it comes to shopping, online is the my first reference | RP2 |

Table 2: Operationalization of variables

To ensure reliability of the constructs, reliability test using Cronbach’s Alpha was used, and for validity testing, Confirmatory Factor Analysis (CFA) was carried out using the SPSS software. The reliability result showed Cronbach’s Alpha on all constructs > 0.6, showing satisfactory reliability. Validity test showed item loadings ranged from 0.7 to 0.9 and therefore displayed sufficient item validity.

Independent sample t-test was used to compare between online and physical store luxury shopping behavior for the following factors: (1) convenience, (2) price-consciousness, (3) store trust, (4) product-risk aversion, (5) personal store interactions, and (6) shopping experience.

Results

The authors received 239 responses of which 224 were obtained from the online questionnaire and the remaining 15 were received from the paper-based survey. Based on filter question, 128 of 239 respondents (54%) stated that they purchased luxury goods in the last 2 years. However, only 83 out of 128 (or 65%) scored high in the CCM scale. Based on this, only 83 respondents (female = 53 and male = 30) were considered as luxury conspicuous consumers. Of the 83 luxury consumers, 33 were categorized as online consumers (40%) and the remaining 50 (60%) were categorized as physical store consumers.

Table 3 shows t-test result on six factors. Descriptively, mean values of online luxury consumers are higher than physical store luxury consumers in convenience and price-consciousness factors, while physical store

luxury consumers show higher value in store trust, product-risk aversion, personal store interactions and shopping experience.

| Variables | Mean value | | Sig. (2-tailed) | Conclusion |
|-----------------------------|------------|----------------|-----------------|---------------------|
| | Online | Physical store | | |
| Convenience | 3.866 | 3.368 | 0.006 | H1 Supported |
| Price-consciousness | 4.383 | 3.893 | 0.011 | H2 Supported |
| Store trust | 4.494 | 4.606 | 0.337 | H3 Not supported |
| Product-risk aversion | 4.098 | 4.305 | 0.165 | H4 Not supported |
| Personal store interactions | 3.613 | 4.185 | 0.001 | H5 Supported |
| Shopping experience | 3.151 | 3.613 | 0.033 | H6 Supported |

Table 3: Independent sample t-test result summary

The result showed statistical differences (online vs. physical store) in convenience, price consciousness, personal store interactions, and shopping experience factors ($p < 0.05$). In contrast, store trust and product risk aversion indicated no significant difference ($p = 0.337$ and $p = 0.165$) between the two groups.

4. DISCUSSION

Exploratory study findings reveal there are different motivational factors that drive consumers to choose their purchasing channel. Online purchase is driven by convenience, price-consciousness, product availability, online trust, and shopping attitude, while physical store purchase is driven by store trust, aesthetic appeal, customer service, shopping experience, and sense of power. Based on these motivational factors, we argue that physical store luxury consumers are motivated mainly by impressive purchasing motivation to fulfil the need of hedonic experience. On the other hand, online luxury consumers are motivated mainly by expressive purchasing motivation to fulfil the need to have a higher social status.

Based on the explanatory findings, it is revealed that online luxury consumers appreciate convenience more than physical store consumers, and are also more sensitive to price than physical store luxury consumers. In fact, ease of use motivates shopping experience and directly relates to shopping behavior of the users. The Internet gives a higher level of

interactivity, flexibility and convenience than traditional channels (Hoffman & Novak, 1996). Moreover, Lee & Lin (2005) study also revealed that availability and convenience in searching for prices and products highly contributed to shopping behavior and intention to purchase particular products.

No significant difference between online and physical store luxury consumers in valuing store trust and product-risk aversion is found, even if there are descriptive differences between the two groups of luxury consumers. Physical store consumers have a higher concern toward trust and have higher product risk aversion than online consumers. Since trust and risk are highly related, higher level of uncertainties contributes to higher level in perceived risk (Jarvenpaa & Saarinen, 1999), and perceived risk is lessened as store trust grows significantly in consumers' mind in any channel (Koufaris & Hampton-Sosa, 2004).

Differences between online and physical store luxury consumers are also evident when evaluating the personal store presence and interactions. It also reveals that physical store luxury consumers have higher appreciation toward personal store interactions than online luxury consumers. Furthermore, online and physical store luxury consumers have different perceptions towards shopping experience, with physical store luxury consumers likely to pursue greater shopping experience (e.g. feelings when entering physical stores) than online luxury consumers. Luxury consumers who are present in the store's atmosphere are likely to experience enjoyment and entertainment during shopping, and from that experience they may get driven to purchase particular products (Sherry, 1990; Hirschman & Holbrook, 1982).

5. MANAGERIAL IMPLICATIONS

A number of managerial implications are identified from the analysis. First, since consumers are driven by different motivational factors on each channel, marketers need to adapt different strategies for different channels to attract consumers. Online luxury retailers need to put emphasis on convenience aspect. Web interface should be simple yet informative, showing specific product information that can increase web-browsing experience that induces expressive purchasing motivation. Augmented reality can be used to visualize products, in order to intensify look-and-feel of the product. Meanwhile physical store retailers need to increase the capability to serve sensory ability of luxury consumers. Improvement and enhancement in store atmosphere and attributes that can create higher attractiveness and personally can affect emotions and excitement should

be embraced. Comfort and enjoyment in the store, cues from sounds, scents, environment, including salespersons performance and kindness will desirably allure consumers especially in high-end and upscale stores.

Second, trustworthiness of luxury retailers need to be maintained for both the channels. Although physical store luxury consumers emphasize more on store trust, online luxury consumers also highlight this aspect. Shipments and regulations about return policy, as well as warranty of authenticity should be clear.

Third, online luxury consumers are more price-conscious, thus online retailers need to provide attractive and innovative offerings without jeopardizing the price-quality perception of the fashion luxury goods. Bundling offers may be able to increase the value of the product without hurting the premium image of the brand. Several approaches such as special incentives, offers, and new products, special and current offers exhibits in homepage (e.g. flash discounts) and reward discounts for loyal customers may enhance purchase intentions of online purchasers.

6. LIMITATIONS AND FURTHER RESEARCH

There are several limitations in this research. First, the level of conspicuous consumption is difficult to measure. Individuals in South East Asia generally perceive conspicuous consumption—to a certain extent—as signaling arrogance. Hence consumers may considerably conceal their true attitude towards luxury consumption motivation and may provide biased responses. Although a few bias-avoiding or bias-eliminating measures have been implemented in this research, their effectiveness may be limited. Second, previous literatures and studies related to motivational factors in luxury consumption are mainly carried out in the Western countries, however the behavior of consumers in the western markets is quite different from those in the eastern markets. This implies that motivational factors other than those considered by the present study may exist and effect luxury consumers' behavior. Third, this study has considered only fashion designer brands as luxury goods; hence it cannot be used to explain behavior across a wider range of luxury products.

Therefore, further research can be developed by extending this study to other channels, e.g. to understand the purchase behavior on online marketplaces, mobile and social media channels. Another research opportunity is to study implicit consumption motives in order to eliminate respondent bias, e.g. by implementing causal research. Further research can also consider a broader range of luxury goods and experiences

(such as cars, electronics, resorts etc.) to enhance the generalizability of the study. Future studies can also use the finding of this research as a starting point to understand and recognize luxury consumers' needs and wants across different channels in Indonesia.

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Young Adult Luxury Consumers

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INTRODUCTION

Background of Study

The past few decades have witnessed an exponential growth in the luxury goods market. In 2014, the market for personal luxury goods—the “core of the core” of luxury—reached 223 billion euros, triple its size 20 years ago (Bain & Company, 2014). One of the most phenomenal transformations in the luxury sector has been its democratization in the 1990s. This led to the proliferation of new luxury brands which were affordable to middle-class consumers (Silverstein & Fiske, 2003). Examples include the downward brand extensions from established luxury brands (Okonkwo, 2007), “Masstige” goods that are priced above non-branded products but below established luxury-branded products, and “Accessible Super Premium” goods that are relatively low-ticket items priced at or near the top of their product category (Silverstein & Fiske, 2003).

These changes in the luxury market also redefined the very notion of luxury. Luxury, which was previously described merely as “conspicuous waste” (Grossman & Shapiro, 1988; Veblen, 1899) was no longer meant for the aristocrats alone. With the opening up of the luxury market, these goods were now perceived to evoke perceptions of exclusivity, rarity and quality (Catry, 2003) and deliver “creative and emotional value” (Chevalier & Mazzalovo, 2008) among a larger group of people.

Young Adult Consumer Segment

As the sector gradually expands, there is a growing emerging consumer segment that is gaining prominence in terms of market potential. They are the aspirational or “excursionist” consumers (Dubois & Laurent, 1995) or “Nibblers”, who make the occasional luxury purchase (Chadha & Husband, 2006). Members of the younger generations are seeking superior lifestyle experiences and have been reckoned to become an

influential consumer segment in the global luxury market over the next few years (Bain & Company, 2014; Unity Marketing Inc., 2007). This is because it is observed that a generational shift is occurring in the luxury market, with the average age of the luxury consumer getting increasingly lower, making young adult consumers (generally defined to be from 18 to 32 years old) the new target of luxury brands.

This new consumer base also has strategic importance in the market due to its expected growth potential. The future purchasing power of this segment will most likely rise quickly when they enter employment or as they progress in their careers. As these young adult consumers with new tastes and styles are likely to possess unique desires and luxury consumption motivations, it is theoretically and managerially important to understand their consumption behaviors with regard to luxury consumption.

The Luxury Market in Singapore

Although the market for luxury expanded significantly in the recent years, its growth rate slowed down from 7% in 2013 to 5% in 2014 (Bain & Company, 2014). The lower pace, however, is more sustainable and reflects the “new normal” for luxury goods, as the global economy continues its slow recovery from the financial crisis of 2008. While the Americas remain the largest global luxury market, it is mainly the demand from Asian consumers that has helped stabilize the growth. Luxury markets in Japan, China, South Korea and Hong Kong, experienced a brisk pace of growth. In Southeast Asia, the Singaporean luxury market has continued to grow and attract many major luxury retailers and developers in recent years.

