

Determinants of Successful Luxury Brand Management in Turbulent Times

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Abstract

This dissertation consists of twelve research papers, aggregated in four research modules, which address consumers' perceived luxury value in view of related consumer behavior and brand management activities. As the management of luxury brands is complex and the relevant market constantly evolving, this dissertation focuses on selected research gaps.

The moderate growth in US and European markets coupled with an increasing demand for luxury goods in emerging economies such as Brazil, Russia, India, and China has led to substantial growth in the global market for luxury goods. Thus, luxury brand managers must face various challenges, such as the identification and satisfaction of the common needs and desires of global market segments, to gain brand strength and favorable consumer behavior. Moreover, the increasing demand for luxury brands has been accompanied by a prevalence of counterfeit goods, which have a negative effect not only on genuine luxury producers but also on the economy and society. Thus, to develop countermeasures, the question arises of how consumers' perceptions of luxury value and perceived risk affect counterfeit buying behavior. Apart from the threat of counterfeited products, brand managers are also challenged by a constantly evolving market due to the democratization of luxury. Higher competition – including with non-traditional luxury brands – demands new approaches in brand management to achieve a competitive advantage. Therefore, luxury brand managers must address changes in consumer behavior and demand, such as information and buying behavior on the internet, increasing experience orientation, and consumers' increasing awareness of sustainability aspects.

The results of the different empirical and conceptual studies indicate the importance of the consumer's perceived luxury value dimensions – financial, functional, individual and social – as the basis for successful and future-oriented luxury brand management strategies.

Keywords: Luxury Brand Management, Counterfeit Consumption, Marketing Trends

Zusammenfassung

Die vorliegende Dissertation umfasst zwölf Forschungsarbeiten, welche basierend auf ihren Schwerpunkten in vier Module zusammengefasst wurden. Die Beiträge untersuchen den konsumentenseitig wahrgenommenen Luxuswert mit Blick auf das damit verbundene Konsumverhalten sowie dem daraus resultierenden Markenmanagement. Da das Management von Luxusmarken komplex ist und sich der Luxusmarkt stetig verändert, konzentriert sich diese Arbeit auf ausgewählte Forschungslücken.

Das moderate Wachstum in den USA sowie im europäischen Markt, verbunden mit einer steigenden Nachfrage nach Luxusgütern in Schwellenländern wie Brasilien, Russland, Indien und China führen zu einem erheblichen Wachstum des globalen Luxusmarktes. Diese Entwicklung des internationalen Marktes führt zu verschiedenen Herausforderungen, mit denen sich das Management von Luxusmarken konfrontiert sieht. So gilt es, die gemeinsamen Bedürfnisse und Wünsche der globalen Marktsegmente zu identifizieren und zu befriedigen, um die Marke zu stärken und positives Konsumentenverhalten zu generieren. Darüber hinaus hat die zunehmende Nachfrage nach Luxusmarken in den letzten Jahren ebenfalls eine steigende Nachfrage nach Markenfälschungen zur Folge gehabt. Dabei schaden Markenfälschungen nicht nur den Herstellern der Originalmarken, sondern haben ebenfalls negative Auswirkungen auf die Wirtschaft sowie auf die Gesellschaft. Daher ist es erforderlich, zum einen den konsumentenseitig wahrgenommenen Luxuswert und zum anderen das mit Fälschungen wahrgenommene Risiko zu identifizieren und darauf aufbauend Gegenmaßnahmen zu entwickeln, welche sich auf die Nachfrageseite konzentrieren. Die sogenannte Demokratisierung des Luxus hat zudem zu einem sich stetig verändernden Markt geführt. Ein steigender Wettbewerb – auch mit nicht-traditionellen Luxusmarken – erfordert zur Erzielung von Wettbewerbsvorteilen neue Ansätze der Markenführung. Demzufolge entsteht die Notwendigkeit, Veränderungen im Verbraucherverhalten, wie das Informations- und Kaufverhalten im Internet sowie die steigende Erlebnis- und Nachhaltigkeitsorientierung im Luxusmarkenmanagement gezielt zu berücksichtigen.

Die Ergebnisse der verschiedenen empirischen und konzeptionellen Studien bestätigen unter anderem die Bedeutung des konsumentenseitig wahrgenommenen Luxuswertes – in Gestalt eines finanziellen, funktionalen, individuellen und sozialen Wertes – als Grundlage für erfolgreiches und zukunftsorientiertes Luxusmarkenmanagement.

Stichworte: Luxusmarkenmanagement, Fälschungskauf, Marketingtrends

Preface

1. Motivation and Research Objectives

*“Do not go where the path may lead,
go instead where there is no path and leave a trail.”*

Ralph Waldo Emerson

“Today, luxury is everywhere.” Kapferer and Bastien (2009), two of the most renowned researchers in luxury brand management, encapsulate the inflationary usage of the term ‘luxury’ in this simple sentence. However, the simplicity of this sentence stands in contrast with the complexity of the management of luxury brands today. 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 luxury marketing. The moderate growth in the US and European markets coupled with an increasing demand for luxury brands in emerging economies such as Brazil, Russia, India, and China, as well as the so-called ‘democratization of luxury’ based on the increased spending capacity of the middle class, have led to substantial growth in the global market for luxury brands. Thus, international luxury businesses are challenged by the identification and satisfaction of the common needs and desires of global market segments, as well as country-specific needs and desires.

As luxury brands are known for innovation, avant-gardism and creativity (Okonkwo, 2009), the luxury industry has an important function in economic development and thus, exceptional relevance for society (Wiedmann and Hennigs, 2013). According to this perspective, based on the key characteristics of luxury goods (such as excellent quality, very high price, scarcity, aesthetics, and ancestral heritage), the luxury industry is supporting traditional craftsmanship and thus offers valuable apprenticeships and jobs for specialists. Moreover, the high price in relation to high-quality products supports the approach ‘money for value.’ This quality approach and the scarcity of products countervail the so-called ‘throwaway society’. To reinforce this societally important industry, it is even more important to strategically manage luxury brands in view of consumers’ value-oriented brand perception.

Unfortunately, the substantial growth of the luxury industry has been accompanied by a prevalence of low-cost counterfeits. From a macroeconomic perspective, counterfeits affect

not only the genuine luxury producers (who have invested in research and development) but also economic development and society. This effect is linked to a common relationship between the market for counterfeit brands and organized crime (sometimes even international terrorism) that leads, for instance, to a loss of tax revenues, higher welfare spending, or job losses. Because of the high prevalence of counterfeits, merely focusing on the supply side is insufficient. Given that the demand for counterfeits relies on consumers' desire for the genuine product, to combat this illegal market, luxury brand managers are challenged to develop countermeasures based on a comprehensive understanding of determinants influencing the consumer's choice in the trade-off between original and fake.

The research and management in the domain of luxury gains even more importance based on the significant societal impact of this domain. However, although a considerable volume of research in the area of luxury marketing already exists (e.g., 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 (e.g., Berthon et al., 2009; Hung et al., 2011), and substantial analysis of consumers' luxury value perception with respect to the complexity of the market is still required. For this purpose, current trends affecting the luxury industry must also be considered. When focusing on the core attributes of luxury brands, it becomes evident that luxury brand managers are challenged by the increasing relevance of the internet. As the internet has become the primary search and purchase environment for many consumers, the question arises of how luxury brand managers can maintain a balance between exclusivity and ubiquity and how they can create a prestigious atmosphere combining offline and online components. Creating a prestigious atmosphere is also a first step in addressing consumers' increasing experience orientation. The growing market for luxury brands leads to increasing competition and requires a higher level of brand differentiation, e.g., through online and offline stores or through communicating sustainability endeavors.

As the management of luxury brands is complex and the relevant market constantly evolving, this dissertation focuses on selected research gaps and thus addresses some of the main challenges for luxury brands today. Therefore, the following research questions guide this dissertation:

- Do cross-cultural differences and/or similarities in luxury value perception exist?
- What are the antecedents and outcomes of consumer attitudes and individual luxury perception?
- How do consumers' perceptions of luxury value and perceived risk affect their buying behavior in the trade-off between authentic or counterfeit products?

- What promising approaches exist for luxury brands to maintain their core value in an ever-changing environment, i.e., consumers' increasing internet orientation, their demand for brand congruence and multisensory experiences, and the rising concerns about social and environmental issues?

Referring to the challenges in luxury brand management and based on the previously mentioned research questions, the dissertation has been structured in four modules. The first module focuses on the analysis of differences and similarities related to consumers' value perceptions across countries. The investigation of antecedents and outcomes of consumer attitudes and individual luxury perception occurs in the second module. Based on the insights of the first two modules, the unethical consumer behavior of counterfeit consumption becomes the research focus of the third module. In the fourth module, selected trends in luxury marketing, related to changing consumer expectations and behavior, are underlined. In the following paragraph, the individual research projects are described in detail.

2. Description of the Research Projects

*Every step of progress the world has made has been
from scaffold to scaffold, and from stake to stake.*

Wendell Phillips

Module 1: Cross-Cultural Luxury Value Perception

In the interplay between increasing mobility, global communication and media distribution on the one hand and distinct economic, political, legal, and educational environments on the other hand, the question arises of whether the market for luxury goods can be treated as a single market and whether between-country differences are relevant in luxury marketing. In view of that question, the first module focuses on the investigation of possible cross-cultural differences and/or similarities in luxury value perception.

The objective of the first paper, *“What is the Value of Luxury? A Cross-Cultural Consumer Perspective,”* is to examine the antecedents and outcomes of luxury value as perceived by customers on a global level. Based on an empirical study in collaboration with American, European, and Asian researchers, the results indicate that regardless of their countries of origin, the basic motivational drivers of luxury consumers are similar among the financial, functional, individual, and social dimensions of luxury value perceptions, although the relative importance of these dimensions varies. Moreover, the results provide evidence that there exist cross-cultural luxury consumer segments based on consumers’ luxury value perception.

The paper *“Consumer Value Perception of Luxury Goods: A Cross-Cultural and Cross-Industry Comparison”* aims to investigate the question of possible differences and/or similarities in the luxury value perception of consumers in distinct parts of the world; however, in contrast to the first paper, the analysis refers to different product categories. The results of the empirical study in collaboration with eleven partners from ten countries (Brazil, France, Germany, Hungary, India, Italy, Japan, Slovakia, Spain, and the USA (Northern and Southern regions) provide evidence that luxury value perception, encompassing the financial, functional, individual, and social aspects of luxury products, varies significantly across countries and industries. Nevertheless, the basic structure of the perceived importance of these four value dimensions was shown to be cross-culturally and cross-industrially stable.

