BSC UPGRADE

Using different dimensions of luxury value to predict Luxury consumption

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Abstract

Currently, the luxury consumption has been expanded incredibly over the past two decades. People who are from various backgrounds percept it differently, which lead to different reasons that motive consumers choosing luxury products. The study focuses on the problem how the main different dimensions of luxury value influence attitude and purchase intention towards luxury products. Results show that individual and social values are the two main dimensions of luxury value. Specifically, individual directed value includes self-identity and hedonic aspects while social directed value includes materialism, conspicuousness, exclusive and prestige aspects. Moreover, expectancy-value model and Means-End chain have been used to connect four constructs: attributes of product, values of consumers, and attitude and intention of consumers. Therefore, both individual and social dimensions of value have positive influence on attitude and purchase intention towards luxury consumption.

Key words: luxury consumption, individual and social value, attitude, and purchase intention

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1 Introduction

1.1 Background

Currently, with a rapidly economic growing and social development in the world, people's disposable income has being increased (Silverstein, et al. 2003). They have been paying much attention on the superior quality of life and refined lifestyle (Silverstein, et al. 2003). In response to this worldwide trend, the luxury consumption has been expanded incredibly over the past two decades (Choo, et al. 2012). The demand of luxury products is confined not only in the developed countries, such as America, Japan and European countries, but also in many developing countries, such as China, India, Latin America and etc. (Choo, et al. 2012). More and more people who from different backgrounds have being attracted by luxury products (Kim, et al. 2012, Watzke, et al. 2006). It is not only exclusivity for members who from the wealthiest social class anymore, but also penetrates into modest-class or lower class in the world (Truong, et al. 2009, Xiao-Hui 2006). The middle-class group plays an increasingly important role in relation to the increasing of luxury consumption (Zhang, et al. 2013).

Luxury is a subjective and multidimensional construct, people base on their own experience, economic and social circumstance, mood and etc. to perceive luxury consumption (Wiedmann, et al. 2009). On the one hand, there are some researches indicate it as elite, which is only reserved for refined people, since only they accepted higher education, can they fully understand the value of luxury goods. Luxury goods can help them to express and enhance their status and to differentiate themselves from others. So luxury products should be inevitable expensive and limited offering to keep rarity and exclusivity (Gao, et al. 2009, Reyneke, et al. 2011). On the other hand, democratic view indicates that luxury is not just service for people who are richest and have higher education, instead, people who from middle-class or lower classes also can consume luxury products (Truong, et al. 2009, Wang, et al. 2011). The group of middle-class consumers is recognized as a rapid growing market (Gao, et al. 2009). For this group of people, they rarely perceived luxury consumption as being extravagant or as a waste of money (Zhang, et al. 2013). Rather, luxury consumption is viewed as a symbol of a successful life, a desire to emulate the lifestyle of the richest or the social class above them (Amaldoss, et al. 2005, Truong, et al. 2008), the superior quality of the products (Vigneron, et al. 2004), good taste or on more hedonic grounds on the basis of self-rewards (Silverstein, et al. 2003).

1.2 Problem statement

There are many luxury segmentation research based on objective situations to define luxury consumers, such as social class, demographic factors, financial levels and geographic areas. However, we cannot segment luxury consumer just as financial, demographic and geographic factors in the world. Instead, it is important to use psychological factors to segment luxury consumer groups. Attitude, lifestyle, personal value and any other personal variables could motive consumers choosing luxury products. Actually, many scholars or researchers have been focused on multi-dimensions value of luxury research (Christodoulides, et al. 2009, Hung, et al. 2011, Husic, et al. 2009, Keller 2009, Li, et al. 2012, Phan, et al. 2011). Values have been showed to be a powerful factor to influence behaviors of individuals in all aspects. However, there is limited knowledge about how the main different dimensions of luxury value influence attitude and purchase intention. Attitude has been identified as an essential construct in social science and as a focus of marketing segmentation analysis (Belch, 2009).

Therefore, Means-End chain will be used to connect consumers' values to their behaviors. It could help marketers to position products by associating attributes of products with advertising that seeks to connect the consumption of products with the achievement of desired ends (Gutman, 1982) and to segment effectively consumer groups.