Luxury brands (e.g., Cartier, Christian Dior, Prada, Giorgio Armani, and Louis Vuitton) have not hesitated to expand their businesses in Singapore, setting up multiple outlets throughout the island. In 2015 alone, international luxury brands like Alexander McQueen, Gieves & Hawkes, Delvaux, Moschino and Mikimoto, among others have launched new stores at high-end shopping malls like Marina Bay Sands and Ion Orchard. These brands have affirmed Singapore’s substantial market size and growth potential, and claimed Singapore as a fashion capital that is comparable to Hong Kong and Tokyo (Tay, 2009; Lim, 2009), with demand supported by economic growth, low unemployment and tourism spending. These recent developments and votes of confidence from luxury giants show that Singapore is a pivotal market with substantial growth potential.

Rationale for Study and Research Objectives

Existing research on young adult consumers has shed light on how they are unique from the older generation, due to the different economic, social, and political environments which they have grown up in. It is therefore likely that for this new segment of luxury consumers, the meaning(s) of luxury and the consequent consumption motivations have evolved from those established in previous marketing literature.

Despite their increasing importance in the luxury market, little is known about young adult luxury consumers. Within the body of research on luxury consumption that consists of broad-based studies or surveys on general luxury consumers, there are only a few in-depth studies that are specifically based on this age group. Our study contributes to the small but growing database of studies on young adult luxury consumers and their attendant preferences and motivations. This study will be beneficial to luxury brands and practitioners in their development of marketing strategies to effectively penetrate or grow the new segment.

LITERATURE REVIEW

This section covers the extant research literature on luxury consumption, particularly among young adults. We first focus on the meanings of luxury and the values that drive luxury consumption. We then conclude with relevant insights and market trends for young adult luxury consumers.

Meanings of Luxury

Within the domain of economics, there is no standard definition of luxury goods. However, like any other commodity, there are two main categories of consumer-object meanings associated with luxury goods: public and private. While the former is assigned by “outside observers of the object, that is, members of the society by large,” the private meaning is what the consumer object holds personally for an individual (Richins, 1994; Kleine & Kernan, 1991).

Historically, the meanings of luxury were predominantly public and symbolic in nature as luxury goods served the purpose of signaling wealth and social positions in the society (Veblen, 1899). Over the years, however, the focus has increasingly shifted from public to private meanings of luxury consumption—not just for expressing a differentiated identity (Hader, 2008), but also for fulfilment of inward needs (Bentley & Malefyt, 2002).

Luxury Consumption Values

Based on these different meanings, Vigneron and Johnson’s (1999)

prestige-seeking framework identified five luxury values which drive consumers towards luxury consumption. There are three that are socially-oriented (or public)–Perceived Conspicuous Value, Perceived Social Value and Perceived Unique Value, and two that are personally-oriented (equivalently private)–Perceived Emotional Value and Perceived Quality Value.

Perceived Conspicuous Value. Luxury consumers seek to attain the “esteem and envy of fellow men” (Veblen, 1899) and thus, display evidence of their wealth or power by the conspicuous consumption of luxury goods.

Perceived Social Value. As products tend to be the symbolic markers for group membership, luxury consumers’ desires to own luxury goods might arise due to their need to conform to their membership groups, model after their aspirational reference groups or minimize affiliation with less desired reference groups. Luxury goods can help to enhance or define their self-concept as products often constitute an important aspect of “the extended self” (Belk, 1988).

Perceived Unique Value. This value pertains particularly to consumers’ need for uniqueness. It has a dual nature as it encompasses both personal and social influences. A luxury consumer who is particularly driven by the perceived unique value of luxury goods finds that his choice or liking of the luxury good depends not only on his personal desires, but also if the good is different from what other individuals have.

Perceived Emotional Value. Emotional value is found to be an important aspect of the perceived utility gained from luxury goods (Dubois & Laurent, 1994). Consumers seek hedonistic value in luxury goods (Chevalier & Mazzalovo, 2008), placing higher importance on their personal emotional pleasure such as arousal of feelings and affective states derived from luxury goods.

Perceived Quality Value. One key defining characteristic of luxury goods is the high prices (Muscheller, 1992) as luxury goods are almost always priced at the top of the range in their product categories. As consumers associate higher prices with higher levels of quality (Rao & Monroe, 1989), they gain assurance from the perceived lower level of risk involved in buying high-quality luxury goods with superior product characteristics and performance.

Young Adult Luxury Consumers: Insights and Market Trends

Research on young adults has shown that there are specific factors that influence their luxury consumption. Some of these insights and market trends are described below.

Balancing Social and Personal Orientations. The changing consumption motivations of young adult consumers and the gradual shift in orientation from the social to the personal have been recorded in some recent studies. Young adult consumers are increasingly focused on the self and appearances. They retain a self-concept of “I am special” which might even be construed to self-absorption (Sebor, 2006) or an “excessive preoccupation with self” (Solomon, 2006). Schade et al. (2015) study on the consumption of luxury brands based on attitude functions (e.g., social-adjustive, value-expressive, hedonic, utilitarian) found that value-expressiveness was the primary factor driving luxury consumption for young German adults (26 to 39 years of age). A study on young adult South Korean consumers aged between 17 to 28 years old also established positive relationships between participants’ purchasing intentions of luxury goods and their need for uniqueness, and concluded that luxury goods hold symbolic meanings that help young adults to express or construct their unique self-concepts (Park et al., 2007).

The high level of materialism among young adults and their innate need to seek approval from peer groups have been well documented in an array of studies (Gil et al., 2011; Wooten, 2006; Erikson 1963). It is important to note that two seemingly opposite processes are taking place simultaneously here—not only are young adults consuming luxury goods to carve out their own identities, they are also trying to conform to the standards of their perceived aspirational group, to avoid being labelled differently. Hauck and Stanforth (2005) found that young adult participants, consisting of college students below 25 years old, seek not just prestige and status, but also emotional value from luxury consumption as they buy luxury goods for pleasure and entertainment and for the hedonic experience in self-gifting.

An interesting finding is the disparity between the brands which they own and that which they aspire to own. It suggests that purchasing of more accessible new luxury brands is a transitional phase for young adult luxury consumers, and they will progress to buy more expensive luxury brands when they have the means to do so. Sunong (2008) proposed that luxury consumption motivations can arise from the transitional issues that young adults, aged between 21 to 24 years old, face in their life stage

and thus, investigated the role of luxury goods in the liminal period which Thai young adults go through when they just enter full-time employment. It is found that they have socially-oriented consumption motivations (e.g., they want to signal success and conform to desired reference groups), as well as personally-oriented motivations (e.g., through self-gift giving).

Luxury Spending Expenditure Patterns. Young adult consumers' luxury lifestyles mostly consist of occasional luxury purchases that they can afford every season (Chadha & Husband, 2006). Their luxury purchases are often accessories and small-ticket items such as sunglasses, wallets and small leather goods (Bain & Company, 2014) that are relatively less expensive and more affordable to them. This purchasing pattern is similarly exhibited by Singaporean young adult consumers who spend considerably on the luxury brands' accessories such as handbags, wallets, belts and shoes but significantly less so on apparel.

Young adults have been “extending education” and “postponing marriage” (Bove, 2008), choosing to reside with their parents after graduation (Hines & Bruce, 2007), thus reducing their living expenses outlays. Additionally, there is a growing trend that young adults are relying on their parents for financial assistance for their living and lifestyle expenses (Serafino, 2008) and taking high levels of debt. In juggling their financial needs, young adults have to take into account the impact of fulfilling their desires for luxury consumption. Thus, young adult luxury consumers are concerned about “visible status at a reasonable price plus resale value” (Chadha & Husband, 2006). In other words, the luxury purchase must be “worth it” (Hader, 2008).

Changing Purchasing Habits–Digital Media. In line with ensuring their luxury purchases are “worth it”, young adults are using digital media for detailed information searches, extensive price comparisons and online purchases. The growing popularity of internet shopping among the youth has played a significant role in boosting the sale of luxury products (Okonkwo, 2007). The online luxury market, which has grown twelvefold in the past 11 years, now makes up 5% of all luxury sales (Bain & Company, 2014). In addition to features like convenience, discounts and worldwide shipping, internet shopping also makes it possible for consumers to interact with one another via website communities and virtual clubs dedicated to a specific luxury brand (Yuri Seo Margo Buchanan-Oliver, 2015). Supplemented by social media, digital shopping is becoming more popular among young adult luxury consumers.

RESEARCH METHOD

In-depth interviews were used for data collection. The in-depth interview research method, which “uncovers underlying motivations, beliefs, attitudes and feelings on a topic” (Malhotra, 2007, p.158), is highly compatible with the objectives of this study.

Sample Selection

Twenty Singaporean participants who are luxury consumers between 19 to 28 years old were chosen to form the sample using the non-probability sampling technique. To qualify as a luxury consumer, the participants must own luxury goods and have bought at least one luxury item in the past year. To ensure diversity within the sample, the participants were carefully selected to represent a wide range of educational backgrounds, occupations, types of residence, economic status and marital status. In addition, the participants had varying number of years of experience with luxury goods. Please see the profile of participants in the Appendix.

Interview Procedure

Prior to the interviews, an interview guide was created to ensure that all the topics relevant to the research questions were covered during the interviews. Subsequently, a pilot study was conducted with two interviewees. Using their responses, the interview guide was revised with respect to the phrasing and clarity of the questions, and the flow of topics. New issues which emerged were incorporated to improve the breadth of coverage. Although the interview guide helped to structure the interviews, it was not necessary to adhere strictly to it and participants could share their experiences freely during the interviews.

The participants' consent was sought before the interviews, and the purpose of the study and issues of confidentiality were explained to them. After these formalities, demographical questions were asked to build a more relaxed environment and to gather information about the interviewees. They were also assured that there were no right or wrong answers to the questions and were encouraged to share their opinions openly. After a sufficient level of rapport was established, the interview continued with questions pertaining to their attitudes, motives and opinions towards various aspects of luxury consumption and their purchasing behaviors. Throughout the interviews, the interviewer also took notes of the emotions or sentiments revealed by the participants through their body language and facial expressions.