Module 2: Antecedents and Outcomes of Consumer Attitudes and Individual Luxury Perception

Although, in recent decades, the topic of luxury marketing has gained economic and scientific importance, practitioners and academics still have limited knowledge of the determinants of luxury consumption. Thus, referring to the insights of the first module, module two focuses on the determinants and outcomes of consumers' perceptions of and attitudes toward luxury brands.

Following the exposed research gap, the paper *"Consumer Attitudes toward Luxury: A Cross-national Comparison"* focuses on the antecedents leading to luxury consumption in a cross-national context. With reference to the widely adopted attitude scale developed by Dubois and Laurent (1994), a structural relation model has been conducted. The assessment of the measurement models and the structural relations, based on an international data set, provides 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, the results indicate that there are cross-national differences in the evaluation of statements that are associated with these luxury themes and in the structural relation between these components.

As the interplay of the consumer perceived value dimensions and the assessment of the effects of these dimensions on individual luxury value perception and related behavioral outcomes are still poorly understood and widely unexplored, the aim of the paper *"The Assessment of Value in the Luxury Industry: From Consumers' Individual Value Perception to Luxury Consumption"* relies on examining the antecedents and outcomes of individual luxury value perception. In view of the exploratory study context, based on a German data set, PLS (Partial Least Squares) path modeling was considered for the empirical tests of hypotheses. Referring to the antecedents of individual luxury value perception, the results verify that the perceived financial, functional and social values of luxury brands are significantly positive relative to the key construct of individual luxury value perception. Moreover, the structural relations confirm that 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.

Extending these insights, the paper *"Unleashing the Power of Luxury: Antecedents of Luxury Brand Perception and Effects on Luxury Brand Strength"* focuses on the hypothesized effect of luxury brand perception on brand strength. The empirical results support the assumption that consumers' individual luxury brand perception is based on financial, functional and social

considerations. Furthermore, according to the structural relation model, consumers' brand perception is significantly related to the cognitive, affective and conative components of luxury brand strength.

Module 3: Consumer Misbehavior - Luxury Counterfeit Consumption

The significant growth of luxury consumption in recent decades has been accompanied by a prevalence of pirated and counterfeited goods. Counterfeiting constitutes an international phenomenon; nevertheless, punishment for participating in this illegal market at both the supply and the demand side is internationally inconsistent. Thus, as long as there is such an immense demand for counterfeits, all governmental actions to curtail counterfeit activities will be insufficient. Given that the market for counterfeits relies on consumers' desire for real luxury brands, it is critical for researchers and marketers to understand the reasons why consumers buy genuine luxury brands, what they believe real luxury is, and how their perception of luxury value affects their buying behavior in the trade-off between authentic and counterfeit products.

With reference to consumers' perceived luxury value dimensions, the paper "*Luxury Consumption in the Trade-off between genuine and Counterfeit Goods: What are the Consumers' Underlying Motives and Value-based Drivers?*" focuses on the underlying motives of counterfeit luxury buyers. To reduce the complexity of the multifaceted reasons for counterfeit consumption and with the aim of developing customized countermeasures, this paper offers an extensive comparison of studies providing a holistic view of the phenomenon of counterfeit consumption. Referring to the meta-analysis, an overview of recent anti-counterfeiting strategies by governments, industry associations and companies is presented to examine the most effective arguments in designing anti-counterfeiting measures and in discouraging consumers from buying counterfeits.

Based on the insights of the previous paper, the book chapter "*Luxury Longing and Counterfeit Complicity: A Consumer Typology based on the Perception of Luxury Value and Counterfeit Risk*" focuses on the identification of groups of consumers who differ in their buying decisions in the trade-off between genuine and counterfeit luxury goods. Therefore, perceived values as well as risks in terms of counterfeit and genuine luxury consumption are integrated into the conceptual model. A cluster analysis, based on a German data set, confirms that the perceived value and risk dimensions are able to segment consumers to develop effective countermeasures.

As counterfeits constitute an important economic, political and social issue, the demand for faked products presents a type of consumer misbehavior. The concept of perceived risk primarily relates to potentially negative outcomes and therefore represents an important construct for research dealing with the demand side of counterfeit goods. The paper *“Individual Risk Perception and Counterfeit Shopping Behaviour: Should I Buy or Should I Not?”* aims to fill this research gap. The results, based on PLS path modeling, verify a significant impact of the designated psychological (variety seeking, personal integrity, moral judgment, risk aversion) and context-related (luxury involvement, luxury value perception, trade-off real/fake) antecedents on counterfeit risk perception and confirm the proposed significant negative impact of counterfeit risk perception on counterfeit shopping behavior. Moreover, various groups of luxury consumers are categorized with reference to the perceived risk dimensions in the context of a possible purchase of a counterfeit luxury good, which enables brand managers to optimize countermeasures.

Module 4: Selected Trends in Luxury Brand Management

Apart from the threat of counterfeited products, luxury brand managers are challenged by a constantly evolving market. For example, the internet has become an important medium for consumers, which requires a serious consideration for luxury brand strategies. The market for luxury brands is increasing and, thus, traditional luxury brands are facing harsh competition – especially with regard to accessible luxury. Consumers’ brand attachment and brand experience represent promising strategies to maintain success in the market. Moreover, sustainability has become a competitive advantage, as consumers are more often concerned about social and environmental issues. This module consists of four papers, all addressing different manifestations of the evolving luxury market.

A) Luxury Brands in the Digital Age

As the most democratic medium, one that allows access to virtually anybody from virtually anywhere, the internet challenges luxury brand managers. Because the virtual environment is a place where images, videos and opinions circulate regardless of brand ownership, the question arises of whether it is possible to maintain a sense of exclusivity around a luxury brand. Against this backdrop, the paper *“Luxury Brands in the Digital Age – Exclusivity versus Ubiquity”* focuses on the question of how luxury brands can be managed in the digital age, maintaining a balance between exclusivity and ubiquity, high class and mass class. As

the internet has become the primary search and purchase environment for many consumers, brand managers must guarantee an adequate brand representation in the online environment. A best practices analysis provides evidence that the key value dimensions of a luxury brand, in terms of financial, functional, individual and social dimensions, are a useful basis for the development of complementary offline and online strategies.

B) Congruence between Consumer, Brand and Store Personality

The paper *“Are You Like Me? I Will Be Attached to You. Empirical Findings from an International Research about Consumer, Brand and Store Personality Congruence in Luxury Sector”* focuses on the analysis of congruence between consumer, brand and store personality and the effect of this congruence on brand attachment. The empirical results, based on data selected among young luxury consumers in ten countries (Australia, China, France, Germany, Italy, Japan, Russia, South Korea, the UK, and the USA), validate the proposed personality congruence measurement scale and highlight the existence of a correlation between personality congruence and brand attachment.

C) Multi-sensory Brand Experiences

As luxury goods are, more than other products, bought for what they mean, beyond what they are (Dubois and Paternault, 1995), the sensory performance of luxury brands gains relevance in creating superior customer perceived value. The experiential marketing of luxury goods requires a comprehensive understanding of the drivers of a true sensual customer experience. In accordance with this perspective, the conceptual paper *“Creating Multi-Sensory Experiences in Luxury Marketing”* suggests six propositions and outlines key design approaches for multi-sensory brand experiences in the area of luxury brand management.

D) Sustainable Luxury

Individuals in all social classes are increasingly concerned about social and environmental issues related to their consumption. Conscientious consumers are better informed about brands and products, including controversial issues. As luxury brands are extremely sensitive to reputational damage, sustainability must become a priority for luxury brand managers. However, luxury and sustainability are often understood as antithetical concepts, and existing

studies provide evidence that the luxury industry is perceived by experts and consumers as lagging behind other industries in terms of commitment to sustainability. Nevertheless, the essence 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. The conceptual paper *“Sustainability as Part of the Luxury Essence: Delivering Value through Social and Environmental Excellence”* provides a comprehensive framework of luxury sustainability values and thus enhances current understanding.

3. Conclusion and Implications

“Knowledge is of no value unless you put it into practice.”

Anton Chekhov

Main Contribution

Although research on luxury brand management has increased in recent decades, practitioners and researchers still have limited knowledge of the determinants of luxury consumption and luxury brand management. This limitation might be related to the complexity of luxury brand management and the constantly evolving market. Therefore, this dissertation aimed to fill carefully chosen research gaps: (1) the investigation of cross-cultural differences and/or similarities in luxury value perception, (2) the examination of antecedents and outcomes of consumer attitudes and individual luxury perception, (3) the analysis of the relationship between luxury value perception and perceived risk and the effect of this relationship on consumers' buying behavior in the trade-off between authentic or counterfeit products, and (4) the concentration on carefully chosen current trends in marketing and consumer behavior. In sum, the results of the different empirical and conceptual studies indicate the importance of the consumers' perceived luxury value dimensions - financial, functional, individual and social - as the basis for successful and future-orientated luxury brand management strategies. The specific research results of the four modules substantiate implications for management practice and future research.

Implications for Management Practice

All modules emphasize the relevance of the four value dimensions. Thus, luxury brand managers should consider consumers' perceived luxury value to create appropriate market positioning and segmentation strategies. This approach is of particular importance as the increasing global demand for luxury brands challenges luxury brand managers to secure the characteristics of luxury - such as uniqueness and exclusivity - and to avoid risks - such as brand dilution or indistinct differentiation from counterfeits. By addressing the specific demands of the revealed clusters in a cross-national or cross-industry context, brand managers can accentuate the brand appropriately to appeal to the cognitive and affective desires of their consumers. Especially when increasing the individual luxury value, which is affected by the financial, functional and social value, luxury brand managers can increase

both luxury consumption behavior (in terms of purchase intention, recommendation behavior, and the willingness to pay a premium price) and brand strength (in terms of cognitive, affective, and conative). As counterfeiting not only affects genuine producers but is also perceptible at the macro- and microeconomic level, the development of countermeasures focusing on the demand side becomes evident. In the third module, it is shown that the market for counterfeits relies on consumers' demand for the original. Based on the results, convincing consumers that fakes are not worth their money while communicating the risks associated with counterfeit consumption and highlighting the values of the original products represents an appropriate strategy. In view of actual marketing trends, the four values can be transferred to the online strategy as well as multi-sensual and sustainable communication approaches. Only if brand managers successfully address the levels of knowledge and beliefs regarding their brand, as well as the emotional attachment that creates a bond between consumer and brand, can they achieve competitive advantage in the challenging business environment of luxury brands.