Therefore, various perceptions of luxury products lead to different reasons that motive consumers choosing luxury products. In order to broaden the traditional niche market of luxury products, identify and profile the growing population of target group, develop appropriate strategies and effectively meet consumers' needs, it is important for companies to clearly understand consumers' perceptions of luxury products and how their different perceptions affect their buying intention.

1.3 Research questions

Main research question:

How different dimensions of luxury value influence consumers' purchase intention toward luxury consumption?

Sub-questions:

- 1. How to define luxury consumption?
- 2. What are the dimensions of luxury product value?

- 3. How do attributes of luxury products and luxury value reflect to evaluation?
- 4. How the evaluation influences purchase intention of luxury products?

1.4 Objective

Generally, this study explores the underlying motivations of consumers choosing luxury products. Specifically, the first objective is to investigate the influence of different dimensions of luxury consumption value on consumers' attitudes as well as expand the general understating of luxury consumption, and the second objective is to investigate the effect of attitudes on purchase intentions toward luxury goods. The third objective is to identify and profile the consumers of luxury products from different dimension of value. It is useful for the practical implication and empirical insights to luxury brand firms who plan to enter and/or enhance their business. To give them a hint about specific strategies can be used in the luxury market.

In order to solve the main research question as well as sub-questions stated above, this study is separated into four chapters. Following this introduction part, the second part is literature review that concludes the theories of existing researches, which include value, customer value and customer value of luxury consumption. Moreover, the third part is conceptual framework of this study. Lastly, discussion and conclusion will be given to summarize the research outcomes of the study.

2. Construct definition and literature review

2.1 Definition of luxury

There is no a clear and common definition for luxury consumption (Amatulli, et al. 2011, Choo, et al. 2012). Different factors influence people's perception on it, which include educational levels, cultural difference, personal experience and etc. Luxury is a subjective and multi-dimensional construct and has numerous characteristics (Lee, et al. 2011). Hence, it is important to use integrative understanding to analyze luxury consumption, there are multi-faceted definitions (Miller, et al. 2012, Tynan, et al. 2010).

Human has different levels of needs, three universal needs are identified among different cultures: needs of humans as biological organisms (maintaining), as social interactive individuals (enhancing) and as part of social groups striving for survival and welfare (transmitting) ((Wesley Schultz, et al. 1999). According to the different levels of human demands, consumption is categorized into four segments: necessary (for life maintenance), basic (for normal growth and prosperity), affluence (are not necessary for growth and prosperity), and luxury (limited supplied, difficult to obtain and/or extremely expensive) (Smith, 1776,cited by Zhang and Kim, 2012). Generally, utilitarian objects are necessities to help people relieving unpleasant of conflict and meeting basic needs whereas luxury products are defined as non-essential and expensive products that can provide more extra personal and interpersonal value as well as sensory pleasure than necessary products to consumers (Husic, et al. 2009). Furthermore, luxury products own the ability to evoke exclusivity, brand identity, brand awareness and previewed quality from the consumers' perspective (Phau, et al. 2000).

Moreover, five criteria have been used to distinguish luxury goods from available necessary goods. First is high price (Amatulli, et al. 2011, Reyneke, et al. 2011). Second is excellent quality (Husic, et al. 2009, Phau, et al. 2000). Third is limited supply (Cornell 2002, Li, et al. 2013, Reyneke, et al. 2011). Fourth are aesthetics craftsmanship, all senses pleasure and enjoyment, pleasant and excite experience and etc. (Vigneron, et al. 2004, Wiedmann, et al. 2009, Zhang, et al. 2013). Fifth is high level of human involvement (Li, et al. 2013), not only marketers endow common meanings to a brand, but also consumers themselves attach important personal meaning on the luxury products. It includes social meaning (Nia, et al. 2000), such as displaying wellbeing and wealth to others, blending into certain social groups showing, maintaining and enhancing prestige, social status as well as individual meaning, such as bringing esteem for owner (Wiedmann, et al. 2007, Wilcox, et al. 2009), self-reward (Li, et al. 2013). Therefore, relative to basic products,

luxury brands more tend to satisfy symbolic and psychological needs of consumers than functional needs (Vigneron, et al. 2004).

2.1.1 Attributes of luxury

The part includes concrete attributes, which include point one to four below and abstract attribute of luxury products, which include point five.