Data Interpretation: A Hermeneutic Approach

After the interviews were transcribed, the transcripts, constituting of more than 200 pages of text, were coded and interpreted. The transcripts were verified by the participants before the coding and interpretation process.

This study adopted the hermeneutical approach (Thompson, 1997) to interpret the textual data. Hermeneutics involves a circular “part-to-whole process” (Thompson, 1997) by which “the interpretation of the whole text guides the explanation of its parts, which in turn, shape an understanding of the whole” (Sayre, 2001, p.204). The importance of this part-to-whole process lies in how each consumer has his/her personal background and different set of experiences which influence and shape his/her perception and meaning-based relationships with products and services (Thompson, 1997). Thus, a hermeneutical approach can yield a holistic and contextualized interpretation of each consumer’s espoused and implied consumer meanings and perceptions.

The interpretation process encompasses two stages. Firstly, each transcript is individually read to gain a complete understanding of the text as a whole. Subsequently, more readings are undertaken to understand the consumption meanings in the context of the entire ‘consumer story’. Secondly, while the first part-to-whole procedure is conducted within each interview transcript, the next one is applied across different transcripts to identify common themes and differences (Thompson, 1997).

Two principles are applied to minimize any researcher’s inherent bias and potential errors in interpretation of the textual data. In the interpretation process, an emic approach utilizes the participants’ own terms instead of the researcher’s so that the descriptions of their consumption experiences are realistic (Thompson, 1989). In addition, the researcher’s inferences and conjectures which are not supported by the transcript contents are not introduced into the interpretation (Thompson, 1989). After a comprehensive data interpretation process, several key themes were found and these will be presented in the following section.

FINDINGS

In this section, we present the key themes and insights into the motivations of young adult luxury consumers. Using Vigneron and Johnson’s (1999) prestige-seeking framework, we demonstrate how participants have redefined the five luxury values from a social orientation to a more personal one. We also introduce a sixth luxury value, that of perceived identity value.

Perceived Conspicuous Value

As shown in previous studies, luxury consumers are motivated by the perceived prestige of luxury goods, seeking to display evidence of their wealth and social status through the conspicuous consumption of luxury goods (Veblen, 1899; Vigneron & Johnson, 1999). Luxury goods are still relevant as symbols of status and wealth. As aptly described by Eileen, a 26-year-old participant, luxury goods are a confidence booster and “can be a symbol of status or how well you are doing in life”. More importantly, our participants have reconfigured the prestige value of luxury goods into a personal sense of achievement. Luxury goods represent their goals and progress in different aspects of their lives (e.g., financial status, societal status, and career status). Consequently, they feel a sense of achievement and are proud of themselves when they are able to buy luxury goods.

“If I can afford to buy myself a really expensive bag one day, it might mean prestige to me as I must have the capability to earn a certain amount before I can purchase something that expensive. I will measure prestige based on my ability to earn and spend that kind of money. This ability also equates to my status at work.” (Grace, 22)

“Perhaps my luxury goods mean pride to me, that I work hard and I can afford this myself. It’s like an achievement to me. Luxury goods are like my goals or standards—what I want to be. Let’s just say that if I go broke and I cannot buy any more luxury bags, it will make me sad because it means that I am not doing well in life but not getting the bag itself will not make me any sadder.” (Eileen, 26)

The reworking of the prestige value of luxury goods into a personal sense of achievement in goal attainment has resulted in the participants’ categorization of luxury brands into three progressive tiers. The “entry-level” tier of luxury brands comprise brands they used to like and buy in the past when they first started to buy luxury goods. The “current favorites” are brands which they are able to afford, and are currently buying, at their present stage of their lives. “Aspirational” brands are the higher-end and more expensive brands which they hope to buy in the future when they attain higher levels of financial capabilities. Tammy describes a movement through these tiers as a symbol of her progression in other aspects of her life.

“Sometime later when I am in my later twenties, I will buy Bottega Veneta. I don’t want to be carrying the same bag as I progress. I will move on higher and higher. I definitely want to continue buying higher-end luxurious goods in the future. It is like a sense of proving myself; it is supposed to be a progression and not a regression.” (Tammy, 22)

Perceived Social Value

Participants shared about the balance they need to maintain between reference group pressure and individualism. Some feel pressurized to meet the expectations of some membership and reference groups or desire to gain acceptance and approval from those groups. Hence, they leverage on luxury goods to conform or seek identification with their membership groups. These are mainly occupational and work-related groups, or friends who consume luxury goods.

“I think it matters a bit more when I go out with my boyfriend’s family and relatives. They are rather wealthy so I must also show that my background matches up. I think it has helped me as they have all rather accepted me. I guess that is the only time when I will bring my designer stuff for this reason.” (Mary, 19)

“I think peer pressure plays a very important role. The peer pressure comes from my colleagues and the friends whom I mix with. They will show off their new bags to me and tell me, ‘This bag is from the new season and is in the latest trend!’ So, I feel that I want to balance up with them.” (Sandra, 26)

In dealing with social pressures, participants also want to maintain a sense of individuality and independence in their membership groups and thus, do not feel that it is necessary to buy luxury goods just to conform to them. They also do not think that their membership or reference groups in their workplaces or social circles expect them to use luxury goods. Other factors beyond luxury goods are more important in facilitating their acceptance in these groups.

“Yes, although my friends have luxury goods, I don’t think that there is a need to match up to them.” (Serena, 22)

Perceived Unique Value

The unique value of luxury goods is a key motivation for most participants

as they seek out exclusive, well-designed brands and items owned by a privileged few. However, this is a challenge given the widespread emergence of mass luxury brands, the increasing incidence of counterfeiting and frequent seasonal sales. In order to preserve the perceived unique value, participants reported resorting to various creative strategies such as the following (see Table A).

| | Behavior | Explanation | Quotes |
|--|----------------------------------|---|--|
| Increasing Rejection of Mass Luxury Brands | Choosing Differentiated Pieces | Selecting differentiated pieces from the mass luxury brands E.g., Limited editions, Classic pieces (Chanel 2.55) in different colors or materials | <i>“I have seen my Gucci bag less frequently on other people. It’s different. Somehow, fewer people have this color. I prefer that.” (Priscilla, 28)</i> <i>“I want Chanel’s limited editions and designs but I can’t find them in Singapore. I can also buy Chanel’s classic designs but I will want them to be a little different.” (Lydia, 28)</i> |
| | Seeking Variety Overseas | Buying from luxury brands that are not available in Singapore Buying items from luxury brands that are not available in Singapore E.g., Buying online, Buying during overseas trips | <i>“I like to shop when I go overseas like London, New York or Italy. I want to buy goods that are limited in the Singapore context. I don’t like the idea of someone having the same thing that I have. For example, my Miu Miu bag is only available in Italy; you cannot buy it in Singapore.” (Mary, 19)</i> |
| | Choosing “Obscure Luxury Brands” | Buying from luxury brands which are not commonly known and easily recognized in Singapore E.g., Bottega Veneta, Dsquare, Tods, Chloe, Van Cleef & Arpels | <i>“Most of the brands I like and have don’t show their brands so explicitly. Most of my things are more obscure. You can only identify the brand if you are really well-versed in luxury brands.” (Tammy, 22)</i> |

Table A: Ways of seeking unique value from luxury goods

Perceived Emotional Value

The emotional value of luxury goods is a strong primary motivation for

the participants. Most participants simply seek self-gratification in buying their desired luxury goods expressed in terms such as “pampering”, “rewards” and “indulgences”. For some, the hedonic emotions brought about by the purchase of luxury goods are even more enhanced by their stressful and achievement-oriented lifestyles.

“I bought the first Gucci bag because I wanted to pamper myself. I have been working for more than one year and I felt that I kept saving money but I did not have anything for myself. I just wanted to make myself happy.” (Anna, 28)

“I think I bought one bag on my birthday and the other on Christmas. I thought I could just reward myself than really save up to buy them. However, they are really just excuses. Maybe reward is not such a good word to use. I think I buy them just to pamper myself.” (Grace, 22)

“I work so hard, so my luxury bag is to reward myself for working so hard. I feel really happy after buying the luxury bag.” (Sarah, 25)

“I set a benchmark to buy a bag, like every year or half a year after I have earned this much and especially when bonuses come, I think it is like a reward for myself to buy something that I like.” (Alice, 25)

Perceived Quality Value

The quality value of luxury goods still persists for participants as they perceive luxury goods to be of significantly higher quality with superior functional performance and durability. Participants also appreciate the artistic aspects and the fine details in luxury goods (e.g., the stitching and branded buttons for a shirt).

“When I was younger, my mum always stressed on quality. She would always buy our clothes from Robinson (a premium department store in Singapore) and never from places like the provisional shops. Thus, I started buying luxury goods for their quality. Every bag that I have bought has lasted me years and years. Every single one is still in good working order now.” (Lydia, 28)

Larry, who is an avid collector of luxury fountain pens, holds a strong fascination with the technology and fine craftsmanship of his pens.

“A \$1 pen will not have these elements (fine nibs, 14K gold, ideal shape, good grip etc.) because there is too much craftsmanship and a lot of design going into this.” (Larry, 23)

Perceived Identity Value

A new luxury value (i.e., perceived identity value), emerged through the analysis. Previously, the value of luxury goods to the consumer's identity were couched in terms of the perceived social value and unique value. Luxury consumers might buy luxury goods to construct some facets of their identities to fit in with desired membership groups or to dissociate themselves from certain reference groups. However, our participants buy luxury goods due to a sense of congruency between the image of the luxury goods and their internal selves. Many participants feel that the designs or style of the luxury brands appeal to their personal taste and preferences and express their personalities.

“Prada is my favorite brand because I like its design. Even though I buy Prada, I am quite specific about what I buy. I only like its triangle logo. The Prada bags that I have, all of them must have the logo. I just like the design. Prada has very basic designs and a clean basic look which I like. It's more of my style.” (Larry, 23)

Secondly, luxury goods play an important role in their construction and expression of their desired self-image regardless of whether their desired self-image is self-directed (e.g., I want to look good for myself) or others-directed (e.g., I want to look good in front of others), as shown in the two illustrative examples. Grace feels it is important for her to dress well because she is innately concerned with looking and feeling physically attractive. John uses luxury goods to project a desired self-image so as to make other people perceive him in a more positive light.