Implications for Future Research

Luxury consumption motives have evolved from simply 'buying to impress others' to a complex pattern of demands, including functional and psychological needs. Traditionally, luxury has been consumed by the privileged, mainly in Europe and the US markets. Today, more consumers buy luxury products occasionally and the demand for luxury brands in emerging economies has increased considerably. This ever-changing business environment requires longitudinal studies to improve the presented insights and enhance current understanding. Moreover, due to the exploratory study focus, for generalizability, future research should specifically address questions of sampling and country selection. Thus, more aspects such as age, gender, or individual culture would greatly affect the ability to interpret findings. Additionally, future studies should compare the consumer perceptions of and behavioral responses to different product categories and specific luxury brands. Specifically, focusing on counterfeit consumption, faked products are available at an alarming rate. Thus, the research on counterfeit consumption needs to be extended on an international level. As research on consumer misbehavior must address social desirability, implicit measurement methods might offer new approaches to understand the underlying consumption motives as well as consumers' implicit strategies to suppress the negative impacts their consumption patterns entail.

In conclusion, referring to the complex luxury market, this dissertation aimed to fill carefully chosen research gaps. The findings can support managers in positioning their luxury brand successfully over the long term and in dealing with actual trends and forthcoming challenges.

*“Luxury marketing is a research topic of great importance,
not only from a corporate perspective
but also from a societal point of view.”*

(Wiedmann, Hennigs, 2013)

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List of Articles Included in the Dissertation

Module 1: Cross-Cultural Luxury Value Perception

Paper 1.1

Hennigs, N., Wiedmann, K.-P., Klarmann, C., Strehlau, S., Godey, B., Pederzoli, D., Neulinger, A., Dave, K., Aiello, G., Donvito, R., Taro, K., Táborecká-Petrovičová, J., Santos, C. R., Jung, J. and Oh, H. (2012): What is the Value of Luxury? A Cross-Cultural Consumer Perspective, *Psychology & Marketing*, Vol. 29, No. 12, pp. 1018-1034.

Paper 1.2

Hennigs, N., Wiedmann, K.-P., Klarmann, C. (2013): Consumer Value Perception of Luxury Goods: A Cross-Cultural and Cross-Industry Comparison, in: Wiedmann, K.-P., Hennigs, N. (Edt.) (2013): *Luxury Marketing*, Wiesbaden, pp. 77-99, Springer Gabler.

Module 2: Antecedents and Outcomes of Consumer Attitudes and Individual Luxury Perception

Paper 2.1

Hennigs, N.; Wiedmann, K.P.; Klarmann, C.; Behrens, S.: 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.; Behrens, S.: 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.; 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: Consumer Misbehavior - Luxury Counterfeit Consumption

Paper 3.1

Wiedmann, K.-P., Hennigs, N., Klarmann, C. (2012): Luxury consumption in the trade-off between genuine and counterfeit goods: What are the consumers' underlying motives and value-based drivers? *Journal of Brand Management*, Vol. 19, No. 7, pp. 544-566.

Paper 3.2

Klarmann, C., Wiedmann, K.-P., Hennigs, N. (2013): Luxury Longing and Counterfeit Complicity: A Consumer Typology based on the Perception of Luxury Value and Counterfeit Risk. In: Wiedmann, K.-P., Hennigs, N. (Edt.) (2013): *Luxury Marketing*, Wiesbaden, S. 261-277, Springer Gabler.

Paper 3.3

Hennigs, N.; Klarmann, C.; Wiedmann, K.-P.: Individual Risk Perception and Counterfeit Shopping Behavior: Should I Buy Or Should I Not? Submitted to *Journal of Fashion Marketing and Management*.

Module 4: Selected Trends in Luxury Brand Management

Paper 4.1

Hennigs, N., Wiedmann, K.-P., Klarmann, C. (2012): Luxury Brands in the Digital Age – Exclusivity versus Ubiquity. *Marketing Review St. Gallen*, Vol. 29, No. 1, pp. 30-35.

Paper 4.2

Donvito, R., Aiello, G., Godey, B., Pederzoli, D., Wiedmann, K.-P., Hennigs, N., Klarmann, C., Chan, P., Halliburton, C., Tsuchiya, J., Koyama, T., Ivanovna Skorobogatykh, I., Weitz, B., Oh, H., Ewing, M., Newton, J., Lee, J., Fei, L., Rong Chen, C. (2013): Are you like me? I will be attached to you. Empirical findings from an international research about consumer, brand and store personality congruence in luxury sector, presented at the World Marketing Congress in Melbourne (AMS), July 17-20, 2013.

Paper 4.3

Wiedmann, K.-P.; Hennigs, N.; Klarmann, C.; Behrens, S. (2013): Creating Multi-Sensory Experiences in Luxury Marketing. *Marketing Review St.Gallen*, Vol. 30, No. 6, pp. 72-80.

Paper 4.4

Hennigs, N.; Wiedmann, K.-P.; Klarmann, C.; Behrens, S. (2013): Sustainability as Part of the Luxury Essence: Delivering Value through Social and Environmental Excellence. *Journal of Corporate Citizenship*, Vol. 52, No. 11, 25-35.

Evidence of Co-Authorship and Definition of Responsibilities

The present researches were 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 modules:

Module 1: Cross-Cultural Luxury Value Perception

Responsibilities of *“What is the Value of Luxury? A Cross-Cultural Consumer Perspective”*: Hennigs, N.: Theoretical Background, Methodology, Results and Discussion, Conclusions and Implications; Wiedmann, K.-P.: Supervision; Klarmann, C.: Introduction; Conceptualization, Conclusions and Implications; Strehlau, S., Godey, B., Pederzoli, D., Neulinger, A., Dave, K., Aiello, G., Donvito, R., Taro, K., Táborecká-Petrovičová, J., Santos, C. R., Jung, J. and Oh, H.: the paper presents an international collaboration – each partner was responsible for his/her country’s data collection and analysis as well as the description of the results.

Responsibilities of *“Consumer Value Perception of Luxury Goods: A Cross-Cultural and Cross-Industry Comparison”*:

Nadine Hennigs: Methodology, Results and Discussion, Conclusions and Implications; Klaus-Peter Wiedmann: Supervision; Christiane Klarmann: Introduction, the Market for Luxury Goods, Conceptualization, Conclusions and Implications

Module 2: Antecedents and Outcomes of Consumer Attitudes and Individual Luxury Perception

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: Consumer Misbehavior - Luxury Counterfeit Consumption

Responsibilities of *“Luxury consumption in the trade-off between genuine and counterfeit goods: What are the consumers’ underlying motives and value-based drivers?”*:

Klaus-Peter Wiedmann: Supervision; Nadine Hennigs: Conceptual Model: Determinants of Consumers’ Luxury Value Perceptions, Implications for Countermeasures Against Counterfeit Consumption, Conclusions and Further Research Steps; Christiane Klarmann: Introduction, Theoretical Background and Construct Definition, Counterfeiting Research: Selection Method and State-Of-The-Art, Conclusions and Further Research Steps

Responsibilities of *“Luxury Longing and Counterfeit Complicity: A Consumer Typology based on the Perception of Luxury Value and Counterfeit Risk”*:

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Klaus-Peter Wiedmann: Supervision; Nadine Hennigs: Methodology, Results and Discussion, Next Research Steps and Managerial Implications; Christiane Klarmann: Introduction, Theoretical Background, Conceptual Model and Related Hypotheses

Module 4: Selected Trends in Luxury Brand Management

Responsibilities of *“Luxury Brands in the Digital Age – Exclusivity versus Ubiquity”*:

Nadine Hennigs: Introduction, Luxury E-tailing: Blessing or Curse?, What is Exclusivity if it is Accessible to Everyone?, The Art of Creating Multi-Sensory Luxury Experiences Online; Klaus-Peter Wiedmann: Supervision; Christiane Klarmann: The Value of Luxury Online, Leaders in Online Luxury, Louis Vuitton, Gucci, Burberry, Viktor & Rolf, Conclusion

Responsibilities of *“Are you like me? I will be attached to you. Empirical findings from an international research about consumer, brand and store personality congruence in luxury sector”*:

Donvito, R., Aiello, G., Godey, B., Pederzoli, D., Wiedmann, K.-P., Hennigs, N., Klarmann, C., Chan, P., Halliburton, C., Tsuchiya, J., Koyama, T., Ivanovna Skorobogatykh, I., Weitz, B., Oh, H., Ewing, M., Newton, J., Lee, J., Fei, L., Rong Chen, C.: the paper presents an international collaboration – each partner was responsible for his/her country’s data collection and analysis as well as the description of the results.

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

Cross-Cultural Luxury Value Perception

- Paper 1.1: Hennigs, N., Wiedmann, K.-P., Klarmann, C., Strehlau, S., Godey, B., Pederzoli, D., Neulinger, A., Dave, K., Aiello, G., Donvito, R., Taro, K., Táborecká-Petrovičová, J., Santos, C. R., Jung, J. and Oh, H. (2012): What is the Value of Luxury? A Cross-Cultural Consumer Perspective, *Psychology & Marketing*, Vol. 29, No. 12, pp. 1018-1034.
- Paper 1.2: Hennigs, N., Wiedmann, K.-P., Klarmann, C. (2013): Consumer Value Perception of Luxury Goods: A Cross-Cultural and Cross-Industry Comparison, in: Wiedmann, K.-P., Hennigs, N. (Edt.) (2013): *Luxury Marketing*, Wiesbaden, pp. 77-99, Springer Gabler.

Module 1 (Paper 1.1)

What is the Value of Luxury? A Cross-Cultural Consumer Perspective

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What is the Value of Luxury? A Cross-Cultural Consumer Perspective

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ABSTRACT

International luxury businesses are challenged by the identification and satisfaction of the common needs and desires of global market segments. Although luxury goods have become available to a wider range of consumers, the traditional conspicuous consumption model has been transformed into a new experiential luxury sensibility that is marked by a change in the way that consumers define luxury. Based on an empirical study in collaboration with American, European, and Asian researchers, the results provide evidence that consumers in various parts of the world purchase or wish to purchase luxury products for varied reasons but that such consumers generally possess similar values. Regardless of their countries of origin, the basic motivational drivers of luxury consumers are similar among the financial, functional, personal, and social dimensions of luxury value perceptions, although the relative importance of these dimensions varies. © 2012 Wiley Periodicals, Inc.

