

Antecedents and Outcomes of Consumer Perceptions toward Hedonic Goods

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Diplom-Ökonom Stefan Henrik Behrens
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Referent: Prof. Dr. Klaus-Peter Wiedmann

Korreferentin: Prof. Dr. Ulrike Grote

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Abstract

This doctoral thesis encompasses nine publications, aggregated in three modules. The main purpose of the present collection of research papers is to examine consumer perceptions toward hedonic goods, as this product category is quite important for the contemporary pleasure-seeking consumer. Due to the manifold need for research on the aforementioned topic, this doctoral thesis concentrates on selected research gaps in the focal domains of wine and luxury marketing.

While in many cases human behavior is based on rational decisions, the study of consumer behavior shows that the examination of irrational buying needs such as enjoyment, emotional responses and sensory pleasure, is becoming more and more important. Broadly speaking, consumers try to satisfy their desire for fantasy, fun and amusement through the consumption of hedonic goods whereby luxury products in particular are expected to provide hedonic experiences. Although the luxury industry is quite profitable and a fast growing one, luxury brand managers and researchers still have to find ways to better capture specific consumer needs. Therefore, analyzing luxury values assists in discovering the main drivers of luxury brand strength or of luxury buying behavior. Nevertheless, the question of how to properly address current and potential consumers remains. However, to afford a more profound analysis apart from luxury goods, other product categories, which also provide hedonic experiences, should not be disregarded. Especially wine, which addresses multiple senses such as sight, smell and taste, can be observed as a prototypically hedonic good. Since wine is widely recognized as a confusing product, it continues to be a challenging task for researchers and practitioners to understand which dimensions of individual perceived value lead the consumer to choose a certain wine.

As main result, the various modules point out the relevance of the customer perceived value dimensions – financial, functional, individual and social – when it comes to the development of successful marketing strategies for wine and luxury products.

Keywords: Consumer Perception, Wine Marketing, Luxury Brand Management

Zusammenfassung

Die kumulative Dissertation beinhaltet neun Arbeiten, welche sich entsprechend ihrer Schwerpunkte auf drei Module verteilen. Ausgehend vom Bild des modernen, nach Vergnügen suchenden Konsumenten, besteht das Hauptziel der vorliegenden Sammlung an Forschungsbeiträgen darin, die konsumentenseitige Wahrnehmung von hedonistischen Gütern zu untersuchen. Auf Grund des vielfältigen Forschungsbedarfs im besagten Themenfeld, konzentriert sich diese Dissertation auf bewusst ausgewählte Forschungslücken in den beispielhaft herangezogenen Branchen ‚Wein‘ und ‚Luxus‘.

Wenngleich das menschliche Verhalten häufig auf rationalen Entscheidungen basiert, zeigt sich in der Konsumentenverhaltensforschung, dass die Untersuchung irrationaler Beweggründe wie Freude, Emotionen und sinnliches Vergnügen an Bedeutung gewinnt. Allgemein gesprochen, versuchen Konsumenten durch den Kauf hedonistischer Güter ihr Verlangen nach Originalität, Unterhaltung und Freude zu befriedigen. In diesem Kontext wird insbesondere Luxusprodukten attestiert, hedonistische Erlebnisse zu bieten. Und obwohl der Luxussektor vergleichsweise profitabel sowie schnell wachsend ist, müssen sowohl Praktiker als auch Forscher in dieser Branche noch immer nach geeigneten Möglichkeiten für eine gezieltere Kundenansprache suchen. Zwar hilft die Analyse von konsumentenseitig wahrgenommenen Werten dabei, die Treiber der Luxusmarkenstärke und des Luxuskaufverhaltens zu ermitteln, jedoch bleibt die Frage offen, wie aktuelle und potenzielle Kunden adressiert werden können. Obwohl sich besonders die Betrachtung von Luxusgütern zur Aufarbeitung von Forschungslücken im gegebenen Untersuchungsfeld eignet, sollten im Sinne einer profunderen Analyse weitere hedonistisch geprägte Produktkategorien in die Untersuchung einbezogen werden. So ergibt sich vor allen Dingen im Zusammenhang mit dem als hedonistisch eingestuften Produkt Wein umfassender Forschungsbedarf. Denn Wissenschaftler und Praktiker stehen vor der Aufgabe herauszufinden, welche konsumentenseitig wahrgenommenen Werte letztendlich zur Auswahl dieses komplexen Produkts führen.

Als zentrales Ergebnis der verschiedenen Module bleibt festzuhalten, dass ein fundiertes Verständnis konsumentenseitig wahrgenommener Werte – in ihren Ausprägungen finanziell, funktional, individuell und sozial – von herausragender Bedeutung ist, wenn es um die Entwicklung erfolgreicher Marketingstrategien in der Wein- und Luxusbranche geht.

Stichworte: Konsumentenseitige Wahrnehmung, Weinmarketing, Luxusmarkenmanagement

Preface

“Whatever you can do or dream you can, begin it.

Boldness has genius, power and magic in it.”

Johann Wolfgang von Goethe

1. Motivation and Research Objectives

“By nature people are motivated to enjoy themselves.” (Okada, 2005, p. 43). This sentence captures in a few words the self-conception of contemporary happiness-oriented societies and at the same time implies a contradiction with the assumption of individuals as logical thinkers that is widespread in economic and classical decision theory. Though in many cases human behavior is certainly based on rational decisions, the study of consumer behavior shows that the examination of irrational buying needs such as enjoyment, emotional responses and sensory pleasure, is becoming more and more important (Alba and Williams, 2013; Hirschman and Holbrook, 1982).

Broadly speaking, the contemporary pleasure-seeking consumers try to satisfy their desire for fantasy, fun and amusement through the consumption of hedonic goods and services that might sometimes be regarded as frivolous or even decadent (O’Curry and Strahilevitz, 2001). Consequently, many hedonic products can be found in the luxury segment where aesthetic experiences and emotive aspects are core components. For example, handling a luxury fountain pen produces a more sophisticated tactile impression than writing with an ordinary ballpoint pen. Moreover, simply entering a couture boutique creates a feeling of luxury different from that created by a record shop, and dining in a French gourmet restaurant might offer an impression of refinement (Lageat, Czellar and Laurent, 2003). Due to the strong connection between luxury and hedonism, it seems reasonable to examine consumer perceptions toward hedonic goods by using the luxury industry as a main reference point.

Even though the luxury industry is quite profitable and fast growing due to the so-called ‘democratization of luxury’ (Berthon et al., 2009), luxury brand managers and researchers are still trying to find ways to better capture specific consumer needs (Fionda and Moore, 2009). Therefore, a deeper understanding of attitudes and values consumers perceive in the context of luxury is required to implement successful management strategies (Wiedmann, Hennigs and Siebels, 2009, 2007). Analyzing luxury values might assist discovering the main drivers of luxury brand strength or of luxury buying behavior, but there nevertheless remains the

question of how to properly address current and potential consumers. Luxury brand managers thus face the challenge of meeting the rising demand for their goods without neglecting uniqueness and exclusivity – the main characteristics of luxury. Against this background, a critical examination of brand extensions and the integration of deeper sustainable values are just as important as the development of new approaches to present luxury brands by stimulating all of the senses of today's experience-oriented consumers.

However, to afford a more profound analysis, apart from luxury goods, other product categories, which provide hedonic experiences as well, should not be disregarded. In particular, wine, a relatively tangible product that addresses multiple senses such as sight, smell and taste, can be observed as a prototypically hedonic good. Whether consumed alone for relaxation or jointly with others in a restaurant, this traditional beverage is commonly linked with pleasure, conviviality, psychological satisfaction and refinement (Fotopoulos, Krystallis and Ness, 2003). Wine thereby symbolizes not only luxury but also an integral component of culture and a sustainable or even healthy lifestyle, reflected in its organic product variant (Brewer and Alant, 2009). Altogether, wine seems to be a very multifaceted hedonic good whose complex nature is most likely described by the French term 'terroir'. Loosely translated, terroir refers to a small geographical region or area that influences by means of its soil and microclimate a wine's characteristics (Barham, 2003). Presumably grape variety, the weather during the year of production, the production process or the storage and bottling method affect wine quality; therefore wine is widely recognized as a confusing product (Balestrini and Gamble, 2006; Lockshin et al., 2006).

Given wine's confusing status, it continues to be a challenging task for researchers and practitioners in the domain of wine marketing to understand which dimensions of individual perceived value lead consumers to choose a certain wine. In this context, the need arises to investigate whether more hedonic antecedents, such as individual and social value, or at least the rational components of price and quality influence wine purchases. Hence, it can be expected that a detailed comprehension of customers' perceived preferences will help managers in the wine industry to foster possibly via storytelling approaches positive outcomes such as recommendation, loyalty or even the willingness to pay an appropriate price.

Based on the considerations above, a manifold need for research on consumer perceptions toward hedonic goods can be derived whereby this doctoral thesis concentrates on selected research gaps in the focal domains of wine and luxury marketing. The following research questions are therefore posed:

- What antecedents and outcomes of consumer perceptions toward hedonic goods are exemplified by the wine category?
- How do attitudes and consumer perceptions of luxury value influence luxury buying behavior and luxury brand strength?
- What promising approaches exist to address consumers' desire for luxury and their luxury perceptions more effectively?

Referring to these research questions, this doctoral thesis has been structured in three modules. The first module addresses the antecedents and outcomes of consumer perceptions toward hedonic products in the case of wine. A similar, but luxury-oriented focus is set in module two where attitudes and consumer perceptions are examined in terms of their effects on buying behavior and brand strength. In the third module, certain approaches to better address consumers' luxury perceptions are developed. Overall, each module contains three research projects that will be described in the following paragraph.

*“One never reaches home, but wherever friendly paths intersect
the whole world looks like home for a time.”*

Herrmann Hesse

2. Description of the Research Projects

Module 1: Consumers' Perception of Wine

Favored by the internationalization of traditional eating habits, including menus with more courses combined with premium drinks, wine consumption has obtained growing interest and socio-cultural significance. However, even consumers in traditional wine-producing countries seem to have a relative low product-knowledge, so the important question arises as to how consumers perceive a complex product such as wine. Consequently, the first module focuses on wine choice criteria and the investigation of consumers' value perception toward wine.

Accordingly, the purpose of the initial paper, *“Wine as Luxury Experience: A Taxonomy of Consumers Based on Best-Worst Scaling”* is twofold. First, to rate selective wine attributes by applying the methodology of best-worst (BW) scaling and second, to develop a taxonomy of wine consumers. After receiving a full ranking of product attributes based on the answers of German respondents regarding their most preferred items ('most' or 'best') and their least preferred items ('least' or 'worst'), the results indicate that the taste of wine and the country of origin were the most important choice criteria followed by price and grape variety. Moreover, a detailed analysis regarding the importance assigned to the country of origin reveal that France was the most important country, followed by Italy, Germany and Spain. Building on the determined consumer preferences for product cues and country of origin, a taxonomy that comprises four consumer clusters (The Balanced Traditionalists, The Traditional Tasters, The Traditional Observers and The Innovative Tasters) was developed to provide ideas for target group specific marketing approaches.

Concentrating on sensory characteristics, the paper *“Tasting Green: An Experimental Design for Investigating Consumer Perception of Organic Wine”* takes up the societal trend of green consumerism and aims to ascertain if the stimulus 'organic wine', placed via storytelling, influences the perception of wine. To examine if respondents would rank a wine described as organic higher than a conventional one, a three-stage experimental design was applied. Stage one started with a blind test of a red wine presented as 'conventional' after which participants were asked to rate the wine. In stage two, selected cues with respect to organic wines were presented by using a storytelling approach. In stage three, the participants tasted and evaluated, again in a blind test, a second wine presented as 'organic', although it was

exactly the same wine that was offered in stage one. The results show that the participants rated the 'organic wine' significantly higher than the 'conventional one' even though they were given similar wine samples. The highest mean differences were shown in the context of taste, recommendation behavior and the willingness to pay a higher price. However, there was no significant association between a positive attitude toward organic food in general and the perception of the given wines.

Moving away from experimental research, the objective of the paper "*Customer Value Perception: Cross-Generational Preferences for Wine*" is to examine various dimensions of customer perceived value that lead customers, both in general and divided into different age groups, to choose a certain wine. Due to the assumption that the era in which a person grew up affects his or her behavior, this article focuses particularly on comparisons between Generation X and Generation Y, which are of great interest to the wine industry. In view of the exploratory study context, based on a cross-generational German data-set, PLS (Partial Least Squares) path modeling was considered for the evaluation of hypotheses. The empirical results support the proposed causal relations between customer perceived value, wine involvement and the ensuing wine consumption with identifiable differences between the focal age cohorts. Thus, Generation X consumers put significantly more emphasis on the different perceived value aspects regarded as a whole, whereas the product-specific involvement is of particular importance for Generation Y consumers.

Module 2: Consumers' Perception of Luxury

Caught between the conflicting priorities of satisfying the rising global demand for luxury and the effort to protect the uniqueness and exclusivity of their products, brand managers face serious challenges in the luxury market. Hence, to improve marketing strategies, a deeper understanding of the reasons why consumers buy luxury products is still required. Module two concentrates on consumers' attitudes and value perceptions toward luxury products and brands.

Drawing from prior findings and incorporating a three-dimensional framework of attitudes, the purpose of the paper "*Consumer Attitudes toward Luxury: A Cross-National Comparison*" is to explore how antecedents influence luxury consumption in a cross-national context. At the very center of this study is the famous attitude scale of Dubois Laurent (1994) that has provided inspiration for diverse concepts in luxury marketing research. Although this scale has been widely adopted, no appropriate structural relation model has been investigated. The current paper therefore aims to use the Dubois-Laurent scale with the objective of examining

a structural equation model explaining luxury attitudes and related consumption. Based on an international data-set, an assessment of the measurement models and the structural relations give evidence for the existence of similar luxury attitudes across countries that can be distinguished along the dimensions of knowledge-related, affect-related and behavior-related luxury themes. Nevertheless, the results indicate that there are cross-national differences in the evaluation of luxury themes and in the structural relation between these components.

As the creation of superior customer value is supposed to be strongly connected with customer satisfaction, trust and loyalty, the paper *“The Assessment of Value in the Luxury Industry: From Consumers’ Individual Value Perception to Luxury Consumption”* focuses on the antecedents and outcomes of individual luxury value perception. Precisely, because the interplay of the consumer perceived value dimensions and their effects on related behavioral outcomes are still poorly understood, the current study aims to fill this research gap. After developing an adequate conceptual model based on a German data-set, a PLS path modeling analysis was conducted to empirically test the hypotheses. The results show that the desire for luxury brands involves several dimensions of customer perceived values, including financial, functional, individual and social consumer perceptions. Moreover, the assessment of the measurement models and the structural relations confirm that the individual luxury value perception is significantly related to the consumption of luxury brands in terms of purchase intention, recommendation behavior and the willingness to pay a premium price.

Closely related to these insights, the paper *“Unleashing the Power of Luxury: Antecedents of Luxury Brand Perception and Effects on Luxury Brand Strength”* deals with the interaction between consumers’ luxury brand perception and the causal effects on related brand outcomes. More specifically, the research focus lies on the conceptualization and empirical investigation of luxury brand perception and its hypothesized effects on luxury brand strength. To investigate the research model, an online questionnaire was conducted among consumers in Germany, and subsequently PLS path modeling as regression-based analysis was considered as an appropriate method for the test of hypotheses in the given exploratory study context. The empirical results give evidence that consumers’ individual luxury brand perception is based on financial, functional and social considerations. Additionally, the proposed causal relations between luxury brand perception and luxury brand strength are supported. In detail, consumers’ brand perception is significantly related to the cognitive, affective and conative components of luxury brand strength.

Module 3: Addressing Consumers' Luxury Perception

Recently, luxury has become more accessible to a larger audience, for example the new or casual luxury buyers, so brand managers are faced with the challenge of more specifically capturing the multifaceted desires an individual seeks through luxury consumption. In this context, brand extensions and the creation of a holistic brand experience, as well as the communication of deeper luxury values, including social and environmental excellence, at first glance represent promising approaches to gain competitive advantages. Consequently, the last module focuses on strategies that might help to better address consumers' luxury perception.

As most studies of brand extension strategies have been limited to explicit methods, the purpose of the paper *"Brand Extensions: A Successful Strategy in Luxury Fashion Branding? Assessing Consumers' Implicit Associations"* is to examine the change in consumers' luxury brand perception related to downgrading and upgrading brand extension strategies by applying an implicit measurement approach. In this exploratory study context where the spontaneous reaction time regarding the luxury concept is of crucial interest, a single-target implicit association test (ST-IAT), which overcomes the disadvantages of classical self-evaluation based explicit methods, was conducted. After providing adequate verbal brand extension stimuli with reference to the focal brands 'H&M' (Fast Fashion) and 'Karl Lagerfeld' (Luxury Fashion), the following result was derived: The reaction times of H&M subjects decreased after they read the upgrading stimulus, whereas in the case of Karl Lagerfeld, the ST-IAT reaction times show that downgrading information leads to a weaker association of Karl Lagerfeld with luxury. Consequently, when luxury brands apply a downgrading strategy, the risks of possible damage to the core brand are higher than in the case of a basic brand's upgrade to the luxury or premium segment.

Building on the aforementioned assumption that luxury is strongly related to sensuality, the conceptual paper *"Creating Multi-Sensory Experiences in Luxury Marketing"* outlines key design approaches for multi-sensory brand experiences as a general basis for further research and business practice in the luxury sector. The basic idea is to create superior luxury value by directed interactions between multi-sensory elements and customer perceived value in terms of its financial, functional, individual and social dimension. Consequently, the conceptual framework of this paper demonstrates how to address consumers' perceived luxury value by stimulating the sensory organs eyes, ears, nose, mouth and skin simultaneously. From this framework, five specific propositions and the following more general one can be deduced: The selected usage of the five sensory stimuli influences the customer perceived value of luxury goods.

To advance the current understanding of fundamental luxury value, the aim of the conceptual paper *“Sustainability as Part of the Luxury Essence: Delivering Value through Social and Environmental Excellence”* is to provide a comprehensive framework of luxury sustainability values. Starting from the premise that luxury and sustainability are closely related concepts that inspire and complement one another, this study focuses on the customer value perception with regard to consumption values that directly explain how consumers evaluate luxury brands. Hence, the theoretical considerations emphasize that the essence of luxury brands – high quality, superior durability and deeper value – can be interpreted as sustainable excellence, which makes it a perfect basis for the design and marketing of products that preserve fundamental social and environmental values. Overall, it has been shown that consumers are concerned about social and environmental issues; therefore, the concept of sustainability has to become a priority for luxury brands as well.

"All our knowledge has its origins in our perceptions."

Leonardo da Vinci

3. Conclusion and Implications

Main Contribution

Although Levy (1959) noted already 50 years ago that *"People buy things not only for what they can do, but also for what they mean"* (p. 118), a deeper understanding of consumer perception and consumption behavior remains a major challenge for practitioners and researchers in the domain of hedonic goods. Indeed, there exists evidence that complex hedonic goods provide sensual experience, fun, pleasure, and excitement (e.g., Alba and Williams, 2013; O'Curry and Strahilevitz, 2001; Hirschman and Holbrook 1982). Nevertheless, knowledge regarding their main consumption determinants is still limited. Against this background, the doctoral thesis concentrates on selected research gaps in the focal sectors of wine and luxury: (1) Examining antecedents and outcomes of consumer perceptions toward wine, (2) Investigating attitudes and consumer perceptions in terms of their effects on luxury buying behavior and luxury brand strength, (3) Developing promising approaches to better address consumers' luxury perceptions. The main result is that the various modules note the relevance of the customer perceived value dimensions – financial, functional, individual and social – in regard to the development of successful marketing strategies for wine and luxury products. Complementary to the hedonic character of both luxury and wine, the more emotional-oriented individual value dimension is exposed to be of crucial importance in particular. Apart from the main contribution, the research results of the different studies provide several implications for management practice and implications for future research.

Implications for Management Practice

Given the wine-specific orientation of module one, the initial study alone indicates that due to a high product-complexity, many different criteria influence wine consumers' decision-making processes. Despite the ever-present extrinsic cues such as country of origin and price, intrinsic cues such as taste, grape variety, and aroma are significant aspects to address. Hence, consumers should be allowed to experience the physical properties of a wine – its smell, its color and above all its taste. Especially when consumers' knowledge of a certain product category such as wine is comparatively low, consciously used buying stimuli are expected to become more influential. Thus, as part of a successful communication strategy,

the application of carefully selected storytelling approaches that stress for example organic production, positively affects the perception of wine. However, to implement adequate wine marketing strategies, a deeper understanding of consumers' wine perception has to be provided. Keeping this in mind and in line with the main contribution, successful management strategies in the domain of wine marketing should focus on the customer's subjective expectations and individual value perceptions to deliver sufficient value. More specifically, it seems reasonable to emphasize aspects such as enjoyment, fun, pleasure and hedonic experiences of wine consumption.

Moving away from wine, the last two modules expose the importance of the four perceived value dimensions with respect to the formation of suitable marketing strategies in the luxury sector. The individual luxury value thereby plays a central role, particularly because this more subjective value dimension, which is affected by the financial, functional and social value, leads to positive behavioral outcomes. Consequently, luxury brand managers can stimulate luxury consumption behavior (e.g., purchase intention, recommendation behavior and the willingness to pay a premium price) as well as cognitive, affective and conative brand strength through enhancing the individual luxury value. By adapting their marketing campaigns to the specific value aspects that are highly relevant for brand loyalty, luxury companies can stimulate consumers' purchase behavior. Although a comprehensive understanding of the customer perceived value approach represents an essential success factor in luxury marketing, more creative strategies are needed to address these four values in the given context of a highly dynamic environment that includes several societal trends. Hence, the growing experience orientation faces luxury brand managers with the challenge of providing luxury value by creating multi-sensory brand experiences. Moreover, increasing social concerns should be integrated as sustainability issues into luxury brands' marketing communications. In contrast, luxury brand managers should be rather critical of brand extensions because downgrading strategies in particular might cause damage to the core brand that is greater than the benefit from addressing new target groups such as casual luxury buyers.

Implications for Future Research

Overall, the different modules provide theoretically sound and practically relevant insights into consumers' perception of wine and luxury, while mainly the exploratory study focus includes some research limitations. By investigating consumer perceptions and behavior in different industrial contexts and due to various methodological approaches, attempts have

been made to broaden the sources of information; however, there is a need to generalize the existing results. Focusing on further research, it can be assumed that enlarging the size of the sample groups and collecting data in different countries, will help to compare results on an international level. Thus, successful strategies for selling wine and luxury products to consumers of different nationalities could be derived. Furthermore, the consideration of other socio-demographics such as age and gender seems to be reasonable, as, for example, comparisons between male and female consumers might reveal that consumer groups in different countries are more similar than within national borders. Given the continuous change of customer perceived values, longitudinal studies that involve repeated analysis would be an appropriate instrument to monitor and thereby understand possible shifts in consumers' perceptions. Finally, intending to verify conceptual ideas of experience-oriented marketing approaches in general and referring to luxury, further research should investigate whether and to what extent multi-sensory stimuli impact customer perceived value dimensions.

In conclusion, starting from the manifold need for research on consumer perceptions toward hedonic goods, this doctoral thesis aims to fill selected research gaps in the focal domains of wine and luxury. The main findings provide a deeper understanding of customer perceived value dimensions and give evidence that mainly individual value perceptions drive wine and luxury consumption.

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List of Articles Included in the Doctoral Thesis

Module 1: Consumers' Perception of Wine

Paper 1.1 Behrens, S., Wiedmann, K.-P. and Hennigs, N. (2013): Wine as Luxury Experience: A Taxonomy of Consumers Based on Best-Worst Scaling. In: Wiedmann, K.-P., Hennigs, N. (Eds.) (2013): *Luxury Marketing*, Wiesbaden, pp. 396-416.

Based on the following previous versions:

Behrens, S., Wiedmann, K.-P. and Hennigs, N. (2012): A Taxonomy of Wine Consumers Based on Best-Worst-Scaling. Paper presented at the Global Marketing Conference Seoul, South Korea, July 19th - 22nd, 2012.

Wiedmann, K.-P., Behrens, S., Hennigs, N. and Klarmann, C. (2012): Applying Best-Worst-Scaling to Wine Marketing: A Typology of German Consumers based on Most Preferred Wine Origins. Paper presented at the Coberen Conference Nicosia, Cyprus, June, 6th - 8th, 2012.

Wiedmann, K.-P., Behrens, S., Hennigs, N. and Klarmann, C. (2012): A typology of wine consumers based on best-worst-scaling. Paper presented at the 11th International Marketing Trends Conference Venice, Italy, January, 19th - 21st, 2012.

Wiedmann, K.-P., Behrens, S., Hennigs, N. and Klarmann, C. (2011): Old World vs. New World: A Consumer Typology Based on Most Preferred Wine Countries. Paper presented at the 2011 ANZMAC, Perth, Australia, November, 28th - 30th, 2011.

Paper 1.2 Wiedmann, K.-P., Hennigs, N., Behrens, S. and Klarmann, C. (2014): Tasting Green: An Experimental Design for Investigating Consumer Perception of Organic Wine. *British Food Journal*, Vol. 116, No. 2, pp. 197-211.

Based on the following previous versions:

Wiedmann, K.-P., Klarmann, C., Hennigs, N. and Behrens, S. (2012): Red, White or Green – Consumers' Perception of Organic Wine. Paper presented at the Global Marketing Conference Seoul, South Korea, July, 19th - 22nd, 2012. *Paper received the "Best Conference Paper Award".*

Wiedmann, K.-P., Klarmann, C., Behrens, S. and Hennigs, N. (2012): Tasting green – Do German consumers value organic wine? Paper presented at the 11th International Marketing Trends Conference Venice, Italy, January, 19th - 21st, 2012.

Paper 1.3 Wiedmann, K.-P., Behrens, S., Hennigs, N. and Klarmann, C. (2014): Customer Value Perception: Cross-Generational Preferences for Wine. *British Food Journal, forthcoming.*

Based on the following previous version:

Behrens, S., Hennigs, N., Klarmann, C. and Wiedmann, K.-P. (2013): What is the Perceived Value of Wine? A Cross-Generation Study of Consumer Wine Perception and Consumption Behavior. Paper presented at the 16th Biennial World Marketing Congress, Melbourne, Australia, July, 17th - 19th, 2013.

Module 2: Consumers' Perception of Luxury

Paper 2.1 Hennigs, N., Wiedmann, K.-P., Klarmann, C. and Behrens, S. (2014): Consumer Attitudes toward Luxury: A Cross-National Comparison. *Submitted to Monaco Symposium on Luxury (Special Issue Journal of Business Research).*

Based on the following previous version:

Hennigs, N., Klarmann, C., Behrens, S. and Wiedmann, K.-P. (2013): Consumer Attitudes Toward Luxury: A Cross-National Comparison. Paper presented at the Winter Marketing Educators' Conference, Las Vegas, USA, February, 15th - 17th, 2013. *Paper received the "Best Paper Award" in the Global & Cross Cultural Track.*

Paper 2.2 Hennigs, N., Wiedmann, K.-P., Klarmann, C., Behrens, S. (2014): The Assessment of Value in the Luxury Industry: From Consumers' Individual Value Perception to Luxury Consumption. *Submitted to Marketing Intelligence and Planning.*

Based on the following previous version:

Hennigs, N., Klarmann, C., Behrens, S. and Wiedmann, K.-P. (2013): Consumer Desire for Luxury Brands: Individual Luxury Value Perception and Luxury Consumption. Paper presented at the 16th Biennial World Marketing Congress, Melbourne, Australia, July, 17th - 19th, 2013.

Paper 2.3 Hennigs, N., Wiedmann, K.-P., Behrens, S. and Klarmann, C. (2013): Unleashing the Power of Luxury: Antecedents of Luxury Brand Perception and Effects on Luxury Brand Strength. *Journal of Brand Management, Vol. 20, No. 8, pp. 705-715.*

Module 3: Addressing Consumers' Luxury Perception

Paper 3.1 Hennigs, N., Wiedmann, K.-P., Behrens, S., Klarmann, C. and Carduck, J. (2013): Brand Extensions: A Successful Strategy in Luxury Fashion Branding? Assessing Consumers' Implicit Associations. *Journal of Fashion Marketing and Management*, Vol. 17, No. 4, pp. 390-402.

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Evidence of Co-Authorship and Definition of Responsibilities

The present research was jointly developed in co-authorship. All content is based entirely on collective and collaborative elaboration, whereby the following responsibilities have been defined within the respective papers:

Module 1: Consumers' Perception of Wine

Responsibilities of *"Wine as Luxury Experience: A Taxonomy of Consumers Based on Best-Worst Scaling"*: Stefan Behrens: Introduction, Theoretical Background, Conceptual Framework, Methodology; Klaus-Peter Wiedmann: Supervision; Nadine Hennigs: Results and Discussion, Managerial Implications and Further Research Steps.

Responsibilities of *"Tasting Green: An Experimental Design for Investigating Consumer Perception of Organic Wine"*: Klaus-Peter Wiedmann: Supervision; Nadine Hennigs: Results and Discussion, Stefan Behrens: Introduction, Methodology and Research Design, Conclusion, Christiane Klarmann: Theoretical Background.

Responsibilities of *"Customer Value Perception: Cross-Generational Preferences for Wine"*: Klaus-Peter Wiedmann: Supervision; Stefan Behrens: Theoretical Background, Conceptualisation, Results and Discussion; Nadine Hennigs: Methodology, Conclusion; Christiane Klarmann: Introduction.

Module 2: Consumers' Perception of Luxury

Responsibilities of *"Consumer Attitudes toward Luxury: A Cross-National Comparison"*: Nadine Hennigs: Methodology, Results and Discussion; Klaus-Peter Wiedmann: Supervision; Christiane Klarmann: Introduction, Theoretical Background; Stefan Behrens: Conceptual Model, Conclusion.

Responsibilities of *"The Assessment of Value in the Luxury Industry: From Consumers' Individual Value Perception to Luxury Consumption"*: Nadine Hennigs: Conceptualization; Klaus-Peter Wiedmann: Supervision; Christiane Klarmann: Methodology, Results and Discussion; Stefan Behrens: Introduction, Conclusion.

Responsibilities of *"Unleashing the Power of Luxury: Antecedents of Luxury Brand Perception and Effects on Luxury Brand Strength"*: Nadine Hennigs: Conceptualization, Hypotheses

Development; Klaus-Peter Wiedmann: Supervision; Stefan Behrens: Introduction, Conclusion; Christiane Klarmann: Methodology, Results and Discussion.

Module 3: Addressing Consumers' Luxury Perception

Responsibilities of *"Brand Extensions: A Successful Strategy in Luxury Fashion Branding? Assessing Consumers' Implicit Associations"*: Nadine Hennigs: Results and discussion, Conclusion; Klaus-Peter Wiedmann: Supervision; Stefan Behrens: Conceptualization, Methodology; Christiane Klarmann: Introduction, Theoretical Background; Juliane Carduck: Methodological Assistance.

Responsibilities of *"Creating Multi-Sensory Experiences in Luxury Marketing"*: Klaus-Peter Wiedmann: Supervision; Nadine Hennigs: Construct Definition, Directions for Future Research and Business Practice; Christiane Klarmann: Conceptual Framework; Stefan Behrens: Introduction, Management Summary, Main Propositions, Lessons Learned.

Responsibilities of *"Sustainability as Part of the Luxury Essence: Delivering Value through Social and Environmental Excellence"*: Nadine Hennigs: Introduction, Theoretical Background: Consumer Demand For Sustainable Luxury, Conclusion; Klaus-Peter Wiedmann: Supervision; Christiane Klarmann: Conceptual Model: Value-Based Sustainable Excellence (Part Framework, Functional and Individual); Stefan Behrens: Conceptual Model: Value-Based Sustainable Excellence (Part Financial and Social).

Module 1
Consumers' Perception of Wine

- Paper 1.1** Behrens, S., Wiedmann, K.-P. and Hennigs, N. (2013): Wine as Luxury Experience: A Taxonomy of Consumers Based on Best-Worst Scaling. In: Wiedmann, K.-P., Hennigs, N. (Eds.) (2013): *Luxury Marketing*, Wiesbaden, pp. 396-416.
- Paper 1.2** Wiedmann, K.-P., Hennigs, N., Behrens, S. and Klarmann, C. (2014): Tasting Green: An Experimental Design for Investigating Consumer Perception of Organic Wine. *British Food Journal*, Vol. 116, No. 2, pp. 197-211.
- Paper 1.3** Wiedmann, K.-P., Behrens, S., Hennigs, N. and Klarmann, C. (2014): Customer Value Perception: Cross-Generational Preferences for Wine. *British Food Journal*, forthcoming.

Paper 1.1

Wine as Luxury Experience: A Taxonomy of Consumers Based on Best-Worst Scaling

Stefan Behrens

Klaus-Peter Wiedmann

Nadine Hennigs

Luxury Marketing

Wiedmann, K.-P., Hennigs, N. (Eds.) (2013)

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22 Wine as Luxury Experience: A Taxonomy of Consumers Based on Best-Worst Scaling

Stefan Behrens, Klaus-Peter Wiedmann, Nadine Hennigs

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22.1 Introduction

Due to the ever-growing internationalisation of traditional eating habits – including menus with more courses combined with premium drinks – wine has become an integral component of culture in many countries [7]. Particularly in widespread areas of Asia and in Middle and Eastern Europe, wine consumption has obtained socio-cultural significance and hedonistic value [43]. Hence, world consumption of wine slowly began to rise from 224 million hl in the early 1990s to an estimated 232 to 242 million hl in 2010 [49], [51].

Despite the increasing interest in wine, consumers seem to have a comparatively low level of knowledge with regard to wine; this lack of knowledge may be primarily explained by the existence of nearly 10,000 different grape varieties [56]. According to the terminology of the Nobel laureate George Akerlof, there is an asymmetric distribution of information regarding the wine market [1]. This situation prompts the important question of what alternative appraisal criteria are used by consumers to compensate for their lack of information. Potential answers vary and may include intrinsic cues (e.g., taste, aroma and alcohol content) or extrinsic cues (e.g., brand, price and country of origin) [13], [52]. Hence, this study will be of interest for researchers, managers and marketers because it seeks to measure and forecast the attributes with the greatest influence on consumers' wine choices.

According to this background, the purpose of the present study is twofold: First, to rate selective wine attributes, we apply the methodology of best-worst (BW) scaling (also known as maximum difference scaling or maxdiff), which assists in overcoming the limitations of classical scale-based surveys. The BW approach enables researchers to obtain a full ranking of product attributes based on the answers of respondents regarding their most important items ('most' or 'best') and their least important items ('least' or 'worst') on a paired preference test [16], [38]. Second, based on these results, we used the aggregated BW scores to develop a taxonomy of wine consumers according to their choice criteria for wine.

The paper is organised as follows: Section 2 briefly reviews consumer behaviour towards wine preferences before introducing the theoretical framework of the study in section 3. After providing an outline of the experimental design and the data collection with respect to the methodology of best-worst scaling in section 4, the main empirical results are discussed. In section 5, we conclude with the managerial implications and suggestions for further research in the field of wine marketing.

22.2 Theoretical Background

22.2.1 Effective Wine Marketing

Although the factors that influence consumer purchase behaviour are still not fully understood, the literature on wine perceptions provides a multitude of articles that emphasise that the implementation of effective wine marketing strategies assumes information about

customers' characteristics and needs [42], [5]. Thus, given the increasingly competitive global market, the success of the wine industry primarily depends on the transition from a production orientation to a marketing orientation [39]. Pursuing a sophisticated market cultivation, Goldsmith and d'Hauteville (1998) [27] divided consumers according to their frequency of wine purchase. Their results show among other findings that heavy wine users are more enthusiastic about and interested in wine than light and non-users; thus, marketers who wish to capture the attention of heavy wine drinkers should focus their efforts on interest and involvement. Examining consumption frequency, Berni et al. (2005) [6] found that frequent drinkers, who are more knowledgeable about wines from the New World, consume red wine more frequently. In 2005, Cholette and Castaldi [14] conducted a segmentation of the US wine market by consumer types. Many Americans are *Non-Drinkers* (42.5%), whereas the dominant segment consists of *Marginal Drinkers* (46%), who consume wine primarily on special occasions. The remaining 11.5% of Americans are *Connoisseurs*, *Aspirants*, *Newcomers* and *Simple Wine Drinkers*, who belong to the *Core Wine Drinker* segment that consumes 90% of all wine. This segmentation based on the criteria of McKinna (1987) [47] emphasises the relatively low level of consumers' wine awareness [22], [40].