Firstly, in terms of quality, it is one important and fundamental characteristic of luxury products (Roux 1995). Consumers based on cue of quality to evaluate the level of luxury products. "Excellent quality is a sine qua non, and it is important that the premium marketer maintains and develops leadership in quality" (Wiedmann, et al. 2009). Excellent quality refers to high reliability and excellent correctness. Consumers believe that luxury products have better quality and performance than non-luxury products (O'cass, et al. 2004, Vigneron, et al. 2004).

Secondly, in economic terms, as income of certain groups of people has been increased, they have ability and would like to spend greater proportion of income on luxury product than necessary products (Vickers, et al. 2003). High price is not only one characteristic of luxury, but also leads to consumers attaching more value on luxury products. Luxury consumers demand more value on their luxury products than non-luxury products, so high price are cues of high quality and status. Luxury brands are those whose rations of price and quality are the highest in the market as well as rational of intangible and situational utility to price is comparatively high (Nueno, et al. 1998).

Thirdly, limited supply of luxury products, in order to keep uniqueness and rareness. Luxury consumers desire to differentiate themselves with others to show their social status, special tastes and etc. Thereby when consumers assume that certain brand is given only to exclusive group of people, they would like to attach much value on and pay more money to purchase it (Vigneron, et al. 1999, Vigneron, et al. 2004).

Fourthly, pleasant enjoyment means that products or services are made based on clients' own requests and tastes. Moreover, the attribute indicates that much time and specialized labor has been used to produce luxury products or services. Therefore, consumers would like to attach more value on them (Amatulli, et al. 2011).

Fifthly, what distinguish luxury products with non-luxury goods is symbolic meaning that more tend to satisfy psychological needs of consumers (Vigneron, et al. 2004), therefore, their personal value also can influence their

evaluation, which includes social meaning (Nia, et al. 2000), such as displaying wellbeing and wealth to others as well as individual meaning, such as bringing esteem for owner (Wiedmann, et al. 2007, Wilcox, et al. 2009), self-reward, self-image (Lee, et al. 2011, Li, et al. 2013).

2.2 Value

Generally, value influences consumers' evaluation toward luxury products. Value not only can stimulate individual's behavior, but also can make people to perform certain action that congruent with their value. Hence, value is an important factor to promote individual's behavior. If behaviors of consumers have been connected with their personal value, the marketing planning and strategies could be improved (Gutman, 1982).

Value is defined as "a desirable trans-situational goal, varying in importance, that serves as a guiding principle in the life of a person or other social entity" (Longstaff, et al. 1992, Schwartz 1994). There are four features of the conception of value. Firstly, value is formed by many beliefs. Secondly, value guide people to select or evaluate desirable behaviors or end states (Wesley Schultz, et al. 1999), that transcends specific situations. Thirdly, value is a general terminology as a type of motivational goal in nature that can influence various beliefs and behaviors simultaneously (Rohan 2000, Rokeach 1973). Lastly, value is ordered to form a system of value priorities based on different important level (Schwartz 1994).

Relative to other antecedents of behavior, such as attitude and emotions, the number of values that people possess is small (Schwartz 1994), so value can be used to analyze people's behavior among different groups, nations, and cultures around the world (Rokeach 1973). Value is a more stable construct, because it is closely connected to cognitive system of people (Rokeach 1973). Therefore, it can be used to predict people's behavior in an enduring period (Krystallis, *et al.* 2008) and it is stable to use value segment consumer groups.

2.2.1 Customer value

In the market domain and consumption context, customer value plays an important role in understanding and predicting consumers' behavior, which is one part of personal actual value (Choo, et al. 2012, Woodruff 1997). Generally, customer value motive consumers to approach or avoid certain products or buying behaviors (Sheth, et al. 1991). Furthermore, customer value is specifically defined in the consumption process, which means that a customer's preference for a product and beliefs that people perceived products attributes, attributes performance and consequence (Woodruff 1997). Besides, there is an alternative explanation of customer value, which indicates a trade-off between benefits and sacrifices (Smith, et al. 2007). People have attitude and emotion toward one product based on comparison with what benefits they get from the buying and using of product as well as what costs they need to pay. Attitude shows that people's preference and evaluation of

one object; which is also a key construct in understanding individual behavior (Fishbein, et al. 1975, Fishbein, et al. 2005).