As today's economy is characterized by internationality and globalization, marketing managers must confront a complex and dynamic demand side and address multifaceted customer perceptions of value. This task

arises because consumer behavior does not abruptly change when national borders are crossed (Farley & Lehmann, 1994); rather, segments of consumers across national boundaries might be more similar than those

within the same country (Hassan & Katsanis, 1994; Hassan & Kaynak, 1994; Keillor, D'Amico, & Horton 2001). Regarded as a common denominator that can be used to define consumption across cultures (Bourdieu, 1984; Dubois & Paternault, 1997), luxury is a main factor that differentiates a brand in a product category (Allèrès, 1991; Kapferer, 1997) and is a central driver of consumer preferences and usage (Baek, Kim, & Yu 2010; Dubois & Duquesne, 1993). International luxury businesses are challenged by the identification and satisfaction of the common needs and desires of global market segments; thus, related research methodology and models require a global perspective (Hofstede, Steenkamp, & Wedel, 1999). Although luxury goods have become available to a wider range of consumers, the traditional conspicuous consumption model has been transformed into a new experiential luxury sensibility that is marked by a change in the way that consumers define luxury (Wiedmann, Hennigs, & Siebels, 2007). In a global context, it is critically important for luxury researchers and marketers to understand why consumers buy luxury goods, what they believe luxury is and how their perceptions of luxury value affect their purchase behavior as well as considering and distinguishing cultural influences. With regard to consumption values that directly explain why consumers choose to either buy or avoid particular products (Sheth, Newman, & Gross, 1991), the understanding of consumer motives and value perceptions in the context of luxury brands is important from a managerial viewpoint as well as a societal perspective. From a market positioning and segmentation point of view, knowledge of all relevant aspects of consumer perceptions of luxury and more robust measures of luxury value incorporating cultural differences enhance the efficiency of marketing efforts for luxury brands (Wiedmann, Hennigs, & Siebels, 2009). Related to societal issues, the significant growth of luxury consumption in recent decades has been accompanied by a prevalence of pirated and counterfeited goods that are estimated to account for as much as 10% of world trade. Assuming that the market for counterfeit brands relies on consumers' desire for real luxury brands (Hoe, Hogg, and Hart, 2003; Penz & Stöttinger, 2005), a better understanding of value-based drivers for luxury consumption builds the basis for the development of strategies that aim to reduce the global appetite for counterfeits (Wiedmann, Hennigs, & Klarmann, 2012).

Reasoning this, based on the incorporation of relevant theoretical and empirical findings, the objective of the present study is to examine the antecedents and outcomes of luxury value as perceived by customers on a global level. This paper is structured as follows: first, the existing literature on the concept of luxury and culture is analyzed; second, the conceptual model is presented by focusing on the critical value-based drivers of luxury perceptions that were developed and domestically confirmed by Wiedmann, Hennigs, and Siebels (2007, 2009) and an overview of existing research on cultural influences is given; and third, to explore the

various dimensions and effects underlying the perceived values of luxury brands, the methodology and results of an empirical study in collaboration with American, European, and Asian researchers are described. In the context of cultural differences and similarities, customer value perceptions in terms of the economic, functional, individual, and social evaluations of customers with respect to luxury brands and products is examined. The results provide evidence that consumers in various parts of the world purchase or wish to purchase luxury products for varied reasons but that such consumers generally possess similar values. Regardless of their countries of origin, the basic motivational drivers of luxury consumers are similar among the financial, functional, personal, and social dimensions of luxury value perceptions, although the relative importance of these dimensions varies.

THEORETICAL BACKGROUND

Defining the Concept of Luxury

As a market with continuous and dynamic growth, the luxury market is characterized by a broader availability to consumers than ever before. Although the luxury market has greatly increased over the last decade and the marketing literature has demonstrated substantial interest in the study of luxury brands, little is known regarding the optimal approaches for marketing and monitoring luxury brands (Vigneron & Johnson, 1999, 2004). Past research focused on luxury brand types (e.g., Andrus, Silver, & Johnson, 1986; Dubois & Duquesne, 1993), the consumption behaviors of affluent consumers (e.g., Hirschman, 1988; Stanley, 1988; Veblen, 1899), the determinants of the acquisition of luxury products (e.g., Dubois & Duquesne, 1993; Dubois & Laurent, 1993; Mason, 1992), the cross-cultural comparison of attitudes toward the concept of luxury (Dubois & Laurent, 1996; Dubois & Paternault, 1997), and the comparison of motivations between Asian and Western societies (Wang & Waller, 2006; Wong & Ahuvia, 1998). Nevertheless, a consumer's motivation "to impress others" seems to serve as the main strategic principle for the marketing management of luxury brands (Berry, 1994; Corneo & Jeanne, 1997; Dittmar, 1994; O'Cass & Frost, 2002; Vigneron & Johnson, 1999, 2004). According to the definition of Vigneron and Johnson (1999), luxury brands constitute the highest level of prestigious brands and encompass several physical and psychological values; the simple use or display of a particular branded product brings esteem for its owner. Psychological benefits are considered to be the main factor that distinguishes luxury products from nonluxury products (Nia & Zaichkowsky, 2000). However, the sole consideration of "socially oriented" motives is not sufficient to explain customer perceptions of and motives for purchasing luxury products (e.g., Coulter, Price, & Feick, 2003; Gentry, Putrevu, Shultz, and Commuri, 2001;

Hansen, 1998; Miquel, Caplliurer, & Aldas-Manzano, 2002; Puntoni, 2001; Roth, 2001; Vigneron & Johnson, 1999, 2004; Wong & Ahuvia, 1998; Wong, Chung, & Zaichkowsky, 1999) because personal, functional, and financial aspects must be considered in the marketing management of luxury brands (Wiedmann, Hennigs, & Siebels, 2007, 2009).

Culture and Market Segmentation

The identification and understanding of cross-cultural market segments have been the research focus of several studies (e.g., Djursaa & Kragh, 1998; Grunert, Grunert, & Sørensen, 1995; Hofstede, Steenkamp, & Wedel, 1999; Kahle, Rose, & Shoham, 1999; Lindridge & Dibb, 2003), although the specific emphases of these studies have differed. Although culture has often been considered in the academic literature, there is no unique theoretical or empirical perspective on the definition of cultural factors and the general influence of cultural forces on consumer behavior and its implications for marketing segmentation strategies (Dubois & Duquesne, 1993). Cultural differences often cause differences in consumer behavior within and across national borders. Macrolevel geographic, political, economic, and cultural data have typically been used to identify consumer segments across countries (e.g., Helsen, Jedidi, & DeSarbo, 1993; Kale, 1995). Given that the globalization of consumer markets and the global acceptance of products and brands lead to a globalization of the behaviors and attitudes of consumers and that, under certain conditions, there is a greater similarity in the values of customers from different countries than among different customers in the same countries (Anderson & He, 1998), it can be useful to use groups of consumers rather than countries as a basis for identifying international segments (Jain, 1989). Therefore, it might be beneficial to focus on a cross-cultural customer segment in addition to a country-oriented cultural understanding.

CONCEPTUALIZATION

Measuring Perceptions of Luxury Value

Inspired by the work of Dubois and Laurent (1994), Leibenstein (1950), Mason (1992), Kapferer (1998), Eastman, Goldsmith, and Flynn (1999), Phau and Prendergast (2000), and Dubois, Laurent, and Czellar (2001) on the evaluation of luxury brands, Vigneron and Johnson (2004) proposed that a consumer's decision-making process can be explained by five main factors: personal perceptions in terms of the perceived extended self, perceived hedonism and nonpersonal perceptions referring to perceived conspicuousness, perceived uniqueness, and perceived quality. To acquire information regarding consumer motives and value perceptions, Wiedmann, Hennigs, and Siebels (2007) developed a four-

dimensional model that explains luxury consumption through consumer perceptions of the social, individual, functional, and financial value dimensions of luxury and thus draws on and extends Bourdieu's capital theory (1986) and existing luxury research literature (Vigneron & Johnson, 2004). Beginning with an integral perceived value concept, Figure 1 presents the conceptual model, which encompasses several influencing variables and value drivers related to the four key dimensions of luxury value perception: social, individual, functional, and financial dimensions.

The *financial dimension* addresses direct monetary aspects, such as price, resale cost, discount, and investment, and refers to the value of a product (e.g., expressed in dollars, euro, or yen) and that which consumers will sacrifice to obtain such a product (e.g., Ah-tola, 1984; Chapman, 1986; Mazumdar, 1986; Monroe & Krishnan, 1985). The *functional dimension* refers to core product benefits and basic utilities, such as quality, uniqueness, usability, reliability, and durability (Sheth, Newman, & Gross, 1991). The *individual dimension* focuses on a customer's personal orientation toward luxury consumption and addresses personal issues, such as materialism (e.g., Liao & Wang 2009; Richins & Dawson, 1992), hedonism, and self-identity (e.g., Bao, Zhou, & Su 2003; Hirschman & Holbrook, 1982; Vigneron & Johnson, 2004). Finally, the *social dimension* refers to the perceived utility that individuals acquire from products or services that are recognized within their own social group(s), such as conspicuousness and prestige value, which may significantly affect the evaluation and propensity to purchase or consume luxury brands (Bearden & Etzel, 1982; Brinberg & Plimpton, 1986; Kim, 1998; Liu & Hu 2012; Vigneron & Johnson, 1999). Although these value dimensions operate independently, they interact with one another and have various degrees of influence on individual value perceptions and behaviors that can be used to further identify and segment different types of luxury consumers.

In a national survey, Wiedmann, Hennigs, and Siebels (2009) identified and segmented different types of luxury consumers with respect to the dimensions of luxury value in Germany. As it is critically important for luxury researchers and marketers to understand why consumers purchase luxury products, what they believe luxury is and how their perception of luxury value influences their purchase behavior, especially in a global context, a cross-cultural study in collaboration with American, European, and Asian researchers is required.