Therefore, many authors assume that consumers with little wine knowledge tend to rate wines primarily based on information such as expert opinions [5], [42]. Concerning this matter, Orth and Krška (2002) [52] ascertained that exhibition awards significantly influence consumers' wine purchases; this result is a sufficient reason to examine the influence of other wine attributes.

22.2.2 Wine Attributes and Consumer Choice

As noted in the introduction, wine is widely perceived as a bundle of attributes that renders the consumers' task of choosing wine as complex. The difficulty in processing this large amount of product information may lead to a high level of confusion in the (pre-)purchase phase, and this confusion might negatively affect consumers' decision-making abilities [11]. Hence, to avoid suboptimal choices, consumers attempt to reduce their confusion by concentrating on selective wine characteristics.

In this regard, researchers have determined that the attractiveness of front labels, varieties of grapes, brands and regions of origin seem to be important elements that influence the decision-making processes of wine customers [11]. Moreover, Tzimitra-Kalogianni (1999) [57], who investigated the wine preferences of Greek consumers, discovered that full taste, clarity, appellation of origin, aromas and attractive labels are the most characteristic attributes. Earlier, Keown and Casey (1995) [40] identified the countries of origin, brand names, grape varieties and regions of origin as the most important factors affecting customers' wine choices, and official quality indicators (i.e., classification) were perceived as least important.

Researchers from Australia have recently determined that the influence of wine attributes may differ considerably in each country. Thus, Goodman (2009) [29] found that taste, recommendations, grape varieties, and countries of origin tend to influence Australian, Ger-

man, and French consumers, whereas Brazilian and Chinese wine drinkers rely on taste and brand names. Ultimately, Balestrini and Gamble (2006) [5] extended the geographical aspects from the regional level to the country level and discovered that the country of origin (COO) is the most influential choice criterion for Chinese wine consumers. Thus, the COO is expected to be more important than prices or brands. A similar result was presented in the study of Li et al. (2006) [43], who showed that the COO has a stronger influence when consumers evaluate wine for the purposes of gift giving and drinking in public than for consumers' own consumption.

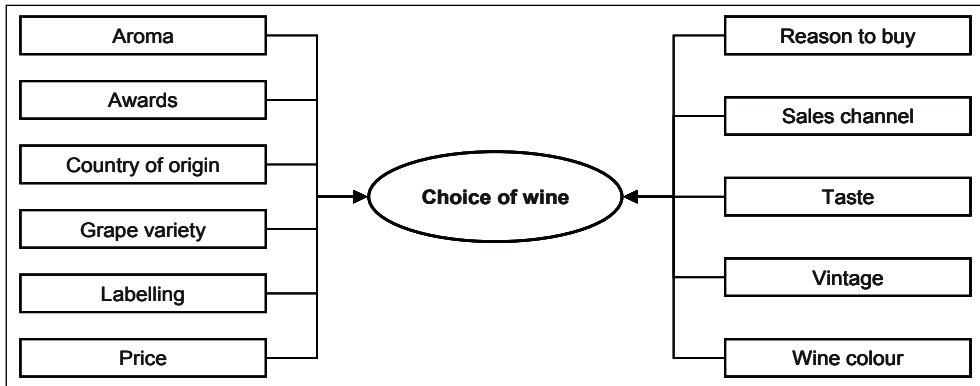
Orth et al. (2005) [53] obtained responses from adult consumers in several states of the USA and discovered that Americans prefer wines from California, France, Italy and Australia. New World wines, which are produced outside of the traditional European countries, have been increasingly in the centre of public attention and thus have become an alternative to the Old World wines from the traditional European wine areas [10]. According to Alyward (2003) [2], who interviewed wine firms regarding their perception of the New World's innovative ability, New World wine industries are causing changes in the way wine is grown, produced and marketed.

Thus, the majority of the above-mentioned studies have focused on general purchase behaviour and have not specified the reasons for purchase or the places where consumers purchase their wine [46]. Nevertheless, Martínez-Carrasco Martínez et al. (2006) [46] found that the designations of origin and price are the most important attributes affecting wine purchases in restaurants, whereas wine purchases in shops are primarily influenced by the types of wine.

22.3 Conceptual Framework

The brief literature review is intended to create a basic understanding of the attributes that may be relevant to the wine selection process of consumers. However, not all consumers base their preferences upon all criteria [52]; thus, this paper focuses on 11 factors that were identified in previous studies as crucial for wine purchase (e.g., Goodman, 2009 [29]; Cohen et al., 2009 [17]; Drummond and Rule, 2005 [20]; Orth and Krška, 2002 [52]; Halstead, 2002 [34]; Hall and Lockshin, 2000 [32]). On the basis of this limitation, we conceptualise the framework of this paper as illustrated in **Figure 22.1**.

Figure 22.1 The Conceptual Model



To achieve a common understanding which is of particular importance for the conducted survey, the elements of this framework can be described as follows:

Labelling. The label contains information that is regulated by law and optional information and thus acts as a communication medium between producers and consumers [55]. Most wines have front labels with basic information (e.g., alcohol content, type of wine, country of origin) and back labels with additional remarks (e.g., serving suggestions) [36], [55], [3].

Grape variety. According to botanical structuring, wines belong to the more than 60 million-year-old genus *Vitis*, which contains approximately 50 species [26], [36]. Each grape variety originated with a typical grape variation that influences the primary wine characteristics, such as colour, aroma and taste [26].

Taste. The taste includes all flavours perceived by the nose and the mouth and seems to be one of the most distinguishing features of wine [37], [15]. Whereas the tongue and palate only perceive the consistency of foods (e.g., viscous and thin or dry and creamy) and the four main flavours – sweet, sour, salty and bitter – the olfactory sense is able to identify fine flavour nuances [15], [54].

Aroma. The aroma structure is detected when particles of wine enter the nasal cavity and come in contact with the olfactory epithelium [26]. Thus, perceived aromas facilitate conclusions concerning producing regions, grape varieties and wine defects/olfactory defects [26], [28].

Wine colour. While wine colour is typically important for aesthetic reasons as well as for fundamental choices between red wine, white wine or rosé wine, the colour can be classified as a basic qualitative parameter on the occasion of wine degustation [37]. Thus, wine colour may provide information about the quality of vintage, grape varieties, production methods and vintage [37], [25].

Vintage. The style of wine varies each year depending on the vintage conditions and the different preparation methods of the winemaker [37], [15]. Climate particularly affects the ripeness of wine grapes, flavours and the fruit aromas in red and white wines [35].

Awards. “It is assumed that consumers rely to a great extent on easy recognizable labels or tags (i.e., medals) when choosing products (...)” (Orth and Krška, 2002, p. 387 [52]). Consequently, wine producers advertise important awards on the front or back labels to increase sales and enhance price acceptance [44].

Price. The price of bottled wine primarily depends on the major costs involved in wine production – the costs of grapes, machinery of production and packaging materials [21], [58]. Moreover, scarcity value, the quality of grape varieties and sales channels lead to higher prices [21].

Sales channel. Producers face two major decisions when choosing methods for distributing their goods: selecting a specific sales channel and deciding on the distribution intensity [8], [31]. Due to its qualitative attributes, wine can be sold via different sales channels (e.g., supermarkets, specialist shops, wineyards, etc.) to provide customers with choices regarding different purchase locations [9].

Reason to buy. “(...) several key studies have suggested that the main determinant that affects consumers when making wine purchasing decisions is the occasion at which the wine will be consumed.” (Halstead, 2002, p. 10 [34]). In fact, the reason to buy, understood as a concrete purchase situation (e.g., wine as a present, wine for private consumption, etc.) seems to influence the willingness to pay and the selection of specific types of wine [33], [34].

Country of origin. Geographical declarations annotate an identity and guarantee the origin of wines that are produced in certain countries or regions [12], [4]. The indication of origin allows consumers to draw conclusions regarding the ambiance and location of wines and thus offers clues regarding the characteristics of wines [9], [41]. Given the importance of the COO as a wine choice criterion, a main focus of our empirical study is the preference of wines from the Old World versus the New World.

Drawing from prior findings and the conceptual framework, one main research question will be analysed using the best-worst method:

RQ: Which of the presented criteria exerts the strongest influence upon consumers’ wine choices, and what consumer segments can be distinguished according to these criteria?

22.4 Methodology

The instrument

For the purposes of our study focusing on consumer wine choices [30], following the suggestions of Cohen and Markowitz (2002) [19], Finn and Louviere (1992) [23], and Marley

and Louviere (2005) [45], we decided to use the best-worst scaling (BWS) method. This approach assumes some underlying subjective interest and measures the degree of importance that respondents assign to selected (three or more) items. More specifically, the respondents are provided choice sets to choose one most important (BEST) and one least important (WORST) item in each set that is presented to them [19], [18]. As respondents are necessarily required to make trade-offs between items and benefits [16], BWS is a more discriminating method for measuring attribute importance compared with either rating scales or paired comparison methods [48], [18], [24].

For a detailed discussion of the method and its application in the wine sector, see Goodman, Lockshin and Cohen (2005) [30] and the study overview in **Table 22.1**.

Table 22.1 Existing Research Insights – Best-Worst Studies in Marketing

Author	Sales Channel	Country	n	Most Important	Least Important
Casini, L. et al. (2009)	Retail Stores	Italy	314	Tasted the wine previously Matching food Origin of the wine	An attractive front label Alcohol level below 13% Promotional display in-store
	Restaurants		308	I matched it to my food I have had the wine before, and I liked it I had read about it but never tasted it	Alcohol level below 13% Available in half bottle (375 ml) Promotion card on the table
Cohen, E. (2009)	Restaurants	Australia	283	I have had the wine before, and I liked it I matched it to my food Try something different	Varietal Available in half bottle (375 ml) Alcohol level below 13%
		France	147	I matched it to my food I have had the wine before, and I liked it I had read about it but never tasted it	Varietal Alcohol level below 13% Suggestion on the menu
		United Kingdom	304	I have had the wine before, and I liked it I matched it to my food Suggested by another person at the table	Promotion card on the table Available in half bottle (375 ml) Alcohol level below 13%

Author	Sales Channel	Country	n	Most Important	Least Important
Goodman, S. (2009)	Retail Stores	Australia	305	Tasted the wine previously Someone recommended it Grape variety	An attractive front label Promotional display in-store Alcohol level below 13%
		Austria	182	Grape variety Tasted the wine previously Origin of the wine	Information on the shelf Alcohol level below 13% Promotional display in-store
		Brazil	293	Brand name Tasted the wine previously Matching food	Promotional display in-store Medal/award An attractive front label
		China	197	Brand name Tasted the wine previously Origin of the wine	An attractive front label Matching food Alcohol level below 13%
		France	154	Matching food Origin of the wine Tasted the wine previously	An attractive front label Information on the shelf Alcohol level below 13%
		Germany	160	Tasted the wine previously Someone recommended it Matching food	Brand name Promotional display in-store Alcohol level below 13%
		Israel	184	Tasted the wine previously Matching food Someone recommended it	An attractive front label Information on the shelf Alcohol level below 13%
		Italy	314	Tasted the wine previously Matching food Origin of the wine	An attractive front label Alcohol level below 13% Promotional display in-store

Author	Sales Channel	Country	n	Most Important	Least Important
		New Zealand	364	Tasted the wine previously Grape variety Medal/award	An attractive front label Information on the shelf Alcohol level below 13%
		Taiwan	317	Tasted the wine previously Someone recommended it Origin of the wine	Information on the shelf An attractive front label Alcohol level below 13%
		United Kingdom	303	Tasted the wine previously Someone recommended it An attractive front label	Promotional display in-store Medal/award Alcohol level below 13%
		USA	196	Tasted the wine previously Someone recommended it Grape variety	Information on back label Promotional display in-store Alcohol level below 13%
Wiedmann, K.-P. et al. (2011)	Specialist Shops	Germany	108	Taste Country of origin Price	Vintage Labelling Sales channel
Yu, Y. et al. (2009)	Typical Consumers	China	197	Tasted the wine previously Origin of the wine Brand name	An attractive front label Matching food Alcohol level below 13%
	University Students		122	Brand name Origin of the wine Tasted the wine previously	An attractive front label Promotional display in-store Alcohol level below 13%

Based on the insights described above, **Figure 22.2** shows an exemplary choice set which we applied within the questionnaire to ask for an evaluation of the 11 above presented wine choice criteria (1=Labelling, 2=Grape variety, 3=Taste, 4=Aroma, 5=Wine colour, 6=Vintage, 7=Awards, 8=Price, 9=Sales channel, 10=Reason to buy, 11=Country of origin).

Figure 22.2 Example of Best-Worst Scaling (Wine choice factors)

Please choose the most and the least important Wine choice factors in an everyday choice situation by ticking 'Most/ Best' and 'Least/ Worst' per all choice set.

Choice set	Least/ Worst	Wine choice factor	Most/ Best
1	<input type="checkbox"/> One answer → <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Labelling Country of origin Wine colour Awards	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> ← One answer <input type="checkbox"/>

The same design, presented in **Figure 22.3** was adapted in a second step to request the importance of 11 wine-producing countries [50], including the ten main producers and Austria, which is of critical interest within the German-speaking area (1=Italy, 2=France, 3=Spain, 4=USA, 5=Argentina, 6=Australia, 7=China, 8=Germany, 9=South Africa, 10=Chile, 11=Austria).

Figure 22.3 Example of Best-Worst Scaling (Country of origin)

Please choose the most and the least important Country of origin for wine in an everyday choice situation by ticking 'Most/ Best' and 'Least/ Worst' per all choice set.

Choice set	Least/ Worst	Country of origin	Most/ Best
1	<input type="checkbox"/> One answer → <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	France USA Spain Italy	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> ← One answer <input type="checkbox"/>

With regard to the 11 wine choice criteria and the 11 wine producing countries all respondents were asked to evaluate each 12 different choice sets with four, six or eight items; this method led to the design that is presented in **Figure 22.4**.

The choice set design was adopted from Finn and Louviere (1992) [23] to ensure that each item appears 6 times across all choice sets and can be evaluated as most important (BEST) or least important (WORST). The level of importance for each choice is determined by subtracting the negative evaluations from the positive evaluations and depends on the number of respondents and the frequency with which each item appears in the choice sets [30]. The total number of times that an attribute is mentioned as the most important (BEST) minus the total number of times that it is mentioned as the least important (WORST) results in the total best-worst (b-w) score [29]. The results are presented below.

Figure 22.4 Design for Choice Sets

Issues	Choice set number												Appearances
	1	2	3	4	5	6	7	8	9	10	11	12	
1	0	0	1	0	0	1	1	1	0	1	0	1	6
2	1	0	0	1	0	0	0	1	1	1	0	1	6
3	0	1	0	0	1	0	1	0	1	1	0	1	6
4	1	0	1	0	0	0	1	0	1	1	1	0	6
5	0	0	1	0	1	0	0	1	1	0	1	1	6
6	0	0	0	1	0	1	1	0	1	0	1	1	6
7	0	1	1	1	0	0	0	0	0	1	1	1	6
8	1	1	0	0	0	0	1	1	0	0	1	1	6
9	0	0	0	1	1	0	1	1	0	1	1	0	6
10	1	0	0	0	1	1	0	0	0	1	1	1	6
11	0	1	0	0	0	1	0	1	1	1	1	0	6
Issues in set	4	4	4	4	4	4	6	6	6	8	8	8	

Note: 1 indicates that an issue is present in a set; 0 indicates that the issue is not present in a set.

The sample

The people targeted in the survey were wine consumers that answered the questionnaire due to their personal interest in wine; the convenience sample consisted of 108 respondents who were recruited during an everyday purchase situation via personal interviews in German wine specialist shops in 2010. Personal interviews were perceived as adequately because they open the possibility to clarify comprehension problems by explaining respondents the requested wine choice criteria in accordance with the underlying conceptual framework. Further information regarding the sample characteristics are provided in **Table 22.2**.

Table 22.2 Characteristics of the Sample

Variable	n	%
<i>Gender</i>		
Male	54	50.0%
Female	54	50.0%
<i>Age</i>		
< 35 years (male)	27	25.0%
< 35 years (female)	27	25.0%
≥ 35 years (male)	27	25.0%
≥ 35 years (female)	27	25.0%
<i>Marital status</i>		
Single	57	52.8%
Married	43	39.8%
Widowed	1	0.9%
Divorced	7	6.5%
<i>Education</i>		
Did not graduate from high school	1	0.9%
Lower secondary school	6	5.6%
Intermediate secondary school	24	22.2%
A-levels	46	42.6%
University degree	31	28.7%
<i>Occupation</i>		
Self-employed	4	3.7%
Employee	37	34.3%
Worker	4	3.7%
Civil servant	17	15.7%
Homemaker	6	5.6%
Retiree	9	8.3%
Pupil	2	1.9%
Student	27	25.0%
Formation	1	0.9%
Not employed	1	0.9%
<i>Household income</i>		
< 500 EUR	3	2.8%
500 EUR < 1000 EUR	17	15.7%
1000 EUR < 1500 EUR	4	3.7%

Variable	n	%
1500 EUR < 2000 EUR	10	9.3%
2000 EUR < 3000 EUR	23	21.3%
3000 EUR < 4000 EUR	14	13.0%
> 4000 EUR	13	12.0%
Not specified	24	22.2%
<i>Wine consumption</i>		
Regularly (several times a week)	19	17.6%
Frequently (once a week)	26	24.1%
Occasionally (twice a month)	38	35.2%
Rarely (once a month)	15	13.9%
Very rarely (less than once a month)	10	9.3%

In our sample, we attained the goal of a 50/50 gender distribution with an equal distribution across all age groups. With reference to wine consumption, 76.9% of the respondents consume wine several times a month.

22.5 Results and Discussion

Based on the given choice sets and the method described above, the results revealed the scores as presented in **Table 22.3**.

Table 22.3 Importance of Choice Factors to German Wine Consumers (n=108)

Choice factor	Total best	Total worst	B-W score
Taste	442	1	441
Country of origin	192	46	146
Price	114	42	72
Grape variety	148	76	72
Aroma	93	62	31
Awards	84	82	2
Wine colour	64	92	-28
Reason to buy	82	131	-49
Vintage	48	115	-67
Labelling	13	249	-236
Sales channel	16	400	-384

The taste of the wine and the country of origin were shown to be the most important choice criteria followed by price and grape variety. The respondents rated the sales channel and the label as the least important choice criteria. With reference to the existing research insights as summarised in **Table 22.1**, the results of our study show that wine consumers perceive intrinsic cues to be nearly as important as extrinsic cues.

Regarding the importance assigned to the country of origin, our results as shown in **Table 22.4** revealed that France was the most important country followed by Italy, Germany and Spain. In contrast, Austria, the USA and China were perceived to be less important as wine-producing countries.

Table 22.4 Importance of Countries of Origin to German Wine Consumers (n=108)

Country of Origin	Total best	Total worst	B-W score
France	349	7	342
Italy	272	9	263
Germany	243	18	225
Spain	215	9	206
South Africa	77	56	21
Australia	42	70	-28
Chile	39	109	-70
Argentina	29	123	-94
Austria	18	134	-116
USA	12	231	-219
China	0	530	-530

To develop our taxonomy of wine consumers according to their preferred choice criteria, we aggregated the mean scores of the 11 wine choice criteria and the 11 wine-producing countries to create the following aggregated set of variables encompassing four dimensions as the basis of our cluster analysis: *Extrinsic Cues* (labelling, price, country of origin, awards, sales channel, and vintage), *Intrinsic Cues* (taste, wine colour, grape variety, aroma, and reason to buy), *Old World* (France, Germany, Austria, Italy, and Spain), and *New World* (Argentina, Australia, Chile, China, South Africa, and the USA). Our classification into these categories relies on Cohen (2009) [16] who suggests that consumers' choice for wine is based on extrinsic cues such as price, brand, region, medal, variety and intrinsic cues such as taste, bouquet and other sensory characteristics of the wine that can only be assessed during consumption. The ratings referred to 12 different choice sets; thus, the values range from 0 to 12.

In our analysis, we used a combination of an initial hierarchical clustering procedure and non-hierarchical k-means clustering. Because it produces tight minimum variance clusters and is regarded as one of the best of the hierarchical clustering techniques, Ward's method of minimum variance was chosen to check the cluster differences in each stage of combinations and to maximize homogeneity within and heterogeneity between clusters. The results strongly suggested the presence of four clusters. Using non-hierarchical k-means clustering, this four-cluster solution as presented in **Table 22.5** produced the most interpretable and stable results. With regard to classification accuracy, a discriminant analysis validated the results of the cluster analysis; as presented in **Table 22.6**, the correct rate of the classification was 100.0%.

Table 22.5 Results of the cluster analysis

	Cluster 1 The Balanced Traditionalists	Cluster 2 The Traditional Tasters	Cluster 3 The Traditional Observers	Cluster 4 The Innovative Tasters	F	sig
Cluster characteristics						
Cluster size (% of the sample)	31.5%	34.3%	17.6%	16.7%		
Mean age (years)	40.0	40.3	39.2	33.2		
Gender: male	41.2%	56.8%	57.9%	44.4%		
Gender: female	58.8%	43.2%	42.1%	55.6%		
Old World	11.21	11.30	11.32	4.61	120.212	.000
France	3.38	3.65	3.89	1.39		
Germany	2.82	2.30	2.47	0.83		
Austria	0.12	0.27	0.16	0.06		
Italy	2.71	2.89	3.05	0.83		
Spain	2.18	2.19	1.74	1.50		
New World	0.79	0.70	0.68	7.39	120.212	.000
Argentina	0.21	0.08	0.11	0.94		
Australia	0.12	0.14	0.21	1.61		
Chile	0.09	0.11	0.05	1.72		
China	0.00	0.00	0.00	0.00		
South Africa	0.32	0.32	0.32	2.67		
USA	0.06	0.05	0.00	0.44		
Extrinsic Cues	4.97	1.95	8.42	3.67	131.087	.000
Labelling	0.09	0.03	0.37	0.11		
Price	0.85	0.49	2.84	0.72		
Country of origin	2.28	1.05	2.37	1.50		

	Cluster 1 The Balanced Traditionalists	Cluster 2 The Traditional Tasters	Cluster 3 The Traditional Observers	Cluster 4 The Innovative Tasters	F	sig
Awards	1.12	0.19	1.16	0.94		
Sales channel	0.15	0.03	0.53	0.00		
Vintage	0.38	0.16	1.16	0.39		
Intrinsic Cues	7.03	10.05	3.58	8.33	131.087	.000
Taste	4.21	5.22	1.63	4.17		
Wine colour	0.53	0.68	0.26	0.89		
Grape variety	1.41	1.43	1.00	1.56		
Aroma	0.62	1.51	0.11	0.78		
Reason to buy	0.26	1.22	0.58	0.94		

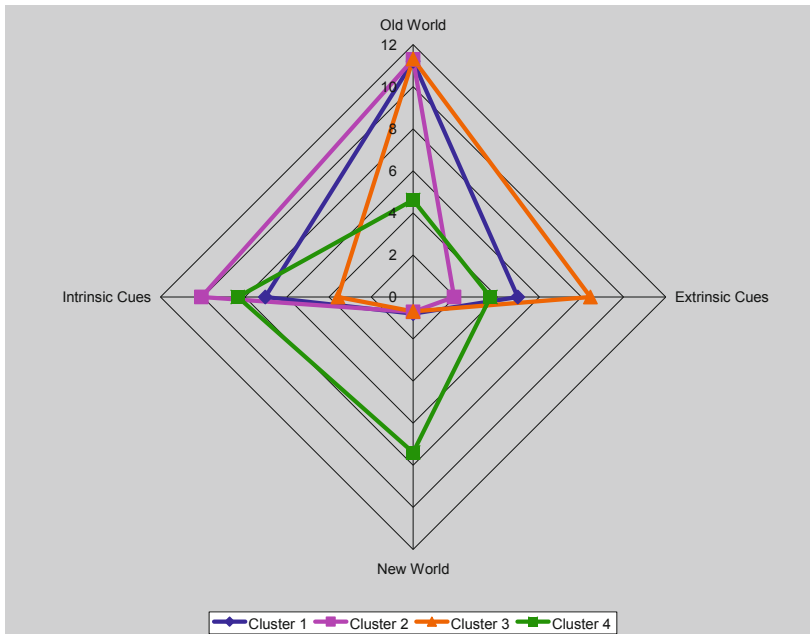
Table 22.6 Results of the discriminant analysis

Discriminant Function	Eigenvalue	Canonical Correlation	Wilk's Lambda	χ^2	Sig
1	20.996	.977	.013	447.971	0.000
2	2.093	.823	.284	129.611	0.000
3	.138	.348	.879	13.311	0.001
		Function 1	Function 2	Function 3	
Centroids (group means)					
Cluster 1		-2.036	.859	-.462	
Cluster 2		-2.010	.748	.438	
Cluster 3		9.729	-.067	-.002	
Cluster 4		-2.294	-3.089	-.025	
Significant variable (structure matrix)					
Old World		.073	.990	.119	
New World		-.045	-.614	-.074	
Extrinsic Cues		.877	-.211	-.051	
Intrinsic Cues		-.273	.010	.959	

Classification matrix revealed that 100 % of the cases were classified correctly.

Based on consumer preferences as illustrated in **Figure 22.5**, the four clusters can be described as follows:

Figure 22.5 Taxonomy of Wine Consumers According to Their Choice Criteria



The Balanced Traditionalists (Cluster 1) form 31.5% of the sample with a mean age of 40.0 years; the respondents were 58.8% female and 41.2% male. Typical consumers in this cluster prefer to buy and consume wines from Old World countries (i.e., France, Germany, and Italy). Additionally, even if these consumers' wine choice decision schemes are more balanced compared with the decision schemes for other segments, consumers in this cluster perceive intrinsic cues (i.e., taste and grape variety) to be slightly more important than extrinsic cues like the country of origin and awards

The Traditional Tasters (Cluster 2) form 34.3% of the sample with a mean age of 40.3 years; the respondents were 43.2% female and 56.8% male. Similar to consumers in Cluster 1 and Cluster 3, consumers in Cluster 2 prefer wines from Old World countries (i.e., France, Italy, and Germany). Typical consumers in this cluster state that their wine choices are primarily based upon intrinsic cues (i.e., taste, aroma, and grape variety); this tendency is more prominent in this cluster compared with other clusters.

The Traditional Observers (Cluster 3) form 17.6% of the sample with a mean age of 39.2 years; the respondents were 42.1% female and 57.9% male. With regard to the country of origin, consumers from this cluster prefer wines from Old World countries (i.e., France, Italy, and Germany). In addition, they perceive extrinsic cues (i.e., price, country of origin, awards, and vintage) to be the most important attributes influencing their wine choices.

The Innovative Tasters (Cluster 4) form 16.7% of the sample with a mean age of 33.2 years; the respondents were 55.6% female and 44.4% male. This segment prefers New World wines (i.e., South Africa, Chile, and Australia) over those from the Old World. Besides, typical consumers in this segment perceive intrinsic cues (i.e., taste, grape variety, and wine colour) to be more important than extrinsic cues.

From a research and managerial perspective, the cluster analysis results revealing four groups of consumers based on their perception of wine choice criteria may help to gain a better understanding of wine consumers and to develop more effective segmentation and efficient positioning strategies aiming at targeting these diverse consumer segments. In this context, suggestions for further research and managerial practice are presented in the following section.

22.6 Managerial Implications and Further Research Steps

Given the variety of criteria that influence wine consumers' decision-making processes and in light of the taxonomy of wine consumers as described above, there are a number of implications for researchers and practitioners in the field of wine marketing. In an attempt to explore the fundamental motivation behind consumer choice, the main purpose of this study was to apply the methodology of BW scaling to gain insights in the attributes that influence the preference, perception, and behaviour of wine consumers. In an industry context, where consumers' product knowledge is comparatively low, a clear understanding of consumers' needs and behaviours and the way consumers combine intrinsic and extrinsic signals is an appropriate basis for developing effective strategies in order to address different segments of consumers appropriately.

Our study results based on BW scaling provide evidence that consumers use a bundle of product characteristics in their decision making. Apart from the ever-present extrinsic cues in wine marketing like country of origin and price, intrinsic cues like taste, grape variety, and aroma are significant aspects to address; for some consumers (the 'tasters'), the intrinsic cues are rated to be even more important than the extrinsic cues. In this context, consumers should be allowed to experience the physical properties of a wine – its smell, its colour and above all its taste. Wine tasting and the information regarding suitable dishes in retail stores or wine stores may increase consumers' wine-related interest and desire to buy.

Furthermore, the results from our German sample show that consumers have no specific preferences for domestic wines. Consequently, the reputations of local wine regions and the images of the wines produced by local viticulturists and winegrowers should be presented to a broader audience (e.g., with wine seminars, trips to wine regions and vineyards in collaboration with wine merchants and tourist offices). Nevertheless, wine tasting and other events require consumer-sided involvement; thus, less-involved consumer segments must be addressed explicitly by direct, personal and sensorial experiences in the context of wine consumption. Regarding other wine-producing countries, our results reveal that tradi-

tional countries of origin (e.g., France, Italy and Spain) are widely accepted, whereas the nations of the New World have only a subordinate role in the perception of consumers and appeal especially to younger consumer groups like cluster 4 (the innovative tasters). The negative assessment of the other countries (excluding South Africa) even suggest that conservative German wine drinkers may perceive the country of origin of New World wines to be a non-purchase rather than a pro-purchase criterion. Thus, a more comprehensive marketing strategy for imported wines and advertisements based on the superior reputations of well-established wine regions may transfer to the products from the New World countries. Considering linguistic-cultural analogies, we suggest a possible approach in which the products of Spanish, Chilean and Argentine winegrowers are bundled based on collective marketing efforts and event endorsements. In the German market, a combined offer of domestic and Austrian wines may be considered. An additional approach may be to identify the consumer groups who have the ability to influence other consumers in their wine-buying decisions via word-of-mouth communication. Consulting wine mavens and opinion leaders whose perceptions of important wine-growing nations are very similar to the perceptions of other consumers may be an important approach to address other consumer segments who are less interested in wine and related marketing communications. Consequently, marketers need to identify and target these wine mavens and opinion leaders to promote recommendation processes adequately. With regard to future research steps, as the BW method is independent from the cultural background of the respondents [30], it allows the extension of our approach and the resulting taxonomy to a cross-national study on the attributes that influence consumers' wine choices. Thus, by enlarging the size of the sample and collecting data in different countries, the results of this study could be compared on an international level to further explore the issues of product cues within the wine industry and to assess if our suggested taxonomy of wine consumers can be confirmed across national borders.

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Paper 1.2

Tasting Green: An Experimental Design for Investigating Consumer Perception of Organic Wine

Klaus-Peter Wiedmann

Nadine Hennigs

Stefan Behrens

Christiane Klarmann

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TASTING GREEN: AN EXPERIMENTAL DESIGN FOR INVESTIGATING CONSUMER PERCEPTION OF ORGANIC WINE

INTRODUCTION

Referable to the increasing attention of organic products by consumers in the last two decades (Bonti-Ankomah and Yiridoe, 2006; Cicia et al., 2002; Wier and Calverley, 2002), especially since the 1990s persists a multitude of studies concerning the determinants of organic food consumption (Aertsens et al., 2009; Gil et al., 2000). Particularly, two major trends in the agriculture industry may be causally for this development in consumers' consumption behaviour: Primarily, an increase in food-related diseases such as mad-cow disease and bird flu and secondly, an increase in the use of genetically modified food (Hamzaoui Essouissi and Zahaf, 2008; Siderera et al., 2005; Vindigni et al., 2002; Chen, 2007, 2009).

Against this background 'organic production' eliminates a number of concerns that consumers hold towards conventional production (Hamzaoui Essouissi and Zahaf, 2008; Siderer et al., 2005). Consumers start integrating environmental considerations into daily purchases which leads to a higher demand by the so-called 'green' consumer for healthier, safer, and better quality food (Krystallis and Chryssohoidis, 2005). Focusing on attitudes and behaviour towards organic food, existing studies have investigated the role of personal, health- and environmentally-friendly behaviour, risk or value perceptions in organic food behaviour, and demographic characteristics of organic food consumers (Chen, 2009; Magnusson et al., 2003; Lockie et al., 2002). As products inhibit extrinsic and intrinsic cues, consumer's quality perception relies on their product related knowledge (Veale, 2008).

In this context, there is empirical evidence that the image of organic products has a stronger effect on consumer perception than the intrinsic characteristics. The so-called halo or blurring effect can modify the sensory perception of products in terms of a positive halo effect

for organic and origin labelled food products and a negative one for more conventional products. Consequently, many authors argue that most consumers are willing to pay premium prices for organic food products, especially for wine (Krystallis and Chrysosoidis, 2005; Forbes et al., 2009).

According to this background, the aim of the present study is twofold; first, to ascertain if the stimulus ‘organic food’, placed by storytelling, influences the perception of wine. Based on this, we try to discover wherein a positive perception of organic wine might be reflected (e.g, willingness to pay premium prices, better taste perception).

The paper is developed in the following way. Section two briefly reviews consumer perception on organic food and wine before introducing the research questions of the study. After providing an outline of the experimental design with detail on the applied blind test, the main empirical results are discussed. In section five, we conclude with managerial implications and starting points for further research in the fields of organic food production and wine marketing.

THEORETICAL BACKGROUND

Organic Food Production: Definition and Trends

The organic food market is a rapidly growing sector in developed agricultural economies around the world (Lockie et al., 2002; Chen, 2007). Thus the areas with the greatest land of organic agricultures are located in Australia/Oceania, Latin America, and the European Union (Siderer et al., 2005), whereby Europe with a 54 per cent share of global revenues currently holds a leading position in the organic food and beverage market (Stolz et al., 2010). Due to the regulation 2092/91 the meaning of organic production processes gained public

interest and in contrast to health food, organic or bio food underlies a much stricter and more clearly defined term.

“Organic food is a produce of organic farming, which is a type of farming that sets very strict limits on the amount of artificial synthetic inputs allowed. (...) These inputs include the ones used in production (fertilisers, pesticides, herbicides, antibiotics, etc.) and processing (food additives, including artificial flavourings, preservatives and colourings).” (First and Brozina, 2009, p. 186).

More confusion still exists as to what characterizes an organic wine and distinguishes it from wines produced with organic grapes (Fotopoulos et al., 2003). *“Wine made from organic grapes is wine made from grapes that have been grown without pesticides. Organic wine is also made with organic grapes but prohibits sulfite use in the wine-making process.”* (Delmas and Grant, 2010, p. 9). This differentiation is highly relevant because sulfites affect the wine quality by acting as a preservative what is of interest for organic oriented wine consumers as well as producers (Scampicchio et al., 2008).

Although there is no common legal definition of organic food production, it can be stated that the term organic refers to the production process and not to the product itself (Zakowska-Biemans, 2011). It becomes evident, that an organic label assures low or zero use of chemically synthesized inputs, constitutes a signal for the absence of pesticide and veterinary drug residues and indicates low nitrate content (Bougherara and Combris, 2009). Nevertheless, it does not automatically mean that the product is healthier or tastier than its conventionally produced counterpart – actually, the organic label is still only a guarantee of a specific process (Bougherara and Combris, 2009).

However, consumers often associate organic food with an environmentally friendly agricultural production as well as certain intrinsic quality and safety characteristics (Vindigni et al., 2002; Zakowska-Biemans, 2011; Brennan and Kuri, 2002). Looking for healthier food and being suspicious of conventional produced products, the new consumer orientation leads to a

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high demand for organic products so that even discounters offer organic products in large quantities and exceptionally low prices (Stolz et al., 2010).

In this context, forecasts of annual growth rates for organic sales across the EU within the next years underline the increasing importance as such growth rates range from 1.5 per cent in Denmark to 11 per cent in the United Kingdom. Also the US retail sales of organic products increased rapidly in the 1990s, averaging 20 per cent per year and are predicted to grow 9-16 percent in the near future (Dimitri and Oberholtzer, 2005). With regard to the wine industry it seems quite difficult to estimate such a trend; however, there are all around the world more and more wineries which can be certified as organic (Remaud et al., 2008). Hence 90,696 vineyards worldwide were under organic management in 2004 whereby Italy and Austria, each with 3.4%, hold the highest share of total vineyards in a country (Geier, 2006).