2.2.2 Different dimensional values of luxury consumption

Generally, customer values of luxury consumption are the underling motivations to stimulate consumers making choice for buying luxury products. Motivation refers to personal construction, which implies that people connect subjective or personal meanings with objective attributes of objects/events to pursue end values and goals that relevant for themselves (Claeys, *et al.* 1995, Grunert, *et al.* 1995, Gutman 1982). Motivation contains two categories: intrinsic and extrinsic (Calder, *et al.* 1975). Specifically, intrinsic motivation means that people perform an activity for its inherent satisfactions. It more focuses on individual's emotions, interpretation, sensations and etc., (Vigneron and Johnson, 2004), while extrinsic motivation means that people act certain behavior, in order to obtain separable outcome. It more focuses on that people as one part of the society and their social positioning (O'Cass and Frost, 2002).

Therefore, the study is from two dimensions of value to analyze luxury consumption, which includes individual value and social value. Although the luxury value is divided into the two independent components, they interact with each other, influence variously on interpretation of individual, and guide their behaviors (Wiedmann, *et al.* 2009).

2.2.2.1 Individual value

Individual dimension of luxury value is seen to be one of the most important components to stimulate consumers choosing luxury products. Generally, the individual value refers to personal construction and implies that people base on their internal psychological demands (inner thoughts and feelings) as well as subjective perception on utility of one product to perform one behavior. The subjective perception arose feeling and affective states to stimulate consumers choosing or not choosing luxury products (Wiedmann, et al. 2009).

The kind of value includes self-identity and hedonic aspects (Vigneron, et al. 2004), which are explained deeply below.

> Self-identity

Self-identity refers to everything that when people consider about themselves and leads to the subsequent congruent behavior (Jamal 2003). People would

like to perform one behavior that congruent with their self-identity in their perception. Therefore, consumers tend to buy the product that its' image congruent with their own self-image. Moreover, certain products or brands might be markers that people use to show their certain identity (Elliott, *et al.* 1998). While, the symbolic meaning of products could be reference to support and develop people's self-identity (Vigneron, *et al.* 2004).

> Hedonic

Consumers' choices are influenced not only by cognitive and rational process of decision-making, but also hedonic process (Hirschman, et al. 1982). Luxury products provide emotional value to consumers, which excess their functional utility (Sheth, et al. 1991). Consumers perceive luxury products as indulgent value that provide subjective intangible benefits (Cornell 2002). It arousing feelings and affective states received from personal rewards and fulfillment (Wiedmann, et al. 2009). The hedonic aspect includes sensory pleasure, aesthetic beauty, or excitement (Vickers, et al. 2003). Therefore, hedonic aspect means that people make decision based on their personal values and internal feeling and emotion for self-fulfillment, instead of external directed consumers who are susceptible to interpersonal influence.

2.2.2.2 Social value

Social-directed value has been viewed as key indicators in explaining the luxury consumption. Social dimension of luxury value refers to that people evaluate one object or event based on their recognition of belonging to certain social group. People have different levels of susceptibility to interpersonal influence. Thereby various behaviors have been acted (Bearden, et al. 1982) Specifically, some people want to differentiate themselves with others or desire to belong to an elite social class (Zhang, et al. 2013), luxury as a symbolic signifier to convey an individual's social status and symbolic value.

Hence, materialism, conspicuousness, exclusive and prestige aspects can be important factors of social directed value (O'cass, et al. 2004) to significantly affect the evaluation and propensity to purchase or consume luxury brands (Vigneron, et al. 1999).

Materialism

Materialism emphasizes people's desire for money as well as possession and acquisition (Rassuli, et al. 1986). External values frequently stimulate materialistic people's behavior, such as public status (Christopher, et al. 2004)

and social identity (Heaney, et al. 2005). Materialists often waste money on some non-essential products, as ways of enhancing well being, indicating success and showing self-esteem. Attitude and materialism has positive relationship, materialistic consumers who are more likely to assign more value on acquisition tend to have positive attitude toward acquisition.