“I think for every luxury item you buy, it's all part of the look you put together. I am the type of person who loves to doll up. I love to look good. If I look in the mirror and I like how I look, I feel good about myself. I can probably feel good for the entire day. It's more for myself.” (Grace, 22)

“I want people to always remember me upon the first sight. I feel that I look good if I carry luxury goods. They are important for my

appearance. I want to give other people a good impression. In the social circle, the first impression is very important when you meet people. So it's always good to dress up a bit. I want everyone to think that I am trendy, clean, tidy, well-groomed and presentable.” (John, 23)

Digital Media and Luxury Consumption

While online shopping is more prevalent among young adult consumers in general, there are pros and cons in the specific context of luxury consumption. Most participants engage in extensive comparison and ‘research’ of the prices of luxury goods. In addition to interpersonal sources such as friends, relatives and family members who frequently travel overseas, they use online websites and forums.

Some participants purchase their luxury goods online through either reputable shopping websites (i.e. Netaporter.com and Shortbob.com) or luxury brands’ official online retail stores. Luxury goods are usually sold at discounted prices on these online shopping platforms. Participants particularly like to purchase American luxury brands, such as Coach and Kate Spade, as items from these luxury brands are often retailed at significantly discounted prices online. They are motivated by the discounted prices and cost savings, and are willing to forfeit the other elements of the buying experience such as the service enjoyed at the luxury store or packaging of the item.

“My first luxury purchase was a Coach wristlet. I saw it on the online spree. If you buy online, it's cheaper. So I just bought it on the online spree. But I want to go to the real store to try it myself before I buy it online. After trying the real thing, I will then go online and buy it because it's cheaper. It's worth the waiting. It's ok that I have to wait some time if I buy online.” (Jane, 25)

While online shopping may yield significant price discounts, some participants feel there are other ways through which they can purchase their luxury goods at lower prices. Some participants feel that it is a hassle that they have to take into account currency exchange rates which might erode any potential cost savings for their online luxury purchases. Other participants feel that there are too many risks in buying luxury goods online. They are mainly worried that their luxury purchases will be lost or spoiled in the shipping process, that the pictures of the luxury goods online do not accurately reflect the actual luxury goods or that their

luxury purchases may turn out to be counterfeits. For some like Tammy, the physical store retail experience cannot be replaced.

“I will never buy luxury goods online unless I am buying Kate Spade or something I have already seen. I have no confidence in the in-between process—what if they change something? I don’t have the trust. I don’t believe in buying online when I have friends travelling overseas. I will rather get my friends to buy for me overseas. It is cheaper and you don’t have to pay the VAT charges.” (Melanie, 25)

“I like to go to the shops to browse around, buying it at the moment and carrying it. It just makes me feel very happy; like a sense of achievement whereas buying it online doesn’t give me that kind of feeling because it comes in a package, very dodgy. I think the packaging makes luxury goods luxurious. So when it comes via mail, it loses its luxurious quality. And that price difference of a few hundred dollars doesn’t seem worth it anymore. It looks sad and makes me sad.” (Tammy, 22)

DISCUSSION AND IMPLICATIONS

In this section, the contributions of this study are highlighted and marketing implications are suggested based on the key findings. Our research contributes to the understanding of the younger-generation luxury consumers and how their preferences, motivations and values towards luxury goods differ from those of older luxury buyers. The insights into this demographic segment will aid luxury brands and practitioners to develop effective marketing strategies along with segmentation, advertising and promotional tools to attract this cluster, as they “nibble” their way to becoming more avid luxury consumers in the near future.

Increasingly Personally-Oriented Consumption Motivations

More young adult luxury consumers are attaching personally-oriented (private), rather than socially-oriented (public), meanings to their luxury purchases. Brands should therefore carefully design and monitor the elements of production and marketing campaigns to reinforce this new perception. For the *perceived conspicuous value*, instead of wanting to signal their wealth and social status, young adult luxury consumers desire to gain a sense of achievement from purchasing luxury goods. For the *perceived unique value*, luxury goods with novel and interesting designs

meet young adult luxury consumers' inclinations towards novelty and creativity. For the *perceived quality value*, young adult luxury consumers not only seek the superior functional performance of luxury goods but also develop an artistic admiration for the design, exquisite workmanship and overall quality of luxury goods.

Emphasizing on uniqueness, uncompromising quality and visual perfection could help luxury brands reinforce their appeal to the young adult luxury customers. To deliver *perceived conspicuous value* in terms of a personal sense of achievement, luxury brands could enhance their aspirational elements by creating strong associations with success and achievement through advertising campaigns and celebrity endorsements. Luxury watch manufacturers like Rolex and Longines, for example, have appointed illustrious sports stars as their brand ambassadors. Consumers (young adults in particular) recognize that these celebrities have worked tirelessly to reach the top of their game, thereby instilling a feeling of accomplishment. To deliver *perceived unique value* in novel and creative product designs, luxury brands could move away from producing product ranges with the standard designs and focus on novel or reinvented designs for each new collection launched. High-end fashion brands like Dolce & Gabbana and Versace have capitalized on young adults' willingness to stand out even while blending in, and frequently promote original and unusual designs in their summer catalogs. In addition, brands could provide product customization and bespoke services so that consumers can own luxury goods that are "one of a kind" and personalized. To cater to the consumer's desire for novelty, Louis Vuitton offers a customization service of placing the buyer's initials on their handbags. This personalized touch emphasizes the uniqueness factor associated with luxury goods.

To enhance *the perceived quality value* in an era of machine-made goods, luxury brands should continue to reinforce consumers' perceptions of high quality of their luxury goods. To do so, some luxury brands have communicated their high quality production process in their advertising campaigns. For example, in December 2009, Louis Vuitton launched an advertising campaign with the taglines, "The young woman and the tiny folds", "The seamstress with linen threads and beeswax" and "The craftsman with his brush" (LVMH, 2010). The advertisements sought to reemphasize the hand-made quality and craftsmanship of Louis Vuitton's products to consumers by featuring skilled artisans and highlighting their "quest for perfection and passion for detail" (LVMH, 2010).

New Consumption Motivation: Perceived Identity Value

A new luxury value, *perceived identity value*, was found in this study and is one of the key motivations for young adult luxury consumers. The identity value pertains to two facets of the consumer's identity, that is, internal self and desired self-image. Firstly, young adult luxury consumers buy luxury goods because there is congruence between their personal tastes and fashion styles and the luxury brands' image. Secondly, they seek to construct or express their desired self-image with their luxury goods. They desire to look fashionable, stylish and young.

In order to appeal to young adult luxury consumers, luxury brands should seek to understand their fashion choices by conducting frequent consumer research studies and establishing a trend-setter position in the fashion industry. To do so, brands can strategically manage their designer talent pool, public relations, clientele mix, celebrity endorsements and collaborations with renowned fashion icons and designers (both established and emerging) to create and maintain a brand image that is always relevant. Since perceived identity value is closely related to identifying what is "trending" in the market, developing marketing channels (online and offline) to communicate with the target consumer base would prove to be useful for luxury brands. Consider Ralph Lauren's "Living Room" project for instance. In November 2015, the company installed an interactive mirror in their New York store. This mirror scans the shoppers, displays different customized outfit combinations and even offers them live fashion advice. An innovation of this sort has the potential to make every consumer feel special.

Digital Media and Luxury Consumption

Young adult luxury consumers obtain information on luxury goods through online platforms such as luxury brands' websites, forums, social networking websites and blogs. Thus it is increasingly important and necessary that luxury brands target their marketing communications through online channels, manage their official websites well, and monitor the online sources for consumer feedback and media coverage on their brands.

Luxury brands should tap into the vast opportunities provided by online platforms (e.g., blogs, Twitter, Facebook) to connect with young adult luxury consumers so as to strengthen their brand equity and build stronger personal rapport. Luxury brands can set up corporate blogs, respond promptly to consumers' feedback given on these platforms or establish an online community group for their consumers. These

platforms will provide opportunities for consumers to interact through uploading and sharing their photos and stories on their personal experiences of luxury consumption.

DIRECTIONS FOR FUTURE RESEARCH AND CONCLUSION

As young adult luxury consumers are increasingly personally-oriented, the diversity within the segment also grows. The motivations, attitudes and buying behaviors of young adult luxury consumers could vary significantly across the different subgroups in this segment. The male young adult luxury consumer segment is rapidly emerging and growing, and future research could focus on this emerging subgroup.

Young adult luxury consumers are found to hold a strong personal orientation towards luxury consumption, attaching private meanings to luxury goods and having a strong personal rapport with their luxury possessions. A new consumption motivation, perceived identity value, was identified from the findings of this study. Future studies could investigate the evolving range of personally-oriented motivations as more motivations could potentially be uncovered.

This study found that young adult luxury consumers seek and obtain most of their luxury-related information through the internet. Although there is a significant number of studies on internet marketing, they might not be applicable to luxury brands which have to ensure that their brand image is not compromised on the user-driven online platforms. Thus, there is a rising need for more research on how luxury brands can build, manage and sustain an online presence and image that are fit with their brand image. In addition, there could be more research on how luxury brands can utilize the emerging interactive user-driven platforms (e.g., forums, blogs and social-networking websites) to connect with, and remain relevant to, young adult luxury consumers.

In conclusion, this study has achieved its overarching research objective, that is, to provide a deeper understanding on young adult luxury consumers. The findings on their meanings of luxury, motivations and values, have contributed to the body of research on young adult luxury consumers and provided important insights and marketing implications to luxury brands. Thus, as young adult luxury consumers rise to become an influential segment in the luxury market, this study and future studies on young adult luxury consumers will benefit luxury brands which want to sustain their relevance to their consumers and increase their market share and growth in the luxury goods industry.