Consumer Perception of Organic Food

Since the organic food market started its rapid growing trend over the past decade, a vast amount of research has emerged on topics towards organic food consumption. Focusing on consumer demand for organic products, existing studies have investigated the role of personal values (i.e. Chryssohoidis and Krystallis, 2005; Baker et al., 2004), attitudes and behaviour (i.e. Kim and Chung, 2011; Aertens et al., 2009; Tsakiridou et al., 2008; de Magistris and Garcia, 2008; Padel and Foster, 2005; Beharrell and MacFie, 1991) health- and environmentally-friendly behaviour (i.e. Chen, 2009; Magnusson et al., 2003), risk and benefit perceptions in organic food behaviour (i.e. Saba and Messina, 2003), and demographic characteristics of organic food consumers (i.e. Lockie et al., 2002; Thompson, 1998), cultural influences (i.e. First and Brozina, 2009) as well as price characteristics (i.e. Krystallis and Chryssohoidis, 2005; Soler et al., 2002; Brennan and Kuri, 2002; Gil et al., 2000).

Regarding the intention to buy organic food Hamzaoui Essoussi and Zahaf (2008) point out that consumers purchase organic food mainly for the following reasons: organic food is seen as healthier, more nutritious, fresher, and safer. As well, organic production implicates that no chemicals are used, and moreover, organic farming is kinder to the environment, and implies animal welfare. These motives for buying organic food are primarily related to quality aspects.

Concerning the taste of organic food Fillion and Arazi (2002) conducted a study which focused on the question if organic food tastes different and even better. Conventional and organic produced milk and orange juice were blind tasted, with the result that consumers adjudged organic orange juice a different and even better taste, whereas consumers were not able to make a difference with regard to milk. Nevertheless, even if the results of Fillion and Arazi (2002) showed that a better taste of organic food can't invariably be approved, interestingly various studies identified taste as one of the main reasons for choosing organic food (Stolz et al., 2010).

Even though the sensory perception plays a significant role in the acceptance of food Brennan and Kuri (2002) indicate that consumer's choice is strongly influenced by the perceived value for money. As mentioned in several studies many consumers denote that they have a preference for and an interest in organically produced products (Tsakiridou et al., 2008) and therefore may be willing to pay premium prices for organic food. Gil et al. (2000) empirically confirmed this assumption and revealed no willingness to pay a premium for organic food products concerning unlikely consumers, whereas likely and actual organic food consumers were willing to pay a premium especially for meat, fruits, and vegetables.

Consumer Perception of Organic Wine

More closely related to wine consumption, the literature provides a plethora of articles that aim to assume information about customers' characteristics and needs by investigating product attributes which are comprised in choice processes (Casini et al., 2009). While typical marketing mix variables such as price or product quality are still of crucial interest, there has been little research on the impact of organic production although that aspect gains in importance for scientists as well as for practitioners (Balestrini and Gamble, 2006; Forbes et al., 2009).

With the attempt to offer more insights into the organic wine market, Fotopoulos et al. (2003) compared Greek buyers versus non-buyers of organic wine by using a qualitative sample and applying means-end chains analysis. Across all consumer groups healthiness, quality, information, attractiveness and good health are the main motivational benefits of wine purchases. Fotopoulos et al. (2003) also show that buyers and non-buyers of organic wines mainly differ in the evaluation of the said motivational benefits but not in the motives themselves. Most recently Barber et al. (2009) investigated in the US market to what extent environmental knowledge and attitudes influence the willingness to purchase organic wine. Among other aspects they found that consumers' positive evaluation of organic wine is mainly associated with their involvement in environmental issues. Moreover Barber et al. (2009) confirmed that Americans were willing to pay more for environmentally friendly wine though many consumers did not have the skills to value the more complex sensory quality.

In this context Forbes et al. (2009) showed by means of their in New Zealand conducted study that rate the quality of 'green wine' equal or better than conventionally produced wine. Furthermore Forbes et al (2009) discovered that consumers are willing to pay a higher price for organic produced wine whereby they confirmed previous findings. Thus Brugarolas Molá-Bauzá et al. (2005) discovered four years earlier that consumers are willing to pay higher

prices for organic wine (between 16.29% and 16.92%). To obtain more detailed results Brugarolas Mollá-Bauzá et al. (2005) carried out a survey on 400 wine consumers from Alicante (Spain) and used a contingent valuation to determine that especially health oriented respondents' price premium is between 20.9% and a 22.55%.

Based on the presented literature which focuses the organic food and beverage market in general and the wine market in particular, the focal research questions of this study are as follows:

- (1) *Does the stimulus 'organic food' influence the perception of a given wine?*
- (2) *Is the positive perception of organic wine reflected in the sensory evaluation?*
- (3) *Does the cue 'organic' lead to the willingness to pay a price premium?*
- (4) *Is there any association between positive attitudes towards organic foods in general and the perception and evaluation of the given wines?*

METHODOLOGY AND RESEARCH DESIGN

Experimental Design

For the purposes of our study focusing on the consumer perception and evaluation of conventional versus organic wine, we decided to use an experimental design with a blind taste test procedure. Our prediction was that subjects would rank a wine described as organic higher than a conventional wine – even if there is no objective difference. Consumer perceptions and attitudes toward the wines were assessed using a questionnaire including *wine preference*, *buying and recommendation intention*, and *willingness to pay*. Besides, *consumer wine knowledge* and *consumer personal environmental orientation* were measured as individual constructs.

Given that blind tasting is a typical methodological approach in the context of food and beverage marketing, our experimental design relies on existing studies in the field of wine marketing (e.g., Ballester et al., 2005; Lecocq et al., 2005; Masson et al., 2008; Parr et al., 2003; Solomon, 1997; Wansink, 2006). Particularly, our blind tests were designed to measure the extent to which the 'organic' status brings bias into the sensory perception and evaluation of the given wines. In accordance with well-established procedures in the field of blind experiments in wine marketing research like e.g. Masson et al. (2008), our experimental design comprises three stages as illustrated in *Figure 1*.

– *Figure 1 about here* –

In stage 1, we started with the blind test of the red wine presented as 'conventional'. Based on the sensory information, the participants rated this wine. In stage 2, in a storytelling approach, we presented some cues referring to organic wines. It was explained to the participants that organic viticulture stands for healthy, safe, and environmentally friendly products without any qualitative disadvantages. Next, in stage 3, the participants tasted and evaluated in a blind test the second wine presented as 'organic' though it was exactly the same wine, we offered in stage 1.

Blind Test Procedure

The wine tested was a *Cimaroza Shiraz 2009* (South Eastern Australia). Samples were allocated in small odour-free glasses with appropriate and constant temperature. The experiment was carried out in Germany in April 2011. After fully disclosing the aim of the experiment – to evaluate the taste of conventional and organic wine – 66 subjects volunteered. Participants were male and female adults between the ages of 21 and 58 and are regular wine consumers but cannot be considered as wine experts. The wines were presented to the participants with bread and table water. In order to avoid misleading results, in both stages the wine was handed in plane glass-

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es. For the same reason, the storytelling approach was limited to the given cue of tasting an organic wine, whereas there were no further positive or negative insults as concerning the accumulation of copper, sulfur (etc.). Hence the participants believed that they tasted one conventional wine and one organic wine although it was always the before mentioned *Cimarrosa Shiraz 2009* (ceteris paribus). The identity of the samples was as follows: Blind Testing A: red wine presented as conventional. Blind Testing B: red wine presented as organic. All participants were asked to evaluate the wines separately on our questionnaire.

RESULTS AND DISCUSSION

With reference to consumer perceptions and attitudes towards organic foods in general (cf. *Figure 2*), our results reveal that 74.3% of the participants in our study believed that organic food is healthier than conventional products. Besides, 71.2% thought that growing food organically is better for the environment, relating to the use of pesticides and chemicals in food, 59.1% state that they do not believe that the use of pesticides and chemicals in food are necessary. Even if 48.5% of the consumers are undecided if organic products have a better taste than non-organic products, another 40.9% clearly state that they can distinguish organic food by taste. Referring to the appearance of conventional versus organic products, the consumers in our study are undecided (42.4%).

– *Figure 2 about here* –

As illustrated in *Table 1* and *Figure 3*, the results of the respondents' evaluation of the red wine presented as conventional differed significantly from the evaluation of the red wine presented as organic referring to a wide variety of factors. Even if they were given similar wine samples, in all aspects, the participants rated the 'organic wine' significantly higher than

the ‘conventional one’. The highest mean differences were shown in the context of taste, recommendation behaviour and the willingness to pay a higher price.

– *Table 1 about here* –

– *Figure 3 about here* –

In a paired comparison as presented in *Table 2* and *Figure 4*, there was no significant association between a positive attitude towards organic foods in general and the perception and evaluation of the given wines. Hence, even if they do differ in their general evaluation of organic food products, all respondents rated the ‘organic wine’ more favourably. Even if not significant, the highest difference in the comparison between the mean ratings was revealed in the willingness to pay: For the ‘organic wine’, respondents who have no general positive perception of organic foods were willing to pay on average more than 1 EUR per bottle than those participants who have a general positive perception of organic foods. Thus, the cue ‘organic’ seems to be highly associated with higher costs but also higher quality in the eyes of this customer group.

– *Table 2 about here* –

– *Figure 4 about here* –

In sum, in accordance with existing research insights, consumers tend to prefer organic products over conventional ones. In this context, our experiment shows that adding information on the product’s process during a blind test leads consumers to increase their ratings in favour of the ‘organic wine’. Interesting is, that consumers even give a better rating for ‘conventional wine’ just described as being ‘organic’ indicating that the appearance and taste are perceived to be better and the price intention is higher – thus, we have a pure label effect.

CONCLUSION

Existing research shows that the image of organic products has a strong effect on consumer attitudes and product perception: The so-called halo or blurring effect can modify the sensory perception of products in terms of a positive outcome for organic food. To test this phenomenon in a wine experiment setting, the aim of the present study was to apply a blind test with these main research goals: first, to ascertain if the stimulus ‘organic food’, placed by storytelling, influences the perception of a wine. Second, we tried to discover wherein a positive perception of organic wine might be reflected (e.g, willingness to pay, better taste perception). Third, we assessed if there is a significant association between positive attitudes towards organic foods in general and the perception and evaluation of the given wines.

The key finding of our survey was that even if they tasted the identical product, our respondents ascribe a significantly better taste to the ‘organic’ wine compared to the conventional alternative. Besides, the willingness to recommend the organic wine as well as the willingness to pay a higher price differed significantly from the evaluation of the red wine presented as ‘conventional’. With reference to a possible relation between a positive attitude towards organic foods in general and the perception and evaluation of the given wines, our results revealed no significant differences. Consequently, regardless of their knowledge and attitude towards organic products in general, all respondents rated the so-called organic wine higher in all given attributes. This strong effect might be moderated by the fact that in all European countries, Germans are currently the heaviest consumers of organic food. The rising awareness and interest in organic products has been stimulated by a growing interest in the environment, individual health and the rise in the number of food scandals. In accordance with existing research insights, our study gives evidence that especially when consumers’ objective knowledge in a certain product category like wine is low, extrinsic cues like the label indicating organic production are more influential.

The results of our study clearly need to be considered in the light of its research limitations. Apart from the size of the sample group of respondents, the dynamics of our three-stage experimental design may have created a bias explaining a more favourable score with regard to the wine presented as organic based on our storytelling approach. This may have created stronger expectations than the mere ‘conventional wine’ cue. Further research needs to be carried out in tests using a double-blind laboratory experimental design with a conventional and a ‘real’ organic brand as a reference wine and different groups of consumers (e.g., different countries, cultural backgrounds and levels of wine expertise). However, the main focus of our study was on the assessment of the pure signalling effect by referring to the auditory stimulus ‘organic’, not the obvious difference in the products. Our insights highlight the overwhelming effect of the presentation of the wine as organic on all attributes of perceived quality, recommendation behaviour, and the willingness to pay a price premium. Consequently, the production of wine plays an important role in overall consumer perception. Hence, winegrowers and wine retailers should highlight this factor in their marketing strategies as the consumer demand for eco-friendly products has rapidly increased.

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TABLES AND FIGURES

Figure 1: The three-stage experimental design

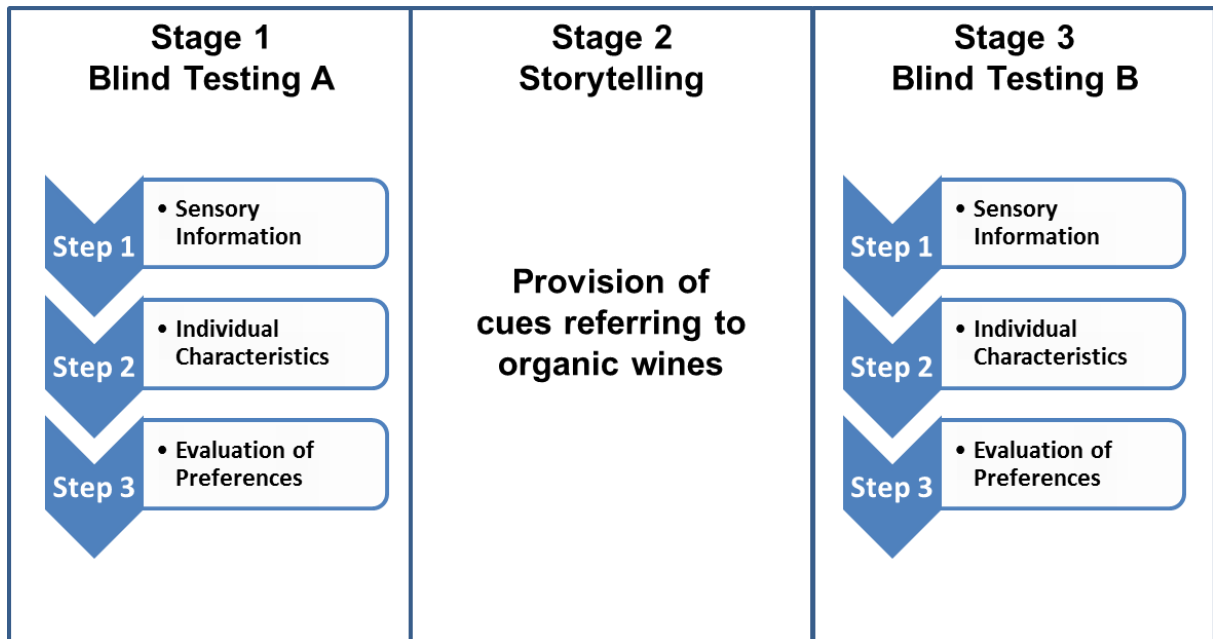


Figure 2: Consumer perceptions and attitudes towards organic foods

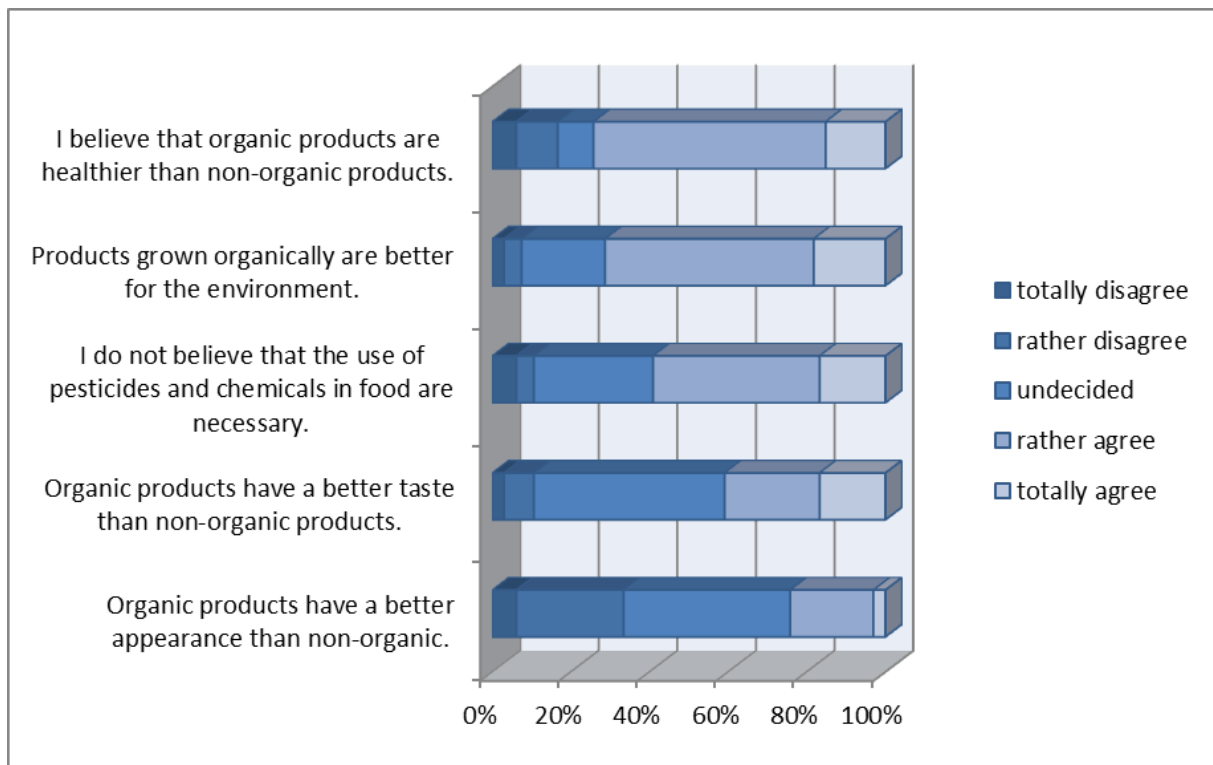


Figure 3: Comparison of the evaluation of the conventional and the organic wine

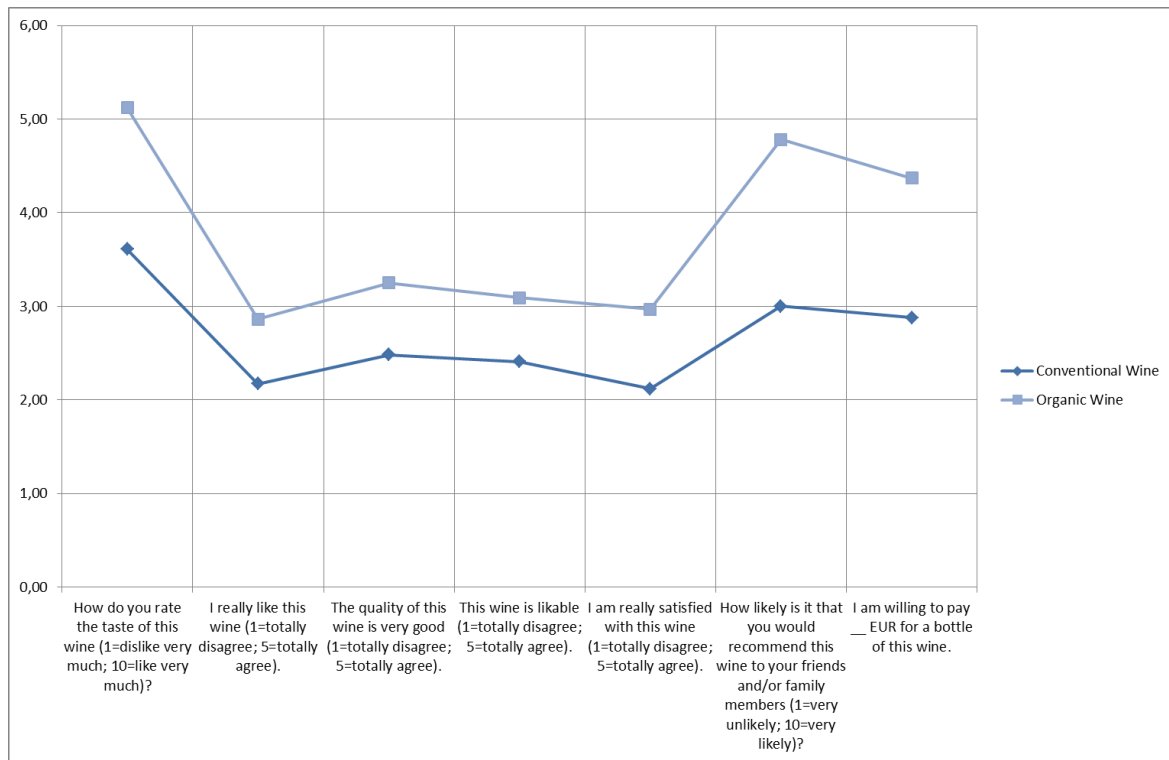


Figure 4: Paired Comparison of the evaluation of the conventional and the organic wine

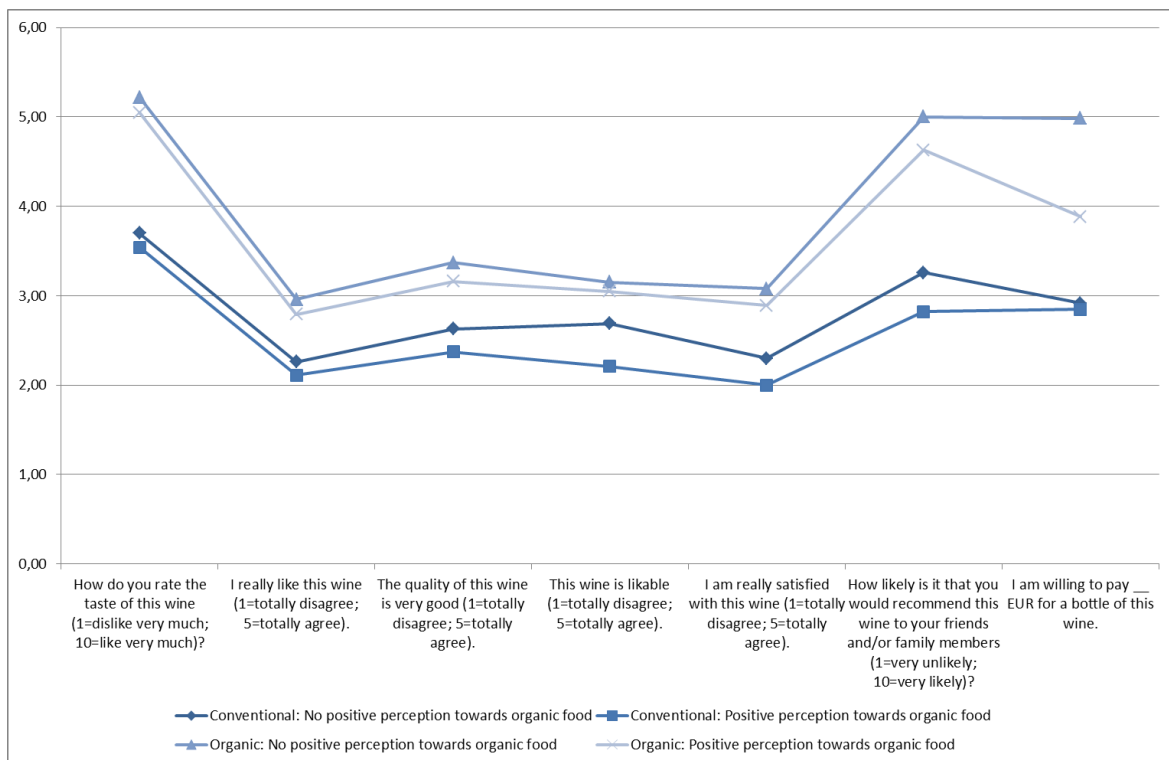


Table 1: Comparison of means and standard deviation

	Mean 'Conventional'	Std. Deviation	Mean 'Organic'	Std. Devia- tion	F	Sig.
How do you rate the taste of this wine (1=dislike very much; 10=like very much)?	3.61	2.47	5.12	2.64	11.30	.00
I really like this wine (1=totally disagree; 5=totally agree).	2.17	1.18	2.86	1.20	11.02	.00
The quality of this wine is very good (1=totally disagree; 5=totally agree).	2.48	1.00	3.25	1.05	18.33	.00
This wine is likable (1=totally disagree; 5=totally agree).	2.41	1.04	3.09	1.11	13.15	.00
I am really satisfied with this wine (1=totally disagree; 5=totally agree).	2.12	1.14	2.97	1.20	16.94	.00
How likely is it that you would recommend this wine to your friends and/or family mem- bers (1=very unlikely; 10=very likely)?	3.00	2.61	4.78	2.66	14.94	.00
I am willing to pay __ EUR for a bottle of this wine.	2.88	1.91	4.37	2.58	12.90	.00

Table 2: Paired Comparison of means and standard deviation

	Conventional Wine						Organic Wine					
	No positive perception towards organic food		Positive perception towards organic food		ANOVA		No positive perception towards organic food		Positive perception towards organic food		ANOVA	
	Mean	Std. Deviation	Mean	Std. Deviation	F	Sig.	Mean	Std. Deviation	Mean	Std. Deviation	F	Sig.
How do you rate the taste of this wine (1=dislike very much; 10=like very much)?	3.70	2.70	3.54	2.32	0.07	0.80	5.22	2.47	5.05	2.79	0.06	0.80
I really like this wine (1=totally disagree; 5=totally agree).	2.26	1.23	2.11	1.16	0.27	0.61	2.96	1.19	2.79	1.21	0.33	0.57
The quality of this wine is very good (1=totally disagree; 5=totally agree).	2.63	1.04	2.37	0.97	1.08	0.30	3.37	1.04	3.16	1.05	0.65	0.42
This wine is likable (1=totally disagree; 5=totally agree).	2.69	1.09	2.21	0.96	3.48	0.07	3.15	0.93	3.05	1.23	0.13	0.72
I am really satisfied with this wine (1=totally disagree; 5=totally agree).	2.30	1.20	2.00	1.09	1.07	0.31	3.08	1.13	2.89	1.25	0.36	0.55
How likely is it that you would recommend this wine to your friends and/or family members (1=very unlikely; 10=very likely)?	3.26	2.89	2.82	2.42	0.45	0.50	5.00	2.47	4.63	2.80	0.30	0.59
I am willing to pay __ EUR for a bottle of this wine.	2.92	2.28	2.85	1.59	0.02	0.89	4.98	3.19	3.88	1.87	2.82	0.10

Paper 1.3

**Customer Value Perception:
Cross-Generational Preferences for Wine**

Klaus-Peter Wiedmann

Stefan Behrens

Nadine Hennigs

Christiane Klarmann

British Food Journal
forthcoming

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CUSTOMER VALUE PERCEPTION: CROSS-GENERATIONAL PREFERENCES FOR WINE

Structured Abstract

Purpose: A deeper understanding of the key drivers of consumer wine perception is a major challenge in the domain of wine marketing. The aim of the present study is to examine the various dimensions of customer perceived value that lead the customers – in general and divided into different age groups – to choose and consume a certain wine.

Design/methodology/approach: In our exploratory study context of examining value-related consumer attitudes and behavioural effects, the drivers and outcomes of wine consumption based on a cross-generation sample, PLS path modelling was considered for the empirical tests of our hypotheses.

Findings: Though there exist differences between Generation X and Generation Y consumers, the empirical results are supportive of the hypothesized positive relations between financial, functional, individual, and social perceptions that influence the desire for and the consumption of wine.

Research limitations/implications: For future research, the findings presented in the paper support the importance of enlarging the size of the sample and collecting data in different countries to compare the results on an international level.

Practical implications: Successful wine marketing strategies should focus on the customer's subjective expectations and individual value perceptions by addressing the specific value aspects that are highly relevant for consumer loyalty.

Originality/value: The study results are valuable for researchers, managers and marketers because they address the question of how to measure and forecast the perceived value with the greatest influence on consumers' wine choices.

Keywords: Wine Marketing, Customer Perceived Value, Wine Involvement, Generation X and Generation Y

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CUSTOMER VALUE PERCEPTION: CROSS-GENERATIONAL PREFERENCES FOR WINE

Introduction

What the French call ‘terroir’ seems to reflect like no other term the highly complex nature of wine as a product (Parr et al., 2011). Loosely translated, terroir refers to a relatively small geographical region whose soil and microclimate influence a wine’s characteristics in a way that, within the same area wines of different types might be produced (Barham, 2003; Balestrini and Gamble, 2006). Amongst other factors the grape variety, the weather during the year of production, the production process or the storage and bottling method affect the wine quality so that wine is widely recognized as a confusing product (Balestrini and Gamble, 2006; Lockshin et al., 2006). Given this situation, it continues to be a challenging task to understand which dimensions of the individual perceived value lead the customer to choose a certain wine.

By structuring the findings of wine related studies on the basis of recent research with regard to value management (Orth et al., 2005; Wiedmann et al., 2007, 2009), the desire for and the consumption of wine seems to involve several dimensions of customer perceived value including financial, functional, individual, and social perceptions (Boatto et al., 2011; Sáenz-Navajas et al., 2012; Ferrarini et al., 2010; Terrien and Steichen, 2008). Additionally, situational determinants, experience and needs of the consumer have to be taken into account (Cohen et al., 2009; Hollebeek et al., 2007; Veale, 2008; Charters and Pettigrew, 2006).

Consequently, a lot of research on wine consumers’ purchase decision deals with the importance of individual consumer characteristics like product involvement (Forbes, 2012). Previous studies have shown that involvement impacts the product attributes which consumers choose to evaluate a wine (Bruwer and Huang, 2012; Barber et al., 2008a; Quester and Smart, 1996; Zaichkowsky, 1985) and that it can be used to segment the wine market (Lockshin et al., 2001; Lockshin et al., 1997). Moreover, international research has shown that demographic variables

such as gender (Forbes, 2012; Barber et al., 2006) or age (Fountain and Lamb, 2011; Thomas and Pickering, 2005; Goldsmith and d’Hauteville, 1998) affect the wine purchase.

Thus, generational theory became more important to analyse wine consumption behaviour of different age groups that share life experiences, which cause them to develop similar attitudes and beliefs (Lazarevic, 2012; Meriac et al., 2010). In particular, the so called Generation Y, which is larger than its previous generation, the so called Generation X, moves into focus (de Magistris et al., 2011; Charters et al., 2011). Due to its high buying power (Nowak et al., 2006), Generation Y is seen as one of the most promising wine segments (de Magistris et al., 2011) so that it will be of interest for researchers, scientists and marketers to measure and forecast its value perception of wine.

Against this backdrop, incorporating relevant theoretical and empirical findings, this study focuses on the antecedents leading to the consumption of wine in general and with particular attention to a comparison between the attitudes and behaviour of wine consumers belonging to the Generation X and the Generation Y. This paper is structured as follows: first, the conceptual model and related hypotheses are presented based on existing research insights on wine marketing and customer perceived value; second, the methodology and results of our empirical study are described. Third, the analysis results are discussed with reference to managerial implications and further research steps.

THEORETICAL BACKGROUND

Wine Market Segmentation

Although the factors that might influence consumer purchase behaviour have not been fully exploited yet, the literature on wine perceptions provides a wide range of studies which emphasise that the implementation of effective wine marketing strategies assumes information about

customers' characteristics and needs (Lee et al., 2005; Balestrini and Gamble, 2006). To address these different needs, market segmentation, described as the process of dividing consumers into meaningful, internal homogenous and identifiable groups (Zikmund, 2003), is of crucial interest in the wine industry (Barber et al., 2008b).

As the variables used for segmentation are usually derived from demographics, behaviour, psychographics or geographic (van Raaij and Verhallen 1994; Gil et al., 2000; Cleveland et al., 2011), criteria that are employed by the wine industry can be related to the four classic market segmentation bases (Thach and Olsen, 2006). These are 1) geographic, i.e. country or city where the customer lives, 2) demographic, i.e. age, gender, income and social class, 3) psychographic, i.e. lifestyles and personality, 4) behavioural, i.e. occasions, benefits, usage rate and readiness to purchase (Bruwer et al., 2001; Thach and Olsen, 2006; Barber et al., 2008b). Of particular interest for the present study is the segmentation along generations because demographics of wine consumers are changing wherefore it is not only important to understand 'why' consumers purchase but also 'who' is purchasing (Barber et al., 2008b).

Cross-Generational Wine Consumption

Based on the assumption that the era in which a person grew up affects their behaviour, attitudes and values, generational cohort segmentation has gained more and more attention in marketing research over the last years (Fountain and Lamb, 2011). As noted in the introduction, especially the Generation Y (also known as Millennials or Echo Boomers), comprising those who were born approximately between mid-1970s to late 1990s, is of interest for a future-oriented wine marketing (de Magistris et al., 2011; Charters et al., 2011). This generational cohort is larger than its previous generation, the so called Generation X which consists of slightly older consumers that are very value oriented and purchase more analytically (McGarry Wolf et al., 2005;

Lazarevic, 2012). In comparison to this, Generation Y is thought to be a well-educated and self-reliant one (Chrysochou et al., 2012) that has a high purchasing power (Nowak et al., 2006).

Various studies have shown that considerable differences in wine consumption can be identified across generations what supports the market segmentation on the basis of age cohorts (e.g., Chrysochou et al., 2012; Agnoli et al., 2011; Barrena and Sanchez, 2009; Thach and Olsen, 2006; Thomas and Pickering, 2005). With respect to the benefits of wine consumption, it was found that young consumers perceive wine as a beverage, playing an important role in social occasions (Olsen et al., 2007). Thus, Generation Y is more likely to drink wine in bars or restaurants (Teagle et al., 2010; Thach and Olsen, 2006) and Mtimet and Albisu (2006) found that in Europe more than half of the wine consumed by young people was consumed outside the home. Apart from these social aspects, it is important for Generation Y consumers that wine tastes good and that it offers a certain value for money (Thach and Olsen, 2006). On the other hand, older age cohorts such as Generation X do not refer so much on recommendations because they mainly drink wine at home (Teagle et al., 2010) and read about the product to be informed (Chrysochou et al. 2012).

In sum, it can be stated that existing research is rather descriptive by nature; therefore, the focus of this study is to examine causal effects of value-based antecedents of wine consumption.

CONCEPTUALISATION

Antecedents of Wine Consumption

Wine addresses various functional and psychological needs (Orth et al., 2005; Barreiro-Hurlé, 2008) and competes through the ability to evoke pleasantness, social recognition, and perceived quality from the consumer's perspective (Ferrarini et al., 2010; Terrien and Steichen, 2008; Charters and Pettigrew, 2006). In an attempt to examine a customer's perceived preference

for and evaluation of a certain wine, the construct of *customer perceived value* is of particular importance. Based on “*an interactive relativistic consumption preference experience*” (Holbrook, 1994, p. 27), customer perceived value can be understood as “*a consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given*” (Zeithaml, 1988, p. 14). Adapting the generic customer perceived value framework by Sweeney and Soutar (2001) and incorporating the findings of Orth et al. 2005, the meta-analysis of value perceptions research by Smith and Colgate (2007) and the value dimensions as proposed by Wiedmann et al. (2007, 2009), in our study, we focus on the assessment of antecedents of *wine consumption* as illustrated in our conceptual model. Within this model the involvement construct describes the perceived relevance of a specific product – in our case wine – derived from inherent needs, values and interests (Zaichkowsky, 1985) (*see Figure 1*).

--- *Insert Figure 1 about here* ---

Development of Hypotheses

The question of what really adds value in consumer wine perception is in accordance to the insights of Wiedmann et al. (2007, 2009) defined in this paper through the existence of four latent value dimensions: the *financial value of wine*, the *functional value of wine*, the *individual value of wine* and the *social value of wine*. These four consumption values are expected to drive purchase attitude and behaviour, represented in our study by the construct of *wine consumption* (Sweeney and Soutar, 2001).

Theoretical and empirical evidence suggest that the price of a bottled wine primarily depends on production costs, quality, reputation, and objective, easily observable product characteristics (Lockshin et al., 2006; Lecocq and Visser, 2006; Edwards and Spawton, 1990). According to a study conducted by Keown and Casey (1995), price was a very important wine choice crite-

tion for all respondents. Reasoning that scarcity, the quality of grape varieties or prestige pricing increases the financial value of wine (Beverland, 2004; Edwards and Spawton, 1990), we hypothesize:

H_{1a}: The financial value of wine has a positive effect on wine consumption.

Apart from the price, studies on wine consumption often define quality as a superior but difficult to recognize reason for purchasing wine (Sáenz-Navajas et al., 2012; Johnson and Bruwer, 2007; Verdú Jover et al., 2004). Several researchers have examined the various components of wine quality, mainly divided into intrinsic and extrinsic dimensions, whereby the product complexity led to concentrate on perceived and less on actual quality (Smith and Bentzen, 2011; Masson et al., 2008; Charters and Pettigrew, 2007). Given the circumstance that consumers prefer to buy wine with high product quality since they perceive more value from it (Boatto et al., 2011), we suggest:

H_{1b}: The functional value of wine has a positive effect on wine consumption.