Conspicuousness

Conspicuousness is one of important motivations for luxury consumption (Vigneron, et al. 2004), which is defined as that people display their wealth, power, and social status to others by consuming non-essential expensive products or service (Trigg 2001). Conspicuousness of a product has positive relationship with people's susceptibility to the reference group (Bearden, et al. 1982). For example, many research concluded that products that are consumed in public occasion were more likely to be conspicuous products than products that are consumed in private occasion. Therefore, conspicuous value has positive relationship with public self-consciousness.

Exclusive

Some people has desire to be differentiate themselves with others, which is named perceived unique value (Snyder, et al. 1977). It indicates that limited supply of products stimulate consumers attaching more value one product and willing to pay high price on it (Vigneron, et al. 1999). The unique value influence individual's behavior personally and interpersonally (Mason 1992). It has two features: (1) when a new luxury product is firstly provided, limited number of people own it, then people who own unique value would like to purchase it; (2) when a luxury product has been product massively, sensitive consumers reject to purchase it.

Prestige

Every person is one creature of the society in which his or her behaviors are largely influenced. When people are making choice to perform one behavior, they tend to conform to the majority opinion of their reference group (Jayawardhena 2004). In order to show their certain position and group membership, consumers use certain brands as symbolic sign to communicate their group membership to others. People who have prestigious value want to show their luxury and affluent lifestyle or to distinguish themselves from those non-prestige consumers by using prestige products (Mick 1986).

2.3 Mean-End Chain

In order to know how attributes and dimensions of luxury products influence personal attitude towards luxury, Means-End Chain has been proposed. "Means are objects or activities in which people engage while ends are valued states". Means-End Chain indicates that consumers associating means (the physical attributes of products) with desired ends (valued states) through consuming products (Amatulli, et al. 2011). Consumers obviously encounter different kinds of products while they have desired value that they want to achieve. Thus the consumption process help them to achieve these end stated (Gengler, et al. 1995). The model contains two important components: the first is value that as a desirable end-states to guide individual's behavior and the second is that consumers grouping products that are potential satisfiers their same value into same category.

MEC model can be used into the consumer behavioral intentions (Nunkoo, *et al.* 2009). Value as an abstract construct influences consumers' purchasing behavior, which should be mediated by a less abstract factor, such as attitude, a specific behavior (Jayawardhena 2004). The hierarchical sequence of value-attitude-behavior has been proposed, which means that attitude plays a mediator between personal value and behavioral intention (Jayawardhena 2004).

2.4 Attitude

That attitude as an essential component to predict individual behaviour has been confirmed in numerous studies (Fishbein, et al. 1975, Fishbein, et al. 2005). Attitude is individual's evaluation and assessment of performing the certain behaviour (Finlay et al., 2002). The Expectancy-value attitude model implies that individual's attitude toward an object is consisted by two components: expectancies and subjective values that are influenced by task-specific beliefs such as ability beliefs, the perceived difficulty of different tasks, and individuals' goal, self-schema, and affective memories (Ajzen, et al. 2008). Personal previous experiences/memories as well as social factors have significant effect on these social cognitive variables (Eccles 2005). The expectancy-value model connects personal value, attitude and intention.

Specifically, one the one hand, expectancies mean that people hold different beliefs that contemplated action will lead to certain outcomes; secondly, subjective values mean that they weight or evaluate if the beliefs are important or not based on their personal goal (Ajzen 2001, Ajzen, et al. 2008).

The two points are interdependent each other to form an attitude. Consequently, the analysis implies that the "subjective values of behaviour's outcomes are weighted or multiplied by the perceived likelihood that the behaviour will produce the outcomes in question" (Eccles, et al. 2002). The positive appraisal regard to the beliefs leads to the strong intention to perform the subsequent behaviour (Ajzen 1991).

2.5 Intention

Intention refers to the degree of "how hard people are willing to perform a given behavior, of how much of an effort they are planning to exert" (Ajzen 1991), to get certain results. Moreover, purchase intention means that people plan to buy one product; brand or service. Behavioral intention has positive influence on real behavior. The stronger intention people have, the more likely should be translated into real behavior.