APPENDIX

| Profile of Participants | | | | | | |
|-------------------------|-----------|--------|-----|----------------|------------------------------------|--------------------------|
| | Pseudonym | Gender | Age | Marital Status | Occupation | Education Qualification |
| 1 | Mary | F | 19 | Single | Student | University Undergraduate |
| 2 | Serena | F | 21 | Single | Student | University Undergraduate |
| 3 | Grace | F | 22 | Single | Student | University Undergraduate |
| 4 | Tammy | F | 22 | Single | Research Assistant | University Degree |
| 5 | Emma | F | 22 | Single | Sales Executive | Polytechnic Diploma |
| 6 | John | M | 23 | Single | Student | University Undergraduate |
| 7 | Larry | M | 23 | Single | Student | University Undergraduate |
| 8 | Melanie | F | 24 | Single | Business Development Executive | University Degree |
| 9 | Jane | F | 24 | Married | Civil Engineer | University Degree |
| 10 | Sarah | F | 25 | Single | Business Analyst | University Degree |
| 11 | Alice | F | 25 | Single | Private Banker | University Degree |
| 12 | Sandra | F | 26 | Single | Marketing Executive/ Designer | Professional Diploma |
| 13 | Eileen | F | 26 | Single | Sales/Business Development Manager | University Degree |
| 14 | Nancy | F | 26 | Single | Manager of Family Business | University Degree |
| 15 | Gerald | M | 26 | Single | Designer | Polytechnic Diploma |
| 16 | Priscilla | F | 28 | Single | Industry Manager | University Degree |

Profile of Participants

| | Pseudonym | Gender | Age | Marital Status | Occupation | Education Qualification |
|----|------------------|---------------|------------|-----------------------|--------------------------------------|--------------------------------|
| 17 | Jasmine | F | 28 | Married | Human Resource Executive | Polytechnic Diploma |
| 18 | Michelle | F | 28 | Married | Lawyer | University Degree |
| 19 | Anna | F | 28 | Married | Sales/Business Development Executive | University Degree |
| 20 | Lydia | F | 28 | Married | PhD Student | University Degree |

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Marketing Indian Haute Couture Brands

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ABSTRACT

This paper investigates the impact that seven marketing activities namely event sponsorship, celebrity endorsements, advertising, distribution exclusivity, store atmospherics, brand websites and brand's social media have on the brand equity of Haute Couture Brands. Globalization, high disposable income, economic prosperity and an increasing demand for luxury labels has contributed to the flourishing demand for Haute Couture Designer labels. The fashion calendar in India is full of Luxury and Haute Couture events throughout the year, thereby providing exhaustive purchase options for the affluent Indian consumer and exacerbating the market competition. This study attempts to assess the consumer based brand equity of Haute Couture Labels and apprehend their salience in the domestic market.

INTRODUCTION

India offers luxury brand owners unrivalled growth opportunities. The Indian luxury market is projected to reach USD 14.27 billion in 2015 (CII and AT Kearney, 2011). Although, it may represent only 1-2 percent of the global luxury market, but its market growth rate of more than 20 per cent per annum promises positive returns for luxury players. The recent economic projections suggest that the Indian consumer market will expand far beyond previous expectations. Success of Indian tycoons and entrepreneurs has created a class of super-rich consumers. However, it is the burgeoning middle class in India which offers a golden opportunity for the luxury industry. According to McKinsey Global Institute (2007), the Indian middle class is expected to reach 580 million people by 2025. The growing significance of consuming class that is willing to flex its financial muscles has led many commentators to believe that India is well positioned to become the next China. Economic momentum and aspirations of the Indian middle class with an 'appetite' for lifestyle brands have created a 'desire' economy. The increasing frequency with

which customers are exposed to luxury brands result in heightened desire for these brands. The market is expanding from 'centers' of luxury-Delhi, Mumbai and Bangalore, and is percolating into smaller cities such as Chandigarh, Ludhiana, Ahmadabad and Coimbatore. The tipping point is in sight. India has strong cultural and historical tradition in luxury which serves as a springboard for future growth.

The land of Maharajas is a pseudonym that has been used for India since ages. This country boasts of a rich heritage and has been home to many royal empires. Therefore it will be ideal to assume that luxury has an eternal affair with India which has defied the ages and continues to prevail even now. Although Indians are no longer ruled by emperors and kings but deep down in their hearts they feel like the same. The economic development and rising disposable incomes have filled up the pockets of Indian consumer who can now splurge on luxury and feel like a king and queen. A testimony to this social and economic revolution is the growing trend of couture weeks which have dominated the Indian fashion calendar and have created opportunity for haute couture brands to connect with the Indian consumer. Also, luxury malls like DLF Emporio (New Delhi), UB Mall (Bangalore) and Palladium Mall (Mumbai), along with fashion arcades of five star hotels, house these Indian haute couture brands. The media writes a lot about the haute couture and many fashion magazines like Vogue, Harper Bazaar and Elle feature these brands in their print and digital editions. Indian haute couture brands have their own websites and brand pages. Fashion bloggers write about the couture weeks and the fashion stylists make celebrities wear these brands to premium events and in movies. Besides, these celebrities are the show stoppers for these haute couture brands in the couture weeks. This marketing and publicity convert into a strong demand for these haute couture brands from the consumers. Although, if we compare the Indian market statistics with the international markets, the haute couture market is still in the early stages of development, but brand managers need to be ready, as the Indian luxury market is set to fly high. This research sets out to address the salient issues that are critical to building and strengthening the brand equity of Indian haute couture brands using a portfolio of efficient and relevant marketing strategies which will help in unlocking the potential of India's luxury market.

Conceptual Framework

The core objective of this research is to examine the effect of marketing activities on brand equity dimensions and overall brand equity of Indian haute couture brands. Selection of appropriate marketing activities and a

brand equity model were a prerequisite in conducting this research. For this purpose we have chosen David Aaker's Brand Equity model in this study. Previous research studies conducted by Yoo et al (2000) and Tong and Hawley (2009) also used the same model to examine the effect of marketing activities on brand equity. This substantiates the selection of Aaker's model of brand equity in this study.

A total of seven marketing activities have been zeroed in for this research. The choice of marketing activities has been governed by product category on which this study is being conducted. Here the brand equity of Indian Haute Couture Brands has been assessed so the marketing activities chosen are Event Sponsorship, Celebrity Endorsement, Advertising, Distribution Intensity, Store Atmospheric, Brand's Website and Brand's Social Media. Furthermore these strategies have been clubbed into conventional marketing strategies and neo-marketing strategies. Conventional marketing strategies comprise the following:

- 1) Event Sponsorship
- 2) Celebrity Endorsement
- 3) Advertising
- 4) Distribution Intensity

Neo-marketing strategies constitutes:

- 1) Store Atmospheric
- 2) Brand's Website
- 3) Brand's Social Media

The purpose of taking up neo-marketing strategies along with conventional marketing strategies was to check which of these contribute more to the brand equity of Indian Haute Couture Brands. Haute Couture has been associated with elements of exclusivity and prestige and are skeptical about using internet as the marketing medium because it is associated with mass promotional activities which are in contrast to the luxury brand concept that is centered on exclusivity and class (Okonkwo, 2007). However, the rampant digital revolution and emergence of social media as the prime marketing tool have left no choice for luxury brands other than including brand websites and brand pages on social media in their marketing portfolio (Okonkwo, 2009).

Conceptual Model

The study will test relationships at two levels:

- 1) Brand Equity dimensions relationship with Overall Brand Equity
- 2) Marketing Elements relationship with Brand Equity

Dimensions A total of 12 constructs are used and 32 hypotheses are tested.

Figure 1 illustrates the conceptual model used in this study.