The individual dimension of customer value addresses the experiences, feelings, and emotions a certain brand or product provides to the consumer (Sheth et al., 1991, Sweeney and Soutar, 2001; Smith and Colgate, 2007). Research has repeatedly identified the emotional responses associated with wine consumption, such as personal enjoyment and hedonic experiences (Ferrari et al., 2010; Barrena and Sanchez, 2009; French et al., 1994). Therefore, the individual value refers to the intrinsically pleasing properties a consumer perceives in the context of wine consumption and the subjective utility of a given wine to arouse feelings and affective states, strongly related to personal rewards and fulfilment (Sheth et al. 1991; Ferrari et al., 2010).

H_{1c}: The individual value of wine has a positive effect on wine consumption.

Based on the fact that wine is frequently consumed in public situations, the above mentioned individual dimensions are complemented by social determinants (Ritchie, 2009; Thompson and Vourvachis, 1995). As wine addresses prestigious values and social status, individuals generally consume wine that is positively recognized within their own social groups (Terrien and Steichen, 2008; Balestrini and Gamble, 2006). Consequently, we suggest that the perceived social value of a wine makes the customer more likely to buy it:

H_{1d}: The social value of wine has a positive effect on wine consumption.

Besides the importance of customer perceived value, the involvement construct has been shown to be a strong predictor of purchase in general (Richins and Bloch, 1986; Dholakia, 2001) and in the context of wine in particular (Lockshin et al., 2001; Famularo et al., 2010). Hence, it is assumed that high involvement leads to an increase of cognitive activity and consumers are expected to engage in more extensive information processing, relying on various factors to determine product quality (Quester and Smart, 1996; Hollebeek et al., 2007). With reference to wine marketing Charters and Pettigrew (2006) found that low-involvement drinkers focus on sensory dimensions of wine quality, while high-involvement drinkers concentrate more on cognitive dimensions to evaluate a certain wine. At least, increasing wine involvement leads to a well thought wine purchase and we therefore suggest:

H₂: The wine involvement has a positive effect on wine consumption.

While the previous hypotheses could be easily deduced from our conceptual model, the last hypothesis refers to the earlier mentioned generational issue. Whereas Generation X and Y both represent new, future-oriented wine market segments, especially Generation Y becomes increasingly important (Charters et al., 2011). That is why practitioners and scientists have to pay more attention to this generational cohort and its consumption behaviour (de Magistris, 2011;

Nowak et al., 2006). Generation Y consumers prefer to rely on brand experience and they are more consumption-oriented than Generation X consumers who seek quality products which offer the highest possible value for money (Lazarevic, 2012; Henley et al., 2011). Regarding wine, Chrysochou et al. (2012) found that Generation Y attaches more importance to recommendation, label and promotion, whereas older cohorts such as Generation X focus on knowledge or grape variety. Inconsistent importance is given to information about wine, partly reflecting a lack of subjective knowledge wherefore we hypothesize:

H₃: There are identifiable differences between Generation X and Generation Y consumers in terms of wine perception, the degree of wine involvement and the impact on wine consumption.

METHODOLOGY

To measure the dimensions of value-related consumer attitudes and behavioural effects on wine consumption focusing on Generation X and Generation Y consumers, we relied on already existing and tested measures. For the measurement of the antecedents, the questionnaire included the items for financial, functional, individual and social value perception of a *Customer Perceived Value* scale developed by Sweeney and Soutar (2001), and the *Wine Involvement Scale* as developed by Pratt (2010). For *Wine Consumption* in terms of related consumer perception and actual behaviour, we relied on the items as suggested by Sweeney and Soutar (2001) as well. A German version of the measurement scales was created using back translation in order to achieve an equivalence of meaning. All items were specified to a wine consumption context and rated on five-point Likert scales (*1 = strongly disagree to 5 = strongly agree*). The questionnaire was pre-tested with 50 respondents of both consumer groups to ensure the quality of the items used against the backdrop of our conceptual model and related hypotheses. To investigate the research

model, we conducted 215 personal interviews in Germany with regular wine consumers representing the Generation X and Y in June 2012. *Table 1* provides a description of the sample characteristics.

--- *Insert Table 1 about here* ---

Respondents in the group of Generation Y were between 18-33 years old, the group of Generation X consumers included respondents older than 34 years. In both groups, we have a balanced gender distribution, though female consumers were slightly over-represented. Even if this sample is not a representative one, with reference to our exploratory research focus, it offers a balanced set of data from each customer group.

SPSS 19.0 and SmartPLS 2.0 were used to analyse the data. In our exploratory study context of examining the drivers and outcomes of wine consumption based on a cross-generation sample, PLS path modelling was considered as the appropriate method for the empirical tests of our hypotheses. PLS integrates principal-components analysis with multiple regression (Hahn et al., 2002) based on least squares estimation with the primary objective to maximize the explanation of variance (or, equivalently, the minimization of error) in the dependent constructs of a structural equation model (Henseler et al., 2009). PLS Path Modeling is considered more as an exploratory approach than as a confirmatory one. One main advantage of PLS is the non-requirement of strong assumptions (i.e. the sample size).

RESULTS AND DISCUSSION

To assess common method variance, following Podsakoff et al. (2003), we used Harman's (1976) one-factor test to determine whether a single factor accounted for most of the covariance in the relationships between the independent and dependent variables. A principal component factor analysis with varimax rotation (based on the items presented in table 3) revealed a 6-factor

structure with no general factor present (the first factor accounted for 18.8% of the variance). Thus, no single factor accounted for a majority of the covariance in the variables, so the common method variance was unlikely to present a significant problem in our study. The results of the measurement of the constructs and the test of our hypotheses are described below.

Measurement of Constructs: For a reliable and valid measurement of the latent variables, we followed the suggestions of Chin (1998) and his catalogue of non-parametric criteria for assessing the reliability and validity of the measures in the PLS estimation model. For all factors, our results show sufficiently high factor loadings in the common data set as well as the Generation X and Y sample. Additionally, the average variance extracted (AVE), the reliability tests (Cronbach's alpha, indicator reliability, factor reliability), and the discriminant validity (Fornell-Larcker criterion) revealed satisfactory results (see *Table 2* and *Table 3*).

--- Insert *Table 2* and *Table 3* about here ---

Evaluation of Structural Relations: To test our hypotheses, we conducted a PLS path modeling analysis with case-wise replacement and a bootstrapping procedure (individual sign changes; 215 cases and 1000 samples). As illustrated in *Figure 2* and *Table 4*, the assessment of the aggregate PLS path coefficients in the inner model results in statistically significant relations.

--- Insert *Figure 2* and *Table 4* about here ---

Referring to *customer perceived value* and providing support for hypotheses H_{1a} to H_{1d}, the latent variables *financial value*, *functional value*, *individual value* and *social value* reveal a positive relationship to the latent variable *wine consumption* for both groups (Generation X and Y). Thus, the higher the perceived values, the more are consumers willing to purchase (even to a higher price) or recommend wine. However, these positive relations were shown to be significant only for the effect of *individual value perception* on *wine consumption* for both samples (Generation X and Y: $p \leq .001$). Besides, while the impact of all other customer perceived value dimen-

sions was significant for the Generation X sample (*financial value*: $p \leq .05$, *functional and social value*: $p \leq .01$), for the Generation Y sample, no significance could be found in the positive relations of *financial*, *functional*, and *social value perception* to *wine consumption*. In contrast to this, as suggested in H₂, the results show a positive impact of the latent variable *wine involvement* on *wine consumption* for both groups, even if this relation is only significant for the Generation Y sample ($p \leq .001$). Against this backdrop and supportive of hypothesis H₃, it can be stated that there are significant differences between Generation X and Generation Y consumers in terms of wine perception, the degree of involvement and the impact on wine consumption. While the results indicated that individual value perception is a strong driver of wine consumption for both consumer groups, there are identifiable differences in the perception of all other factors. More specifically, Generation X consumers put significantly more emphasis on the different perceived value aspects regarded as a whole, whereas the product-specific involvement is of particular importance especially for Generation Y consumers.

With reference to the evaluation of the inner model (see *Table 5*), the coefficients of the determination of the endogenous latent variables (R-squares for *wine consumption*) reveal satisfactory values for the common data set ($R^2 = .681$ and $Q^2 = .080$), the Generation X ($R^2 = .661$ and $Q^2 = .034$) and Y ($R^2 = .712$ and $Q^2 = .114$) sample. Moreover, Stone-Geisser's Q-square (Stone, 1974; Geisser, 1974) yielded in all cases a value higher than zero for the endogenous latent variable, suggesting the predictive relevance of the explanatory variables.

In summary, referring to our initial hypotheses, the assessment of the measurement models and the structural relations give evidence for the proposed causal relations between customer perceived value, wine involvement and the resulting wine consumption with identifiable differences between Generation X and Y consumers.

CONCLUSION

As a consequence of the highly complex nature of wine as a product, a deeper understanding of the key drivers of consumer wine perception and consumption behaviour is a major challenge for practitioners and researchers in the domain of wine marketing. Following a holistic perspective, the aim of the present study was to examine the various dimensions of customer perceived value that lead the customer to choose and consume a certain wine. The empirical results are supportive of the hypothesized positive relations between financial, functional, individual, and social perceptions that influence the desire for and the consumption of wine. Besides, the degree of wine involvement is an important driver of wine consumption as well.

Additionally, we found empirical evidence for significant differences in the evaluation of wine consumers in different age groups: The customer value perception, the degree of involvement and the impact on wine consumption varied between Generation X and Generation Y consumers. Even if exploratory in nature, the findings presented here have important implications for management and future research in the domain of wine marketing.

Based on insights of the types of value consumers perceive in the context of wine consumption, successful management strategies should focus on the customer's subjective expectations and individual value perceptions to be able to deliver sufficient value. By addressing the specific value aspects that are highly relevant for consumer loyalty to the product or brand, winery owners and distributors can stimulate purchase behaviour with appropriate campaigns that emphasize the most important value aspects. Besides, the differences in the perceived importance of the various antecedents of wine consumption can be used to segment the wine market accordingly. Against this backdrop, generational variances can be translated in differentiated marketing efforts that stress the various value aspects to appeal to Generation X consumers and address the specific wine involvement of consumers in the Generation Y. More specifically, it seems reasonable to

stress aspects such as prestige pricing, superior quality, personal enjoyment and hedonic experiences as well as social determinants in the communication with Generation X wine consumers as they assign special importance to these aspects of customer perceived value. Targeting Generation Y consumers, the specific involvement level is crucial in the consumer's response to wine. Moreover, as in the literature often described (Barber et al., 2008b; Thach and Olsen, 2006), our study supported that Generation Y is striving for fun and pleasure, reflecting in the significant influence of the individual value on the wine consumption behaviour. Focusing on the Generation Y, marketers should therefore likewise the communication with Generation X include personal enjoyment and hedonic experiences in marketing strategies.

From a research perspective, a study focusing on wines from different regions or the comparison of wine consumers from different countries might enhance current knowledge of consumer behaviour in the wine industry. Therefore, by enlarging the size of the sample and collecting data in different countries, the results of this study could be compared on an international level, the specific consideration of cultural issues is required and possible cross-cultural similarities and differences have to be examined in future research to generalize the results and to sell successfully wines to consumers of different nationalities.

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Figure 1: The Conceptual Model

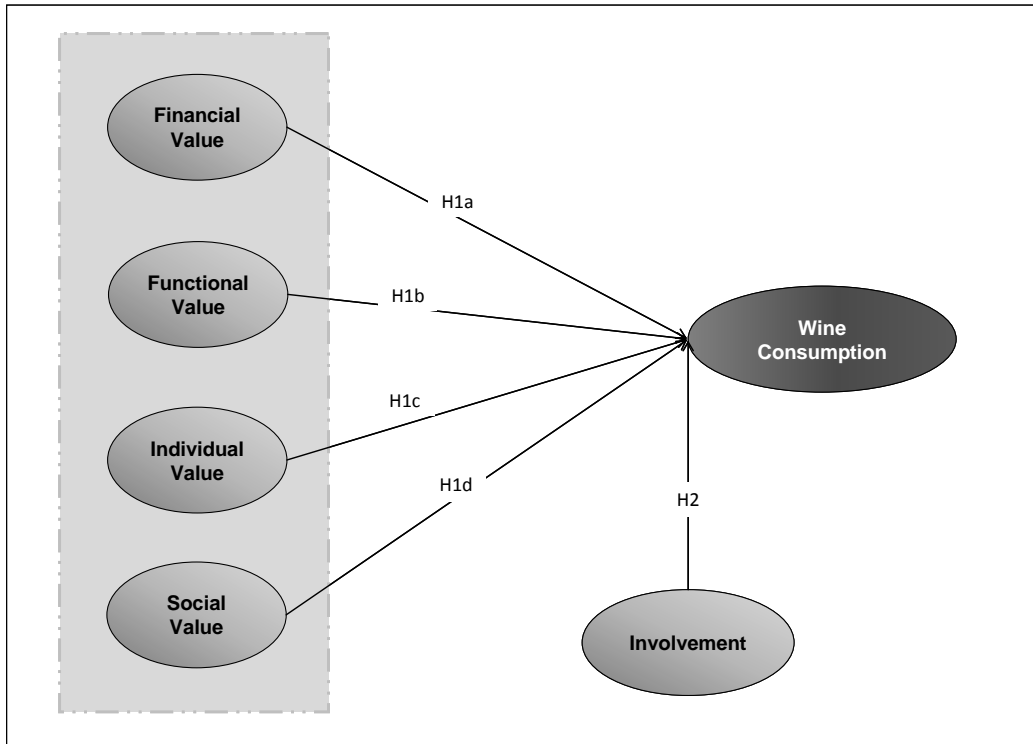


Figure 2: The Structural Model

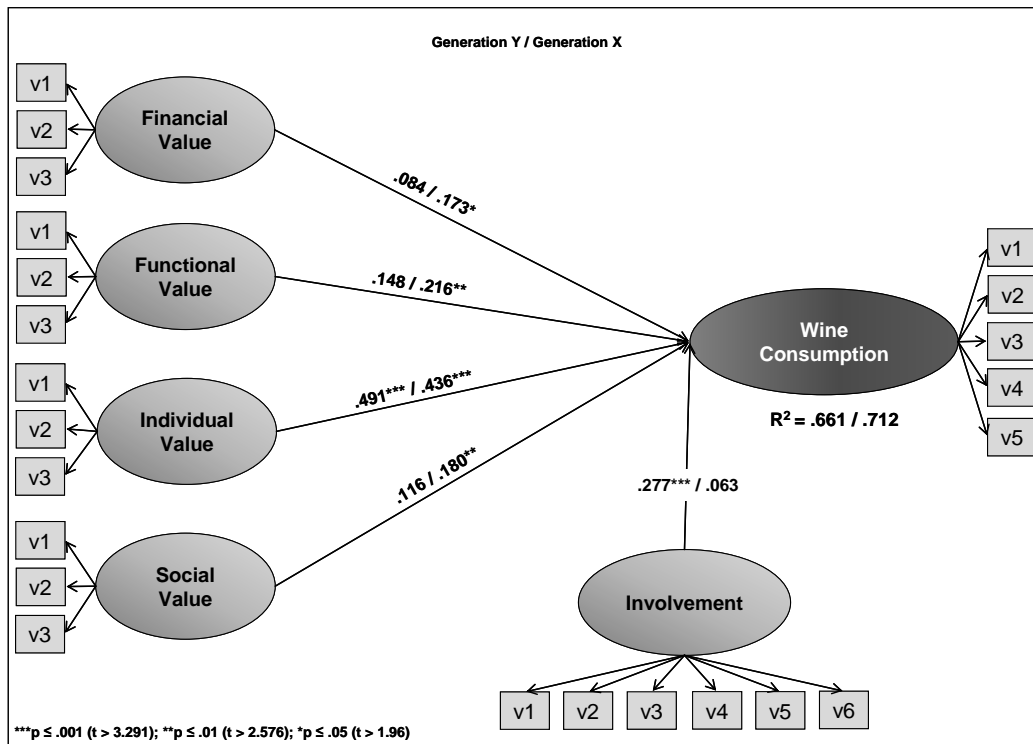


Table 1: Demographic Profile of the Sample

Variable		n	%	
Gender	Generation Y	Male	44	42.3
		Female	60	57.7
	Generation X	Male	51	46.0
		Female	60	54.0
Age	Generation Y	18-33 years	104	48.4
	Generation X	34+ years	111	51.6

Table 2: Evaluation of the Measurement Models – Common Factor Structure

Factor	Cronbach's Alpha	Composite Reliability	AVE	Fornell-Larcker Criterion
<i>Antecedents</i>				
Financial Value	.851	.910	.772	.772 > .289
Functional Value	.804	.844	.718	.718 > .289
Individual Value	.912	.945	.850	.850 > .583
Social Value	.855	.912	.776	.776 > .252
Involvement	.888	.914	.642	.642 > .222
<i>Outcome</i>				
Wine Consumption	.817	.875	.590	.590 > .583

Table 3: Evaluation of the Measurement Models: Factor Loadings and t-value

Factor	Common Set		Generation Y		Generation X	
	Factor Loadings	t-value	Factor Loadings	t-value	Factor Loadings	t-value
Antecedents						
Financial Value						
Gerrnan wine is reasonably priced.	.868	36.483	.772	13.527	.917	44.038
Gerrnan wine offers value for money.	.925	65.428	.901	29.578	.936	51.174
Gerrnan wine is a good product for the price.	.841	21.471	.828	18.917	.849	15.045
Functional Value						
Gerrnan wine has consistent quality.	.854	33.907	.710	5.208	.898	42.516
Gerrnan wine is well made.	.793	11.551	.843	9.400	.771	6.983
Gerrnan wine has an acceptable standard of quality.	.892	52.901	.896	17.409	.909	47.707
Individual Value						
Gerrnan wine is one that I would enjoy.	.916	76.607	.920	50.730	.909	55.473
Gerrnan wine would make me feel good.	.924	25.682	.955	88.512	.881	10.805
Gerrnan wine would give me pleasure.	.927	74.843	.922	38.852	.930	64.202
Social Value						
Gerrnan wine would make a good impression on friends.	.899	49.192	.901	28.970	.893	28.806
For a social event Gerrnan wine would make a good impression on guests.	.917	65,053	.909	30.564	.921	44.106
As a present Gerrnan wine would make a good impression on others.	.825	14,849	.873	23.630	.774	6.539
Involvement						
I am very interested in wine.	.908	79.219	.913	53.650	.887	16.405
I find conversations about wine very enjoyable.	.794	24.405	.780	15.039	.757	7.796
I wish to learn more about wine.	.750	17.219	.749	12.352	.765	8.210
Deciding which wine to buy is an important decision.	.688	15.591	.593	8.073	.747	8.162
I consider wine to be a central part of my Lifestyle.	.824	37.526	.818	20.562	.810	13.485
For me, drinking wine is a pleasurable Experience.	.824	19.909	.875	39.059	.691	5.301
Outcome						
Wine Consumption						
I would be willing to buy German wine.	.883	56.070	.890	37.102	.886	42.211
I would recommend German wine to friends or relatives.	.841	33.295	.809	18.672	.862	26.422
I would not expect any problems with German wine.	.595	9.057	.554	5.167	.634	7.083
I would be willing to buy German wine again.	.865	19.896	.889	40.131	.848	10.646
I would be willing to pay a higher price for German wine.	.601	9.754	.418	3.119	.719	11.751

Table 4: Evaluation of the Structural Relations

Exogenous LV → Endogenous LV	Original Sample	Sample Mean	Standard Deviation	Standard Error	T Statistics
H_{1a}: Financial Value → Wine Consumption					
Common Set	.146	.147	.056	.056	2.598
Gen Y Sample	.084	.082	.068	.068	1.223
Gen X Sample	.173	.177	.083	.083	2.086
H_{1b}: Functional Value → Wine Consumption					
Common Set	.161	.159	.054	.054	2.981
Gen Y Sample	.148	.155	.084	.084	1.776
Gen X Sample	.216	.217	.070	.070	3.081
H_{1c}: Individual Value → Wine Consumption					
Common Set	.497	.495	.056	.056	8.833
Gen Y Sample	.491	.486	.086	.086	5.725
Gen X Sample	.436	.429	.084	.084	5.202
H_{1d}: Social Value → Wine Consumption					
Common Set	.148	.151	.046	.046	3.243
Gen Y Sample	.115	.121	.066	.066	1.745
Gen X Sample	.180	.186	.066	.066	2.706
H₂: Involvement → Wine Consumption					
Common Set	.133	.137	.045	.045	2.973
Gen Y Sample	.277	.283	.069	.069	4.016
Gen X Sample	.063	.059	.058	.058	1.088

Module 2

Consumers' Perception of Luxury

- Paper 2.1** Hennigs, N., Wiedmann, K.-P., Klarmann, C. and Behrens, S. (2014): Consumer Attitudes toward Luxury: A Cross-National Comparison. *Submitted to Monaco Symposium on Luxury (Special Issue Journal of Business Research)*.
- Paper 2.2** Hennigs, N., Wiedmann, K.-P., Klarmann, C. and Behrens, S. (2014): The Assessment of Value in the Luxury Industry: From Consumers' Individual Value Perception to Luxury Consumption. *Submitted to Marketing Intelligence and Planning*.
- Paper 2.3** Hennigs, N., Wiedmann, K.-P., Behrens, S. and Klarmann, C. (2013): Unleashing the Power of Luxury: Antecedents of Luxury Brand Perception and Effects on Luxury Brand Strength. *Journal of Brand Management*, Vol. 20, No. 8, pp. 705-715.

Paper 2.1

**Consumer Attitudes toward Luxury:
A Cross-National Comparison**

Nadine Hennigs

Klaus-Peter Wiedmann

Christiane Klarmann

Stefan Behrens

*Monaco Symposium on Luxury
(Special Issue Journal of Business Research)
Submitted and under review*

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Hennigs, N., Klarmann, C., Behrens, S. and Wiedmann, K.-P. (2013): Consumer Attitudes Toward Luxury: A Cross-National Comparison. Paper presented at the Winter Marketing Educators' Conference, Las Vegas, USA, February, 15th - 17th, 2013. *Paper received the "Best Paper Award" in the Global & Cross Cultural Track.*

CONSUMER ATTITUDES TOWARD LUXURY: A CROSS-NATIONAL COMPARISON

SUMMARY

The ongoing growth in US and European markets along with the increasing demand for luxury goods in emerging economies leads to a substantial growth in the global appetite for luxury. A necessary precondition to improve marketing strategies for luxury brands is a better understanding of the different reasons why consumers across nations buy luxury products: *Do similar luxury attitudes exist across countries, or are there significant differences in luxury attitudes internationally?* Drawing from prior findings in cross-national studies and based on a three-dimensional framework of consumer attitudes toward luxury, the present study analyzes this research question by using a cross-national data set.

Keywords: *Cross-national Study, Luxury Brands, Consumer Attitudes*

INTRODUCTION

Even if the luxury industry is comparatively small in terms of the number of companies in this market, its influence by leading the way for the rest of the marketing world (Ko and Megehee, 2011) and its economic importance shouldn't be underestimated. The global market for luxury goods grew by 10% to sales of \$ 244 billion (191 billion Euros) in 2011 and is predicted to grow by 6-7% in 2012, 7-8% in 2013 and 8-10% in 2014 (Bain and Company, 2012). In particular, while there is a moderate growth in US and European markets, the increasing demand for luxury goods in emerging economies such as Brazil, Russia, India, and China leads to a substantial growth in the global appetite for luxury goods (e.g., Shukla and Purani, 2011; Kim and Ko, 2011). Therefore, major markets for luxury brands are no longer limited to developed countries in the West (Bian and Forsythe, 2011; Li *et al.*, 2011) which requires the scientific consideration of cultural issues that lead to considerable differences in luxury consumption (e.g., Podoshen *et al.*, 2011; Eng and Bogaert, 2010). Against this backdrop, a better knowledge of the factors that influence consumers' demand for luxury with respect to cultural differences is necessary to improve marketing strategies for global luxury brands (Hennigs *et al.*, 2013).

Incorporating relevant theoretical and empirical findings, this study focuses on the antecedents leading to luxury consumption in a cross-national context. This paper is structured as follows: first, the existing literature on the concept of luxury and national culture is analyzed; second, with reference to the attitude scale developed by Dubois and Laurent (1994) the conceptual model is presented; and third, to explore the antecedents leading to luxury consumption in a multi-national context, the methodology and results of an empirical study in collaboration with American, European, and Asian researchers is described. The empirical results in due consideration of the different nationalities are discussed with reference to managerial implications and further research steps.

THEORETICAL BACKGROUND

Defining the International Luxury Concept

Accompanied by the constantly growth of the luxury market in the last two decades, researchers pay more attention to the phenomenon of luxury consumption (Shukla and Purani, 2011). Despite the high level of interest on the concept of luxury, there is little agreement in the academic literature on what constitutes a luxury brand (e.g., Christodoulides *et al.*, 2009; Atwal and Williams, 2009; Phau and Prendergast, 2000). This might be related to the subjectivity of the concept, as luxury is situational contingent and depends on the experience and individual needs of the consumer (Wiedmann *et al.*, 2007). Back in 1752, Hume (1965, p. 48) argued: *“Luxury is a word of an uncertain signification, and may be taken in a good as well as in a bad sense. In general it means great refinement in the gratification of the senses”*. About 200 years later, Sekora (1977, p. 23) defined luxury as *“anything unneeded”*. According to Chevalier and Mazzalovo (2008, p. viii) *“A luxury brand is one that is selective and exclusive, and which has an additional creative and emotional value for the consumer.”* With regard to consumers’ consumption motivation, Dubois and Paternault (1995, p. 71)

argue that “*More than other products, luxury items are bought for what they mean, beyond what they are.*” Reasoning this, Wiedmann *et al.* (2009, p. 627) summarize: “*Because luxury is a subjective and multidimensional construct, a definition of the concept should follow an integrative understanding.*”

Given that in last decades, the luxury market has benefited strongly from the economic momentum of emerging markets such as Brazil, Russia, India, and China (Shukla and Purani, 2011; Tynan *et al.*, 2010; Li *et al.*, 2011; Kim and Ko, 2011; Zhan and He 2011), an exclusive consideration of the developed countries in the West remains insufficient. As researchers frequently claim that luxury is highly related to personal (emotional) and interpersonal dimensions (Wiedmann *et al.*, 2007, 2009; Vigneron and Johnson, 1999, 2004), it becomes evident that different national cultures may differ substantially in terms of consumer attitude and actual luxury consumption (Vigneron, 2000; Bian and Forsythe, 2011; Shukla and Purani, 2011; Shukla, 2010, 2011; Eng and Bogaert, 2010; Zhan and He, 2011; Podoshen *et al.*, 2011). In this respect, the present study does not only aim to explain the relationship between consumer attitude and consumption, but rather aims to compare the proposed model based on data collected in Brazil, France, Germany, Hungary, India, Italy, Japan, Slovakia, Spain, and the USA.

Attitudes toward the Concept of Luxury

Some of the most respected researchers in the area of attitudes toward the concept of luxury are Dubois and Laurent (also in collaboration with Czellar). They accomplished qualitative and quantitative cross-cultural consumer-based studies. Using in-depth interviews, they identified six major themes that consumers associate with luxuries: excellent quality, very high price, scarcity and uniqueness, aesthetics and poly-sensuality, ancestral heritage and personal history, as well as superfluousness (Dubois *et al.*, 2001). In 1994, they developed an

attitude scale (34 items — 33 of which were classified as cognitive, affect and behavior-related themes out of the interviews, and a single item added later on) (Dubois and Laurent, 1994), which was extensively reported by Dubois *et al.* in 2001 and 2005 and is nowadays widely known as the Dubois-Laurent scale. The data were collected in Western Europe, USA and Asia Pacific (Dubois *et al.*, 2001). Apart from social motivation for luxury consumption, the researchers highlighted personal motivation in terms of hedonism (self-realization and emotional happiness) and perfectionism (high-quality guarantee and value) (Dubois *et al.*, 2001; Zheng, 2011). The scale has been (partially) replicated by Tidwell and Dubois (1996), Nyeck and Roux (2003) and Stegemann *et al.* (2007). By comparing these studies, Stegemann *et al.* (2007) observed that there is little evidence of reliability in the factor structure, as the items included varied from study to study, and the magnitude of the loadings varied considerably. Nevertheless, the Dubois-Laurent scale has found widespread support, and thus, has been inspiration for diverse concepts in the area of luxury marketing research (e.g., Vigneron and Johnson, 1999, 2004; Wiedmann *et al.*, 2007, 2009; Gil *et al.* 2011; Christodoulides *et al.*, 2009; de Barnier *et al.*, 2006, 2011; Heine, 2010). However, no structural relationship model has been investigated which focuses on attitudes toward luxury and effects on luxury consumption. Therefore, this paper aims to use the scale of Dubois and Laurent with the objective to examine a structural equation model explaining luxury attitudes and related consumption.

CONCEPTUAL MODEL

Due to the fact that consumers act both rational and emotional, it is widely accepted to conceptualize attitudes as having affective and cognitive bases (Abbott *et al.*, 2009; Petty *et al.*, 1997; Lusch and Lesser, 1989). Given that attitudes directly impact on a person's behavioral intention regarding luxury products (Bian and Forsythe, 2011), *Figure 1* shows,

inspired by the work of Dubois and Laurent (1994) the proposed conceptual model for investigating the relationship between ‘Knowledge-Related Themes’, ‘Affect-Related Themes’ and “Behavior-Related Themes”.

--- *Insert Figure 1 about here* ---

As sketched in the framework with the components explained below, an individual’s attitude toward a certain behavior is connected with his or her behavioral intention what was demonstrated in various settings (Zhan and He, 2011; Dabholkar and Bagozzi, 2002; Sheppard *et al.*, 1988). Thus attitudes, determined as knowledge- and affect-related themes, influence purchase intentions and may clarify why consumers are willing to buy luxury products (Tynan *et al.*, 2010; Wiedmann *et al.*, 2009).

Knowledge-Related Themes. In contrast to affective attitudes as defined below, cognitive attitudes base on beliefs and knowledge (Bian and Forsythe, 2011; Petty *et al.*, 1997). In general, knowledgeable consumers are better informed about the characteristics of products what enables them to identify for example luxury products that match their needs (Zhan and He, 2011).

Affect-Related Themes. Taking into account that consumers may develop a strong emotional attachment to brands and products (Grewal *et al.*, 2004; Beggan, 1992), it can be stated that affective attitudes towards luxury products are derived from feelings generated by an appropriate product (Bian and Forsythe, 2011). Hence, non-utilitarian product benefits that generate emotional value are mainly derived from affect- related themes (Lee *et al.*, 2008).

Behavior-Related Themes. According to Mitchell and Olson (1981), attitudes form an individual’s overall evaluation of a brand or a product so that attitudes can be understood as a

reliable predictor of consumers' behavior (Liu *et al.*, 2012). Therefore, behavior-related themes describe among other things the tendency to purchase a particular product repeatedly, to recommend it or to pay a premium price for luxury brands (Vigneron and Johnson, 1999; Liu *et al.*, 2012).

As discussed in the sections before, the market for luxury goods continues to grow globally so that it becomes not only more important to understand at an individual level why consumers buy luxury (Kapferer and Bastien, 2009), but also why consumers across nations buy luxury products for different reasons (Shukla and Purani, 2011; Ackerman and Tellis, 2001). Drawing from prior findings in cultural studies and our conceptual framework, one main research question will be analyzed by using our cross-national data set:

RQ: Do similar luxury attitudes exist across countries, or are there significant differences in luxury attitudes internationally?

With reference to Clark's (1990) general hypothesis that is often used in cross-national studies, we formulate:

H₀: Consumers in different countries exhibit the same attitudes toward luxury products.

H₁: Consumers in different countries exhibit differing attitudes toward luxury products.

METHODOLOGY

To investigate consumer's attitudes and behavior in the context of luxury brands across countries, we used the measures suggested by Dubois and Laurent (1994) and Dubois *et al.* (2005). All questionnaire items were rated on a five-point Likert scale (*1 = strongly disagree*,

5 = *strongly agree*). In accordance with Dawar and Parker (1994), student respondents were chosen, as they show similar levels of age, education, professional aspirations, general income and other demographic characteristics across countries (Agrawal *et al.*, 2011; Dawar and Parker, 1994). The questionnaire was distributed to student respondents at universities in collaboration with partners from ten countries: Brazil, France, Germany, Hungary, India, Italy, Japan, Slovakia, Spain, and the USA. The questionnaire was pretested in each country to determine the degree of construct validity and to ascertain that the scale would function cross-culturally in a reliable and valid manner. For the data collection, a purposeful sampling method was used in which the sample choices were arranged to be comparable across countries: a sample target of 100 university student participants (with an equal number of males and females) in each region was defined. In March 2011, a total of 1275 valid and completed questionnaires were obtained. *Table 1* describes the key characteristics of the sample recruited at each geographic location of data collection.

--- *Insert Table 1 about here* ---

Given that this study requires a certain level of interest and experience in the domain of luxury goods, all of the respondents who were included in the final sample reported that they are highly interested in luxury and that they purchase luxury brands on a regular basis. The sample offers a balanced set of data from each country with respect to the given exploratory research focus.

RESULTS AND DISCUSSION

SPSS 19.0 and SmartPLS 2.0 were used to analyze the data. In our exploratory study context based on a cross-national data set, PLS path modeling was considered as the

appropriate method for the empirical tests of our hypotheses. To assess common method variance, following Podsakoff *et al.* (2003), we used Harman's (1976) one-factor test to determine whether a single factor accounted for most of the covariance in the relationships between the independent and dependent variables. A principal component factor analysis with varimax rotation revealed a 3-factor structure with no general factor present (the first factor accounted for 13.35% of the variance). Thus, no single factor accounted for a majority of the covariance in the variables, so the common method variance was unlikely to present a significant problem in our study. The results of the measurement of the constructs and the test of our hypotheses are described below.

Measurement of Constructs

For a reliable and valid measurement of the latent variables, we followed the suggestions of Chin (1998) and his catalogue of criteria for assessing partial model structures.

For all factors in the *common data set*, our results show sufficiently high factor loadings of the three dimensions of consumer attitudes toward luxury as suggested by Dubois and Laurent (1994) and Dubois *et al.* (2005). Besides, the average variance extracted (AVE) and the reliability tests (Cronbach's alpha, indicator reliability and factor reliability) revealed satisfactory results (see *Table 2* and *Table 3*).

--- *Insert Table 2 and Table 3 about here* ---

Referring to the *country-specific samples*, the results as presented in *Table 3* provide evidence for the assumption that even if the proposed three-dimensionality of luxury attitudes exists across countries, there are significant differences in the evaluation of single items that

are associated with the knowledge-related, affect-related and behavior-related luxury themes. In the context of *knowledge-related luxury themes*, in the common data set, the aspects of exclusivity and expensiveness are of particular importance, whereas for example in the Brazilian sample, aspects such as old fashioned and counterfeiting are dominant. With reference to *affect-related luxury themes*, hedonic elements of luxury are predominant (“*Luxury products make life more beautiful.*” or “*Luxury makes me dream.*”) in the common data set. In contrast to this, in the Indian sample for example, the statement “*I could talk about luxury products for hours*” revealed the highest factor loading. Finally, *behavior-related luxury themes* referred strongly to the element of differentiation and status in the common data set, whereas German, Italian, Slovakian, Spanish and US consumers relate luxury to snobbism, while Indian consumers stress that “*Today, everyone should have access to luxury products.*”

Evaluation of Structural Relations

To test our hypotheses, we conducted a PLS path modeling analysis with case-wise replacement and a bootstrapping procedure (individual sign changes; 1275 cases and 2000 samples). As summarized in *Table 4*, the assessment of the aggregate PLS path coefficients in the inner model results in statistically significant relations.

--- *Insert Table 4 about here* ---

Referring to *knowledge-related luxury themes*, results reveal a positive and significant relationship to the latent variable *behavior-related luxury themes* for the common data set and all country-specific samples. In contrast to this, *affect-related luxury themes* show a lower

impact on *behavior-related luxury themes*; this relation is only significant for the common data set as well as the German, Hungarian, Indian, Japanese and Slovakian samples.