The positive relationship between individual's attitude and behavioral intention has been proved in numerous empirical studies and applied to different areas of product and service consumption (Fitzmaurice 2005, Houser, *et al.* 2008, Pavlou, *et al.* 2006). When consumers hold positive attitude towards an object or behavior, their buying intention should be positive too (Yoo, *et al.* 2009). With regard to luxury consumption, researchers proposed that affective attitude of consumers has positive influence on buying intention (Zhang, *et al.* 2013).

Conceptual framework • Price • Limited supply • Aesthetic craftsmanship Abstract attribute involvement • Self-identity • Hedonic • Conspicuousness • Exclusive • Prestige

4. Conclusion and discussion

The study aimed at using different dimensions of luxury value to predict purchasing intention towards luxury goods. It is more stable that building values into marketing planning to effectively position products and segment target groups of consumers. This chapter gives a further discussion for the previous literature review.

In this study, four concrete attributes of luxury products are emphasized, which are excellent quality, high price, limited supply, and aesthetic craftsmanship as well as one abstract attribute is human involvement. Consumers attach different personal meanings on the attributes of luxury products based on different levels of human involvement. They connect concrete characteristics of luxury goods with their own personal customer values.

Means-End Chain indicates how luxury attributes and values influence people's attitude and purchase intention on luxury products. It helps consumers perceive luxury product as better than others, which depends on the values. It also gives signals to people that connect important values of consumers with specific attributes of products. When consumers believe luxury products own certain attributes that tie to their desirable end value, they would like to evaluate the product positively and more tend to choose it. Thus consumers' perceptions and evaluations of products can be studied at different levels in the means-end chain.

Two dimensions of value have been used to analyze luxury consumption, which includes individual-directed value and social-directed value. Specifically, individual-directed value includes hedonism and self-identity while social-directed value includes materialism, conspicuousness, snobbery and prestige aspects. Both individual and social values have positive relationship with attitudes and purchase intention towards luxury goods.

Firstly, positive luxury self-identity leads to positive evaluation of luxury products. When luxury self-identity is salience, people tend to percept their self-image that congruent with product-image towards luxury products. Luxury products are viewed as consumers' extended or symbol self. Consumers are motived to buy luxury products, as they want to improve their self-status and wellbeing. Therefore, the concrete attributes: good quality, high price, limited supply, and aesthetic craftsmanship can be important factors to stimulate

consumers' luxury self-identity. The four attributes not only as obvious cues to stimulate consumers' luxury self-identity, but also are used as visible signs to express consumers' luxury self-identity.

Secondly, hedonism positively influences consumers' evaluation on luxury products. Comparing with non-luxury products, luxury products more tend to satisfy individual's intrinsic pleasure and emotional benefits. Luxury products help people to get self-actualization and self-rewards. The hedonic aspect includes sensory pleasure, aesthetic beauty, or excitement. Therefore, for the relevant marketing strategies, luxury products should have good quality, be limited supply and aesthetic craftsmanship. Moreover, the retail environment should also comfortable that increase consumers' sensory enjoyment and self-satisfaction during the shopping experience.

Thirdly, materialism positively influences consumers' evaluation on luxury products. People who have a strong sense of materialism are more likely to desire possession and acquisition of luxury products. Materialists often waste money on some non-essential products, as ways of enhancing wellbeing, indicating success and showing self-esteem. High quality and price are closely connected with materialism.

Fourthly, conspicuous consumption has positive relationship with luxury consumption. People who are motived by conspicuous consumption are more likely to display their wealth, power, and social status to others. Conspicuousness of a product has positive relationship with people's susceptibility to the reference group. Therefore, high quality and price, limited supply, and aesthetic craftsmanship are positively connected with conspicuous aspect.

Fifthly, people who desire exclusive hope to differentiate themselves with others. It indicates that limited supply of products stimulate consumers attaching more value one product and willing to pay high price on it.

Lastly, people who are motivated by prestige consumption tend to conform to the majority opinion of their reference group. Consumers use certain brands as symbolic sign to communicate their group membership to others. People who have prestige want to show their luxury and affluent lifestyle or to distinguish themselves from those non-prestige consumers by using prestige products. Therefore, high price, good quality, and limited supply of luxury products are connected with prestige aspect.

Consequently, luxury products marketers should not limited their target group within a narrow perspective. Different aspects stimulate consumers to choose

luxury products. Comprehensive and multiple brand-positioning marketing strategies for luxury brands should be used.

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