Study Overview: Culture and Consumer Attitudes toward Luxury

Table 1 presents a chronological overview of relevant international studies in the context of cultural influenced luxury consumption behavior as it relates to

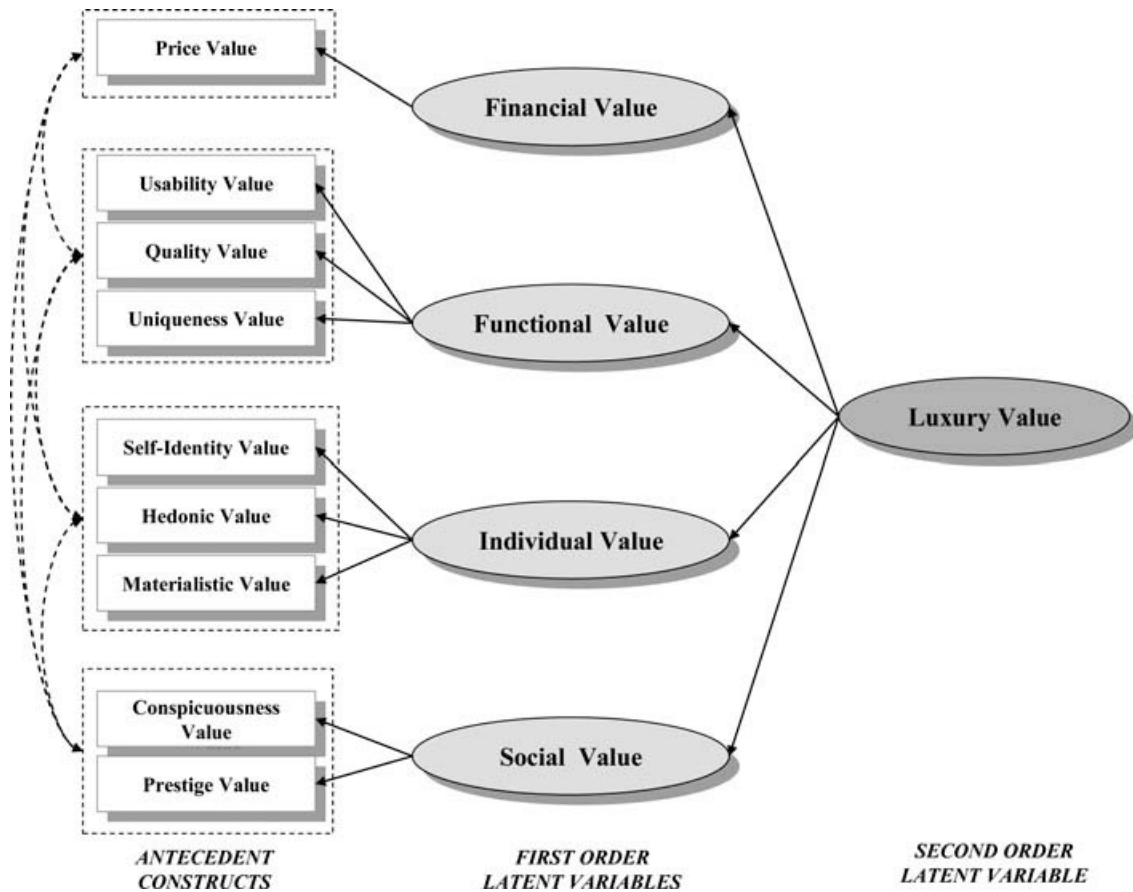


Figure 1. Dimensions of luxury value perceptions.

the four outlined dimensions: social, individual, functional, and financial dimensions.

A review of existing studies concerning international luxury consumption behavior reveals that the results of the surveys within these studies diverge. As the dimensions of the conceptual framework recur in various studies, one could suggest that the four dimensions contribute to the explanation of international luxury perceptions. However, the results provide evidence of differences in the evaluations of these dimensions among nationalities, especially between Eastern and Western cultures (Li & Su, 2007; Podoshen, Li, & Zhang, 2011; Shukla, 2010; Tsai, 2005). Nevertheless, as revealed by Dubois and Laurent (1993) and Dubois, Laurent, and Czellar (2001) and emphasized by several national studies (e.g., Hauck & Stanforth, 2007; Tervydyté & Janciauskas, 2006), the relevance of the four dimensions may also vary within countries but are similar among cross-cultural segments. Therefore, this study aims to identify whether consumers in different parts of the world buy or wish to buy luxury products for varying reasons; whether they possess similar values; and, regardless of their country of origin, whether their basic motivational drivers may be similar with respect to the financial, functional, personal, and social dimen-

sions of luxury value perceptions, although the relative importance of the different dimensions varies. In view of this aim, the following hypotheses are proposed and empirically tested:

- H₁:** There are no significant differences across the sampled countries regarding the dimensionality of value-based drivers to purchase (or to wish to purchase) luxury products.
- H₂:** The relative importance of the different dimensions of luxury value perceptions varies significantly across the sampled countries.

Considering that the globalization of consumer behaviors and attitudes leads to a greater similarity in the values of customers from different countries, the following is hypothesized:

- H₃:** There exist cross-cultural luxury consumer segments based on their luxury value perceptions.

Table 1. Chronological Overview of Relevant International Studies in the Context of Consumer Attitudes Toward Luxury.

Study	Study Design (Method, Participants)	Determinants	Dependent Variable	Main Results	FiVa	FuVa	InVa	SoVa
Dubois and Laurent (1993)	Based on "European Survey" 12,500 customers (D, F, UK, I, E)	Nationalities (socioeconomic indicators, geographic indicators)	Perceptions of 30 international luxury brands	The power of segmentation in explaining luxury purchase socioeconomic indicators (income, education, and occupation) differentiates consumers to a significantly greater extent than country affiliation (geographic indicators), although some differences among the various European countries can be observed. To this extent, a Euro-consumer exists.	x			
Tidwell and Dubois (1996)	Survey, 167 Australian and French students	Nationalities	Consumer attitudes toward the concept of luxury (Dubois-Laurent Scale)	The Australian results show a significantly more negative attitude toward the concept of luxury compared with that of the French results. Contrasting the Australian results, the French results demonstrated the existence of a strong relationship between the self-concept consumers and the concept of luxury as related to theories of conspicuous behavior.	x	x	x	x
Vigneron (2000)	Survey, 500 Classic Car Club Members (Australian and New Zealander)	Nationalities	Brand Luxury Index scale of Vigneron/Johnson (2004)	The scale was reliable and valid, but the generalizability of the results is limited, as the dimensions vary: in NZ, quality dimensions explain most of the variance; in Australia, conspicuous/hedonic dimensions are predominant.	x	x	x	x
Dubois, Laurent, and Czellar (2001)	1) Survey, 16 luxury customers 2) Survey, 1848 students (20 nationalities)	Quality, time incorporation, hedonism, scarcity, high price, and superfluosity	Consumer attitudes toward luxury	Consumer attitudes are complex and ambivalent. This research identified three attitude types among the 20 countries that were studied: elitism, democratization, and distance.	x	x	x	x
Dubois, Czellar, and Laurent (2005)	1) Survey, 16 French customers (20 nationalities)	National culture	Consumer attitudes toward luxury	The results are consistent with Hofstede's four-dimensional framework of national culture (1980).	x	x	x	x
Tsai (2005)	Survey, 1848 students (20 nationalities) Survey, 945 luxury customers (Asia Pacific [HK, Singapore, Japan], Western Europe [D, F, GB], North America [US, Canada])	Personal determinants of luxury consumption behavior	Personal determinants of luxury consumption behavior	The results demonstrate that one's personal orientation (self-directed pleasure, self-gift giving, congruity with internal self and quality assurance) influences repurchasing behavior and demonstrate the global existence of personal orientation.				x

Table 1. Continued

Study	Study Design (Method, Participants)	Determinants	Dependent Variable	Main Results	F _i V _a	F _u V _a	InV _a	SoV _a
de Barnier, Rodina, and Valette- Florence (2006)	Survey, 45 luxury customers and noncustomers (GB, F, R)	Nationalities	Consumer perceptions of luxury	The research results revealed the relevance of four luxury facets within all three cultures: aesthetics, premium quality, personal product history, and expensiveness are the facts that are common to these three cultures. Additionally, the following assets were found to be important: product consciousness and aspiration for France, functionality and luxury atmospherics for the United Kingdom, and functionality for Russia. Superfluosity and uniqueness facets are no longer relevant to present-day consumers. Finally, a new luxury dimension of self-pleasure is relevant for these three cultures.	x	x	x	x
Li and Su (2007)	Survey, 106 American and 114 Chinese customers		“Face”	Compared with American consumers, Chinese consumers are more likely to be influenced by their reference groups, relate product brands and prices to their “face,” and emphasize the prestige of products.	x			x
Shukla (2010)	Survey, 544 customers (English, Indian)	Socio-psychological, brand and situational antecedents	Status consumption	Socio-psychological, brand, and situational antecedents are crucial in influencing status consumption; nevertheless, their degree of influence differs dramatically. Therefore, consumers’ means of achieving social status in both countries varied significantly.				x
Podoshen, Li, and Zhang (2011)	Survey, 245 Chinese, 265 North American	National culture	Materialistic values and conspicuous consumption	The Chinese respondents scored higher in terms of both materialism and conspicuous consumption.			x	x
Shukla (2011)	Survey, 568 (British, Indian)		Luxury purchase intentions	Consumers in collectivist markets rely heavily on informational interpersonal influences. Normative interpersonal influences provide an opportunity to standardize, as both individualist and collectivist markets rely on these influences. Brand image moderates between normative interpersonal influences and purchase intentions.		x	x	x

D = Germany, E = Spain, F = France, GB = Great Britain, HK = Hong Kong, I = Italy, R = Russia, UK = United Kingdom, US = United States.

Table 2. Measurement Scales.

Author(s), Year	Scale
Dubois and Laurent (1994)	Perception of and Attitude toward Luxury Products
Richins and Dawson (1992)	Material Values
Scherhorn, Haas, Hellenthal, and Seibold (2010)	Materialistic Attitudes
Tsai (2005)	Personal Orientation toward Luxury Consumption
Unity Marketing (2004)	Motivators for Luxury Consumption
Wiedmann, Hennigs, and Siebels (2009)	Luxury Value Perception

METHODOLOGY

Measurement Instrument

To investigate the research question regarding whether and to what extent consumer perceptions of luxury value differ across countries, well-established and validated scales as shown in Table 2 were used.

All questionnaire items were rated on a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). The first version of the questionnaire was face-validated twice using exploratory and expert interviews and pretested with 40 respondents.