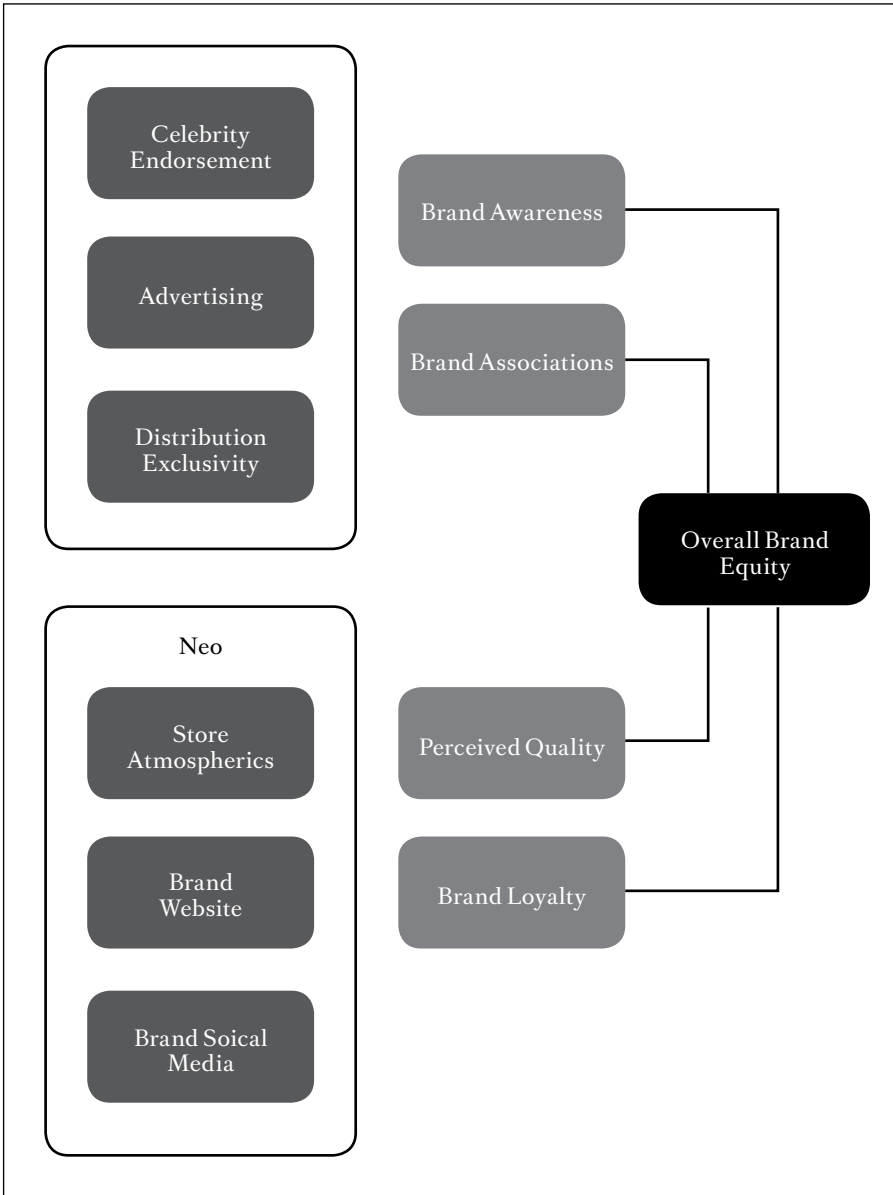


Figure 1: Conceptual Model

Brand Awareness

Brand Awareness refers to the knowledge consumers have about a particular brand. Unless the consumer knows about a brand he/she cannot make any purchase decision regarding that brand. Keller (2012) defined brand awareness as a combination of brand recall and brand recognition. Brand recall refers to the ability of a consumer to recollect a particular brand during their decision making process without priming. Brand Recognition on the other hand refers to whether the consumer can identify the brand amongst a host of other competing brands. Brand awareness therefore puts the brand into consumer's consideration set when making purchase decisions (Hoyer and Brown, 1990; Mac Donald and Sharp, 2000).

Baldauf et al (2002) found that brand awareness is an antecedent of brand profitability and sales. Brand awareness is built over a period of time through efficient use of marketing mix like advertising and event sponsorship (Rajh, 2005). Huang and Sarigollu (2012) used both product market outcome and consumer mindset measures to identify the relationship of brand awareness with overall brand equity. They observed that high brand awareness will drive higher brand equity. This study was conducted in United States on consumer packaged goods and the influence of price, sales promotion, advertising and distribution intensity was analyzed. In order to reconfirm the above findings in the Indian context for luxury fashion apparels instead of consumer packaged goods, we can hypothesize that higher brand awareness for luxury brand will lead to higher overall brand equity as luxury brands enjoy very high brand awareness—both aided awareness and top of the mind awareness (Okonkwo, 2007).

H1: High Brand Awareness has a positive and significant relationship with Overall Brand Equity.

Brand Associations

Brand associations are described as links or nodes in the mind of consumer about a particular brand (Keller, 2012). They serve as reference points for the consumers while making product purchases. Brand association can be expressed as the impression a consumer has towards a brand vis-a-vis its features, performance, history, status etc. Luxury brands for instance are associated with prestige, exclusivity, heritage and finesse (Okonkwo, 2007).

Keller (2012) suggested that the presence of strongly held, favorably evaluated associations that are unique to the brand and imply superiority over other brands are critical to a brand's success. This can be because of the relevance brand associations have in decision making (Alba et al, 1985). Brand associations are important in decision making because associations help consumers to process, organize and retrieve information in memory and help them in making purchase decisions (Low and Lamb, 2000).

Brand associations relationship with brand equity has been explored by Christodules and de Chernatony (2003) who conducted a thorough literature review on consumer based brand equity and concluded that brand associations are a core dimension of overall brand equity. The contribution of brand association in overall brand equity should be more pronounced in case of luxury fashion apparel brands as these have strong consumer associations of being exclusive, superior and expensive (Okonkwo, 2007). Therefore we hypothesize that:

H2: Strong brand associations has positive and significant relationship with Overall Brand Equity

Perceived Quality

Perceived quality has been considered as a core dimension of consumer based brand equity (Aaker, 1996; Dyson et. al., 1996; Farquhar, 1989; Keller, 1993). Consumers' perception about the features and performance of a product translates into perceived quality. Parasuraman et.al (1985) found that consumers compare the actual performance of a product with the expected performance and if the actual performance exceeds the expected performance then they develop a positive attitude about the perceived quality of a brand (Kotler, 2000).

A product that has high perceived quality is expected to be excellent and superior compared to other products in the category (Zeithaml, 1998; Aaker and Jacobson, 1994). This is true in the case of luxury brands because luxury goods are associated with excellent quality and design (Prendergast and Wong, 2003). Silverstein and Fische (2005) reported that product and services that signal higher level of taste, quality and aspiration than any other product are considered to be luxury. Thus, we can assume that luxury brands have high perceived quality.

Netemeyer et al (2005) believed that perceived quality, perceived value cost and willingness to pay price premium are core aspects of brand equity. Applying this study in case of luxury fashion apparel brands which have already high perceived quality we can assume that:

H3: High perceived quality has positive and significant relationship with Overall Brand Equity.

Brand Loyalty

The attachment a consumer has for a particular brand can be termed as brand loyalty (Aaker, 1991). A consumer who is emotionally attached to a particular brand will tend to purchase it over and over again. With time, this fondness for the brand grows so much that the consumers end up becoming brand evangelists and brand ambassadors for the brand and their relationship with the brand departs from functionalism to symbolism. This phenomenon is common for luxury fashion apparel brands as they have high symbolic and experiential significance to the consumers rather than mere functional benefit.

Consumer loyalty is a manifestation of the trust and affinity consumers have for a brand (Okonkwo, 2007). Luxury consumers in particular are highly loyal and emotionally attached to the luxury brands which have helped these brands save the cost involved in attracting new customers (Okonkwo, 2007).

Laser et al (1995) state that “brand equity stems from a greater confidence consumers place in a brand than they do in its competitors. This confidence translates into consumer loyalty and willingness to pay a premium.” Aaker (1991) said that brand loyalty of the consumer base is the core of brand equity. Furthermore Chaudhari (1999) found that brand loyalty mediates brand equity outcomes. Keller (2003) also operationalized brand loyalty as the main source of consumer-based brand equity.

A study on luxury hotel business by Kim and Kim (2005) revealed that brand loyalty affects firm’s performance and brand equity. Checking it for luxury fashion apparels we hypothesize that:

H4: High Brand Loyalty has positive and significant relationship with Overall Brand Equity.

Marketing Activities relationship with Brand Equity Dimensions and Overall Brand Equity

Event Sponsorship

In today’s high-clutter advertising environment, firms consider sponsorship programs as major communication tools, and tend to allocate large amounts of resources to sponsorship arrangements. Commercial

sponsorship has been defined as: “an investment, in cash or in kind, in an activity, in return for access to the ex-exploitable commercial potential associated with that activity” (Meenaghén, 1992).

When a brand sponsors an event, the associations tied to that event become linked to the brand (Roy and Cornwell, 2003). Thus a brand that sponsors a sporting event will be likely to be linked with that event. Thus when a brand becomes associated with an event, associations between the brand and the event are formed via the HAM framework. While an association forms when a brand sponsors an event, as supported by HAM, the authors also suggest that brand familiarity plays an important role in sponsorship effectiveness.

Consumers’ knowledge about familiar brands is characterized by more highly structured associations compared to their knowledge of less familiar brands operations. It is expected that new brand associations represented by an event will have a stronger influence on associations for the less familiar brand than for a more familiar brand (Low and Lamb, 2000). These associations can result from brand trial, previous advertising or brand leverage.

Advertising creates images for the brand, and, by using a sponsorship, a brand can avoid the need to create this base image, and simply focus all its efforts on transferring an existing image to itself. The image possessed by the sponsor is usually more positive and more solid than an artificially created image could ever be, and it is likely to be a more efficient means of transferring the advertising message to the consumer because it is real.

Putting the development of arts sponsorship into context helps to demonstrate the growing recognition of its importance. Low and Lamb (2000) proposed that audience and medium are also more amenable to exploitation of the synergy between the arts event and the brand which can be the principal attraction, especially for luxury brands and products.

H5 a: Event sponsorship has a positive and significant relationship with brand awareness

H5 b: Event sponsorship has positive and significant relationship with brand association

H5 c: Event sponsorship has positive and significant relationship with perceived quality

H5 d: Event sponsorship has positive and significant relationship with brand loyalty

Celebrity Endorsement

In terms of celebrity endorsement, Moore and Birtwistle (2005) identify the role played by celebrity endorsement in luxury fashion branding, although endorsement can take forms outside traditional endorsement contracts.

Celebrity endorsement has become a popular approach in the branding process both in terms of gaining and keeping attention and in creating favorable associations leading to positive brand knowledge and distinct brand images. This works fundamentally by creating a congruent image between the brand and the consumer. The consumer attaches meanings and associations to celebrities as a result of their roles in television, film, the military and athletics. This meaning is then transferred to the product when the celebrity is seen in an advertisement. Some of the meanings of the celebrity become synonymous with the product. In the final stage, meaning moves from the product to the consumer. Endorsers are thus seen as conduits of cultural meaning transfer, and configurations of desirable cultural meanings become part of the brand.

Highlighting the competitive nature of fashion markets, Auty and Elliot (1994) discuss the need for effective advertising using symbolic cues in order to create distinctive brand images and associations.

H6 a: Celebrity Endorsement has a positive and significant relationship with Brand Awareness

H6 b: Celebrity Endorsement has a positive and significant relationship with Brand Associations

H6 c: Celebrity Endorsement has a positive and significant relationship with Perceived Quality

H6 d: Celebrity Endorsement has a positive and significant relationship with Brand Loyalty

Advertising

One of the major contributors to brand equity building is advertising (Aaker and Biel 1993). Lindsay (1990) argues that the greatest source of added value is consumer perception of the product or brand, which comes from advertising that builds a brand image.

Advertising can influence brand equity in a number of ways. Across both service and product category research, Cobb-Walgreen et al.

(1995) found that the brand with the higher advertising budget yielded substantially higher levels of brand awareness and equity. In other words, advertising can create awareness of a brand and increase the probability that the brand is included in the consumer's evoked set.