With reference to the evaluation of the inner model (see *Table 5*), the coefficients of the determination of the endogenous latent variables (R-squares for *behavior-related luxury themes*) reveal satisfactory values for the common data set ($R^2=.826$) and all country-specific samples (R^2 -values between .450 in Brazil and .746 in India). Moreover, Stone-Geisser's Q-square (Stone, 1974; Geisser, 1975) yielded in all cases a value higher than zero for the endogenous latent variables, suggesting the predictive relevance of the explanatory variables.

--- *Insert Table 5 about here* ---

In summary, referring to our main research question and our initial hypotheses, the assessment of the measurement models and the structural relations give evidence for the existence of similar luxury attitudes across countries that can be distinguished along the three dimensions of knowledge-related, affect-related and behavior-related luxury themes. Nevertheless, there are cross-national differences in the evaluation of statements that are associated with these luxury themes and in the structural relationship between these components. Therefore, we find partial support for both H_0 and H_1 : Consumers in different countries exhibit the same attitudes toward luxury products (named knowledge-related, affect-related and behavior-related luxury themes), even if the aspects associated with these attitudes vary across countries.

CONCLUSION

The global appetite for luxury is increasing and obvious not only in Western countries, but especially in emerging markets where growth rates are impressive. Against this backdrop,

the question arises if a standardized marketing approach is appropriate or if the reasons why consumers buy or wish to buy luxury products vary across nations. In this context, the main objective of this study was to examine possible similarities or differences in consumer attitudes toward luxury across countries. The results of our analysis based on a cross-national data set give reason to expect consumers from different countries to evaluate luxury along the common dimensions of knowledge-related, affect-related and behavior-related luxury themes as suggested by Dubois and Laurent (1994) and Dubois *et al.* (2005). Nevertheless, even if the proposed three-dimensionality of luxury attitudes can be found across countries, significant differences exist in the importance of single aspects that reflect consumers evaluation of these luxury themes.

Reasoning this, based on the results of the present study and incorporating data from additional countries, future research should specifically address the question of a possible cluster scheme by classifying countries based on the specific evaluation of the three dimensions of consumer attitudes toward luxury. Besides, important differences in consumer attitudes and behavior in the context of luxury brands may exist within countries as well. For example a comparison of different age groups or between male and female consumers can reveal that in some cases, consumer groups in different countries are more similar than within national borders. Reasoning this, a longitudinal study that uses data focusing on attitudes and behavioral outcomes may lead to valuable insights and opportunities to answer the question of appropriate marketing strategies in the global market for luxury goods.

This is of particular importance from a managerial perspective as well, given that the luxury industry faces the ever-present threat of low-cost counterfeits which are easily available to consumers with appetite for luxury items for extremely cheap prices. While counterfeit goods may be likely to satisfy the temporary need for logos, an individual's desire for hedonic shopping experiences, brand heritage, authentic design and superior

craftsmanship cannot easily be provided by fake goods. Therefore, it is crucial for luxury brand managers to identify and address the individual consumer needs in the context of luxury goods in different parts of the world appropriately. Otherwise, the real value of luxury will remain vague and luxury goods will compete with counterfeits only on the basis of visible logos and sheer price evaluations.

As a conclusion, we hope that the results of our study may encourage further research focusing on consumer attitudes and behavior in the context of luxury brands and contribute to the discussion of successful luxury brand management strategies across countries:

“The concept of luxury is global; the interpretation has to be different locally.”

Welf J. Ebeling (former EVP and COO of The Leading Hotels of the World)

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Figure 1: The Conceptual Model

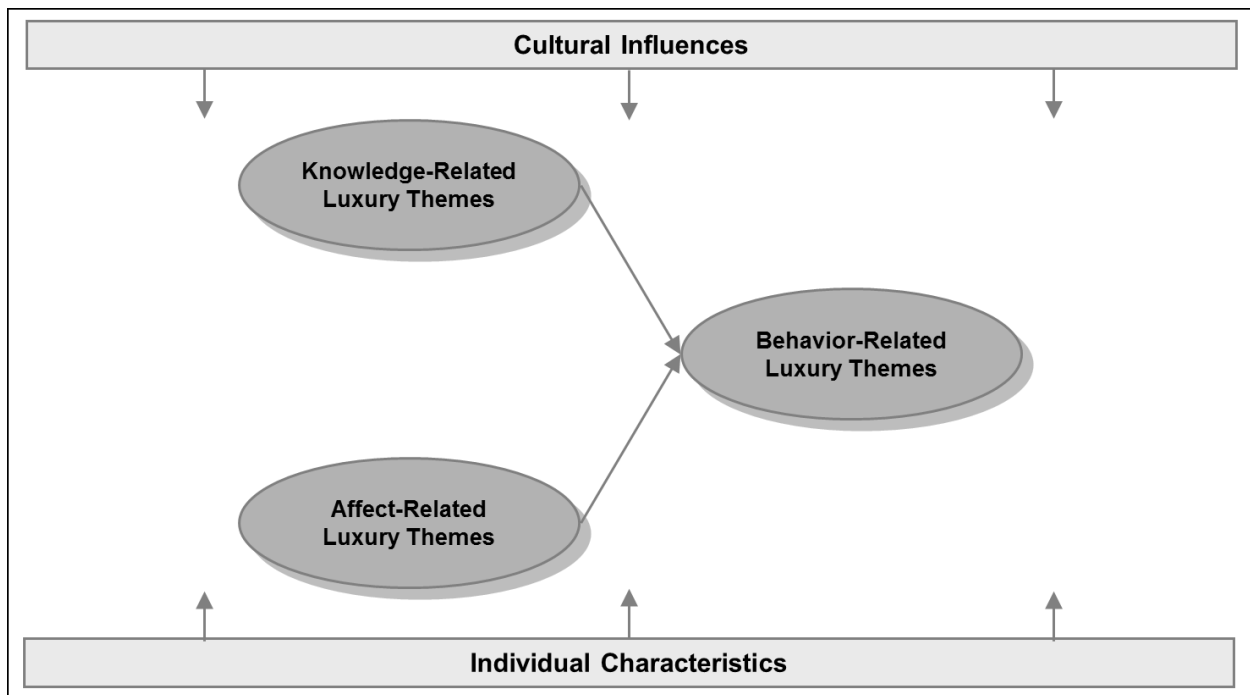


Table 1: Sample Characteristics

Geographic Location	n	%	Female (%)	Mean Age (years)	Income Level/ Family Status
Brazil	106	8.3	54.7	21.4	Middle to high income
France	47	3.7	72.3	23.5	Middle income
Germany	108	8.5	50.5	23.7	Middle income
Hungary	116	9.1	58.6	20.6	Middle income
India	159	12.5	54.7	25.6	Middle income
Italy	64	5.0	53.1	23.5	Middle income
Japan	101	7.9	50.5	20.3	Middle income
Slovakia	101	7.9	65.3	23.4	Middle income
Spain	125	9.8	51.2	20.8	Middle income
USA (Northern states)	131	10.3	51.1	20.6	Middle income
USA (Southern states)	143	11.2	41.3	26.1	Middle income
Other Nationalities	74	5.8			
Total	1275	100.0	53.5	22.7	Middle income

Table 2: Evaluation of the Measurement Models – Common Factor Structure

Factor	Cronbach's Alpha	Composite Reliability	AVE
F1 Knowledge-Related Luxury Themes	.919	.930	.456
F2 Affect-Related Luxury Themes	.781	.841	.433
F3 Behavior-Related Luxury Themes	.876	.901	.503

Table 3: Evaluation of the Measurement Models – Factor Loadings for Common Set and Country-specific Samples

Factor	Common Set	Brazil	France	Germany	Hungary	India	Italy	Japan	Slovakia	Spain	USA (North)	USA (South)
F1 Knowledge-Related Luxury Themes												
In my opinion, luxury is good taste.	.632***	-.435*	-.728***	.147	.146	.308*	-.371	-.527**	-.410*	-.398*	-.546**	-.469*
In general, luxury products are better quality products.	.689***	-.279	-.378*	.329*	.326	.026	-.433*	-.179	-.184	-.017	-.158	-.390*
Truly luxury products cannot be mass-produced.	.712***	.145	-.120	.393**	.433*	-.040	-.012	.240	.284	.060	.287	.117
A luxury product cannot be sold in supermarkets.	.696***	.278	-.262	.499***	.566***	.383**	.022	.236	.473**	.285	.212	.172
In my opinion, luxury is old fashioned.	.641***	.703***	.550***	.714***	.491***	-.063	.422*	.499**	.181	.396**	.250	.448***
I do not know much about the luxury world.	.674***	.562***	.818***	.579***	.470***	.284*	.585***	.417*	.523***	.468**	.659***	.598***
A real luxury brand does not advertise its products.	.604***	.602***	-.146	.095	.478***	.658***	-.193	.231	.305*	.128	.475***	.244
A fine replica of a luxury brand is just as good.	.575***	.649***	.230	.461***	.369**	.626***	.290	.252	.370*	.319*	.516***	.557***
In my opinion, luxury is really useless.	.654***	.603***	.722***	.754***	.584***	-.460***	.708***	.774***	.530***	.400*	.675***	.748***
A product must be somewhat useless to be a luxury product.	.615***	.314*	.296	.572***	.445***	.660***	.451	.548***	.530***	.435**	.678***	.635***
In my opinion, luxury is pleasant.	.715***	-.406*	-.710***	.166	.287	-.162	-.333	-.561**	-.403*	.103	-.503**	-.270
In my opinion, luxury is too expensive for what it is.	.736***	.415**	.736***	.566***	.768***	-.608***	.577***	.549***	.619***	.635***	.503***	.671***
In my opinion, luxury is flashy.	.710***	-.007	.538***	.671***	.536**	-.022	.472*	.816***	.332*	.581***	.302	.480***
Some education is needed to for appreciating luxury goods.	.623***	-.103	-.445*	.336*	.094	-.167	-.225	.148	.175	-.030	.195	-.216
Luxury products inevitably are very expensive.	.769***	.116	.245	.608***	.687***	.032	.126	-.094	.631***	.642***	.106	.339*
Few people own a truly luxury product.	.724***	.164	.256	.615***	.627***	-.305*	.212	.253	.491***	.417**	.458**	.300
F2 Affect-Related Luxury Themes												
I would not feel easy in a luxury shop.	.633***	.421*	.761***	.726***	.805***	-.018	.686***	.617***	.794***	.740***	.701***	.672***
Luxury products make life more beautiful.	.696***	-.618***	-.689***	.087	-.031	.419***	-.508*	-.601***	-.212	-.297	-.381	-.536**
All things considered, I rather like luxury.	.679***	-.609**	-.803***	-.191	-.149	.585***	-.222	-.837***	-.307	-.632***	-.558**	-.717***
Luxury makes me dream.	.690***	-.649**	-.719***	-.136	.235	.700***	-.532*	-.635***	-.392	-.537***	-.498**	-.578**
When I wear a luxury item, I feel a bit like I am disguising myself.	.711***	.507*	.518***	.894***	.752***	.788***	.632**	.086	.593***	.776***	.604***	.512***
I could talk about luxury products for hours.	.644***	-.549**	-.796***	.249	-.033	.805***	-.521**	-.554***	-.095	-.508***	-.286	-.196
I am not interested in luxury.	.537***	.819***	.859***	.776***	.674***	.466***	.753***	.794***	.694***	.716***	.808***	.789***

Factor	Common Set	Brazil	France	Germany	Hungary	India	Italy	Japan	Slovakia	Spain	USA (North)	USA (South)
F3 Behavior-Related Luxury Themes												
One needs to be a bit of a snob to buy luxury products.	.721***	.760***	.690***	.742***	.749***	.137	.759***	.379	.812***	.729***	.748***	.756***
People who buy luxury products seek to imitate the rich.	.736***	.731***	.676***	.679***	.815***	.379***	.729***	.741***	.709***	.713***	.707***	.667***
People who buy luxury products try to differentiate themselves from the others.	.770***	.462*	.148	.613***	.703***	.529***	.227	.592***	.504**	.566***	.144	.215
Today, everyone should have access to luxury products.	.630***	.380**	.415*	.468**	.055	.765***	.093	-.441*	-.391*	-.121	.240	.229
The luxury products we buy reveal a little bit who we are.	.705***	-.031	-.345*	.360*	.287	.308**	.028	.313	.059	-.224	-.240	.101
One buys luxury goods primarily for his pleasure.	.723***	.123	-.498**	.060	.276	.526***	.069	.050	.281	.150	.007	.064
For the most part, luxury goods are to be offered as gifts.	.721***	.295	.252	.479**	.438	.769***	.406*	.299	.428***	.260	.419**	.277
I almost never buy luxury products.	.654***	.617***	.759***	.588***	.614***	.749***	.610**	.696***	.568***	.628***	.463**	.721***
Those who buy luxury products are refined people.	.714***	.009	.000	.539**	.238	.699***	.360	.207	.450**	.577***	.335*	-.156

*Significance: *** $p \leq .001$ ($t > 3.291$); ** $p \leq .01$ ($t > 2.576$); * $p \leq .05$ ($t > 1.96$)*

Table 4: Evaluation of the Structural Relations

Exogenous LV → Endogenous LV	Original Sample	Sample Mean	Standard Deviation	Standard Error	T Statistics
Knowledge-Related Luxury Themes → Behavior-Related Luxury Themes					
Common Set	.548^{***}	.547	.024	.024	22.545
Brazil	.617 ^{***}	.573	.199	.199	4.131
France	.615 [*]	.522	.457	.457	2.428
Germany	.515 ^{***}	.537	.107	.107	4.799
Hungary	.574 ^{***}	.593	.089	.089	6.426
India	.420 ^{***}	.433	.054	.054	7.803
Italy	.610 ^{***}	.615	.273	.273	3.628
Japan	.402 ^{**}	.495	.152	.152	2.961
Slovakia	.533 ^{***}	.569	.112	.112	5.867
Spain	.644 ^{***}	.660	.072	.072	8.916
USA (North)	.547 ^{***}	.551	.151	.151	4.965
USA (South)	.522 ^{***}	.485	.147	.147	3.632
Affect-Related Luxury Themes → Behavior-Related Luxury Themes					
Common Set	.396^{***}	.396	.023	.023	16.877
Brazil	.080	.146	.218	.218	.512
France	.162	.041	.322	.322	.819
Germany	.307 ^{**}	.300	.120	.120	2.587
Hungary	.266 ^{**}	.242	.101	.101	3.022
India	.546 ^{***}	.537	.057	.057	9.611
Italy	.155	.195	.193	.193	.964
Japan	.331 [*]	.262	.186	.186	2.260
Slovakia	.307 ^{**}	.297	.120	.120	2.679
Spain	.128	.145	.096	.096	1.529
USA (North)	.173	.199	.143	.143	1.419
USA (South)	.247	.317	.150	.150	1.674

Significance: *** $p \leq .001$ ($t > 3.291$); ** $p \leq .01$ ($t > 2.576$); * $p \leq .05$ ($t > 1.96$)

Table 5: Evaluation of the Inner Model

Endogenous LV	Common Set		Brazil		France		Germany		Hungary		India		Italy		Japan		Slovakia		Spain		USA (North)		USA (South)	
	R ²	Q ²	R ²	Q ²	R ²	Q ²	R ²	Q ²	R ²	Q ²	R ²	Q ²	R ²	Q ²	R ²	Q ²	R ²	Q ²	R ²	Q ²	R ²	Q ²	R ²	Q ²
Behavior-Related Luxury Themes	.826	.336	.450	.086	.575	.119	.606	.143	.618	.151	.746	.144	.514	.084	.458	.072	.559	.118	.529	.122	.473	.079	.518	.087

Paper 2.2

The Assessment of Value in the Luxury Industry: From Consumers' Individual Value Perception to Luxury Consumption

Nadine Hennigs

Klaus-Peter Wiedmann

Christiane Klarmann

Stefan Behrens

Marketing Intelligence and Planning
Submitted and under review

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**THE ASSESSMENT OF VALUE IN THE LUXURY INDUSTRY:
FROM CONSUMERS' INDIVIDUAL VALUE PERCEPTION TO LUXURY CONSUMPTION**

STRUCTURED ABSTRACT

Purpose: With respect to the serious challenges inherent in luxury brand management such as the risks of brand over-extensions and counterfeiting, an integrative understanding of luxury and the multifaceted desires an individual seeks through luxury consumption are key success factors. As the interplay of the customer perceived value dimensions and the assessment of their effects on individual luxury value perception and related behavioral outcomes are still poorly understood and widely unexplored, this study aims to fill this research gap.

Design/methodology/approach: In our exploratory study context of examining the antecedents and outcomes of individual luxury value perception, PLS path modeling was considered for the empirical tests of our hypotheses.

Findings and implications: The results support the assumption that the desire for luxury brands involves several dimensions of customer perceived value including financial, functional, individual, and social consumer perceptions. Besides, the individual luxury value perception is significantly related to the consumption of luxury goods in terms of purchase intention, recommendation behavior and the willingness to pay a premium price.

Originality/value: The results have important implications for luxury brand management and future research in the domain of luxury goods. By addressing the specific value aspects that are highly relevant for consumer loyalty to the brand, a luxury company can stimulate purchase behavior with appropriate marketing campaigns that emphasize the most important value aspects.

Keywords: Luxury Brand Management, Customer Perceived Value, Luxury Consumption

Article Classification: Research Paper

INTRODUCTION

For decades, the market for luxury goods has grown rapidly. Even if the number of companies in the luxury market is comparatively small, its economic importance shouldn't be underestimated because luxury brands are considered as one of the most profitable and fastest-growing brand segments (Berthon et al., 2009). In this context, luxury brand managers face the

challenge to balance the tremendous demand for their goods in the global marketplace without threatening the key characteristics of exclusivity and uniqueness that are necessary preconditions of luxury. Along with the rising global appetite for luxury brands and with respect to the serious challenges inherent in luxury brand management such as the risks of brand over-extensions and counterfeiting, the interest of researchers and practitioners in the area of luxury marketing has increased (Shukla and Purani, 2011). However, a concise definition of the concept of luxury is still absent (Christodoulides et al., 2009; Atwal and Williams, 2009; Phau and Prendergast, 2000; Wiedmann et al., 2009). Instead, the understanding of luxury is highly subjective, situational contingent and depends on the experience and individual needs of the consumer (Wiedmann et al., 2007). Consequently, research on luxury brands should follow an integrative understanding of luxury and address the multifaceted desires an individual seeks through luxury consumption. Inevitably connected to the overall assessment of subjective worth of a product or service considering all relevant evaluative criteria (Zeithaml, 1988) are various dimensions of individual customer perceived value. Recent research gives evidence that the desire for and the consumption of luxury brands involves several dimensions of customer perceived value including financial, functional, individual, and social consumer perceptions (Vigneron and Johnson, 2004; Wiedmann et al., 2009; Tynan et al., 2010; Shukla and Purani, 2011). A better understanding of the types of value consumers perceive in the context of luxury brands is required to develop and implement successful management strategies. Luxury goods have to deliver sufficient value as compensation for the high product price (Dubois and Duquesne, 1993) and in accordance to the customer's subjective expectations and individual value perceptions (Zhang and Bloemer, 2008). As a key success factor in luxury brand management, the creation of superior customer value is strongly related to customer satisfaction, trust and loyalty (Bakanauskas and Jakutis, 2010; Bick, 2009; Cailleux et al., 2009). Nevertheless, to date, the interplay of the customer perceived value

dimensions and the assessment of their effects on individual luxury value perception and related behavioral outcomes are poorly understood and widely unexplored (Shukla 2012; Tynan et al., 2010; Vigneron and Johnson, 2004; Wiedmann et al., 2009; Hagtvedt and Patrick, 2009).

Against this backdrop, incorporating relevant theoretical and empirical findings, this study focuses on the investigation of antecedents and outcomes of individual luxury value perception. This paper is structured as follows: first, the conceptual model and related hypotheses are presented based on existing research insights on luxury brands and customer perceived value; second, the methodology and results of our empirical study are described. Third, the analysis results are discussed with reference to managerial implications and further research steps.

CONCEPTUALIZATION: ANTECEDENTS AND OUTCOMES OF LUXURY VALUE PERCEPTION

Luxury brands address various functional and psychological needs (Vigneron and Johnson, 1999; Nia and Zaichkowsky, 2000) and compete based on the ability to evoke exclusivity, brand identity, brand awareness, and perceived quality from the consumer's perspective (Phau and Prendergast, 2000). In an attempt to examine a customer's perceived preference for and subjective judgment about luxury brands, the construct of *customer perceived value* understood as “*a consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given*” (Zeithaml, 1988, p. 14) based on “*an interactive relativistic consumption preference experience*” (Holbrook, 1994, p. 27) is of particular importance. Adapting the generic customer perceived value framework by Sweeney and Soutar (2001) and incorporating the findings of the meta-analysis of value perceptions research by Smith and Colgate (2007) and the luxury value dimensions as proposed by Wiedmann et al. (2007, 2009), in our study, we focus on the assessment of antecedents and outcomes of *individual luxury value perception* as illustrated in our conceptual model (see *Figure 1*).

--- Insert Figure 1 about here ---

First Set of Hypotheses: Antecedents of Individual Luxury Value Perception

The question of what really adds value in consumer's luxury brand perception is in accordance to the insights of Wiedmann et al. (2007, 2009) defined in this paper through the existence of three latent value dimensions: the *financial value of luxury brands*, the *functional value of luxury brands*, and the *social value of luxury brands*.

The domain of luxury is strongly associated with aspects of exclusivity and rareness of the products that often enhance a consumer's desire or preference for them (Verhallen, 1982; Lynn, 1991; Pantzalis, 1995). In this context, consumers who are status-conscious often perceive high prices as a cue for high quality (Erickson and Johansson, 1985; Lichtenstein et al., 1988; Tellis and Gaeth, 1990) and indicator of prestige (e.g., Berkowitz et al., 1992; Groth and McDaniel, 1993). As a consequence, prestige pricing increases the financial value of luxury brands; the more expensive it is compared to normal standards, the more desirable and valuable it becomes (Verhallen and Robben, 1994). This leads us to our first hypothesis:

H_{1a}: The financial value of luxury brands has a positive effect on the individual luxury value perception.

Apart from the price, studies on luxury consumption often define superior quality as a fundamental character of a luxury product (Quelch, 1987; Garfein, 1989; Roux, 1995). Based on evaluations of the product's properties and the consumer's needs, the functional value of luxury is driven by the assumption in that luxury brands offer better product quality and performance than non-luxury brands (e.g., Garfein, 1989; Roux, 1995; Quelch, 1987; Nia and Zaichkowsky, 2000; O'Cass and Frost, 2002; Vigneron and Johnson, 2004). Reasoning that consumers

associate luxury brands with superior product quality and perceive more value from them (Aaker, 1991), we suggest:

H_{1b}: The functional value of luxury brands has a positive effect on the individual luxury value perception.

As luxury brands address prestigious values, conspicuousness, and display social status, individuals generally consume luxury brands that are positively recognized within their own social groups (Vigneron and Johnson, 1999; Bearden and Etzel, 1982; Brinberg and Plimpton, 1986; Kim, 1998). The individual desire for luxury brands is often driven by the search for social status and representation, the products signal the owner's wealth and serve as a symbolic sign of group membership in an attempt to conform to affluent lifestyles and/or to distinguish themselves from non-affluent lifestyles (French and Raven, 1959; Sirgy, 1982; Midgley, 1983; Solomon, 1983; Mick, 1986; McCracken, 1986; Belk, 1988; Dittmar, 1994). Consequently, we suggest that the perceived social value of a luxury brand enhances the individual luxury value perception:

H_{1c}: The social value of luxury brands has a positive effect on the individual luxury value perception.

Second Set of Hypotheses: Outcomes of Individual Luxury Value Perception

Referring to possible behavioral outcomes of individual luxury value perception, for the purposes of this study and in accordance to existing studies on behavioral loyalty dimensions (e.g., Zeithaml et al., 1996), three basic components of actual consumer behavior are of particular interest: a) consumer's *purchase intention*, b) *recommendation behavior* and c) *willingness to pay a higher price*.

Customer perceived value has been shown to be a significantly strong predictor of purchase in general (e.g., Smith and Colgate, 2007) and in the context of luxury brands in particular

(Wiedmann et al., 2009; Tynan et al., 2010; Shukla, 2011). By focusing on purchase intention rather than behavior, we rely on the assumption that intention has wider implications and will often have a positive impact on an individual's actions (Ajzen and Driver, 1992; Pierre et al., 2005; Schlosser et al., 2006) what has been supported in the context of brand consumption (e.g. Dubois and Paternault, 1995; Yoo and Lee, 2009; Zeithaml, 1988). As an antecedent of behavioral loyalty, purchase intentions create sales and profits (Chaudhuri and Holbrook, 2001) enhance cash flows, secure long term survival (Jacoby and Chestnut, 1978) and indicate positive customer experiences as a signal that customers perceive products as favorable (Gupta and Zeithaml, 2006). Against the backdrop of our research context, we suggest that the individual's perceived value inherent in a certain brand or product is an important driver for the consumer's intention to (re)buy the given brand:

H_{2a}: The individual luxury value perception has a positive effect on consumer's purchase intention.

Reasoning that loyal customers are willing to engage in positive word-of-mouth and recommend a given brand or product to relevant others (e.g., Reichheld and Sasser 1990; Zeithaml et al., 1996), we further suggest that – especially in the status-conscious context of luxury goods – individual value perception positively affects the consumer's recommendation behavior:

H_{2b}: The individual luxury value perception has a positive effect on consumer's recommendation behavior.

Strongly associated with luxury brands is the willingness to pay a price premium (Dubois and Duquesne, 1993; Dubois and Paternault, 1995; Dubois et al., 2005; Jackson, 2004; Keller, 2009). By definition luxury goods address high levels of prestige, exclusivity, and status that influence consumer's willingness to pay a higher price (O'Cass and Choy, 2008). The perceived

value of a brand has been shown to positively affect a consumer's willingness to pay premium prices (Keller, 1993), therefore, we suggest that in the context of luxury brands that are perceived to be more prestigious, consumers are willing to pay a considerably higher price and continue to purchase with a price increase:

H_{2c}: The individual luxury value perception has a positive effect on consumer's willingness to pay a price premium.

METHODOLOGY

To measure the antecedents and outcomes of individual luxury value perception, we used existing and tested measures. For the financial, functional, and social dimensions of luxury value as well as the key construct of individual luxury value perception, we relied on the *Consumer Perceived Value Scale* by Sweeney and Soutar (2001) and adapted the items to a luxury brand context. For the measurement of related outcomes, we used Hung et al (2011) and Wiedmann et al. (2011) for *Purchase Intention*, Wiedmann et al. (2011) and Hieke (2010) for *Recommendation Behavior*, and Miller and Mills (2012) for the *Willingness to Pay a Price Premium*. All items were rated on five-point Likert scales (*1=strongly disagree to 5=strongly agree*). The first version of our questionnaire was face-validated using exploratory and expert interviews to check the length and layout of the questionnaire and the quality of the items used. To investigate the research model, an online questionnaire was conducted among consumers in Germany in July 2012. A total of 782 questionnaires were received. The sample characteristics are described in *Table 1*.

--- *Insert Table 1 about here* ---

Regarding gender distribution, 54.1% of the respondents were female, 71.0% of the participants were between 18 and 35 years of age, with 32 years as the mean age. With regard to educational level, 46.5% of the sample had received a university degree. Referring to our study context of luxury brands, most respondents stated that they are very familiar to luxury brands, have already bought luxury brands at least once and intend to buy luxury goods in the future. Although the sample is not a representative one, for the purposes of this study and the given exploratory research focus, the convenience sample offers a balanced set of data.

RESULTS AND DISCUSSION

In our study, SPSS 19.0 and PLS structural equation modeling (SmartPLS 2.0) were used to analyze the data. To assess common method variance, following Podsakoff, MacKenzie, Lee, and Podsakoff (2003), we used Harman's (1976) one-factor test to determine whether a single factor accounted for most of the covariance in the relationships between the independent and dependent variables. A principal component factor analysis with varimax rotation revealed a 7-factor structure with no general factor present (the first factor accounted for 30.383% of the variance). Thus, no single factor accounted for a majority of the covariance in the variables, so the common method variance was unlikely to present a significant problem in our study. The results of the measurement of the constructs and the test of our hypotheses are described below.

Measurement of Constructs: For a reliable and valid measurement of the latent variables, we followed the suggestions of Chin (1998). For all factors, our results show sufficiently high factor loadings. Additionally, the average variance extracted (AVE), the reliability tests (Cronbach's alpha, indicator reliability, factor reliability), and the discriminant validity (Fornell-Larcker criterion) revealed satisfactory results (see *Table 2*).

--- Insert Table 2 about here ---

Evaluation of Structural Relations: To test our hypotheses, we conducted a PLS path modeling analysis with no replacement and a bootstrapping procedure (individual sign changes; 782 cases and 2000 samples). As illustrated in *Figure 2* and *Table 3*, the assessment of the aggregate PLS path coefficients in the inner model results in statistically significant relations ($p < .01$).

--- Insert Figure 2 about here ---

--- Insert Table 3 about here ---

Referring to the antecedents of individual luxury value perception, our results verify that the perceived financial, functional and social value of luxury brands are significantly positive related to the key construct of individual luxury value perception, providing full support for hypotheses H_{1a}, H_{1b} and H_{1c}. With reference to the behavioral outcomes and the second set of hypotheses, we postulated that the individual luxury value perception has a positive impact on purchase intention (H_{2a}), recommendation behavior (H_{2b}), and the willingness to pay a price premium (H_{2c}). The results reveal full support for all of these hypotheses. Therefore, the individual value perception of luxury brands, driven by the financial, functional and social value, is significantly influencing actual luxury consumption behavior. These results give evidence that consumers who perceive the value they expect and desire being delivered by a luxury brand are willing to (1) buy and re-buy the brand's products, (2) recommend the brand to other consumers and (3) spend a premium price even if there are attractive competitive alternatives.

With reference to the evaluation of the inner model (see *Table 4*), the coefficients of the determination of the endogenous latent variables (R-square) reveal satisfactory values at .637 for

individual luxury value perception, .618 for purchase intention, .564 for recommendation behavior, and .526 for the willingness to pay a price premium. Moreover, Stone-Geisser's Q-square (Stone, 1974; Geisser, 1975) yielded a value higher than zero for the endogenous latent variables, suggesting the predictive relevance of the explanatory variables.

--- *Insert Table 4 about here* ---

In summary, referring to our initial hypotheses, the assessment of the measurement models and the structural relations support the proposed causal relations between the individual perceived value of luxury brands and luxury consumption behavior.

CONCLUSION

The primary goal of this paper was to examine significant causal relationships between the antecedents and outcomes of individual luxury value perception using a structural modeling approach. A better understanding of the determinants influencing luxury consumption behavior is valuable for both researchers and marketers. As outlined in the introductory section, luxury brand managers face fundamental challenges in the luxury market. The tremendous demand for luxury goods in the global marketplace is transforming the luxury industry and continues growing in western industrialized countries and emerging markets like China, Brazil and the Middle East.

In their efforts to satisfy the global appetite for luxury brands, managers have to secure the characteristics of luxury – such as uniqueness, rarity, exclusivity and limited accessibility – and to avoid risks of brand dilution or over-extension and the potential loss of brand equity through brand over-exposure or the availability of low-cost counterfeits and fake luxury products. As a consequence, a better understanding of the multifaceted desires consumers pursue through luxury

consumption and the subjective judgment about luxury brands are key success factors in luxury marketing.

Against this backdrop, the study presented here investigated antecedents and outcomes of individual luxury value perception understood as the overall assessment of subjective worth of a luxury brand considering all relevant evaluative criteria. The empirical test of our hypotheses supports the assumption that the desire for luxury brands involves several dimensions of customer perceived value including financial, functional, individual, and social consumer perceptions. Besides, the individual luxury value perception is significantly related to the consumption of luxury goods in terms of purchase intention, recommendation behavior and the willingness to pay a premium price. The results presented here have important implications for luxury brand management and future research in the domain of luxury goods.

Based on insights of the types of value consumers perceive in the context of luxury brands, successful management strategies should focus on the customer's subjective expectations and individual value perceptions to be able to deliver sufficient value as compensation for the high product price of luxury goods. By addressing the specific value aspects that are highly relevant for consumer loyalty to the brand, a luxury company can stimulate purchase behavior with appropriate marketing campaigns that emphasize the most important value aspects. In this context, a study focusing on different luxury brands, different luxury industries (e.g., fashion vs. cars) or the comparison luxury vs. necessity might enhance current knowledge of consumer behavior in the luxury industry. On an international level, the specific consideration of cultural issues is required and therefore, possible cross-cultural similarities and differences have to be examined in future research to generalize the results and to sell successfully luxury goods to consumers of different nationalities. Finally, as customer values are changing, the strategic goal

of building and maintaining long-term relationships with customers builds the basis for successful luxury brand management in the global marketplace.