Sample and Data Collection

The data were collected in collaboration with 11 partners from 10 countries: Brazil, France, Germany, Hungary, India, Italy, Japan, Slovakia, Spain, and the United States. To enhance the homogeneity of the respondents across cultures (Douglas & Craig, 1983; Durvasula, Andrews, and Netemeyer, 1997; Furrer, Liu, & Sudharshan, 2000) and to reduce minor random errors (Calder, Phillips, & Tybout, 1981), comparable samples from identifiable subgroups of the population

were drawn (Madden, Hewett, & Roth, 2000; Mitchell & Vassos, 1997; Raaij & Fred, 1978). 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, Grimm, Kamath, and Foscht, 2011; Dawar & Parker, 1994). The questionnaire was distributed to student respondents at the universities of the partners in each country. Irrespective of the first language of the respondents, the questionnaires were administered in English. The questionnaire was translated into each respective country's language and back-translated into English to ensure that the meanings of the statements were correct in each participating country. Because English is the main language of education in the field of marketing and management in all participating countries, the quality of the data that were collected was not affected by the decision to use a standardized English version of the questionnaire. The questionnaire was pretested in each country to determine the degree of construct validity and to ascertain that the scales would function cross-culturally in a reliable and valid manner. Each participant who completed the pretest answered the questionnaire as s/he read the questions and verbalized any thoughts that came to mind, including ambiguities, inapplicable questions, and interesting issues. 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. The respondents were contacted directly by the researchers at each university to secure the interest of the students in the domain of luxury brands/goods and the willingness of these students to participate in the research project. In March 2011, a total of 1275 valid and completed questionnaires were obtained. Table 3 describes the key characteristics of the sample recruited at each geographic location of data collection.

As Table 3 illustrates, 1275 usable questionnaires were received; the number of questionnaires received

Table 3. Sample Characteristics.

Geographic Location of Data Collection	<i>n</i>	Percent	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
United States	274	21.5	46.0	23.3	Middle income
Other nationalities	74	5.8			
Total	1275	100.0	53.5	22.7	Middle income

ranged from a minimum of 47 completed and valid questionnaires in France to a maximum of 274 completed and valid questionnaires from respondents living in the United States. A total of 53.5% of the respondents in the final sample are female with an average age of 22.7 years and a self-reported middle-income level. Given that this study requires a certain level of 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, that they are well informed about the luxury world, and that they purchase luxury brands on a regular basis, even if they shared the opinion that luxury products inevitably are very expensive. Besides, all respondents in the final sample stated that they will seriously consider buying luxury brands again in the future, whereas they strongly disagreed to the statement that “*A fine replica of a luxury brand is just as good.*” With reference to the diverse product categories in the luxury domain, the respondents showed the highest willingness to pay a premium price for cars, consumer electronics, perfume, and personal care as well as experiential luxuries such as holiday travel and wellness trips. Even if the sample is not representative with respect to the given exploratory research focus, the sample offers a balanced set of data from each country.

RESULTS AND DISCUSSION: COUNTRY-VERSUS CONSUMER-BASED SEGMENTATION

For the purpose of testing the hypotheses, SPSS 19.0 was used to analyze the data. To examine possible differences and/or similarities across countries within the data analysis, first, the various dimensions underlying the perceived values of luxury were identified through a factor analysis using the principal component method with varimax rotation. Based on means for the factors for each country, analysis of variance (ANOVA) was used to determine whether there are significant differences across countries in the four dimensions of customer luxury value perceptions. In the next step, a cluster analysis was chosen to identify different types of luxury consumers based on the assumption that common structures in consumer perception and behavior exist cross-nationally. The results of the measurement of the constructs, the ANOVA results, and the cluster segments are described below.

Measurement of Constructs and Cross-National Results

A cross-culturally applicable measurement instrument should lead to similar patterns of reliability, factor loadings, and factor structure in samples from different countries. As Table 4 shows, with regard to the dimensionality of luxury value perception, the factor struc-

ture largely confirms existing research (Wiedmann, Hennigs, & Siebels, 2007, 2009), and in accordance to Hair, Anderson, Tatham, and Black (1998) as well as Malhotra and Peterson (2006), a Cronbach's alpha of 0.6 was considered to be acceptable. Therefore, the proposed conceptualization of the luxury value dimensions is supportive of the first hypothesis.

To explore cross-national differences in luxury value perceptions, ANOVA was used. For this purpose, the country was the independent (grouping) variable and the perceived luxury value dimensions (factor means) were the dependent variables. As presented in Table 5 (with highest and lowest values in bold), the second hypothesis is confirmed because the participants differed significantly ($p < 0.01$) in the degree to which they agreed with the luxury value-related statements and associated different aspects with luxury products and brands. To identify pairwise differences, post-hoc comparisons between groups using the Scheffé test at the 0.05 significance level were examined. The results revealed numerous significant pairwise differences referring to the financial, individual, and social perception of luxury value. Figure 2 is a graphical representation of the values for each country in terms of the four dimensions of luxury value perceptions.

With reference to the financial dimension of luxury value perceptions, the results show that France has the highest factor mean scores on all statements, followed by Hungary, Italy, Brazil, and Slovakia. Germany and the United States do not primarily associate luxury brands and products with financial aspects; consumers in these countries have the lowest scores related to the financial evaluation of luxury brands and products. The significant differences on the factor level were also reflected with reference to the items that constructed the financial value dimension: French consumers agree that “*A luxury product cannot be sold in supermarkets*” (4.43) and that “*Few people own a truly luxury product*” (4.06), whereas American consumers do not perceive that “*Truly luxury products cannot be mass-produced*” (3.18). Considering the functional dimension of luxury value perceptions, German consumers agree more than the consumers in the other countries with the statements related to quality and performance aspects. On an item level, these significant differences can be found as well. Germans show highest mean ratings for “*A luxury brand that is preferred by many people but that does not meet my quality standards will never enter into my purchase consideration*” (4.12) and “*I place emphasis on quality assurance over prestige when considering the purchase of a luxury brand*” (4.04). With respect to the individual dimension of luxury value perception, U.S. consumers, followed by consumers in India, Brazil, and Italy, emphasize the hedonic, affective, and materialistic aspects of luxury consumption. On the item level of individual luxury value, more than other groups, Spanish consumers do not agree with statements such as “*I derive self-satisfaction from buying luxury products*” (2.15) or “*Wearing luxury clothing gives me a lot of pleasure*” (2.39). In terms of the social dimension, the

Table 4. Measurement of Constructs.

Items	Factor Loadings
Financial value dimension	$\alpha = 0.61$
Luxury products are inevitably very expensive.	0.66
Few people own a true luxury product.	0.65
Truly luxury products cannot be mass-produced.	0.70
A luxury product cannot be sold in supermarkets.	0.70
Functional value dimension	$\alpha = 0.70$
The superior product quality is my major reason for buying a luxury brand.	0.73
I place emphasis on quality assurance over prestige when considering the purchase of a luxury brand.	0.79
I am inclined to evaluate the substantive attributes and performance of a luxury brand rather than listening to the opinions of others.	0.69
A luxury brand that is preferred by many people but that does not meet my quality standards will never enter into my purchase consideration.	0.69
Individual value dimension	$\alpha = 0.88$
I derive self-satisfaction from buying luxury products.	0.65
Purchasing luxury clothing makes me feel good.	0.78
Wearing luxury clothing gives me a lot of pleasure.	0.79
When I am in a bad mood, I may buy luxury brands as gifts for myself to alleviate my emotional burden.	0.73
I view luxury brand purchases as gifts for myself to celebrate something that I do and feel excited about.	0.80
I view luxury brand purchases gifts for myself to celebrate an occasion that I believe is significant to me.	0.76
As a whole, I may regard luxury brands as gifts that I buy to treat myself.	0.81
Social value dimension	$\alpha = 0.85$
I like to know what luxury brands and products make good impressions on others.	0.69
To me, my friends' perceptions of different luxury brands or products are important.	0.75
I pay attention to what types of people buy certain luxury brands or products.	0.79
It is important to know what others think of people who use certain luxury brands or products.	0.84
I am interested in determining what luxury brands I should buy to make good impressions on others.	0.83
It is important that others have a high opinion of how I dress and look.	0.59
If I were to buy something expensive, I would worry about what others would think of me.	0.59

results provide evidence that the mean ratings for this aspect are at a moderate level for all countries except Germany, Italy, Slovakia, and Spain. This difference is supported by mean ratings for the factor specific items: Indian consumers state that “*To me, my friends’ perceptions of different luxury brands or products are important*” (3.36), whereas Spanish and Italian consumers are not concerned about what others think of them (2.19 and 2.17, respectively).

In sum, with regard to the initial hypothesis, the principal component analysis results provide evidence to confirm the proposed factor structure (H_1). Besides, the ANOVA showed significant cross-cultural differences (H_2) between the luxury value dimensions as perceived by consumers from different countries. Therefore, perceptions of luxury are multifaceted and comprise a combination of aspects whose importance differs in comparing countries. However, what is the optimal basis on which appropriate marketing strategies should be developed in the luxury industry? Would a country- or consumer-based segmentation approach aimed at different types of consumers across national borders be preferable? Hence, to answer the question regarding the possible existence of common structures

across countries (H_3), cross-national consumer groups were subsequently examined that are distinct from one another because of their perceived value associations in the context of luxury brands and products rather than because of their nationalities.

Cluster Analysis Results: Common Structures across Countries

To identify different groups of luxury consumers across countries, the factor means for each respondent were saved and consequently used these scores to clustering the respondents into market segments. An initial hierarchical clustering procedure was employed to obtain the number of possible clusters and seed points for a k -means cluster analysis. The respondents were partitioned using a hierarchical procedure to identify the correct number of clusters. Ward’s method of minimum variance was chosen to determine the cluster differences in each stage of combinations and to maximize homogeneity and heterogeneity within and between clusters. The results strongly suggested the presence of four clusters and were validated using nonhierarchical

Table 5. ANOVA Results.