According to Rice and Bennett (1998), effective advertising might not only increase the level of brand awareness, it may also improve attitudes toward the brand and strengthen its image. Advertising can contribute to brand association that, when stored in accessible memory, translates into "non-conscious but reliable behavioral predispositions" (Krishnan and Chakravarti, 1993). Stigler (1961) found that advertising, which provides information about objective attributes such as price and physical traits, has an influence on brand association. Farquhar (1989) further argued that advertising could make positive brand evaluations and attitudes readily accessible in memory.

Considering that advertisements generally influence brand equity in a positive way, we assumed each advertising medium had a positive relationship with dimensions of brand equity.

H7a: Advertising has positive and significant relationship with Brand Awareness

H7b: Advertising has positive and significant relationship with Brand Associations

H7c: Advertising has positive and significant relationship with Perceived Quality

H7d: Advertising has positive and significant relationship with Brand Loyalty

Distribution Exclusivity

Distribution intensity has been commonly defined as the number of intermediaries used by a manufacturer within its trade areas (Bonoma and Kosnik, 1990). Alashban, Hayes, Zinkhan, and Balazs (2002) further suggest that distribution intensity refers to the number and different levels of distribution channels for a product in a market.

Luxury brands are further characterized by exclusive distribution. Ideal distribution intensity would make a brand widely available enough to satisfy, but not exceed, target consumers' needs, since oversaturation

raises marketing costs without providing benefits (McCarthy and Perreaul, 1984).

Distribution intensity helps develop brand awareness and recognition (Smith, 1992). A wide variety of possible distribution channels can improve the awareness of brands or products among potential customers.

Frazier and Lassar (1996) showed that manufacturers of brands positioned near the low end of the quality continuum are expected to rely on numerous retailers in each trade area to promote convenient and competitive pricing for their customers. In contrast, the higher the manufacturers position their brands on quality, the lower the level of distribution intensity. Manufacturers positioning their brands as high-quality are likely to be more diligent in screening prospective retailers, because retailer image or reputation can influence brand image within the store.

A manufacturer pursuing a broad cross-section of the market for its brand must employ an intensive distribution approach in order to reach a diverse group of consumers who differ in preferences and shopping patterns.

From a distribution perspective, intensive distribution can provide the products where and when the consumer wants, which implies target customers' needs can be satisfied with intensive distribution strategy. However, from a brand image perspective, making the product available in too many places may weaken the brand image.

The management of luxury brands has contradictions that other brands do not (Roux and Floch, 1996; Nuemo and Quelch, 1998). These include the paradoxes related to brand management and the various elements of the marketing mix, which do not fit with the basic principles of profitability. For example, in terms of product distribution, their goal is not to be the more accessible but to control distribution and choose their locations for their symbolism.

H8 a: Distribution exclusivity has a positive and significant relationship with Brand Awareness

H8 b: Distribution Exclusivity has a positive and significant relationship with Brand Associations.

H8 c: Distribution Exclusivity has a positive and significant relationship with Perceived Quality

H8 d: Distribution Exclusivity has a positive and significant relationship with Brand Loyalty

Store Atmospherics

Atmospherics has been defined as “the conscious designing of space to create certain buyer effects, specifically, the designing of buying environments to produce specific emotional effects in the buyer that enhance purchase probability” (Kotler, 1973-1974). Baker (1986) proposed a general typology that includes social factors (the people in the store, customers, and employees), design factors (visual cues such as layout, clutter, cleanliness, color) and ambient factors (nonvisual cues such as smells and sounds).

In the retail context, the atmospheric responsiveness trait can be reflected in the extent to which environmental characteristics influence customers’ decisions on where and how to shop as well as the outcomes of the shopping experience (Eroglu et al., 2001).

In today’s context the study of the influence of store atmosphere on consumer’s affective state and behavioral responses is of great interest in the retail industry. The stores atmospherics if created rightly can prove to be a key differentiator and prove to be a competitive advantage.

The use of colors, lightning, sounds, scents and visual images are particularly effective in retail stores and service establishments as they affect consumers’ moods and emotions, which in turn play a key role in end-user satisfaction.

Customers bundle their product purchase with other experiences to develop overall impression of the retailer. Retailers understand that when the products are similar, as is the case with national branded products, the in-store experience differentiates one retailer from another. The environment is fundamental in setting the tone for the shopping experience. Store layout, displays, interior colors and even the music in the store all work together to create an atmosphere that it is hoped will make the customer feel comfortable. A cluttered or poorly designed store layout, inappropriate interior lighting and colors, music that is not consistent with product or the target market all dampen the customer’s shopping experience. Indeed, research suggests that the tempo of music played in the store affects the amount of time spent shopping and, consequently, the average sale. Retailers utilize various forms of atmospherics—lighting, colors, music and scent—to influence shopping behavior.

H9 a: Store Atmospherics has a positive and significant relationship with Brand Awareness

H9 b: Store Atmospherics has a positive and significant relationship with Brand Associations

H9 c: Store Atmospherics has a positive and significant relationship with Perceived Quality

H9 d: Store Atmospherics has a positive and significant relationship with Brand Loyalty

Brand Website

In the Internet marketing literature, there are as yet few empirical findings about the reputation-building potential of websites. These, however, tend to support the idea that website objectives are to promote corporate and brand image. Websites have been widely discussed as virtual storefronts with the most important objective being to promote corporate and product/brand image.

Perceived interactivity of a website is considered of critical importance for web-based advertisers (Bezjian-Avery et al. 1998; Cho & Leckenby 1999). Thorbjornsen et al. (2002) adapted Fournier's (1998) framework to test online communities versus websites for their effectiveness in creating brand relationships, and concluded that websites were capable of creating stronger consumer-brand relationships, especially for respondents with extensive internet experience. Dahlen et al. (2003) investigated brand attitude formation from website visits, comparing high to low involvement and expressive to functional products. However, the brand-related communication effects of websites have yet to occur. Finally, Ilfeld and Winer (2002) support the concept that neither online nor offline advertising clearly contribute to immediate development of brand equity for internet firms; however, they both contribute to website awareness and traffic building. In turn, website usage and awareness increase brand equity online.

Okonkwo (2009), considers that luxury goods companies have this negative opinion of using e-Retail as a distribution channel because the Internet was for a long time perceived only for "price discounted products, damaged goods and counterfeits" or that the brand image can be harmed by the high level of exposure or at the same time luxury goods consumers would not be attracted by online purchases.

Taking in consideration the last years of progression in the luxury business segment, it can be seen that companies like Louis Vuitton launched digital products; an example can be the Soundwalk or Giorgio Armani's virtual flagship store in the virtual world of Second Life. Step by step, modern technologies developed and adapted its applications to fit luxury goods strategy as well in the online environment.

"Luxury goods are regarded as sensory in nature". From this statement made by Okonkwo, the idea that the human sense of smell, touch, visual and feel are extremely important when purchasing a luxury good is debated. From here it can be understood that the Internet is not quite the most suitable channel of retailing for luxury goods. Internet and e-Retail lack the human contact with the sellers and goods, but on the other hand, the Internet provides one with a big variety of products, switching between websites is done fast and in a convenient way, accessibility and availability without considering time and location and sometimes a benefit for the consumer is the low power of sales, saying "no" to a computer being an easy way. Having said all these, Okonkwo is pointing out that actually Internet and e-Retail can be successfully implemented in a marketing strategy for luxury goods, and this can be seen in several companies that already adopted e-Retail and identified it as a fast-growing distribution channel.

At the moment, haute couture brands are still perceived as a point of difference in the society to divide the various social layers (the rich from the poor; the ones that are perceiving the prestige of a brand as an important factor of influence in purchases versus the do not have such high expectations).

H10 a: Brand Website has positive and significant relationship with Brand Awareness

H10 b: Brand Website has positive and significant relationship with Brand Association

H10 c: Brand Website has positive and significant relationship with Perceived Quality

H10 d: Brand Website has positive and significant relationship with Brand Loyalty.

Brand's Social Media

The emergence of social media has redefined the digital media landscape and created new online marketing platforms for disseminating advertising messages. On the basis of the technological foundations of Web 2.0, social media allow users to create and share media content, exchange communication and network with one another.

Publishing brand pages on social media allows companies to build connections with loyal customers as well as to foster a sense of belonging through the interaction itself. A study by Lipsman et.al (2012) shows that brand pages on Facebook can reach not only their fans but also their social network friends through fans' personal profile pages.

Brand pages can also serve as a virtual test market for new product ideas. Inviting page fans to test new product ideas and to get feedback from them can enhance interactions with them as well as loyalty among them.

Mangold (2009) refers at the phenomenon of social media as consumer-generated media, a phenomenon that “describes a variety of new sources of online information that are created, initiated, circulated and used by consumers intent on educating each other about products, brands, services, personalities, and issues” (Blackshaw & Nazzaro, 2004, p. 2).

Social media has two important roles. The first is that of integrated marketing communications with consumers. For this, companies can use platforms like Facebook, LinkedIn, Twitter, blogs, forums etc. The second role is that of enabling consumer-to-consumer interaction that can be seen as an “extension of traditional word-of-mouth” (Mangold & Faulds, 2009, p. 359). Consumers can review products or services and transmit to other consumers their opinions and experiences.

At a first glimpse, social media cannot be perceived as an appropriate marketing tool in the luxury industry. Many researches before argued about the usage of Internet with all its features as not appropriate in the luxury industry, but years are passing, technologies are improving and the mentality of the consumers are adapting to modern trends.

H11 a: Brand Social Media has positive and significant relationship with Brand Awareness

H11 b: Brand Social Media has positive and significant relationship with Brand Associations

H11 c: Brand Social Media has positive and significant relationship with Perceived Quality

H11 d: Brand Social Media has positive and significant relationship with Brand Loyalty

METHODOLOGY

A survey was done on 493 respondents and they were asked to list their Indian Haute Couture Brands. Based on the responses, 21 international luxury apparel brands (Abhishek Gupta, Abu Jani and Sandeep Khosla, Am: Pm, Anita Dongre, Anju Modi, Ashima Leena, Ashish N Soni, Phalguni and Shane Peacock, Gaurav Gupta, Janavi, Kimaya, Kotwara, Ensemble, Malani Ramani, Manav Gangvani, Indian by Manish Arora, Monisha Jaisingh, Namarata Joshpura, Neeru Kumar, Ogaan, Pashma, Patine, Raghavendra Rathore, Rajesh Pratap Singh, Ranna Gill, Rohit Bal, Ravi Bajaj, Rina Dhaka, Rohit & Rahul, Shantanu & Nikhil, Suneet Varma, Surekha Jain, Tarun Tahliani, Varun Bahl and Vineet Bahl) were chosen as the product stimuli. From 35 listed brands, respondents were first asked to pick one brand they were most familiar with, then to respond to all the statements in the questionnaire for that specific brand. The target population for this study was shoppers between the ages of 25 and 65, because this group of consumers is willing to spend more time and money to buy luxury designer clothing, and thus they represent the most important market segments for these couture brands.