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TABLES AND FIGURES

Figure 1: Conceptual Model

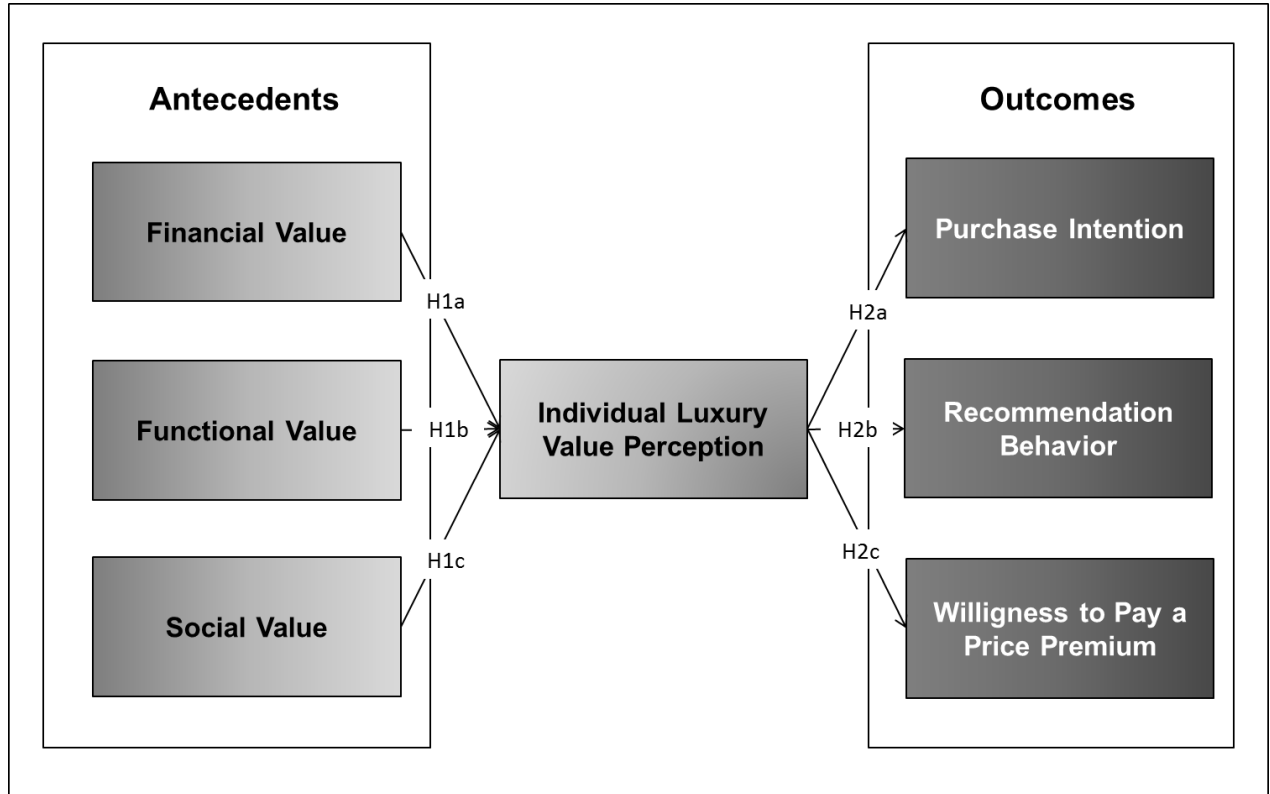


Figure 2: Structural Model

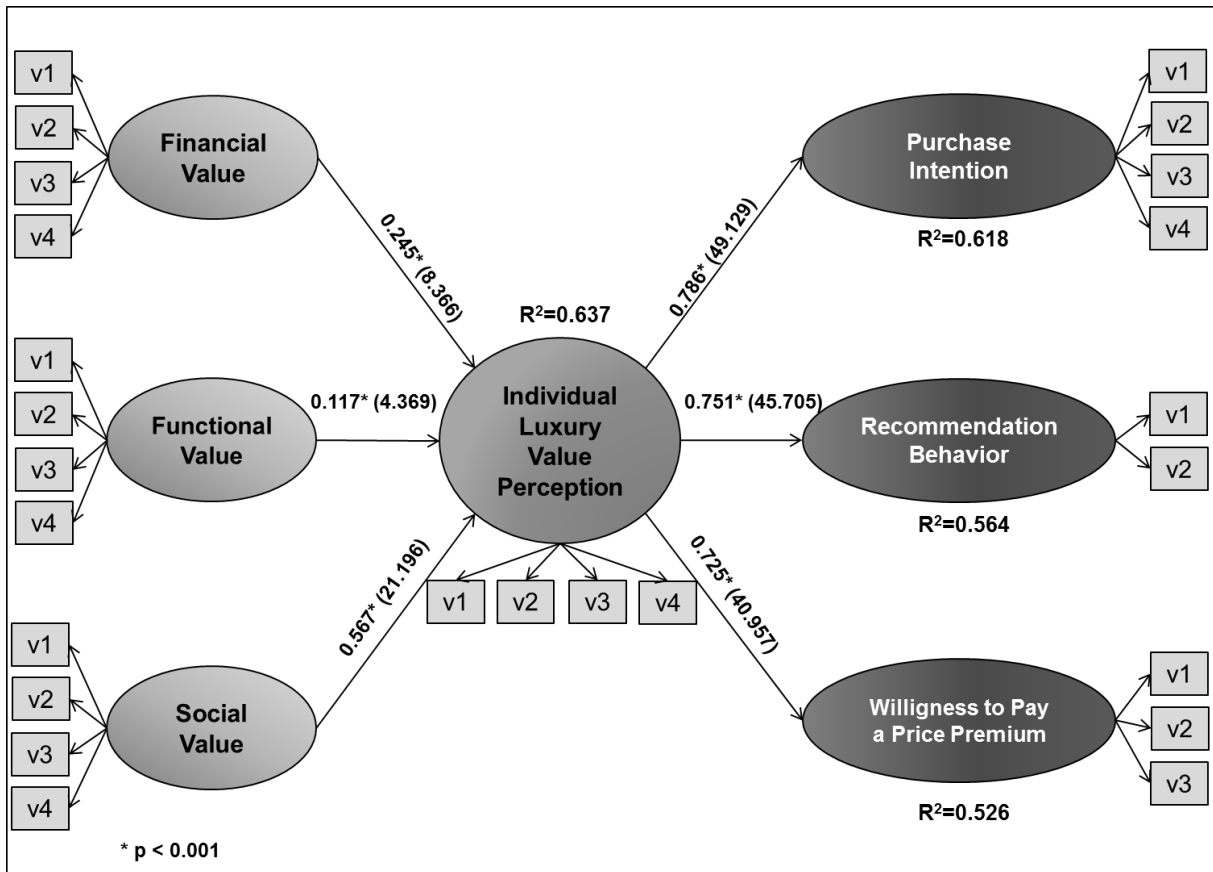


Table 1: Demographic Profile of the Sample

Variable		n	%
Age	18 – 25 years	365	46.7
	26 – 35 years	190	24.3
	36 – 45 years	68	8.7
	46 – 55 years	114	14.6
	56 – 99 years	39	5.0
	No answer	6	0.8
Gender	Male	359	45.9
	Female	423	54.1
Marital status	Single	515	65.9
	Married	223	28.5
	Divorced	9	1.2
	Widowed	26	3.3
	No answer	9	1.2
Education	Junior high school	176	22.5
	Senior high school	217	27.7
	University degree	348	44.5
	Doctoral/Postdoctoral studies	16	2.0
	No answer	25	3.2
Occupation	Employed	429	54.9
	Student	300	38.4
	Unemployed	8	1.0
	No answer	45	5.8
Income	Very low income	119	15.2
	Low income	178	22.8
	Middle income	312	39.9
	High income	85	10.9
	Very high income	9	1.2
	No answer	79	10.1

Table 2: Evaluation of the Measurement Models

Factor	Cronbach's Alpha	Factor Loadings	t-value	Composite Reliability	AVE	Fornell-Larcker Criterion
<i>Value Antecedents</i>						
<i>Financial value</i>						
In my opinion, luxury brands are reasonable priced.		.814	52.065			
In my opinion, luxury brands offer value for money.		.823	48.893			
In my opinion, luxury brands are good products for the price.	.799	.826	59.613	.869	.627	.627 > .391
In my opinion, luxury brands are economical.		.696	26.684			
<i>Functional value</i>						
In my opinion, luxury brands have consistent quality.		.839	41.175			
In my opinion, luxury brands have poor workmanship. ^f	.616	.304	3.541	.729	.440	.440 > .265
In my opinion, luxury brands do not last a long time. ^f		.434	5.570			
In my opinion, luxury brands perform consistently.		.879	51.034			
<i>Social value</i>						
Luxury brands help me to feel acceptable.		.854	80.819			
Luxury brands improve the way I am perceived.		.873	88.312			
In my opinion, luxury brands make a good impression on other people.	.871	.805	51.564	.912	.722	.722 > .569
Luxury brands give me social approval.		.865	79.170			
<i>Individual Luxury Value Perception</i>						
Luxury brands make me want to use it.		.857	77.088			
Luxury brands are ones that I would feel relaxed about using.	.863	.758	37.678	.907	.711	.711 > .618
Luxury brands make me feel good.		.878	96.634			
Luxury brands give me pleasure.		.872	87.909			
<i>Luxury Consumption Behavior</i>						
<i>Purchase Intention</i>						
I have high intention to purchase luxury brands.		.929	154.105			
I have strong possibility to purchase luxury brands.		.942	152.653			
I am likely to purchase luxury brands.	.957	.952	218.949	.969	.886	.886 > .655
I intend to buy luxury brands again in the future.		.942	165.407			
<i>Recommendation Behavior</i>						
It is very likely that I will recommend luxury brands to my friends.	.883	.946	194.804	.945	.895	.895 > .623
I recommend luxury brands to my friends.		.946	200.711			
<i>Willingness to Pay a Price Premium</i>						
I am willing to pay a higher price for luxury brands than for other brands.		.910	115.656			
Even if the other brands are priced lower, I will still buy luxury brands.	.897	.905	109.782	.936	.829	.829 > .655
Even though the luxury brand seems to be comparable to other brands I am willing to pay more.		.916	135.398			

Table 3: Evaluation of the Structural Relations

	Original Sample	Sample Mean	Standard Deviation	Standard Error	T Statistics
Antecedents					
H _{1a} : Financial value → Luxury Value Perception	.245	.245	.029	.029	8.366
H _{1b} : Functional value → Luxury Value Perception	.117	.118	.027	.027	4.369
H _{1c} : Social value → Luxury Value Perception	.567	.567	.027	.027	21.195
Outcomes					
H _{2a} : Luxury Value Perception → Purchase Intention	.786	.787	.016	.016	49.129
H _{2b} : Luxury Value Perception → Recommendation Behavior	.751	.752	.016	.016	45.705
H _{2c} : Luxury Value Perception → Willingness to Pay a Price Premium	.725	.726	.018	.018	40.957

Table 4: Evaluation of the Inner Model

Endogenous Latent Variable	R ²	Q ²
Individual Luxury Value Perception	.637	.175
Purchase Intention	.618	.547
Recommendation Behavior	.565	.505
Willingness to Pay a Price Premium	.526	.435

Paper 2.3

**Unleashing the Power of Luxury: Antecedents of
Luxury Brand Perception and Effects on Luxury Brand Strength**

Nadine Hennigs

Klaus-Peter Wiedmann

Stefan Behrens

Christiane Klarmann

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Original Article

Unleashing the power of luxury: Antecedents of luxury brand perception and effects on luxury brand strength

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Nadine Hennigs

is Assistant Professor at the Leibniz University of Hannover, Germany, Institute of Marketing and Management.

Klaus-Peter Wiedmann

is a Full Chaired Professor of Marketing and Management and the Director of the Institute of Marketing and Management at the Leibniz University of Hannover, Germany.

Stefan Behrens

is Scientific Research Assistant at the Leibniz University of Hannover, Germany, Institute of Marketing and Management.

Christiane Klarmann

is Scientific Research Assistant at the Leibniz University of Hannover, Germany, Institute of Marketing and Management.

ABSTRACT Caught between the conflicting priorities of satisfying the rising demand for luxury brands in the global marketplace and the effort to protect the uniqueness and exclusivity of their products, brand managers face serious challenges in the luxury market. What is the optimal balance between brand growth and brand over-exposure? And what are the basic drivers of customer brand perception that influence luxury brand strength? In an attempt to answer these questions, this study focuses on the conceptualization and empirical investigation of antecedents of luxury brand perception and hypothesized effects on luxury brand strength. The results support the assumption that consumers' individual luxury brand perception is based on financial, functional and social considerations. Besides, consumers' brand perception is significantly related to the cognitive, affective and conative components of luxury brand strength.

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Keywords: luxury brand management; luxury consumption; brand strength

Correspondence:
Nadine Hennigs, Leibniz
University of Hannover, Institute
of Marketing and Management,
Koenigsworther Platz 1, 30167
Hannover, Germany.

INTRODUCTION

Along with the rapidly growing market for luxury goods in recent years, luxury brand managers and researchers try to find ways to better understand and address the specifics of the luxury industry and the needs of luxury consumers (Fionda and Moore, 2009). In contrast to classical management approaches, for example, consumer goods, luxury brand management is caught between the conflicting priorities of satisfying the rising demand for luxury in the global marketplace and the effort to protect the uniqueness and exclusivity of luxury products (Tynan et al, 2010). In an attempt to master this balancing act between brand growth and brand over-exposure, luxury brand managers face serious challenges in a complex and constantly changing market environment where low-cost counterfeits are easily available. Therefore, in the area of tension between optimal fulfillment of the rising demand for luxury goods on the one hand and the preservation of the brand's exclusivity on the other hand, there are several challenges to address in luxury brand management:

- What is the optimal balance between growth and overexposure of brands in the luxury industry?
- What are the most important attributes that characterize luxury brands in a market environment where low-cost counterfeits are easily available? Does the strength of luxury lie in more than an 'easy to copy' famous brand logo?
- What are the basic drivers of luxury brand perception that influence the strength of a luxury brand as perceived by consumers?

In spite of the significance of the luxury industry in leading the way for the rest of the marketing world (Ko and Megehee, 2011) and a considerable volume of research in the area of luxury marketing

(for example, Kapferer and Bastien, 2012; Wiedmann and Hennigs, 2013), practitioners and academics still have limited knowledge of the determinants of luxury consumption and luxury brand management (for example, Berthon et al, 2009; Hung et al, 2011). To date, the interplay of consumer perception of luxury brands and the assessment of causal effects on related brand outcomes are poorly understood and widely unexplored (Vigneron and Johnson, 2004; Wiedmann et al, 2009; Tynan et al, 2010; Shukla, 2012).

Reasoning that the brand is a central driver of consumer decision making (for example, Dubois et al, 2005), the incremental value of the present study is to present and empirically verify a concept that embraces different components of luxury value perception and their causal effects on different aspects of luxury brand strength.

CONCEPTUALIZATION AND HYPOTHESES DEVELOPMENT

The concept of luxury brands

The concept of luxury is highly subjective, situational contingent and depends on the experience and individual needs of the consumer (Wiedmann et al, 2007; Kapferer and Bastien, 2012). Accordingly, the question of what constitutes a luxury brand should follow an integrative understanding of luxury and address the multifaceted desires an individual seeks through luxury consumption.

In an attempt to examine a customer's individual luxury perception and related effects on luxury brand strength, in our study, as illustrated in the conceptual model (see Figure 1), we focus on the assessment of antecedents of *Luxury brand perception* and the relationship to cognitive, affective and conative components of *Luxury brand strength*.

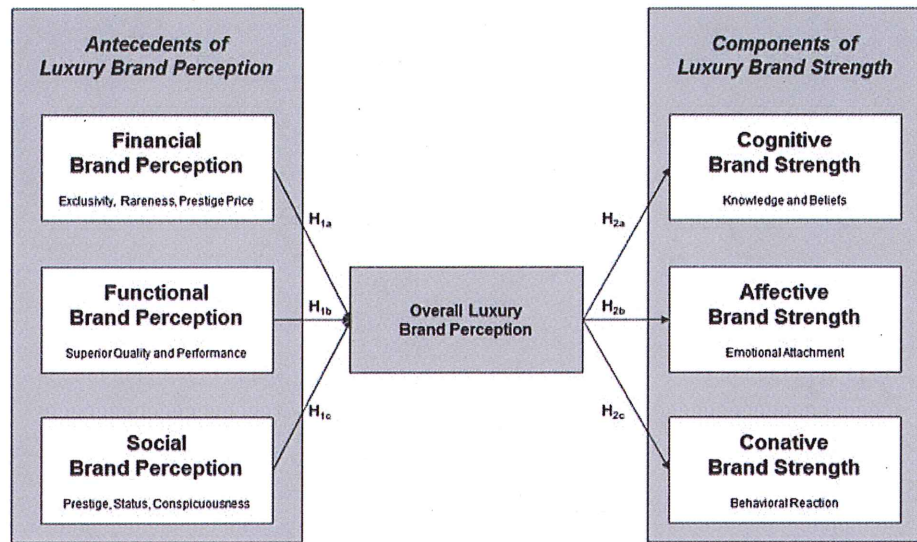


Figure 1: Conceptual model.

First set of hypotheses: Antecedents of luxury brand perception

From a sociological and social-psychological perspective, based on the theory of impression management, consumers use brands as symbols to create a favorable social image (for example, Eagly and Chaiken, 1993). In this context, conspicuous consumption was traditionally regarded as the main driver for luxury brand purchase (Dittmar, 1994; Corneo and Jeanne, 1997; O’Cass and Frost, 2002; Vigneron and Johnson, 1999, 2004). However, apart from socially oriented motives for luxury consumption, a more personal orientation toward luxury brands influences the decision-making process of luxury consumers (Wong and Ahuvia, 1998; Wiedmann *et al*, 2009). Following this perspective, consumers evaluate luxury brands based on financial, functional and emotional considerations (Wiedmann *et al*, 2007). Therefore, as compensation for the high product price, luxury brands have to deliver sufficient value in accordance to the customer’s subjective expectations and individual perceptions (Dubois and Duquesne, 1993; Zhang and Bloemer, 2008). Referring to

the concept of *customer perceived value* (for example, Sweeney and Soutar, 2001; Smith and Colgate, 2007) and luxury value perception (Wiedmann *et al*, 2007, 2009), the *core elements of luxury value* proposed by Wiedmann *et al* (2007, 2009) constitute our understanding of luxury brand perception. Following this perspective, consumers evaluate luxury brands based on four latent luxury value dimensions: The *financial dimension* addressing direct monetary aspects, the *functional dimension* referring to the core benefit and basic utilities of the luxury good, the *individual dimension* focusing on a customer’s personal orientation toward luxury consumption and the *social dimension* of luxury value perception related to the perceived utility individuals acquire by consuming products or services recognized within their own social groups. As Wiedmann *et al* (2007, 2009) suggest, these key dimensions of luxury value perception are strongly correlated and therefore, as implication for further research, the authors propose to enhance the understanding and interpretation of luxury brand perception by examining the interplay between the four



dimensions and related outcomes such as the impact on luxury perception and consumption using a structural modeling approach. Against this backdrop, we focus on both the interplay between the four components of luxury value perception and the effect on components of attitudinal and behavioral luxury brand strength. Suggesting that the financial, functional and social dimension of luxury value perception affect the individual's personal luxury value perception, the *financial perception of luxury brands*, the *functional perception of luxury brands* and the *social perception of luxury brands* are hypothesized as important components of the individual luxury brand perception, the *customer's overall evaluation of a luxury brand*.

Financial brand perception – Overall luxury brand perception

Traditionally, luxury brands are strongly associated with aspects of exclusivity and rareness of the products – attributes that often enhance the desire or preference for them (Verhallen, 1982; Lynn, 1991). In particular, status-oriented consumers perceive high prices as a signal for the high quality of a luxury brand (Erickson and Johansson, 1985; Lichtenstein *et al*, 1988; Tellis and Gaeth, 1990) and indicator of its prestige (for example, Berkowitz *et al*, 1992; Groth and McDaniel, 1993). The more expensive the luxury brand is compared with normal standards, the more desirable and valuable it becomes in the eyes of the consumers (Verhallen and Robben, 1994). Reasoning this, we hypothesize:

Hypothesis 1a: The *financial* perception of luxury brands has a positive effect on the overall luxury brand perception.

Functional brand perception – Overall luxury brand perception

In addition to financial evaluations, consumers often perceive superior quality

to be a fundamental attribute of a luxury brand (for example, Quelch, 1987; Garfein, 1989). In this context, luxury consumers typically associate luxury brands with better product quality and performance than non-luxury brands (for example, O'Casey and Frost, 2002; Vigneron and Johnson, 2004). Therefore, the functional perception of luxury brands is supposed to influence the overall luxury brand perception:

Hypothesis 1b: The *functional* perception of luxury brands has a positive effect on the overall luxury brand perception.

Social brand perception – Overall luxury brand perception

As stated above, luxury brands have always been associated with prestige, social status and conspicuousness (for example, O'Casey and McEwen, 2004). Luxury consumers prefer and consume brands that are positively recognized within their own social groups (for example, Bearden and Etzel, 1982; Vigneron and Johnson, 1999). In an attempt to conform to affluent lifestyles, consumers use luxury brands as a signal of their own wealth and a symbolic sign of group membership (for example, Belk, 1988; Dittmar, 1994). Reasoning that the desire for luxury brands is often driven by the search for social status and representation, it is assumed that the social perception of a luxury brand enhances the overall luxury brand perception:

Hypothesis 1c: The *social* perception of luxury brands has a positive effect on the overall luxury brand perception.

Second set of hypotheses: Related effects on luxury brand strength

A key success factor in luxury brand management is the creation of superior brand strength, understood as the brand's ability to differentiate from competitors and

create superior customer value through a set of meaningful associations (Aaker and Keller, 1990). Defined as the set of associations and behaviors on the part of a brand's customers (Srivastava and Shocker, 1991), brand strength reflects the customer's overall attraction to it. This definition is in line with the assumptions of Park *et al* (2010) who describe brand attitude strength as a more conative concept than brand attachment though it has comparable influences. As a justification for premium prices and exclusive distribution, luxury brands are typically related to brand strengths of a recognizable style, strong identity and enhanced emotional and symbolic associations (Megehee and Spake, 2012). With regard to the outcomes of luxury brand perception, the strength of a consumer's attitude toward a brand includes *cognitive, affective and behavioral responses* (Eagly and Chaiken, 1993; Chaudhuri, 2006) that build the basis for the development of the second set of hypotheses.

Overall luxury brand perception – Cognitive brand strength

Strongly related to beliefs and knowledge of the brand is the cognitive component of brand strength, based on individual evaluations of product-related attributes, functional and symbolic benefits (Rossiter and Percy, 1987; Zeithaml, 1988). Luxury consumers with a positive attitude toward a brand value the brand's uniqueness, superior quality and value as components of cognitive brand strength:

Hypothesis 2a: The overall luxury brand perception has a positive effect on *cognitive* brand strength.

Overall luxury brand perception – Affective brand strength

Affective brand strength refers to the emotional attachment of a customer to a brand (Keller, 2001). The ability of

a luxury brand to express consumer identity and address hedonic benefits and social needs is an important precondition of personal involvement and brand trust (Bendapudi and Berry, 1997; Garbarino and Johnson, 1999). Against this backdrop, we hypothesize:

Hypothesis 2b: The overall luxury brand perception has a positive effect on *affective* brand strength.

Overall luxury brand perception – Conative brand strength

Reflecting the behavioral reaction toward a brand, conative brand strength addresses consumer purchase and loyalty intentions (Jacoby and Chestnut, 1978) and the willingness to recommend (Zeithaml *et al*, 1996). Conative or behavioral brand strength is an antecedent of sales and profits (Chaudhuri and Holbrook, 2001), enhances cash flows, secures long-term survival (Jacoby and Chestnut, 1978) and indicates positive customer experiences as a signal that customers perceive the brand as favorable (Gupta and Zeithaml, 2006). Particularly in the status-conscious context of luxury goods, loyal customers are willing to engage in positive word-of-mouth and recommend the brand to relevant others (for example, Reichheld and Sasser, 1990; Zeithaml *et al*, 1996). Reasoning this, the positive perception of a luxury brand is suggested to affect conative brand strength:

Hypothesis 2c: The overall luxury brand perception has a positive effect on *conative* brand strength.

METHODOLOGY

To measure the antecedents of luxury brand perception and related effects on luxury brand strength, we used existing and tested measures. With reference to the valid and reliable measurement of luxury brand per-

**Table 1:** Demographic profile of the sample

Variable	n	In percentage
Age		
18–25 years	365	46.7
26–35 years	190	24.3
36–45 years	68	8.7
46–55 years	114	14.6
56–99 years	39	5.0
No answer	6	0.8
Gender		
Male	359	45.9
Female	423	54.1
Marital status		
Single	515	65.9
Married	223	28.5
Divorced	9	1.2
Widowed	26	3.3
No answer	9	1.2
Education		
Junior high school	176	22.5
Senior high school	217	27.7
University degree	348	44.5
Doctoral/Postdoctoral studies	16	2.0
No answer	25	3.2
Occupation		
Employed	429	54.9
Student	300	38.4
Unemployed	8	1.0
No answer	45	5.8
Income		
Very low income	119	15.2
Low income	178	22.8
Middle income	312	39.9
High income	85	10.9
Very high income	9	1.2
No answer	79	10.1

ception reflecting the customer's individual perceptions of luxury value, we relied on the well-examined scale from existing research in the context of customer perceived value as developed by Sweeney and Soutar (2001) and adapted the items to our context of luxury brands. To measure the dimensions of luxury brand strength, we used a scale that has been validated in a luxury brand context and relied on the reflective measures of luxury brand strength as suggested by Hieke (2010). All items were rated on 5-point Likert scales (1 = *strongly disagree* to 5 = *strongly agree*). The first version of our questionnaire was

face-validated using exploratory and expert interviews to check the length and layout of the questionnaire and the quality of the items used. To investigate the research model, an online questionnaire was conducted among consumers in Germany in July 2012. A total of 782 questionnaires were received. The sample characteristics are described in Table 1.

Regarding gender distribution, 54.1 per cent of the respondents were female, 71.0 per cent of the participants were between 18 and 35 years of age, with 32 years as the mean age. With regard to educational level, 46.5 per cent of the sample had received a university degree. Referring to our study context of luxury brands, most respondents stated that they are very familiar to luxury brands, have already bought luxury brands at least once and intend to buy luxury goods in the future. Although the sample is not a representative one, for the purposes of this study and the given exploratory research focus, the convenience sample offers a balanced set of data.

RESULTS AND DISCUSSION

In our study, Statistical Product and Service Solutions (SPSS) 19.0 and Partial Least Squares (PLS) structural equation modeling (SmartPLS 2.0) were used to analyze the data. In our exploratory study context of examining the drivers and outcomes of luxury brand perception and luxury brand strength, PLS path modeling as regression-based analysis was considered as the appropriate method for the empirical tests of our hypotheses. To assess common method variance, following Podsakoff *et al* (2003), we used Harman's (1976) one-factor test to determine whether a single factor accounted for most of the covariance in the relationships between the independent and dependent variables. A principal component factor analysis with varimax rotation revealed a 7-factor structure with no general factor present (the first factor

accounted for 25.6 per cent of the variance). Thus, no single factor accounted for a majority of the covariance in the variables, so the common method variance was unlikely to present a significant problem in our study. The results of the measurement of the constructs and the test of our hypotheses are described below.

Measurement of Constructs: For a reliable and valid measurement of the latent

variables, we followed the suggestions of Chin (1998) and his catalogue of criteria for assessing partial model structures. For all factors, our results show sufficiently high-factor loadings. In addition, the average variance extracted (AVE), the reliability tests (Cronbach's α , indicator reliability, factor reliability) and the discriminant validity (Fornell–Larcker criterion) revealed satisfactory results (see Table 2).

Table 2: Evaluation of the measurement models

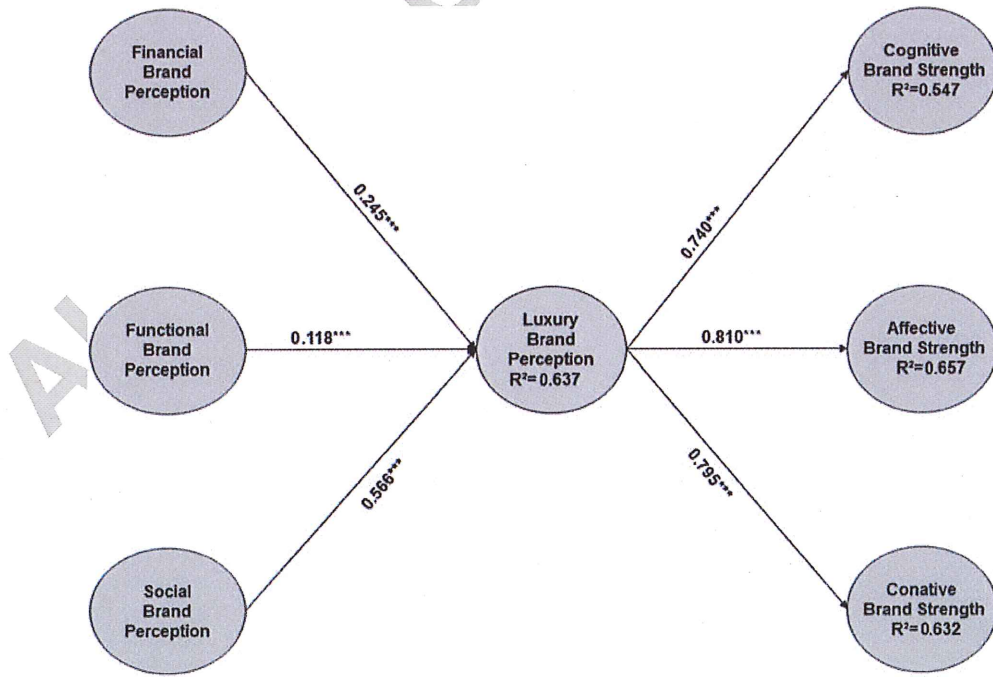
Factor	Cronbach's α	Factor loadings	t-value	Composite reliability	AVE	Fornell–Larcker criterion
<i>Luxury brand perception</i>						
Financial brand perception						
Luxury brands are reasonable priced	0.799	0.814	51.351	0.870	0.627	0.627 > 0.464
Luxury brands offer value for money		0.823	50.327			
Luxury brands are good products for the price		0.826	60.235			
Luxury brands are economical		0.696	26.872			
Functional brand perception						
Luxury brands have consistent quality	0.616	0.839	40.782	0.729	0.440	0.440 > 0.366
Luxury brands have rich workmanship		0.304	3.563			
Luxury brands last a long time		0.434	5.565			
Luxury brands perform consistently		0.879	50.629			
Social brand perception						
Luxury brands help me to feel acceptable	0.871	0.854	78.661	0.912	0.722	0.722 > 0.568
Luxury brands improve the way I am perceived		0.873	87.138			
Luxury brands make a good impression on other people		0.805	50.859			
Luxury brands give me social approval		0.865	77.888			
Overall luxury brand perception						
Luxury brands make me want to use them	0.863	0.855	78.420	0.907	0.710	0.710 > 0.657
Luxury brands are brands that I would feel relaxed about using		0.759	38.376			
Luxury brands make me feel good		0.878	99.006			
Luxury brands give me pleasure		0.873	89.332			
<i>Luxury brand strength</i>						
Cognitive brand strength						
My attitude toward luxury brands is positive	0.831	0.840	87.370	0.886	0.662	0.662 > 0.656
To me, luxury brands are unique		0.819	56.155			
The quality of luxury brands is very good		0.739	34.939			
I think the products of luxury brands are very valuable		0.850	70.141			
Affective brand strength						
Luxury brands make me happy	0.832	0.866	102.413	0.888	0.667	0.667 > 0.657
I find luxury brands attractive		0.909	145.214			
I like the design of luxury brands		0.822	54.206			
I accept luxury brands		0.646	22.588			
Conative brand strength						
I am willing to buy luxury brands	0.838	0.933	180.406	0.925	0.860	0.860 > 0.669
It is very likely that I will recommend luxury brands to my friends		0.923	137.181			

Evaluation of Structural Relations: To test our hypotheses, we conducted a PLS path modeling analysis with no replacement and a bootstrapping procedure (individual sign changes; 782 cases and 2000 samples). As illustrated in Figure 2 and Table 3, the assessment of the aggregate PLS path coefficients in the inner model results in statistically significant relations ($P < 0.001$).

In particular, referring to the *antecedents of luxury brand perception*, our results verify that the financial, functional and social perception of luxury brands are significantly positive related to the key construct of overall luxury brand perception, providing full support for Hypothesis 1a, Hypothesis 1b and Hypothesis 1c. With regard to the suggested *effects on luxury brand strength*, we hypothesized that the overall luxury brand perception is positively related to cognitive brand strength (Hypothesis 2a), affective brand

strength (Hypothesis 2b) and conative brand strength (Hypothesis 2c). The results provide full support for all three hypotheses. Against this backdrop, the empirical results give evidence that a positive perception of luxury brands – driven by financial, functional and social evaluations – is significantly positive related to all components of luxury brand strength.

In terms of the evaluation of the inner model (see Table 4), the coefficients of the determination of the endogenous latent variables (R^2) reveal satisfactory values at 0.637 for overall luxury brand perception, 0.547 for cognitive brand strength, 0.657 for affective brand strength and 0.632 for conative brand strength. Moreover, Stone–Geisser’s Q^2 (Stone, 1974; Geisser, 1974) yielded a value higher than zero for all endogenous latent variables, suggesting the predictive relevance of the explanatory variables.



Significance: *** $p \leq 0.001$ ($t > 3.291$); ** $p \leq 0.01$ ($t > 2.576$); * $p \leq 0.05$ ($t > 1.96$)

Figure 2: Structural model.

Table 3: Evaluation of the structural relations

	Original sample	Sample mean	Standard deviation	Standard error	t-statistics
<i>Antecedents</i>					
Hypothesis 1a: Financial brand perception – Overall luxury brand perception	0.245	0.245	0.031	0.031	8.006
Hypothesis 1b: Functional brand perception – Overall luxury brand perception	0.118	0.119	0.028	0.028	4.257
Hypothesis 1c: Social brand perception – Overall luxury brand perception	0.566	0.566	0.028	0.028	20.155
<i>Outcomes</i>					
Hypothesis 2a: Overall luxury brand perception – Cognitive brand strength	0.740	0.740	0.017	0.017	43.346
Hypothesis 2b: Overall luxury brand perception – Affective brand strength	0.810	0.811	0.014	0.014	58.723
Hypothesis 2c: Overall luxury Brand Perception – Conative brand strength	0.795	0.795	0.015	0.015	51.594

Table 4: Evaluation of the inner model

Endogenous latent variable	R ²	Q ²
Overall luxury brand perception	0.637	0.175
Cognitive brand strength	0.547	0.349
Affective brand strength	0.657	0.427
Conative brand strength	0.632	0.543

As a result, referring to our initial hypotheses, the assessment of the measurement models and the structural relations support the proposed causal relations between luxury brand perception and luxury brand strength.

CONCLUSION

The aim of the present study was to investigate the interplay of consumer perception of luxury brands and the causal effects on related brand outcomes. The theoretical and empirical findings support the effect of multidimensional facets of consumer perception on the decision-making process in the luxury industry. In detail, the individual luxury brand perception was significantly influenced by financial, functional and social evaluations of the luxury brand. Further, individual

luxury brand perception was shown to significantly affect all components of luxury brand strength. Taken as a whole, the findings of this study help luxury brand managers and researchers to understand the complex interplay of drivers that affect luxury brand perception and luxury consumption.

From a managerial perspective, luxury brand managers who aim to build and preserve a positive customer–brand relationship should focus on creating and delivering sufficient value as perceived by the consumers when interacting with a luxury brand. It has been shown that luxury brand strength in terms of a positive relationship with the brands results from the consumer's positive evaluation of economic (for example, price–value relationship, exclusivity), functional (for example, high quality) and symbolic attributes (for example, prestige, status). The interplay of these individual evaluations results in the cognitive, affective and behavioral responses to the luxury brand. Therefore, in their marketing efforts, managers of luxury brands have to address the levels of knowledge and beliefs regarding their brand as well as the emotional attachment that creates a bond between consumer and brand. Advertising campaigns

and retailing experiences that deliver arguments for superior affective and cognitive value help to differentiate luxury brands and generate positive consumer response.

Focusing on further research, it can be assumed that considerable cross-national differences in consumer response to luxury brands exist (Dubois *et al*, 2005; Hennigs *et al*, 2012). For that reason, to generalize the findings of this study, the identification of important local differences can provide further insights and strategic implications for a global branding strategy of luxury brands. In order to avoid a possible cultural bias caused by the choice of a purely German sample, further research should focus on more diverse cultural consumer groups. This may lead to an international, as well as societal context to interesting results because of comparing differences and similarities in the perception of luxury. Besides, attributed to the fact that the concept of luxury is highly individual and the luxury market is very heterogeneous, further studies should compare the consumer perception of and behavioral response with different product categories and specific luxury brands. It is expected that the relative importance of the drivers identified in the present study might vary with reference to specific brands or product categories.

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Module 3

Addressing Consumers' Luxury Perception

- Paper 3.1** Hennigs, N., Wiedmann, K.-P., Behrens, S., Klarmann, C. and Carduck, J. (2013): Brand Extensions: A Successful Strategy in Luxury Fashion Branding? Assessing Consumers' Implicit Associations. *Journal of Fashion Marketing and Management*, Vol. 17, No. 4, pp. 390-402.
- Paper 3.2** Wiedmann, K.-P., Hennigs, N., Klarmann, C. and Behrens, S. (2013): Creating Multi-Sensory Experiences in Luxury Marketing. *Marketing Review St. Gallen*, Vol. 30, No. 6, pp. 72-80.
- Paper 3.3** Hennigs, N., Wiedmann, K.-P., Klarmann, C. and Behrens, S. (2013): Sustainability as Part of the Luxury Essence: Delivering Value through Social and Environmental Excellence. *Journal of Corporate Citizenship*, Issue 52 (December 2013), pp.25-35.

Paper 3.1

**Brand Extensions: A Successful Strategy in Luxury Fashion Branding?
Assessing Consumers' Implicit Associations**

Nadine Hennigs

Klaus-Peter Wiedmann

Stefan Behrens

Christiane Klarmann

Juliane Carduck

Journal of Fashion Marketing and Management

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BRAND EXTENSIONS: A SUCCESSFUL STRATEGY IN LUXURY FASHION BRANDING?

ASSESSING CONSUMERS' IMPLICIT ASSOCIATIONS

STRUCTURED ABSTRACT

Purpose: Although the investigation of vertical brand extension strategies has gained importance, existing research focuses primarily on consumer attitudes to vertical brand extensions, and to date, little research has been made on the luxury market. Moreover, studies on the impact of vertical brand extensions have been limited to explicit measurement methods. Therefore, the aim of this study is to provide new insights by focusing on the change of consumers' brand perception related to downgrading and upgrading brand extensions strategies in the luxury market based on an implicit association test (IAT).

Design/methodology/approach: In our exploratory study context of examining the spontaneous reaction time with reference to the luxury concept by confronting respondents with adequate verbal vertical brand extension stimuli, a ST-IAT was considered for the empirical tests of our hypotheses.

Findings and implications: The study results give evidence that consumers' perception of an upgrading or downgrading strategy of a brand varies in accordance to our hypotheses. Hence, the reaction time of the H&M subjects decreased after having read the upgrading stimulus whereby, in the case of Karl Lagerfeld, the ST-IAT reaction times showed that the downgrading information resulted in a weaker association of Karl Lagerfeld with luxury.

Originality/value: The use of implicit measurement methods is becoming increasingly important for assessing consumer reaction to the new product line. Particularly, when luxury brands apply a downgrading strategy, the risks of possible damages to the core brand are much higher than in the case of an upgrade of a basic brand to the luxury or premium segment.