	Brazil ^a	France ^b	Germany ^c	Hungary ^d	India ^e	Italy ^f	Japan ^g	Slovakia ^h	Spain ⁱ	United States ^j	F	Significance	Post-Hoc Comparisons (Scheffé)
Dim1: Financial value	0.22	0.72	-0.22	0.36	-0.13	0.25	-0.04	0.21	-0.01	-0.36	11.58	0.000	(a,j) (b,c) (b,e) (b,g) (b,i) (b,j) (c,d) (d,j) (f,j) (h,j)
Dim2: Functional value	-0.13	-0.07	0.40	-0.10	-0.06	0.13	-0.14	-0.07	-0.03	0.07	2.99	0.001	No significant pairwise differences were found.
Dim3: Individual value	0.28	-0.10	-0.07	-0.30	0.32	0.08	-0.22	-0.38	-0.63	0.40	19.13	0.000	(a,d) (a,b) (a,i) (c,i) (c,j) (d,e) (d,i) (e,g) (e,h) (e,i) (f,i) (g,i) (h,j) (i,j)
Dim4: Social value	0.06	0.17	-0.28	0.13	0.28	-0.37	0.19	-0.23	-0.52	0.18	9.91	0.000	(a,i) (b,i) (c,e) (c,j) (d,i) (e,f) (e,i) (f,i) (g,i) (i,j)

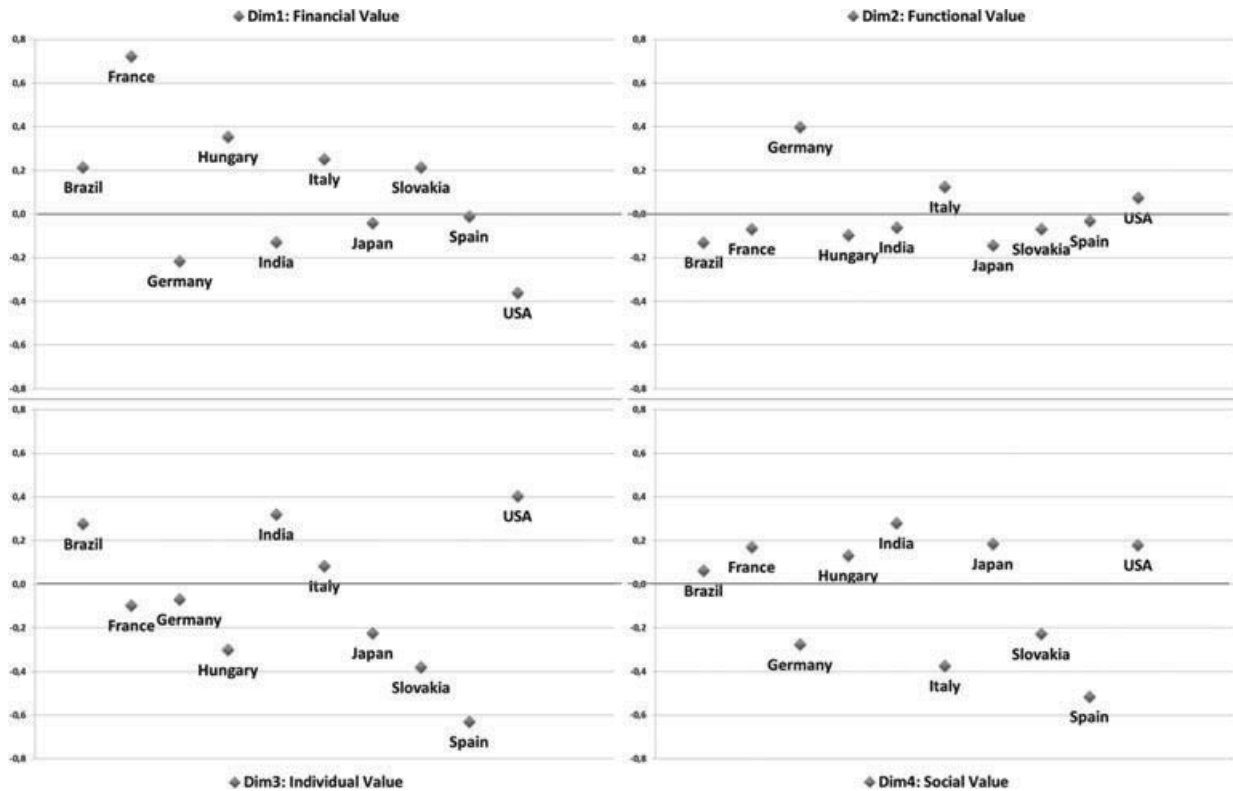


Figure 2. Cross-national perceptions of luxury value dimensions.

k-means clustering. After the clusters were identified, a discriminant analysis was used to verify the cluster groupings. Overall, 97.3% of the cases were assigned to the correct groups; thus, the results of the cluster analysis were valid for the useful classification of luxury consumer subgroups based on their luxury value perceptions that differed significantly from one another. Thus, as shown in Table 6, this four-cluster solution produced the most interpretable and stable results.

For the development of a profile for each market segment, more detailed information was obtained by examining the questionnaire variables that were cross-tabulated by cluster segment. Comparisons among the four clusters were conducted with respect to a variety of descriptive variables, including demographic and socioeconomic characteristics. Based on the variables from which they were derived (cf. Figure 3), the four clusters can be described as follows.

Cluster 1: The Luxury Lovers. This cluster constitutes 28.8% of the sample, has a mean age

of 22.5 years, and consists of 41.8% male and 58.8% female respondents. The self-reported financial status of this group is medium in comparison with that of the other groups. With regard to nationalities, this group primarily consists of United States (25.9%), Indian (16.6%), Hungarian (10.4), and Brazilian (10.1%) consumers. Compared with all of the clusters, the members of this group showed the highest ratings for the social, individual and financial value of luxury goods but perceived the functional aspect to be important to a lesser extent. The members of this cluster are significantly more likely than the other members of other clusters to state that “*In my opinion, luxury is pleasant*” and “*I like a lot of luxury in my life.*” These consumers believe that luxury goods are exclusive and that, to guarantee their uniqueness, these products cannot be mass-produced. In this context, the members of this group have a strong desire to be unique and different from others; luxury

Table 6. *k*-Means Cluster Results.

	Cluster 1	Cluster 2	Cluster 3	Cluster 4	<i>F</i>	Significance
Dim1: Financial value	0.59	-0.26	0.42	-1.23	344.34	0.000
Dim2: Functional value	0.35	-1.32	0.24	0.54	376.25	0.000
Dim3: Individual value	0.64	0.25	-0.94	0.11	253.10	0.000
Dim4: Social value	0.70	0.43	-0.71	-0.45	236.04	0.000



Figure 3. Cluster comparison [Color figure available online].

consumption enables them to fulfill this desire. The luxury brands that they purchase must satisfy their individual needs (*The luxury brands that I buy must match what and who I really am*); nevertheless, they are concerned about social approval, as evidenced by the highest ratings that they received for “*It is important that others have a high opinion of how I dress and look.*”

Cluster 2: The Status-Seeking Hedonists. The second cluster forms 19.5% of the sample, has a mean age of 22.4 years, and comprises 46.1% male and 53.9% female respondents. Compared with clusters 1 and 3, this group reports medium-to-high income levels. With regard to country composition, this cluster is primarily composed of United States (22.5%), Indian (16.1%), Japanese (13.3), and Brazilian (10.4%) consumers. The consumers in this cluster are more likely than members of clusters 3 and 4 to perceive the social and individual aspects of luxury goods to be important. In this context, they agree that “*I like to own things that impress people,*” a statement that reflects the importance of status consumption related to luxury brands. In addition, they emphasize the hedonic aspect of consumption; according to these consumers, “*Pleasure is all that matters*” in the context of luxury consumption. In

contrast, the financial and functional values of luxury have minor significance for these consumers. The ratings for the functional dimension are the lowest of all groups, as evidenced by the lowest mean scores that these consumers received for statements such as “*I place emphasis on quality assurance over prestige when considering the purchase of a luxury brand.*”

Cluster 3: The Satisfied Unpretentious. Constituting 26.7% of the sample, this cluster consists of 46.6% male and 53.4% female respondents with a mean age of 22.2 years. The income level of this cluster is the lowest of all groups. With regard to nationality, this group primarily comprises Spanish (17.9%), Hungarian (13.2%), and Slovakian (12.9%) consumers. Although consumers in cluster 2 associate luxury consumption with more affective aspects related to the individual and social dimensions of luxury value but perceive financial and functional characteristics to be less important, the opposite tendencies apply to the members of cluster 3. The consumers in this cluster state that they emphasize quality assurance over prestige in the context of luxury. In addition, luxury is strongly related to aspects of exclusivity and uniqueness for these consumers (“*Luxury products are inevitably very expensive*” and “*Few people own a truly luxury product*”).

Personally, these consumers purchase luxury brands for individual reasons rather than to impress other people. Generally, they receive the lowest ratings among all groups for materialistic attitudes; they state that *"I try to keep my life simple as far as possessions are concerned"* and *"I usually buy only the things that I need."* As they perceive that they would not be happier if they owned nicer things, the consumers in this group do not agree with the hedonistic and status-related elements of consumption. Their mean ratings for *"Buying things gives me a lot of pleasure"* and *"It is important that others have a high opinion of how I dress and look"* are the lowest among all of the groups.

Cluster 4: The Rational Functionalists. The smallest cluster represents 18.0% of the sample, has a mean age of 23.6 years, and comprises 54.1% male and 45.9% female respondents. This cluster reports the highest income level of all groups. Concerning the nationalities of this group, this group primarily consists of United States (36.2%) and German (14.8%) consumers. Although these consumers perceive the financial value of luxury to be less important, the members of this cluster place significantly more emphasis than other consumers on the functional characteristics of luxury goods. They are more likely than other clusters to state that *"Superior product quality is my major reason for buying a luxury brand"* and *"I place emphasis on quality assurance over prestige."* Moreover, the members of this cluster weigh individual considerations more heavily than the prestige aspect of luxury consumption: they evaluate the substantive attributes and performance of a luxury brand rather than considering the opinions of others. The personal quality standards of these consumers are the main drivers of luxury consumption; they *"buy luxury brands to satisfy personal needs rather than to make an impression on other people."* The consumers in this cluster are more likely than the members of the other groups to state that they possess significant knowledge of the luxury world and often buy luxury products because such products are pleasant to them and because they *"do not care about whether it pleases others."*

In sum, the cluster analysis results provide evidence that, even if the ANOVA showed that significant cross-country differences do exist, there are similarities in consumer perceptions that cross national borders. Thus, it is possible to identify common structures across countries, and the results support the third hypothesis. The results of this study are worthy further consideration in future research and business practices.

CONCLUSIONS AND IMPLICATIONS

Conclusions

In today's economy, which is characterized by increasing mobility, greater equality in access to education, global communication technologies, and media distribution, luxury goods are often considered to be a particular product category in which consumer behaviors do not vary across cultures or countries (Dawar & Parker, 1994; Wiedmann, Hennigs, & Siebels, 2007). This notion prompts the question of whether the market for luxury goods can be treated as a single market and whether cultural distance is irrelevant in luxury marketing. Consequently, an international standardized marketing strategy would lead to considerable synergy effects. Nevertheless, given that generalized conditions, such as common economic, political, legal, and educational environments (Hofstede, 1991; Steenkamp, 2001), vary on a national level, it can be assumed that between-country differences also exist in the luxury market. Thus, the main objective of the present study was to investigate both the homogeneity in the luxury market and aspects related to economic and cultural distance among different countries.