Primary data was required to collect the information needed to reach the purpose of this research. This data was collected by administering the questionnaires to 500 respondents, after initially pretesting on 150 students from Delhi University. Online surveys were employed to collect consumer perceptions. Data was collected in three metropolitan cities in India, namely Mumbai, New Delhi and Bangalore. Consumers who were visually estimated to be 25 to 65 years old were approached and asked to respond to the questions.

Of the 584 surveys collected, 493 were considered valid and were used in the study. The data analysis was conducted using the AMOS 22.0 Graphics software (SEM package), specifically using maximum likelihood method for confirmatory factor. Internal consistency analysis was used for achieving reliability in the scale based on exploratory factor

analysis. It was found that since Cronbach's alpha was 0.946, our sample is reliable. The rotation converged in 14 iterations. The Bartlett's test of sphericity was significant and the Kaiser Meyer Olkin (KMO) measure of sample adequacy was found to be 0.873. Researchers argue that for this measure, a value greater than 0.5 is desirable. Structural equation modelling was done to predict the hypothesized causal relationship between the independent marketing mix variables and brand equity dimensions. All of the fit measures indicated that the structural model was moderately acceptable ($\chi^2/df=2.2744$, GFI = 0.93, CFI = 0.956, NFI=0.942 and RMSEA=0.056). Out of the 32 hypotheses formulated for this study, 24 were supported.

| Hypotheses | From | To | Standardized Coefficient | t-Values |
|------------|--------------------------|-------------------|--------------------------|----------|
| H5a | Event Sponsorship | Brand Awareness | .613 | 2.184 |
| H5b | Event Sponsorship | Brand Association | .478 | 3.824 |
| H5c | Event Sponsorship | Perceived Quality | .436 | 7.621 |
| H5d | Event Sponsorship | Brand Loyalty | .342 | 1.321 |
| H6a | Celebrity Endorsement | Brand Awareness | .719 | 5.256 |
| H6b | Celebrity Endorsement | Brand Association | .655 | 7.67 |
| H6c | Celebrity Endorsement | Perceived Quality | .073 | 1.872 |
| H6d | Celebrity Endorsement | Brand Loyalty | .411 | 1.67 |
| H7a | Advertising | Brand Awareness | .530 | 4.826 |
| H7b | Advertising | Brand Association | .659 | 3.905 |
| H7c | Advertising | Perceived Quality | .218 | 2.382 |
| H7d | Advertising | Brand Loyalty | .453 | 1.319 |
| H8a | Distribution Exclusivity | Brand Awareness | .471 | 4.713 |
| H8b | Distribution Exclusivity | Brand Association | .567 | 2.887 |
| H8c | Distribution Exclusivity | Perceived Quality | .698 | 2.803 |
| H8d | Distribution Exclusivity | Brand Loyalty | .551 | 2.923 |

| Hypotheses | From | To | Standardized Coefficient | t-Values |
|------------|----------------------|-------------------|--------------------------|----------|
| H9a | Store Atmospherics | Brand Awareness | -.119 | -1.774 |
| H9b | Store Atmospherics | Brand Association | .626 | 3.508 |
| H9c | Store Atmospherics | Perceived Quality | .638 | 4.351 |
| H9d | Store Atmospherics | Brand Loyalty | .599 | 3.467 |
| H10a | Brand's Website | Brand Awareness | .538 | 5.454 |
| H10b | Brand's Website | Brand Association | .457 | 2.878 |
| H10c | Brand Website | Perceived Quality | .465 | 3.058 |
| H10d | Brand's Website | Brand Loyalty | .359 | 1.39 |
| H11a | Brand's Social Media | Brand Awareness | .703 | 7.178 |
| H11b | Brand's Social Media | Brand Association | .620 | 2.332 |
| H11c | Brand's Social Media | Perceived Quality | .594 | 2.583 |
| H11d | Brand's Social Media | Brand Loyalty | .451 | 1.428 |
| H1 | Brand Awareness | Brand Equity | .567 | 2.887 |
| H2 | Brand Association | Brand Equity | .626 | 8.508 |
| H3 | Perceived Quality | Brand Equity | .757 | 7.878 |
| H4 | Brand Loyalty | Brand Equity | .620 | 1.332 |

Table 1: Structural model estimates—relationships between dimensions of brand equity

Discussion

The results of the study suggest that brand loyalty is the weakest dimension of brand equity when it comes to Indian Haute Couture Brands (t= 1.332). Marketing activities like Event Sponsorship, Celebrity Endorsement, Advertising, Brand Website and Brand Social Media also did not significantly impact brand loyalty. However Store Atmospherics and Distribution Exclusivity were found to have an impact on Brand Loyalty with t values 3.497 and 2.923 respectively. This observation can be attributed to the fact that India is a developing market for these high-end haute couture and the Indian consumer is exploring these brands. The experimental nature of consumers for haute couture results in brand switching and thus the concept of brand loyalty and brand attachment is naive concept in this particular product category as of now. However, over a period of time, when brand familiarity and brand usage will increase, brand loyalty for these haute couture brands will come into picture.

Brand associations on the other hand had the maximum impact on brand equity ($t=8.508$) and celebrity endorsements were found to contribute the most in building brand associations ($t=7.67$). Since Indian consumers are highly enamored by the lifestyle of celebrities and aspire to be like them, celebrity endorsement stands as a powerful marketing medium to generate consumer interest in a particular brand. As we know haute couture brands have more of an experiential and hedonic appeal to the consumers, strong brand associations are a requisite for establishing strong brand equity. Unless the consumers associate a brand to be high on prestige, exclusivity and heritage, it cannot claim itself to be a luxury brand and justify its exorbitant prices. Luxury to consumers is indulgence and a means to assert their wealth and class. This goes down well with the rising Indian middle class who come from humble backgrounds but have recently made it big professionally and want to flaunt their new found social status by consuming luxury brands. Therefore it is imperative for these haute couture brands to establish strong brand associations in the mind of Indian consumers in order to establish themselves in the market.

Perceived quality also significantly impacts brand equity of haute couture brands ($t=7.878$). This is because these brands stand for superlative product quality and high craftsmanship which is second to none. Event sponsorship was found to have a prominent influence on perceived quality of these brands in India. Since luxury is a latent market in India, its association with exclusive and premium events like art shows, derby, film festivals and other international high class events will help in building the perceived quality of these brands amongst the Indian consumers because the quality perceptions of the events will pass on to the sponsoring luxury brands which will in turn lead to strong brand equity creation.

Lastly, talking about brand awareness which is in fact the prerequisite for other brand equity dimensions to exist, the t value came out to be 2.887. This signals that brand awareness does not have a very significant contribution in brand equity creation. Furthermore, Store atmospherics did not contribute to brand awareness at all ($t=-1.774$) but brand's social media helped in generating brand awareness to a great deal ($t=7.187$) seconded by brand website ($t=5.454$) and celebrity endorsements ($t=5.256$). Social media is a combination of firm generated social media and user generated social media. While in firm generated social media, the company provides information about the brand through brand pages, brand channels etc. The consumers also write about their favorite brands on their blogs and at times express their dissatisfaction about a particular brand on consumer forums. Social networking sites like Facebook and

Twitter have made it easier for consumers to voice their opinions about a particular brand, like them or disdain them, thereby creating brand awareness in some way or the other through electronic word of mouth. The international luxury fashion apparel brands should focus on India-specific brand pages and profiles which can educate the Indian consumers more about their brand essence and history. Also, the prominent fashion icons and stylists should be encouraged to write about these brands in their blogs and celebrities should be encouraged to promote their brands by wearing them into premier events like film awards, polo and derby matches etc. so that the Indian consumers can be persuaded to indulge into shopping haute couture brands or aspiring for them at least, which can be later cashed in as a future purchase.

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THE LVMH SMU HIGH PRIORITY RESEARCH LIST 2016

The research priorities below were developed based on discussions between the academic researchers and the senior executives from LVMH who participated in the conference. This should serve as a guide to researchers as they pursue future research in luxury. For more details, visit <https://cme.smu.edu.sg/lvmh2018/topics>

1. Market orientation in luxury: How do creative oriented brands stay attuned to the desires of the client?
2. The role of luxury in driving employer branding: How can luxury brands attract, retain and motivate the best employees?
3. Luxury service experiences: What role does service play in the luxury brand experience?
4. The relationship between luxury and technology: What is the relationship? How is it different?
5. International price points: How do differences in prices and interpretations of price impact luxury brand perception?
6. The growing power of travel retail: How is consumer behaviour different? Can you build brand in travel retail?
7. International dynamics in luxury brand purchase: Does a Chinese buyer of LV in France feel differently from a Chinese buyer in China?
8. Where have we come from? Where are we going?
Use of longitudinal time series data to extrapolate future trends and changes in luxury.
9. Overexposure versus awareness: When does a luxury brand suffer because of overexposure and how can this be avoided or ameliorated?
10. Creative directors versus creative teams: What are the implications on consumers and brand success of moving from a single creative head to a team approach?
11. How is luxury different across business groups?
Comparing differences between W&S, W&J, F&LG and P&C.
12. Millennials and luxury: Do these people actually perceive and buy luxury differently from other generations?
13. Corporate social responsibility (CSR) and luxury: What impact does CSR have on the attitude to and purchase of luxury brands?
14. Success factors that enable a luxury brand to succeed or fail.