Keywords: Brand Extension, Luxury Fashion Branding, Implicit Measurement, Implicit Association Test (IAT)

Article Classification: Research Paper

INTRODUCTION

"Today luxury is everywhere" (Kapferer and Bastien, 2009, p. 311). As basic as this sentence, as complex is the management of luxury brands nowadays. Related to the rising demand for luxury from emerging countries (e.g., India and China) as well as the increased

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spending capacity of the middle class, since the nineties, the market for luxury brands has grown considerably (Hudders et al., 2012). These days, luxury does not only serve the desire of the affluent society, but also the demand of people who can occasionally afford the brands of luxury producers (Yeoman, 2011; Wiedmann et al., 2009). Thus, luxury brands are no longer the exclusive domain of the elite (Yeoman and McMahon-Beattie, 2006; Wiedmann et al., 2009). Often described as the democratization of the luxury market (Dubois and Laurent, 1995), luxury became more accessible to a larger audience, which results in the demand for brands to “*re-position themselves to attract the new, niche luxury market that was employing a different way of thinking than those of “old luxury.”*” (de los Santos, 2009, p. 2). To serve this new market trends, vertical brand extension strategies are of particular interest for brand managers (Stegemann, 2006). Especially in the fashion industry, various companies have launched brand (line) extensions addressing the new or casual luxury buyers (Truong et al., 2009). On the one hand, luxury brand managers are interested in downgrading strategies, while, on the other hand, brand managers of premium brands are interested in upgrading strategies (Truong et al., 2009).

Although the investigation of vertical brand extension strategies has gained importance, existing research focuses primarily on consumer attitudes to and evaluation of vertical brand extensions and their impact on the ‘equity’ of the parent brand (Riley et al., 2004) and, to date, little research has been made on the luxury market (Stegemann, 2006). Moreover, studies on the impact of vertical brand extensions have been limited to explicit measurement methods (McCarthy et al., 2001; Riley et al., 2004; Reddy et al., 2009; Ginman et al., 2010.) These results are restricted in their significance as recent findings indicate that perception and attitude change unconsciously in the minds of customers and, consequently, cannot explicitly queried (Scheier, 2007). Therefore, the aim of this study is to provide new insights by focusing on the change of consumers’ brand perception related to downgrading and upgrading brand extensions strategies in

the luxury market based on an implicit association test (IAT). To investigate the attitude change towards the core brand, the well-known fashion brands H&M and Karl Lagerfeld have been selected using a story telling approach.

THEORETICAL BACKGROUND

The Luxury Concept

Even if the term “*luxury*” is routinely used in our everyday life, there is little agreement on the definition of luxury (Hennigs et al., 2013) as the understanding of luxury may differ between individuals, is situational contingent and depends on the experience and individual needs of the consumer (Wiedmann et al., 2007; Hennigs et al., 2013). As early as 1898, Davidson argued: “*The definitions of luxury have been so various that the perplexity of the public is almost excusable*” (Davidson, 1898, p. 61). Nevertheless, over time the concept of luxury has lost its predominantly negative view. Today, luxury is mainly recognized as the satisfaction of the demand beyond the ordinary or average standard of living (Sombart, 1996, p 85).

With reference to the core value of luxury brands, Dubois, Laurent and Scellar (2001) claim that consumer perceive six luxury specific characteristics: Excellent quality, very high price, scarcity and uniqueness, aesthetics and polysensuality, ancestral heritage and personal history, as well as superfluosness. Focusing on the term ‘new luxury’, Silverstein and Fiske (2003, p. 3) define: “*products and services that possess higher levels of quality, taste, and aspiration than other goods in the category but are not so expensive as to be out of reach.*”

From a consumer perspective, according to Wiedmann, Hennigs and Siebels (2007, 2009), luxury brands can satisfy financial, functional, individual and social needs. The financial value dimension includes direct monetary aspects such as the price or opportunity costs. The functional value dimension refers to the core performance of a product as quality or uniqueness. The social

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value dimension relies mainly on prestige as well as the possibility to distinguish from other individuals, whereas the individual value dimension relates to hedonic consumption.

In sum, “*Luxury goods are conducive to pleasure and comfort, are difficult to obtain, and bring the owner esteem, apart from functional utility*” (Shukla, 2011, p. 243).

Brand Extension

Brand extension is a common strategy of introducing new products to the marketplace (Kim and Lavack, 1996). Such a strategy is often used in the context of considerable costs and risks of a new product launch as companies can take advantage of brand name recognition and image to enter new markets faster and even more successful (Aaker and Keller, 1990; Pitta and Katsanis, 1995; Stegemann, 2006).

According to existing literature, four strategic approaches exist to enter new markets or segments by leveraging on current brand names: line extension, category extension, co-branding and franchising. This study focuses on line extension (vertical brand extension). This strategy aims to introduce a brand in the same product category of the core brand but at a different price and quality level (Kim and Lavack, 1996). Brand managers can choose between two directions of vertical brand extensions: step-up (upgrading) or step-down (downgrading) (Kim et al., 2001). When following a step-up brand extension, the extended brand is introduced at a higher price and quality level than the core brand, while a step-down brand extension will be introduced at a lower price and quality level (Kim and Lavack, 1996).

In general, for the success of an extension strategy existing research highlights the importance of the perceived fit between the core brand and the extended brand (Aaker and Keller 1990; Reddy et al., 1994) as well as the necessity of a strong image of the core brand with a high value of brand recognition and brand strength (Pitta and Katsanis, 1995). Thus, an excessive and

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inconsistent extension (i.e., a low fit between the core and extended brand or even a contradictory image) might lead to a negative brand image and create damaging associations which may be very difficult for a company to overcome (Aaker and Keller, 1990; Kim et al., 2001).

Various opportunities and risks are associated with a line extension. Focusing on a downgrading strategy in the luxury sector, in order to gain additional market-shares, brand managers might want to attract more price-sensitive customers through lower-end products (Lipovetsky and Roux, 2003; Magnoni and Roux, 2008). Thus, referring to the increasing demand for luxury brands, traditional luxury brands and designers such as Tag Heuer and Armani extended their brands with a focus on lifestyle products in order to target different consumers (Truong et al., 2009). Nevertheless, in the luxury market a downgrading strategy might lead to a dilution or damage of the brand's image, especially in view of the brand's exclusivity (Dubois and Paternault, 1995; Kim and Lavack, 1996; Ahluwalia and Gurhan-Canli, 2000). Moreover, through the lower price (and possibly even quality) luxury brands may also face a loss of prestige (Kim and Lavack, 1996). As a consequence, the demand for the core brand might decrease.

Against the backdrop of an upgrading strategy, companies introduce vertical brand extension strategies in order to gain additional market-shares. For instance, premium brands are following a vertical brand extension strategy in order to serve the growing niche of accessible luxury. Nevertheless, an upgrading brand extension, incorporating a difference in price and/or quality, might lead to "*consumer concerns, questions, or dissonance about the quality level of the core brand*" (Kim and Lavack, 1996).

In view of the possible negative effects of a vertical brand extension strategy, distancing techniques gain relevance (Kim et al., 2001). According to this, if the brand extension is introduced at a significant different price/quality level, it might be desirable "... *to create a*

larger distance or separation between the core brand and the brand extension using a graphical or linguistic distancing method” (Kim et al., 2001).

CONCEPTUALIZATION

Due to the more and more common assumption that customer behavior is not only driven and regulated by cognitive-rational considerations, the analysis of unconscious and implicit processes moves into focus (Friese et al., 2006; Maison et al., 2001). Such implicit attitudes can be defined “*as actions or judgments that are under the control of automatically activated evaluation, without the performer's awareness of that causation.*” (Greenwald et al., 1998, p. 1464) what suggests a spontaneous, rather intuitive decision behavior. Hence, when it comes to the analysis of product or brand choices, it seems appropriate to rely on implicit measurement methods which overcome the disadvantages of classical explicit methods that are based on self-evaluations (Nosek, 2007; Friese et al., 2006). The main characteristic of implicit measures is that the study participants are not explicitly asked for information regarding certain questions because these methods try to solve the problems of slow and socially desirable responses by avoiding direct questioning (Bing et al., 2007; Hofmann et al., 2005). Consequently, there exists a rather low probability that the results will be falsified because the respondents do not know about the applied measurement method (Greenwald et al., 2002).

One of the most famous implicit measurement methods is the computer based *Implicit Association Test* (IAT), developed by Greenwald et al. 1998, which is particularly applicable to the investigation of attitudes, stereotypes and prejudices (Hofmann et al., 2005; Greenwald et al., 2003). The basic idea behind the IAT is that it would be easier for participants to respond with the same answer key on associated subjective concepts (compatible) than with an opposite response key (non-compatible) (Greenwald et al., 2009). The resulting so-called IAT-Effect

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describes “*the differences in mean latency between these two conditions (non-compatible minus compatible)*” (Greenwald et al., 1998, p. 1468) and is often interpreted as the strength of an associative link (Greenwald et al., 2003; Greenwald et al., 1998).

In contrast to the aforementioned classical IAT, the Single Target Implicit Association Test (ST-IAT), which was applied in the present study, “*measures the evaluation of a target object without the need to simultaneously evaluate a counter-category.*” (Bluemke and Friese, 2008, p. 977). Accordingly, respondents are presented only one target object per phase to receive an absolute and not just relative IAT-Effect (Bluemke et al., 2010; Bluemke and Friese, 2008). The structure of a ST-IAT is shown in *Table 1* by using the specific contents of our study.

--- *Table 1 about here* ---

In order to fulfill our study objective to investigate the change of consumers’ brand perception related to down- and upgrading brand extensions strategies in the luxury market, we have carefully chosen two widely known target concepts so that respondents have no problems in the later word assignment. “*Karl Lagerfeld*” is one of the most successful and recognizable figures in fashion that serves as a source of inspiration for luxury brands. On the other hand, “*H&M*” is one of the world’s largest “fast fashion” clothing retailers that has achieved popularity, especially among mainstream consumers. Also, the words for the attribute concepts “*Luxury*” and “*Non-Luxury*” were carefully selected to prevent irritations and misunderstandings. Therefore, the key features of luxury goods, defined by Dubois et al. 2001, as well as common terms regarding product values were used. In particular, the attribute “*Luxury*” is determined by *expensive, high-quality, valuable, unique and status*, whereas “*Non-Luxury*” is described by contrasting words such as *cheap, substandard, normal, mass-produced and ordinary*.

Based on the presented conceptualization of the ST-IAT, we assume that it should be possible to influence the spontaneous reaction time with reference to the luxury concept by confronting respondents with adequate verbal up- and downgrading stimuli. Against this background the following hypotheses can be derived:

H₁: After providing an upgrade-stimulus, H&M is easier associated with the luxury concept.

H₂: After providing a downgrade-stimulus, Karl Lagerfeld is less associated with the luxury concept.

METHODOLOGY

The collection of the data was conducted in Germany over a period of 10 days in July 2012. To recruit potential study participants, we targeted native-speaking, right-handed volunteers with high interest in the domain of fashion and luxury as well as sufficient knowledge about the selected brands H&M and Karl Lagerfeld. A total of 30 individuals participated in the study, one-third of them male and two-third of them female, with a mean age of 26 years. The computer-assisted personal interviews were based on a Single Target Implicit Association Test (ST-IAT) using *Inquisit Web Edition 4.0 Beta* by *Millisecond Software*.

The interviews were divided into three parts to allow a before-after measurement and comparison: After a brief instruction focusing on the general purpose of this study, the participants completed the IAT in which the IAT stimulus lists were comprised of the materials as shown in *Table 2* – 50% of the sample were exposed to the Karl Lagerfeld stimuli, 50% to the H&M stimuli.

--- *Table 2 about here* ---

In particular, the ST-IAT followed the three different blocks as described in *Table 1*. Specifically, in Block 1, for evaluative training purposes referring to the bipolar attribute concept of luxury vs. non-luxury, the *luxury concept* was categorized on the ‘E’ key (left key concept), whereas “*Non-Luxury*” was categorized on the ‘I’ key (right key concept). In Block 2, the initial block with 20 training and 40 experiment trials, the *luxury concept* as well as the stimuli for the *brand* (unipolar target concept: H&M or Karl Lagerfeld) were assigned on the ‘E’ key, the concept for “*Non-Luxury*” on the ‘I’ key. In the reversed block (Block 3) with 20 training and 40 experiment trials, the luxury concept was still categorized on the ‘E’ key, whereas “*Non-Luxury*” and the stimulus material for the selected *brand* was categorized on the ‘I’ key.

In a second step, to investigate the effect of a possible vertical brand extension, at the end of the IAT measurement, each participant was asked to read a newspaper article that relates to a trading-up in the case of H&M and a trading-down in the case of Karl Lagerfeld (see material as shown in *Table 3*).

--- *Table 3 about here* ---

Subsequently, in a third step, the ST-IAT was performed again to detect possible differences compared to the first measurement.

RESULTS AND DISCUSSION

For the analysis of our data, in a first step, the IAT effect for each participant based on the D-score algorithm of Greenwald et al. (2003) was calculated. Therefore, only the data of the reaction time measurements in the experimental blocks were used in the calculation process. The other blocks were not considered, due to the fact that the reaction time here is usually longer (see Greenwald et al. 1998; Greenwald & Farnham, 2000) and more likely to fulfill the purpose of a

training effect. In general, high ST-IAT scores above zero indicate positive implicit brand associations, whereas low ST-IAT scores below zero indicate negative implicit brand associations with Karl Lagerfeld or H&M against the backdrop of a luxury concept. In addition, there is a general assumption that a short reaction time suggests that a particular brand is more associated with the concept of luxury. The scores for all subjects (*absolute values, sorted by size*) are shown in *Figure 1* and *Figure 2* to illustrate the study results against the backdrop of our hypotheses.

--- *Figure 1 and Figure 2 about here* ---

Referring to H&M, the reaction time was significantly shorter for 11 out of 15 test subjects after having read the trading-up stimulus. Reasoning that an upgrade stimulus causes the subjects to facilitate the association of the brand with the concept of luxury, the data confirm that H&M was more assigned to the luxury category in the second measurement step. Therefore, hypothesis H₁ is supported.

For the case of Karl Lagerfeld and the downgrading stimulus, a reverse effect was revealed. In this context, the results show clearly a higher reaction time in the second stage of the IAT measurement for 11 pre-post values. The result are supportive of hypothesis H₂, suggesting that a downgrading stimulus with a price reduction and a greater availability of the offered fashion items leads to a decreased association with the luxury concept.

Comparing the *individual reaction times* before and after the upgrading stimulus (see *Figure 3 and 4*), 10 out of 15 subjects in the H&M sample recorded a more positive attitude to the brand after having read the newspaper article. Therefore, the information about the luxury collection by H&M led to a stronger implicit association with the luxury category. For the case of Karl Lagerfeld, a more differentiated picture was created: One half of all subjects rated Karl

Lagerfeld worse after the downgrading stimulus, however the other half revealed a more positive attitude to the brand in relation to luxury.

--- Figure 3 and Figure 4 about here ---

Apparently, the results provide no clear picture about the effect of the downgrading stimulus. However, a possible explanation for the ambiguous results might be the lack of experience with the brand Karl Lagerfeld. Due to the fact that in comparison to H&M, the study participants indeed know Karl Lagerfeld, nevertheless are less likely to personally own one of the brand's products. For that reason, the newspaper stimulus led to enhanced knowledge about this brand that was reflected in a stronger association with luxury for some of the study participants – even if the information in the article focused on a downgrading situation of the brand. Consequently, in next research steps, the focus on participants with actual product experience with this brand might lead to less ambiguous results.

CONCLUSION

Main Contribution

The main objective of this study was to investigate with reference to an implicit measurement approach, whether vertical brand extensions can be considered a useful and successful strategy in the luxury category. The study results give evidence that consumers' perception of an upgrading or downgrading strategy of a brand varies in accordance to our hypotheses. In detail, the reaction time of the H&M subjects decreased after having read the upgrading stimulus, because the association of H&M and the luxury concept was enhanced by the newspaper articles with information of a new product line with extraordinary quality and a higher price. The effect of the newspaper article could also be intensified by the fact that in the past,

H&M has collaborated with luxury brands such as Versace, Roberto Cavalli and Karl Lagerfeld and was therefore more likely to be related with luxury. In the case of Karl Lagerfeld, the ST-IAT reaction times showed that the downgrading information in the newspaper article resulted in a weaker association of Karl Lagerfeld with luxury. In this context, again the effect could have been reinforced by past collaborations with Karl Lagerfeld and H&M and the fact that Karl Lagerfeld has already released a collection in the lower price segment. Consequently, further investigation is needed with respect to the extension to brands that have still refrained from vertical brand extension strategies.

It has to be noted that an accurate interpretation and generalizability of the results are limited because of the relatively small sample size of 30 subjects. Therefore, it is reasonable to replicate the study with a much larger sample size to gain more differentiated results. Besides, typically for implicit measurement approaches, especially based on IAT reaction times, a decreasing attention of the study participants that is due to the duration of the interview and the learning effect cannot be disregarded. Even if such influences can be generally assumed and have to be considered in the context of the interpretation of results, in our context, possible learning effects cannot be seen as particularly for the Karl Lagerfeld sample slower reaction times could be measured in the second stage of the ST-IAT. Overall, the results of the study presented here provide interesting insights that imply valuable recommendations for both marketing research and management practice.

Implications for Future Research

The importance of vertical brand extension strategies for luxury brands has been elaborated in this study against the backdrop of the identified research gap that surprisingly only limited knowledge is available that empirically investigates the impact of vertical brand

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extensions in the luxury industry. In addition, existing studies are commonly based on explicit measurement methods, even if most of the information processing and decision-making occurs unconsciously (see e.g., Dijksterhuis et al. 2006). As described in the present study, to reveal comprehensive insights on consumer attitudes and perceptions, future research should also apply implicit measurement methods, perhaps in combination with conventional explicit methods such as self-assessment questionnaires. However, the design of an appropriate implicit measurement method and the selection of suitable stimulus material (pictures and words) and study participants is not trivial, a sound knowledge and a thorough analysis of the relevant literature and study context is a basic precondition.

Implications for Management Practice

From a managerial perspective, the results indicate specific challenges of a vertical brand extension strategy in the luxury industry. Such a strategic approach and the decision to upgrade or downgrade the product line require a thorough consideration of possible risks and barriers. As our study results show, in the case of H&M, an upgrade of the product range to the domain of luxury goods leads to an overall positive effect on the implicit brand perception and can therefore be regarded as a promising strategy. Reasoning that the brand H&M is generally associated with a reasonable quality without charging excessive prices – even for designer clothes – a possible luxury collection by H&M perfectly responds to the consumers' need for status and prestige and thus fulfills the desire for luxury. Nevertheless, loyal consumers of H&M are less likely to buy luxury at any cost. Therefore, to satisfy the specific needs of the target group, the price of the described Luxury Collection by H&M has to fit within the brand's product and price range and should not reach the price level of high-luxury fashion such as Chanel or Dior. In case of Karl

Lagerfeld, the same precondition is required: The quality and price of a collection using a
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downgrading strategy has to ensure that the typical high-income group of luxury customers as the existing customer base will not lose their trust in and loyalty to the brand. The extension of a luxury brand to a collection in the low-price segment and the greater availability of the brand's products threaten the characteristic properties of luxury such as exclusivity and uniqueness. In consequence, such a strategy can lead to the loss of existing customers and the decline of the brand strength of Karl Lagerfeld and thus facilitate brand erosion. The results of the implicit measurements confirm these assumptions: Related to the majority of study participants, the reaction time was lower after having read the downgrading stimulus, suggesting a lower association of Karl Lagerfeld with the luxury concept.

Overall, following a vertical brand extension strategy, marketing managers have to consider the specific context of their brand and the targeted consumer group in order to develop a holistic management concept with appropriate market positioning strategies. As shown in this study, the effect of brand extension strategies is not easily predictable. The use of implicit measurement methods is becoming increasingly important for assessing consumer reaction to the new product line. Particularly, when luxury brands apply a downgrading strategy, the risks of possible damages to the core brand are much higher than in the case of an upgrade of a basic brand to the luxury or premium segment. A carefully conducted analysis of the effect of brand extensions can reveal potential opportunities and risks as a basis to decide if a brand extension is a suitable and successful strategy.

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FIGURES AND TABLES

Table 1: Structure of the ST-IAT by using H&M or Karl Lagerfeld as Target Concept

Unipolar target concept: H&M				
Bipolar attribute concept: Luxury vs. Non-Luxury				
Block	Trials	Task description	Left key concepts (E)	Right key concepts (I)
1	20	Evaluative training trials	Luxury	Non-Luxury
2	20 (Training) 40 (Experiment)	Initial block	Luxury	Non-Luxury + H&M
3	20 (Training) 40 (Experiment)	Reversed block	Luxury + H&M	Non-Luxury
Unipolar target concept: Karl Lagerfeld				
Bipolar attribute concept: Luxury vs. Non-Luxury				
Block	Trials	Task description	Left key concepts (E)	Right key concepts (I)
1	20	Evaluative training trials	Luxury	Non-Luxury
2	20 (Training) 40 (Experiment)	Initial block	Luxury + Karl Lagerfeld	Non-Luxury
3	20 (Training) 40 (Experiment)	Reversed block	Luxury	Non-Luxury + Karl Lagerfeld

Table 2: Word and Picture Stimuli for the Single Target IAT

WORD STIMULI	
Label	Stimuli
<i>Luxury</i>	<i>expensive, high-quality, valuable, unique, status</i>
<i>Non-Luxury</i>	<i>cheap, substandard, normal, mass-produced, ordinary</i>
PICTURE STIMULI	
Brand A: H&M	<i>6 illustrations including brand logos were presented</i>
Brand B: Karl Lagerfeld	<i>6 illustrations including brand logos were presented</i>

Table 3: Newspaper Articles

BRAND EXTENSION: UPGRADING AND DOWNGRADING STIMULI		
<p>Stimulus Upgrade → H&M</p>	<p>Oh, these Swedes! This is going to be a whole new story: A top manager of the Swedish fashion group H&M reveals that the new premium product line will be called ‘& Other Stories’.</p> <p>Last week, H&M's CEO <i>Karl-Johan Persson</i> announced that a new fashion concept will be launched in early 2013 in Europe. The Swedish newspaper <i>Dagens Nyheter</i> found out that the new product line will be branded ‘& Other Stories’. The H&M group had already registered corresponding brand names and logos last year at the <i>Swedish Patent and Registration Office</i> and the <i>World Intellectual Property Organization (WIPO) Geneva</i>. Yesterday, H&M's spokeswoman <i>Camilla Emilsson-Falk</i> confirmed the new concept and added: ‘<i>The new product line is a perfect complement to H&M. ‘& Other Stories’ will offer products with exceptional quality in a higher price range, but still fit to the H&M group's business concept: Fashion and quality at the best price possible.</i>’ However, it can be assumed that ‘& Other Stories’ covers a broad product range. The brand is registered for product categories such as fashion, hair care products, bed and table linen, as well as sports equipment.</p>	<div style="border: 1px solid black; padding: 10px; margin-bottom: 10px; text-align: center;"> <p><i>Picture Stimuli of H&M Collection</i></p> </div> <p>The new product line of H&M is branded ‘& Other Stories’ and offers high quality fashion</p>
<p>Stimulus: Down-grade → Karl Lagerfeld</p>	<p>After the success of his first fashion collection ‘Karl’ by Karl Lagerfeld, which is priced lower than the brand’s premium line, the fashion emperor now sets it to the extreme.</p> <p>Karl Lagerfeld plans a second collection branded ‘<i>Otto</i>’, Mr. Lagerfeld’s middle name. The new fashion line will be available from the beginning of 2013 at the mail-order company <i>OTTO</i>. A very consistent approach: <i>Otto</i> for <i>OTTO</i> – widely available and affordable for the average consumer. The price range is supposed between 30 and 120 euros and is comparable to fashion chains such as <i>Vero Moda</i>, <i>H&M</i> and <i>Zara</i>. Lagerfeld has already announced, with reference to his first masstige-collection ‘<i>Karl</i>’, that he envisions the idea of ‘<i>mass elitism</i>’: ‘<i>I think it was almost my duty to make it possible under my name. This is the road of modernity.</i>’ With the new product line ‘<i>Otto</i>’, he will take a further step forward to this vision.</p>	<div style="border: 1px solid black; padding: 10px; margin-bottom: 10px; text-align: center;"> <p><i>Picture Stimuli of Karl Lagerfeld Collection</i></p> </div> <p>Look from the new collection ‘<i>Otto</i>’ by Karl Lagerfeld</p>

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Figure 1: IAT Scores – H&M (*absolute values, sorted by size*)

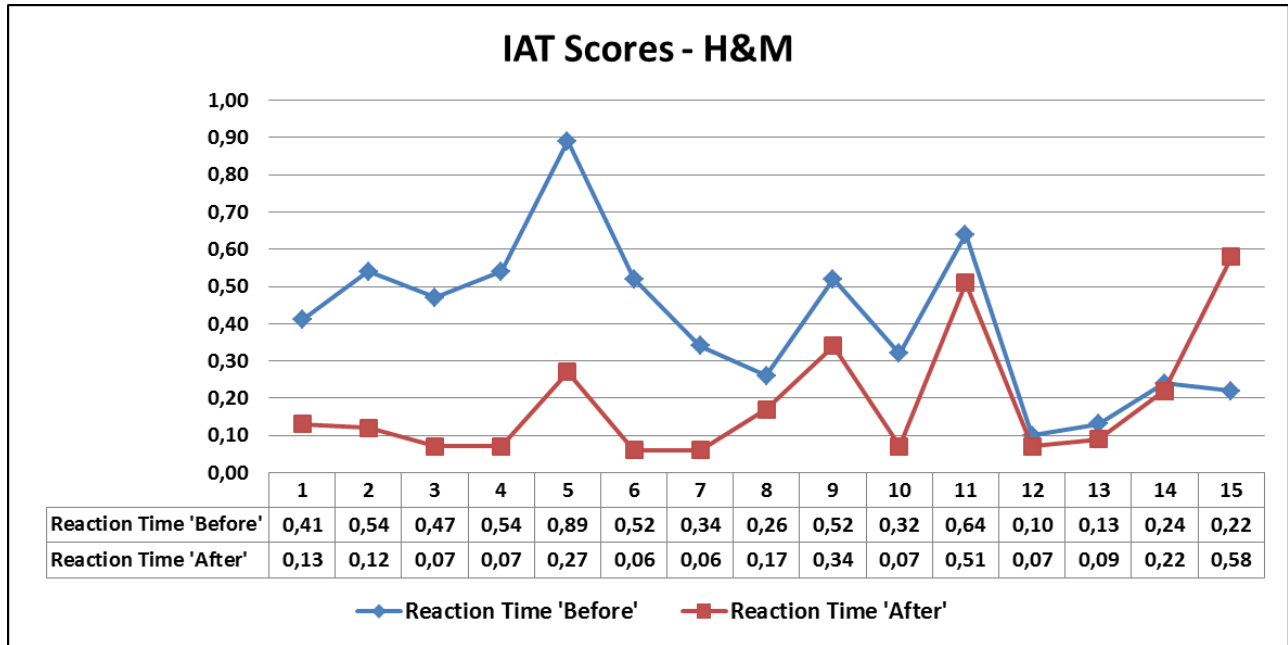


Figure 2: IAT Scores – Karl Lagerfeld (*absolute values, sorted by size*)

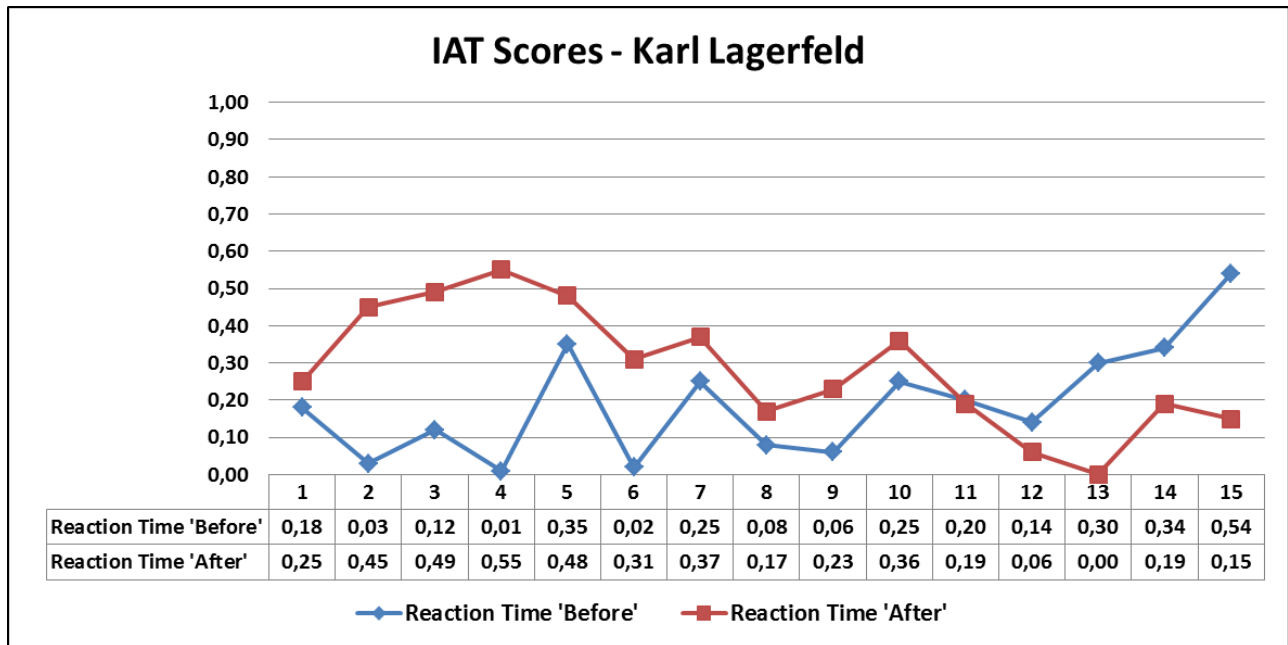


Figure 3: Individual Reaction Times – H&M

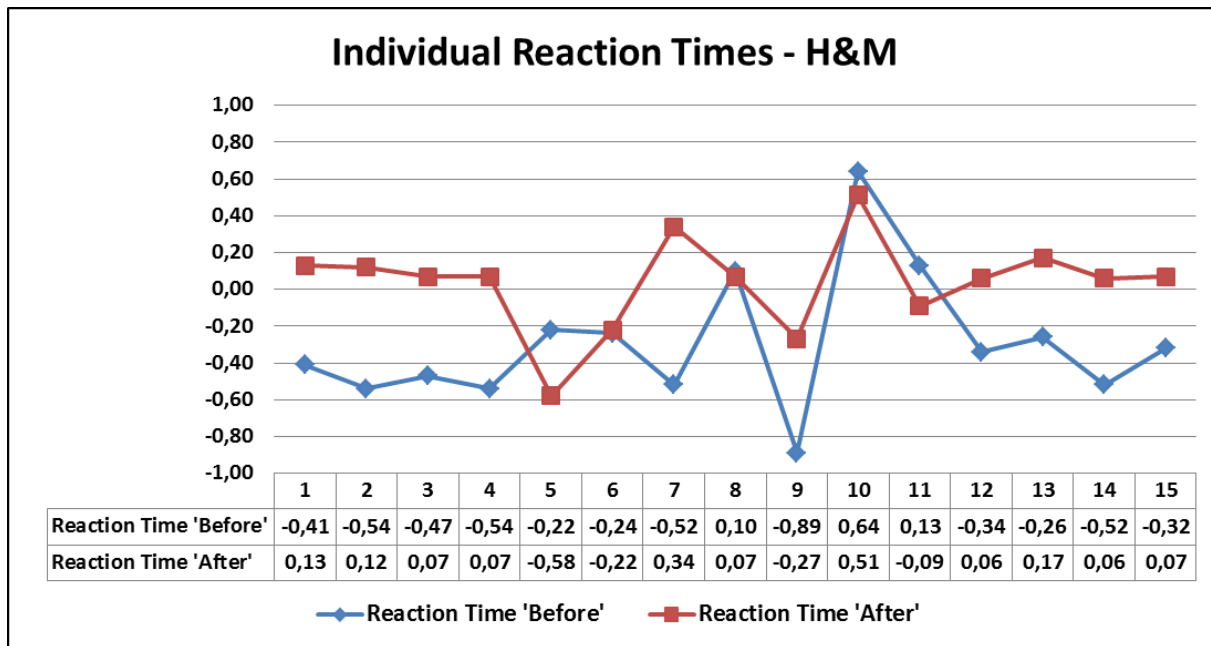
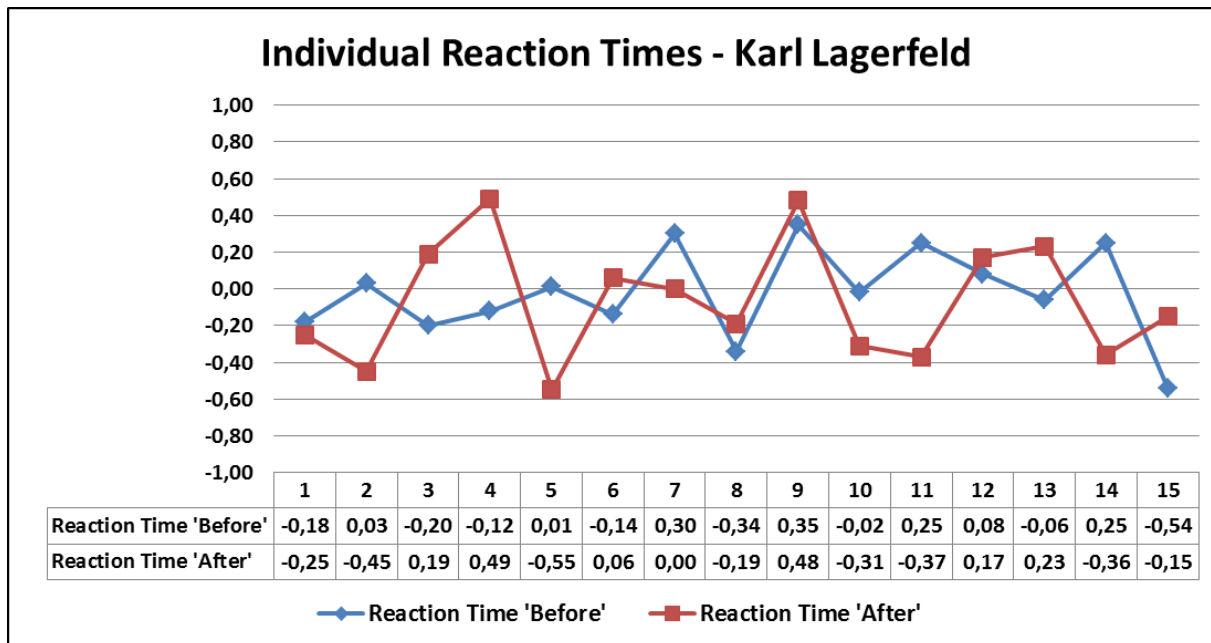


Figure 4: Individual Reaction Times – Karl Lagerfeld



Paper 3.2

Creating Multi-Sensory Experiences in Luxury Marketing

Klaus-Peter Wiedmann

Nadine Hennigs

Christiane Klarmann

Stefan Behrens

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Creating Multi-Sensory Experiences in Luxury Marketing

As luxury goods are more than any other products bought for what they mean, beyond what they are, multi-sensory experiences of luxury brands gain more and more relevance in creating superior customer-perceived value. Therefore, key design approaches are outlined as a general basis for further research and business practice in the luxury sector.

Klaus-Peter Wiedmann, Nadine Hennigs, Christiane Klarmann, Stefan Behrens

Introduction

Strongly related to the increasing information overload and consumers' reluctance to advertising, businesses face the challenge of identifying more effective ways of marketing communication (Lindstrom 2005). Especially in the field of luxury goods marketing, sophisticated concepts of emotional product and brand differentiation are required to create a holistic brand experience which can be enhanced by an appropriate store atmosphere (Masarenhas et al. 2006). Since a message is considerably stronger if multiple senses are stimulated simultaneously, the targeted use of multi-sensory elements in strengthening marketing communication and distribution strategies becomes more and more evident (Lindstrom 2005). With a combination of external stimuli, such as images (visual), sound (auditory), skin contact (haptic), smell (olfactory) and taste (gustatory) (Hultén 2011), the multi-sensory approach aims to influence the consumer's experience as a *total experience* (Lindstrom 2005). In accordance with this, the usage of empirically confirmed success drivers related to a sensory brand experience might enhance the customer-perceived value in terms of the financial, functional, individual and social dimension and thus optimize the positioning of luxury brands. Therefore, the present paper outlines key design approaches for multi-sensory brand experience in the area of luxury goods marketing as a general basis for further research and business practice in the luxury sector.

Construct Definition

Luxury Concept

The term "luxury" is routinely used in our everyday life to refer to products, services or a certain lifestyle, yet often without a clear understanding of the luxury concept. Key characteristics of luxury brands include a perceived high price; excellent quality; exclusivity and uniqueness in the sense of scarcity or severe availability; aesthetics of form and colour; a long history and the reputation of a holistic and continuous brand presence; and non-necessity, as symbolic values dominate over the functional characteristics (Dubois et al. 2001): „*More than other products, luxury items are bought for what they mean, beyond what they are*” (Dubois/Paternault 1995, p. 71). Finally, the luxury concept is strongly related to sensuality: „*Luxury defines beauty; it is art applied to functional items. (...) Luxury items provide extra pleasure and flatter all senses at once (...)*” (Kapferer 1997, p. 253).

Luxury Consumption Values

Inspired by the work of Vigneron and Johnson (2004), Wiedmann et al. (2007, 2009) proposed a multidimensional model with four distinct value dimensions for measuring the perceived luxury value of a brand, which provides a comprehensive look at the various functions of luxury brands from the consumer's perspective. Apart from individual and social motives of lux-

Prof. Dr. Klaus-Peter Wiedmann

Director of the Institute of Marketing and Management, Leibniz University of Hannover, Königsworther Platz 1, 30167 Hannover

E-Mail: wiedmann@m2.uni-hannover.de

Dr. Nadine Hennigs

Assistant Professor at the Institute of Marketing and Management, Leibniz University of Hannover, Königsworther Platz 1, 30167 Hannover

E-Mail: hennigs@m2.uni-hannover.de

*** Dipl.-Oec. Christiane Klarmann**

Research Assistant and Doctoral Candidate at the Institute of Marketing and Management, Leibniz University of Hannover, Königsworther Platz 1, 30167 Hannover

E-Mail: klarmann@m2.uni-hannover.de

Dipl.-Oec. Stefan Behrens

Research Assistant and Doctoral Candidate at the Institute of Marketing and Management, Leibniz University of Hannover, Königsworther Platz 1, 30167 Hannover

E-Mail: behrens@m2.uni-hannover.de

* Corresponding Author

ury consumption, they also take the functional and financial benefits of luxury goods into account.

The **financial dimension** addresses direct monetary aspects, indicating the value of the product or reflecting the opportunity cost (e.g., Ahtola 1984).

The **functional dimension** refers to the core benefits that the consumer expects to gain from a luxury product, such as quality, uniqueness, usability, reliability and durability (e.g., Sheth et al. 1991).

In contrast to this, the **individual dimension** relates to the customer's personal orientation and focuses on the consumption of luxury goods for materialistic aspirations (e.g., Richins/Dawson 1992), hedonic motives, and for strengthening the self-identity (e.g., Vigneron/Johnson 2004; Hirschman and Holbrook, 1982).

In an interpersonal context, the ownership of luxury goods has a strong **social dimension**, which leads to benefits based on prestige and conspicuousness within a social group (e.g., Vigneron/Johnson 1999).

In the following, these four value dimensions as described above will constitute the basis for a conceptual framework of a multi-sensory marketing approach for luxury brands.

Conceptual Framework

Due to our society's increasing experience-orientation with the claim for additional added value of products and services (Hultén 2011), more and more consumers act experience-oriented and adjust their shopping attitudes accordingly. Experiences consist of the combination of an arranged event, individual memories, and the subjective perception of an individual. Therefore, consumer experience implies the staging of such an event (Turley/Milliman 2000) to address the consumers' perceived values and thus to ensure that the brand is associated with positive emotions in the long run.

Within the scope of experiences through marketing strategies, the simultaneous response of the sensory organs eyes, ears, nose, mouth and skin gains special significance to link individuals more emotionally to a brand (Turley/Milliman 2000). In addition, through multiple layers of marketing communication, emotions can be intensified and connected to an overall experience (Rodrigues et al. 2011). Nevertheless, to create a world of experience, to achieve the satisfaction of the consumer and to make him a loyal customer, the consumer's motivation is required. Hence, the explained motives and value-based drivers for luxury consumption become evident.

The framework shown in **figure 1** illustrates the interaction of customer-perceived value dimensions, in conjunction with the options of multi-sensory experience-oriented communication activities by companies. Building on this framework, key components of a multi-sensory marketing approach in the domain of luxury good retailing will be outlined in the following paragraphs.

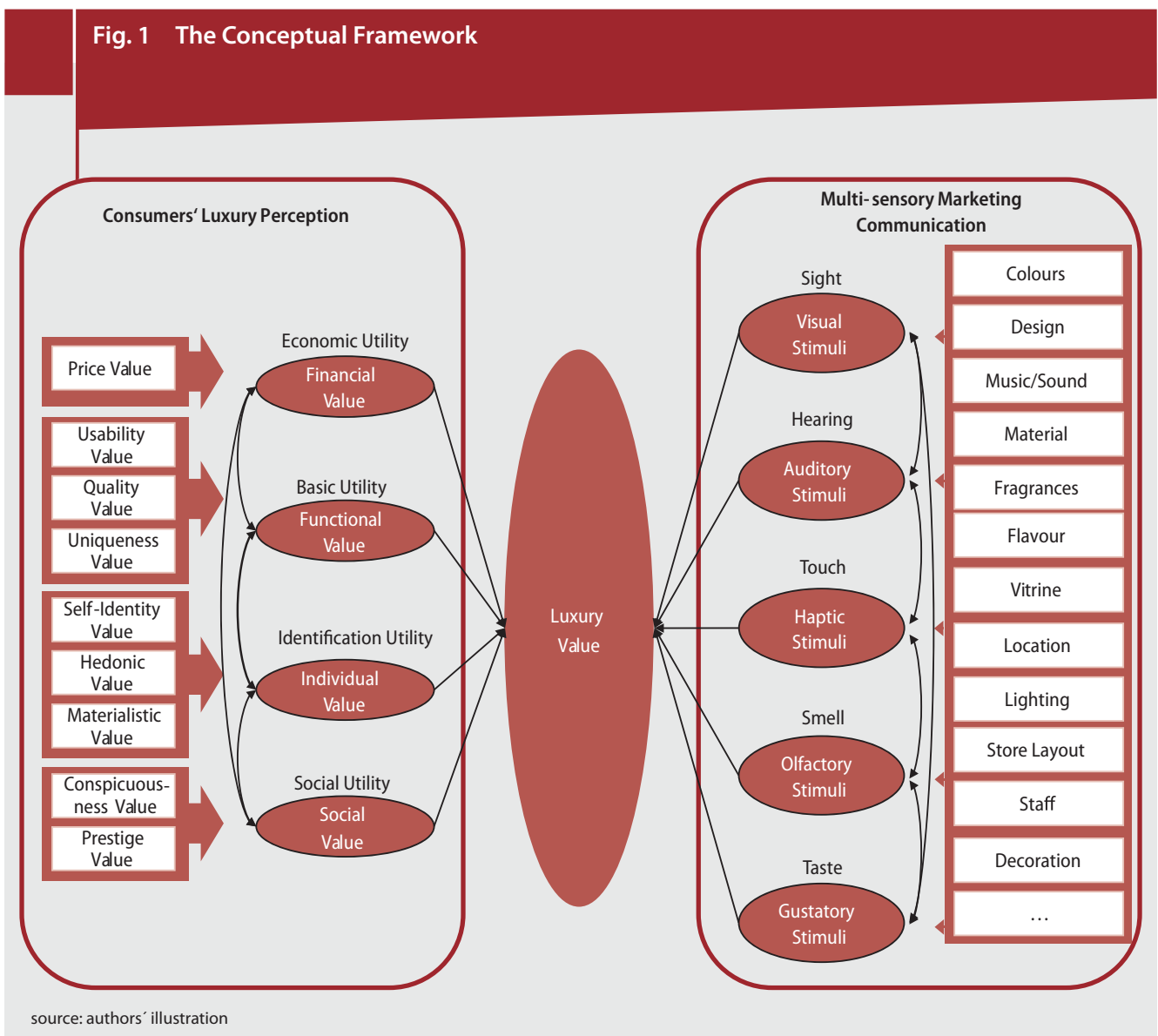
Overall, the communication of luxury brands has to ensure substantial, spatial and temporal coordination and maintain certain quality standards: *"The magazines selected for advertising (...), the movies in which the brand*

Management Summary

Since a message is stronger if multiple senses are stimulated simultaneously, the use of multi-sensory elements becomes more and more important to strengthen marketing communication and distribution strategies, especially for luxury brands that promise a sensory product experience. Thus, the multi-sensory component of brand experience is an important aspect of a luxury product and its associated retail strategy. Consequently, the conceptual framework of this paper shows how to address consumers' perceived values by stimulating simultaneously the sensory organs eyes, ears, nose, mouth and skin.

appears, the celebrities and pop icons seen wearing the brand – all contribute to the brand image” (Nueno/Quelch 1998, p. 64). As the focus is not so much on the price of the product or on product specifications, “emotion” and “feeling” as the result of a multi-sensory luxury brand communication are critical for a positive perception of the brand-specific world of experiences. Moreover, “since successive diversification has made the limits of luxury goods less and less clearly defined, specific brands take great care to make their stores a place where offer becomes aesthetic” (Godey et al. 2009). Thus, for the purchase of luxury brands as compared to other product categories, the total customer experience which is defined by the look, sound, smell, taste, functionality and emotion gains importance (Kapferer/Bastien 2009; Okonkwo 2009). Therefore, to provide the consumer with an overwhelming, memorable, entertaining and overall positive experience through a mul-

Fig. 1 The Conceptual Framework



Main Proposition 1

Customer-perceived value dimensions interact with multi-sensory communication activities.

ti-sensory communication approach, a distinction has to be made between visual, auditory, tactile, olfactory and gustatory perception elements.

Visual stimuli represent the most important emotion-triggering factor, since most information transfer occurs through the eyes. Especially in the context of luxury brands which require an extremely high-quality and attractive visualization (Okonkwo 2007), the communication elements have to be particularly diverse, beginning with the design of advertisements up to planning the design of windows and interior of luxury stores. The colour combination is an element of high symbolic value and shows differences in the effect on the human's perception (Rompilla 2005). In addition, colours as key elements of luxury brand design and the use of well-known logos ensure a high recognition value. By affording an entrance into the "dream world of glamour", a print advertisement, a corporate website or a shop window can easily trigger consumers' emotions. Therefore, an effective combination of layout, size, decoration, colours, lighting and presentation is important for the interior of luxury stores.

“ ‘Emotion’ and ‘feeling’ as the result of a multi-sensory luxury brand communication are critical for a positive perception of the brand-specific world of experiences.”

Against the backdrop of these considerations, it can be suggested that visual stimuli drive luxury value as perceived by consumers:

P₁: The selected usage of visual stimuli influences the customer-perceived value of luxury goods.

Auditory stimuli can be triggered by music and sounds which provide a pleasant or exciting atmosphere (Grewal et al. 2003). Different sounds may subconsciously affect consumers' emotions and moods, for example the client is relaxed and therefore, the buying behaviour is positively influenced (Blood et al. 1999): "You can look away from many things in a store, but you cannot listen away from sound" (Fickes 1999). The auditory perception can be triggered consciously, as well as unintentionally and intuitively. In a television commercial or a luxury store concept, factors such as volume, speed, pitch, jingles and noises need to be considered. While pop music, which is relatively fast and loud, leads to impulse purchases (Baun 2003), quiet background music is typical of luxury stores as it invites to stay longer.

In the context for a holistic multi-sensory marketing approach for luxury brands, we therefore propose:

P₂: The selected usage of auditory stimuli influences the customer-perceived value of luxury goods.

The skin as a sensory organ is responsible for the **haptic perception** of sensory stimuli and provides information and feelings about a product through

physical and psychological interactions (Hultén 2011). Especially in a luxury store, the tactile perception elements are crucial, as the customer has the opportunity to actually feel the physical product for the first time. In the showrooms of luxury stores high-quality carpets are often preferred over stone in order to create a feel-good atmosphere, and also taking into account the fact that customers move faster on smooth surfaces, resulting in a shorter duration of stay. In addition to the possibility to touch and feel products, the haptic dimension also includes temperature stimuli (Rodrigues et al. 2011). Thus, to design a holistic world of experiences, a “comfortable temperature” should always be ensured.

Regarding the importance of a selected stimulation of the consumers’ haptic perception, it is suggested:

P₃: The selected usage of haptic stimuli influences the customer-perceived value of luxury goods.

In recent years the *olfactory perception* has also been focused in marketing activities (Rodrigues et al. 2011). It has been shown that smells, similar to colours and music, can have sedative or stimulating effects and evoke specific memories (Lindstrom 2005). Thus, ambient scent enhances brand attention and also improves brand memory (Morrin/Ratneshwar 2003). The olfactory component in a luxury goods store includes scents, smells, and the perceived freshness. As many luxury brands also carry fragrances and cosmetics in their product range, this component has gained importance in relation to different store concepts. Hence, the smell of the home brand will arouse emotions of familiarity.

In accordance to the insights described above, a significant effect of olfactory perception on luxury value is proposed:

P₄: The selected usage of olfactory stimuli influences the customer-perceived value of luxury goods.

Gustatory nerves as the fifth sense record *gustatory perceptions* when eating and drinking. Many brands aim to appeal to all senses through their store concepts, without excluding the sense of taste (Rodrigues et al. 2011), which leads to a new hedonic dimension (Hultén et al. 2009). As stated above, luxury goods manufacturers more often include fragrances in their range, besides, they are also looking for luxurious food products to produce exclusively. Giorgio Armani, Roberto Cavalli and Pierre Cardin offer specially produced sweets, chocolate, wine, champagne, vodka or coffee. Hence, positive emotions can be triggered through the fifth sense by serving, e.g., champagne (Okonkwo 2007).

This leads to the following proposition:

P₅: The selected usage of gustatory stimuli influences the customer-perceived value of luxury goods.

In conclusion it may be stated that the appropriate use of a sensory approach is one of the major challenges for luxury brand management. The effect of diverse communication elements is particularly strong if the information is multi-sensory in terms of the simultaneous use of multiple stimuli creating a holistic sensory experience for the consumer:

Main Proposition 2

The selected usage of multi-sensory stimuli influences the customer-perceived value of luxury goods.

P₆: The selected usage of the five sensory stimuli influences the customer-perceived value of luxury goods.

Directions for Future Research and Business Practice

Beyond functional product features and pure possession, luxury brands deliver a sensory experience as a means of creating the special aura and social mystique of the given brand (Berthon et al. 2009). Therefore, the multi-sensory component of brand experience is an important aspect of a luxury product and its associated retail strategy (Brakus et al. 2009; Joy/Sherry 2003).

The objective is to exploit the contact points with the relevant target group in the best possible way, using a company-specific communication, which includes an appropriate retail store atmosphere. As shown by the conceptual framework above, the goal-oriented use of multi-sensual stimuli in the verbal and nonverbal representation can enhance brand attention, improve brand memory and convey specific emotional or informational content. However, the sole presence of sensory stimuli is no guarantee for successful marketing communication.

“The multi-sensory component of brand experience is an important aspect of a luxury product and its associated retail strategy.”

Against this backdrop and based on the conceptual framework, future research should focus on the main research question: *Whether and to what extent do multi-sensory stimuli impact upon customer-perceived value in terms of financial, functional, individual, and social dimensions?*

Thus, empirical analyses should investigate causal relations between multi-sensory stimuli and the dimensions of customer value perception as well as their impact on behavioural outcomes, such as purchase intention and loyalty. Since outcomes of multi-sensory stimuli cannot be measured explicitly using conventional questionnaire scales, a combination of explicit and implicit measures (e.g., neuro-marketing techniques like EEG combined with eye tracking) is of special importance.

Using the considerations as sketched above might be an appropriate basis for marketing managers who are facing the question of how to create a multi-sensory experience of their brand in retail stores. In today's experience-oriented society, a better knowledge of the underlying drivers and effects of sensory stimuli in a marketing communication context will enable brand managers to master the art of a multidimensional brand experience. The usage of empirically confirmed success drivers might enhance the customer-perceived value and optimize the positioning of luxury brands according to a true multi-sensory experience.

Lessons Learned

- Better knowledge of the underlying drivers and effects of sensory stimuli in a marketing communication context enables brand managers to create a multidimensional brand experience.
- Marketing researchers need to investigate whether and to what extent multi-sensory stimuli impact upon customer-perceived value in terms of financial, functional, individual, and social dimensions.
- Brand managers should use empirically confirmed success drivers to enhance the customer-perceived value and to optimize the positioning of their brands.

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Main Proposition 3

When talking about multi-sensory stimuli, visual, auditory, tactile, olfactory and gustatory perceptions have to be distinguished.

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Paper 3.3

**Sustainability as Part of the Luxury Essence:
Delivering Value through Social and Environmental Excellence**

Nadine Hennigs

Klaus-Peter Wiedmann

Christiane Klarmann

Stefan Behrens

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Sustainability as Part of the Luxury Essence

Delivering Value through Social and
Environmental Excellence

Nadine Hennigs, Klaus-Peter Wiedmann,
Christiane Klarmann and Stefan Behrens
Leibniz University of Hannover, Germany

While the term ‘luxury’ was originally often associated with a lifestyle of excess, indulgence and waste—quite different from, and in some ways antithetical to the concept of sustainability—a paradigm shift is currently taking place in the domain of luxury. Reasoning that consumers in all social classes are increasingly concerned about social and environmental issues and prefer ethical and green products that reflect their own values and beliefs, the concept of sustainability has to become a priority for luxury brands as well. However, existing studies give evidence to believe that the luxury industry is perceived by experts and consumers to lag behind other industries in terms of sustainable commitment. Nevertheless, the essence of luxury brands that is traditionally based on high quality, superior durability, and deeper value is a perfect basis for the design and marketing of products that preserve fundamental social and environmental values. Based on existing theoretical and empirical insights, the aim of our paper is to provide a comprehensive framework of luxury sustainability values. Our differentiated model of financial, functional, individual and social sustainability value might be a useful instrument for both academics and managers as a basis to successfully create, market and monitor luxury brands that represent social and environmental excellence.

- Sustainable luxury
- Customer perceived value
- Social and environmental products

Dr Nadine Hennigs is Assistant Professor at the Leibniz University of Hannover, Germany, Institute of Marketing and Management. Her main subjects of research and teaching as well as consulting are: Luxury Marketing, Strategic Management, Brand & Reputation Management, Marketing Research, Consumer Behaviour.



✉ Institute of Marketing and Management, Leibniz University of Hannover, Koenigsworther Platz 1, D-30167 Hannover, Germany
hennigs@m2.uni-hannover.de

Professor Dr Klaus-Peter Wiedmann is a Full Chaired Professor of Marketing and Management and the Director of the Institute of Marketing and Management at the Leibniz University of Hannover, Germany. Main subjects of research and teaching as well as consulting are: Strategic Management, Brand & Reputation Management, Corporate Identity, International Marketing, Luxury Marketing, Innovation & Technology Marketing, Corporate Culture & Change Management, Consumer Behaviour, Marketing Research & Controlling, Online & Mobile Marketing.



✉ Institute of Marketing and Management, Leibniz University of Hannover, Koenigsworther Platz 1, D-30167 Hannover, Germany
wiedmann@m2.uni-hannover.de

Dipl.-Oec. **Christiane Klarmann** is Scientific Research Assistant at the Leibniz University of Hannover, Germany, Institute of Marketing and Management. Her main areas of research and teaching as well as consulting are: Luxury Marketing, International Marketing, Brand Management, Marketing Research, Consumer Behaviour.



Institute of Marketing and Management, Leibniz University of Hannover, Koenigsworther Platz 1, D-30167 Hannover, Germany



klarmann@m2.uni-hannover.de

Dipl.-Oec. **Stefan Behrens** is Scientific Research Assistant at the Leibniz University of Hannover, Germany, Institute of Marketing and Management. His main areas of research and teaching as well as consulting are: Luxury and Wine Marketing, International Consumer Behaviour, Strategic Management, Marketing Research.



Institute of Marketing and Management, Leibniz University of Hannover, Koenigsworther Platz 1, D-30167 Hannover, Germany



behrens@m2.uni-hannover.de

A PARADIGM SHIFT IS CURRENTLY TAKING place in the domain of luxury. Originally often associated with a lifestyle of excess, indulgence and waste (Dubois *et al.* 2005; Kahn 2009)—quite different from, and in some ways antithetical to the concept of sustainability—luxury brands have recently adopted sustainability as part of the luxury essence (Bendell and Kleanthous 2007; Davies *et al.* 2012; Kendall 2010). Challenged by a balancing act between brand exclusivity and the globalisation of luxury brands (Tynan *et al.* 2010), marketing managers face serious problems such as the wide availability of counterfeits, consumer concerns referring to poor labour standards, blood diamonds, gold-mining practices and anorexic models (Bendell and Kleanthous 2007; Janssen *et al.* 2013). Besides, particularly in emerging markets, luxury brands are accused of tightening social inequalities and the tensions between rich and poor (Kleanthous 2011). Therefore, reasoning that the luxury industry is extremely sensitive to reputational damage and consumers in all social classes are increasingly concerned about social and environmental issues (Bendell and Kleanthous 2007; Cone 2009; Kleanthous 2011; Janssen *et al.* 2013), the concept of sustainability has to become a priority for luxury brands as well.

However, existing studies give evidence to believe that the luxury industry is perceived by experts and consumers to lag behind other industries in terms of sustainable commitment (Bendell and Kleanthous 2007). Nevertheless, the concept of luxury that is traditionally based on high quality, superior durability, and deeper value is a perfect basis for the design and marketing of products that preserve fundamental social and environmental values (Kapferer 2010). *But what is a promising approach to incorporate ethical excellence in luxury brands? How can luxury brand managers demonstrate that they can be considered as sustainable leaders?* To advance current understanding of fundamental luxury value and related links to consumer perception and actual buying behaviour, based on existing theoretical and empirical insights, the aim of our paper is to provide a comprehensive framework of luxury sustainability values. Our differentiated model of financial, functional, individual and social sustainability might be a useful instrument for both academics and managers as a basis to successfully create, market and monitor luxury brands that represent social and environmental excellence.

Theoretical background: consumer demand for sustainable luxury

Traditionally, the desire of ‘buying to impress others’ was considered as the main motive for purchasing luxury brands (Wiedmann *et al.* 2007). Luxury was associated with ‘indulgence, extravagance, sheer look-at-me bling—the antithesis of responsibility’ (Simpson 2012). In recent years, luxury consumers are increasingly concerned about social and environmental issues (Cone 2009;

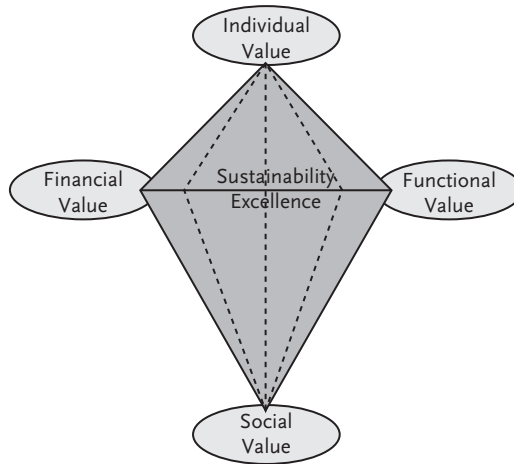
Kleanthous 2011). The shift from ‘conspicuous consumption’ to ‘conscientious consumption’ (Cvijanovich 2011) leads to responsible consumers who are better informed about brands and products, including controversial issues (Sarasin 2012). Reasoning that luxury brands are often used to signal consumer identity and the individual value system (Belk 1988; Jenkins 2004), luxury consumers ‘want the brands they use to reflect their concerns and aspirations for a better world’ (Bendell and Kleanthous 2007, p. 5). Consequently, consumers expect luxury brand managers to address ethical aspects of luxury goods and have ‘convincing answers to questions of environmental and social responsibility’ (Bendell and Kleanthous 2007, p. 8). As a result, based on a deeper, more authentic approach to the concept of luxury, consumers either reward or punish companies that stress or ignore the importance of social and environmental excellence (Grail Research 2010). Therefore, in response to the rising consumer demand for sustainable luxury, luxury managers have to enhance the value of luxury brands with respect to superior environmental and social performance.

Conceptual model: value-based sustainable excellence

Against the backdrop of the challenges as discussed in the preceding paragraphs, luxury brands have to redefine their business model in response to increasingly conscientious consumers. A future-oriented type of luxury addresses various dimensions of deeper value embodied in the company’s core business and reflected in the sourcing, manufacturing, marketing and distribution of luxury brands. However, the demand for sustainable luxury is not to be considered as a sheer obligation or duty, the goals of sustainability and social responsibility are an important opportunity as well. In times of economic recession and widely available counterfeit goods, with a sustainable strategy, luxury brands have to prove that their essence is rooted in more than having a nice (and easy to copy) logo. The emphasis of luxury’s key attributes, such as heritage, timelessness, durability, and excellence in manufacturing and retailing, in a multidimensional value approach is a promising way to align luxury with sustainability. To advance current understanding of fundamental luxury value, for the purposes of this study, we provide a comprehensive framework of financial, functional, individual and social sustainability value as illustrated in Figure 1.

In our model and the subsequent discussion of sustainability excellence, we explicitly focus on the individual value perception with regard to consumption values that directly explain how consumers evaluate luxury brands and why they choose to buy or avoid them (Sheth *et al.* 1991). Reasoning that a key success factor in luxury brand management is the creation of superior customer value through a set of meaningful associations (Aaker and Keller 1990), the emotional attachment of a customer to a brand (Keller, 2001) and the brand’s ability to create functional, experiential and symbolic value are of particular importance (Berthon *et al.* 2009). In line with the definition of customer perceived value (e.g. Smith and Colgate 2007; Sweeney and Soutar 2001) as ‘the consumer’s

Figure 1 Sustainability diamond



overall assessment of the utility of a product based on perceptions of what is received and what is given' (Zeithaml 1988, p. 14), we conceptualise sustainability excellence as being driven by the customer's subjective expectations and individual perceptions of luxury value (e.g. Dubois and Duquesne 1993). Therefore, based on the core elements of luxury value as proposed by Wiedmann *et al.* (2007, 2009), we suggest that consumers evaluate the (ethical) performance of luxury brands based on four latent luxury value dimensions: the financial, functional, individual and social dimension of luxury value. In an attempt to integrate value-based sustainability excellence in luxury brand management, the key dimensions of value-based social and environmental excellence can be specified as follows:

Financial value

By addressing direct monetary aspects, such as price, resale cost, discount and investment, the financial dimension of luxury refers to the value of a product as expressed, for example, in dollars, euros, or yen, as well as to what is given up or sacrificed to obtain it (Wiedmann *et al.* 2007, 2009). Consumers are willing to pay significant premiums for luxury brands that are commonly expected to contain higher levels of quality, scarcity, taste and aspiration than other products in the same category (Yeoman and McMahon-Beattie 2006; Sarasin 2012). A luxury brand's premium price strategy makes a certain product more desirable and leads additionally to high margins that may in turn be used to finance more environmentally and socially responsible manufacturing (Groth and McDaniel 1993; Bendell and Kleanthous 2007).

In this context, Kapferer (2010) states that luxury depends on limited resources which might be saved indirectly through higher, demand-limiting

product prices (Janssen *et al.* 2013). As already indicated, customers perceive luxury goods as scarce products whereby scarcity moderates consumption by restricting product availability due to a limited supply (Verhallen and Robben 1994; Inman *et al.* 1997): ‘In this sense, the scarcity of luxury products may convey the idea that luxury brands encourage more reasonable, responsible consumption and help protect natural resources’ (Janssen *et al.* 2013, p. 3).

Moreover, luxury brands are associated with endurance and a certain heritage, indicating that ‘luxury brands do not merely sway with the latest fashion fads, but focus on adapting traditions to create products that will last, maintaining the brand’s heritage into the future’ (Bendell and Kleanthous 2007, p. 29). Consequently, deeper luxury is not defined solely by the costs of products to consumers but also by the value beyond the price of transaction (Kendall 2010).

Functional value

The functional dimension of luxury value refers to aspects such as quality, uniqueness, usability, reliability and durability (Wiedmann *et al.* 2007, 2009). The aspiration for high quality and superior durability of luxury brands reveals the affiliation between luxury and sustainability. Even though luxury has often been associated with extravagance and wastefulness (Simpson 2012), in many cases luxury products are inherited through generations (i.e. jewellery and arts) (Wiedmann *et al.* 2007, 2009) and for diverse luxury products even a large after-market exists (i.e. Porsche cars) (Kapferer 2010). Thus, durability is not only the heart of sustainable development; it is also the core of luxury (Kapferer 2010).

Four primary areas are of importance for a sustainable luxury brand management: packaging, products, business operations and socially responsible activities (Grail Research 2010). Luxury products and services encompassing environmental and social credentials do not have to be contradictory (Verde-Nieto 2011). To ensure sustainable luxury processes, techniques and materials that are consistent with the demands of sustainable development have to be established (Bendell and Kleanthous 2007, p. 20).

According to the packaging, Kapferer argues that,

the nice and sophisticated wrappings around luxury products, as a symbol of a gift to oneself or another person, are a tiny drop compared to this ocean of neglected ecological damages [plastic packaging of mass consumer goods], more so if the paper today is recyclable (Kapferer 2010).

In this context, to a greater extent luxury companies take the use of recyclable packaging into account (Grail Research 2010).

Moreover, focusing on the product itself, uniqueness is often related to heritage (Kendall 2010), which means that products last a long time depending on the high quality standards of luxury. Excellent craftsmanship and authentic design build the basis for high quality materials (Castro 2009). The luxury companies are beginning to use eco-friendly raw materials, such as organic cotton and natural dyes (Grail Research 2010), i.e. the leather of a Dior handbag comes from Italian bio farms (Kapferer 2010).

As luxury brands have to sustain a skilled workforce, they are restricted in their workforce or even have to safeguard disappearing curricula (Kapferer 2010). It can be assumed that, ‘the highest quality product or service will be the one that generates the most benefit to all involved in its production and trade’ (Bendell and Kleanthous 2007, p. 5). Thus, to address the functional sustainability value not only the raw material and production process itself, but also the entire supply chain has to be included in a promising sustainability strategy.

Individual value

The individual sustainability value relates to the customer’s personal orientation. Apart from socially oriented consumption motives, luxury brands are bought for personal reasons (Wiedmann *et al.* 2007, 2009). As consumers often transfer the symbolism of luxury products to their own identity, luxury is, more than other products, emotional (Hennigs *et al.* 2012).

In recent decades, sustainable consumption has gained importance in consumers’ life (Grail Research 2010). In general, many luxury consumers ‘are part of an affluent, global elite that is increasingly well educated and concerned about social and environmental issues’ (Bendell and Kleanthous 2007, p. 2). This shift to sustainable orientation has not only taken place in Western luxury markets, but also among the affluent middle classes of Asia, Latin America and Eastern Europe (Bendell and Kleanthous 2007, p. 2). Gradually more successful people want to express their interest in environmental and social issues (Kleanthous 2011). Thus, they expect convincing information about the brand’s environmental and social responsibility (Grail Research 2010), as they use the brands to reflect their own concerns and aspirations (Bendell and Kleanthous 2007, p. 2). They want to feel good—and not guilty—when buying a certain brand (Kendall 2010). Moreover, related to the consumer’s emotional luxury experience, ‘exclusivity is less attractive to luxury consumers than special and authentic experiences of connection’ (Bendell and Kleanthous 2007, p. 19). Luxury brand managers have to ensure the communication about the brand’s responsibility approach to maintain consumers’ brand endorsement (Grail Research 2010). Thus, in future, profit-driven brands that are lacking in substance might be rejected by their customers (Bendell and Kleanthous 2007, p. 19). In sum, to address the individual sustainability value, an excellent and well-communicated social and environmental performance is required.

Social value

In general, the social dimension of luxury value refers to the perceived utility individuals acquire with products or services recognised within their own social group(s) (Wiedmann 2007, 2009). Consequently, basic luxury characteristics such as conspicuousness and prestige may significantly affect the evaluation of luxury brands because they improve a consumer’s status and generate benefits in social interactions (Vigneron and Johnson 1999, 2004; Han *et al.*

2010; Nelissen and Meijers 2011). Whereas luxury brands have been identified over a long time as a cause for tightening inequalities between rich and poor (Moscardo and Benckendorff 2010), already mentioned shifts in the luxury paradigm, resulting from high-end consumers that are social and environmentally conscious, can be observed today (Grail Research 2010; Bendell and Kleanthous 2007).

These more ethically oriented consumers are expected to think not only about the effect a purchase has on themselves with reference to their social group(s), but also on the world around them (Harrison *et al.* 2005; Davies *et al.* 2012). In short, luxury helps people to express their deepest values as they gain elite experience and prestige due to goods that are produced and traded without letting others suffer (Bendell and Kleanthous 2007; Kendall 2010). According to the sustainability considerations of their customers, leading luxury brand companies have started to improve environmental and social standards (Sarasin 2012), for instance by ensuring the well-being of their employees also in emerging countries (Low 2010). In particular, the conditions under which a luxury product's raw materials are extracted become a relevant challenge for the luxury industry since modern customers are more concerned and much better informed about the deeper product value, including working standards in the country of manufacture (Davies *et al.* 2012; Cervellon and Wernerfeldt 2012; Sarasin 2012). In this context, sustainable excellence addresses not least economic stability and growth through long-term partnerships with suppliers and employees in emerging countries (Bhatia 2011). Moreover, experts assume that in the future 'buying patterns of consumers in emerging markets are becoming increasingly discerning too, influenced by their Western counterparts' (Kendall 2010, p. 9).

Consequently, an increasing global awareness of social and environmental concerns in both developed and emerging economies might indicate that prestige and status are based on access to real luxury goods which are expected to provide deeper social value than, for example a counterfeit luxury product that only tries to imitate the original (Bendell and Kleanthous 2007; Turunen and Laaksonen 2011).

Conclusion

Against the backdrop of a market environment that 'moves from superficial shimmer towards inner peace' (Simpson 2012), the luxury industry is changing. Facing serious challenges such as counterfeiting, fast fashion, the democratisation of luxury as well as increasingly conscientious consumers, luxury marketers have to accept the perspective that sustainability excellence has become a fundamental market responsibility. Instead of being diametrical opposites, luxury and sustainability are closely related concepts that inspire and complement each other. Products that cause social and/or environmental damage 'are no longer considered by affluent consumers to be best in class' (Bendell and

Kleanthous 2007, p. 26), therefore, the credibility of luxury brands in offering superior performance in any perspective is at stake.

To ‘enjoy the advantages of being both profitable and sustainable’ (Guardian 2010) and meet the expectations of their stakeholders—today and in future generations—luxury brands have to adjust their definition of excellence that is no longer associated with shallow glamour but with positive engagement and deeper values. As discussed in this manuscript, these values are multidimensional and encompass financial, functional, individual and social components. In all of these dimensions of true luxury value, sustainability excellence can be convincingly demonstrated and provided to consumers who demand responsible business: ‘For luxury brands, the question is no longer why to create a sustainable value chain, but rather how to transform their supply chain to address their stakeholders’ growing concerns with environmental and social issues and thus protect their reputation’ (Christopher H. Cordey, Founding Director of the Sustainable Luxury Forum).

Subsequently, to verify that the commitment to sustainability is far more than mere lip service, it has to become part of the corporate culture and business model. Otherwise, luxury brands ‘may come to be regarded as shallow, perhaps almost as fake as the counterfeits’ (Bendell and Kleanthous 2007, p. 48). In an attempt to maximise customer perceived value in the context of sustainability excellence, each management decision has to be reflected from the customer’s perspective and the meaning that consumers attach to the multifaceted product attributes. By redefining the products, examining the supply chains, translating social and environmental strategies into operational practices, luxury brand managers can create deeper value to clearly ‘separate the green from the greenwashing’ (Sauers 2010).

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