To address the question of whether the luxury market requires country segmentation or consumer-based segmentation, an international study in collaboration with researchers from Europe, America, and Asia was conducted. In view of the well-established multidimensional framework of customer value perceptions in the context of luxury goods, the results of this international study lead to the following main conclusions:

1. The conceptualization of luxury value perceptions that encompasses the financial, functional, individual, and social aspects of luxury brands and products is valid across countries. Thus, the basic motivational drivers of luxury consumption are generalizable; only individual consumer perceptions differ.
2. With the country variable as the basic unit of analysis, the ANOVA results reveal significant within-country commonalities and between-country differences. These results provide insights regarding potential target country markets and the respective importance of the financial, functional, individual, or social aspects of luxury consumption.
3. In the investigation of both between- and within-country differences, the cluster analysis results provide evidence of common structures across countries. This intermarket segmentation approach supports the assumption of homogeneous consumer segments that transcend national boundaries.

Implications for Future Research

Based on the exploratory insights, there are implications for marketing research and business practices. In consideration of the variety of cultures across the world, further research should specifically address questions of sampling and country selection that largely affect the ability to interpret findings and generalize results. In this context, a sample of wealthy consumers that purchase high-end luxury brands on a regularly basis will enhance current knowledge of the values underlying luxury consumption. Besides, given that this study relies on survey data that were collected at a single point in time, the segmentation in this study remains static. A cross-sectional variation over different planning horizons may assist in identifying long-term movements and lead to a dynamic segmentation. Moreover, the inclusion of additional countries, including developing regions of the world that are beginning to desire luxury consumer goods, may lead to interesting insights. Nevertheless, even if the four dimensions of the conceptual model have been proven to be stable across countries, this model is unable to capture all of the effects of culture and ethnicity in the context of luxury consumption. Thus, the identification of relevant drivers and moderators in terms of cultural values, customs, and rituals will enhance the understanding and interpretation of the financial, functional, individual, and social value aspects of luxury brand perceptions.

Managerial Implications

From a managerial perspective, a basic and robust model of luxury value perception is valuable for the development of appropriate market positioning and segmentation strategies. Particularly in the context of luxury goods, the aspect of customer perceived value is of special importance, as the term “luxury” is a subjective construct and addresses multiple psychological and functional needs. In the rapidly changing global marketplace, luxury represents a system of tangible and intangible components of ideals, expected behaviors, and beliefs in a group-specific value system that is influenced by different cultures. The ability to adequately respond to the needs and values of customers in international settings is driven by in-depth knowledge regarding underlying perceptions of and attitudes toward luxury brands and products. In this context, the empirically verified model of a universal luxury value structure and related analysis results provide evidence to address cross-national segments and benefit from the scale economies of standardized marketing campaigns. This evidence suggests the design of marketing mix campaigns that address consumer groups in different countries who emphasize the same financial, functional, individual, and social components of luxury brand perceptions. Nevertheless, as stated previously, the implications do not consider all cultural-driven effects on luxury consumption. The focus refers to the

global segment of cosmopolitan luxury consumers who desire to possess the current designer items that are promoted in magazines spanning the globe, whether these items are high-fashion or accessible goods, such as fragrances or small leather goods. Because the world of luxury brands is not homogeneous, as shown in this paper, it is possible to distinguish between consumer segments that concentrate on cultural regions rather than national borders. The cluster segmentation approach identified consumers who strongly desire luxury goods in general and appreciate the feeling of being special, unique and different from others. Another segment cluster perceives the social and individual aspect of luxury goods to be most important; they associate luxury consumption with pleasure, self-gift giving, and status. For other consumers, luxury is strongly related to exclusivity and uniqueness aspects and is accessible only to a few people. In contrast, the fourth group of consumers weighs the substantive attributes and superior quality of a luxury product as higher than the aspect of prestige; they enjoy luxury in private.

In sum, in a global economy in which low-cost counterfeits are easily available, brand managers should identify and concentrate on the specific value dimension that is regarded as the most important driver of consumption for their brand. To be successful and to obtain a high perceived value, luxury brand managers must address all value dimensions: to ensure that their products are considered to be luxury brands in the mind of customers, these managers must understand the individual evaluations of their customers and accentuate the brand appropriately to appeal to the cognitive needs and affective desires of these customers.

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Module 1 (Paper 1.2)

**Consumer Value Perception of Luxury Goods: A Cross-Cultural and Cross-Industry
Comparison**

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Luxury Marketing

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5 Consumer Value Perception of Luxury Goods: A Cross-Cultural and Cross-Industry Comparison

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5.1 Introduction

The moderate growth in US and European markets coupled with an increasing demand for luxury goods in emerging economies such as Brazil, Russia, India, and China lead to a substantial growth in the global market for luxury goods. Reaching consumers all over the world across national and cultural borders, the luxury sector is according to Bain & Company expected to grow by 10 percent in 2013. Against this backdrop, international luxury businesses are challenged by the identification and satisfaction of the common needs and desires of global market segments; thus, related research methods and business models require a global perspective [20].

Reasoning that “*classical marketing is the surest way to fail in the luxury business*” [3], p. 2, in an international setting, it is a key challenge for luxury brand managers to understand why consumers buy luxury goods, what they believe luxury is and how their perceptions of luxury value affect their purchase behavior. The objective of the present study is to investigate the question of possible differences and/or similarities in the luxury value perception of consumers in distinct parts of the world. Our paper is structured as follows: first, the concept of luxury and luxury product categories are introduced; second, we focus on the key dimensions of luxury value as conceptualized by Wiedmann, Hennigs, and Siebels [43], [44] as the theoretical framework of this study; and third, we present the methodology and results of an empirical study in collaboration with American, European, and Asian researchers. The results reveal that even if significant differences in the perceived importance of financial, functional, individual, and social value aspects of luxury products exist between countries and with reference to diverse industries, the basic value components of luxury consumption are stable on a global level. Finally the results are discussed in light of implications for further research and managerial practice.

5.2 The Market for Luxury Goods

5.2.1 The Concept of Luxury

“Luxury is a necessity that begins where necessity ends.”

Coco Chanel, 1883–1971

Given that the understanding of luxury may differ between individuals, is situational contingent and depends on the experience and individual needs of the consumer [43], the concept of luxury is difficult to define [9]. Even if the term “luxury” is routinely used in our everyday life and is a key component in marketing management, there is little consensus on the meaning of luxury. **Table 5.1** provides a chronological overview of selected definitory approaches:

Table 5.1 Defining the Luxury Concept

Author(s), year	Definition of Luxury
Hume 1752, 1965, p. 48 [21]	<i>"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; and any degree of it may be innocent or blamable, according to the age, or country, or condition of the person. The bounds between the virtue and the vice cannot here be exactly fixed, more than in other moral subjects."</i>
Rae 1834, 1965, p. 272 [33]	<i>"The degree of pleasure thus experienced is different in different individuals, and it is scarcely possible to ascertain what its exact amount is in any one; hence the difficulty in most cases, of determining what is, or is not, luxury."</i>
Kambli 1890, Preface, cit. in Valtin 2008, p. 248 [39]	<i>"No other moral or social issue is as unclarified as that of luxury, and what behaviour toward it can be considered to be well benefit."</i>
Davidson 1898 [11]	<i>"The definitions of luxury have been so various that the perplexity of the public is almost excusable."</i>
Sekora 1977, p. 23 [35]	<i>"anything unneeded"</i>
Grossman and Shapiro 1988, p. 82 [19]	<i>"Those goods for which the mere use or display of a particular branded product confers prestige on their owners, apart from any utility deriving from their function."</i>
Oxford Latin Dictionary 1992 [30]	<i>"soft or extravagant living, (over)-indulgence" "sumptuousness, luxuriousness, opulence"</i>
Dubois and Duquesne 1993, p. 43 [15]	<i>"Motivated by a desire to impress others, with the ability to pay particularly high prices, this form of consumption is primarily concerned with the ostentatious display of wealth."</i>
Dubois and Paternault 1995, p. 71 [16]	<i>"More than other products, luxury items are bought for what they mean, beyond what they are."</i>
Kapferer 1997, p. 253 [22]	<i>"Luxury defines beauty; it is art applied to functional items. Like light, luxury is enlightening...Luxury items provide extra pleasure and flatter all senses at once...Luxury is the appendage of the ruling classes."</i>
Kemp 1998, p. 593 [25]	<i>"The status of a good as a luxury is partially determined by its natural desirability, and not simply by whether it is an object for conspicuous consumption."</i>
Nueno and Quelch 1998, p. 62 [29]	<i>"Luxury brands are those whose ratio of functionality to price is low while the ratio of intangible and situational utility to price is high."</i>
Bernstein 1999, p. 48 [4]	<i>"one person's functionality may be another person's luxury"</i>
Phau and Prendergast, 2000, p. 123, 124 [31]	<i>"Luxury brands evoke exclusivity, have a well-known brand identity, enjoy high brand awareness and perceived quality, and retain sales levels and customer loyalty." "the extreme end of the prestige brand category...where brand identity, awareness, perceived quality and loyalty are important components"</i>

Author(s), year	Definition of Luxury
Webster's Third New International Dictionary 2002 [42]	<i>"non-essential items or services that contribute to luxurious living; an indulgence or convenience beyond the indispensable minimum"</i>
Vickers and Renand 2003, p. 459 [40]	<i>"symbols of personal and social identity"</i>
Silverstein and Fiske 2003, p. 3 [36]	<i>"New luxury – 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."</i>
Merriam-Webster's Collegiate Dictionary 2004 [27]	<i>"a condition of abundance or great ease and comfort" "something adding to pleasure or comfort but not absolutely necessary"</i>
Vigneron & Johnson 2004, p. 486 [41]	<i>"Goods for which the simple use or display of a particular branded product brings esteem on the owner, apart from any functional utility."</i>
Danziger 2005, p. 56 [10]	<i>"Luxuries are the extras in life that make it more fulfilling, more rewarding, more comfortable, more enjoyable."</i>
Reich 2005, p. 38 [34]	<i>"Luxury brands embody an image of products or services which is deep-seated in the mind of the consumer. Based on a specifically designed offering system, it expresses itself in specific associations (i.e. excellent quality, premium price, and exclusivity), resulting in a dominance of the ideal brand function."</i>
Bernstein 2007 [5]	<i>"Luxury depends on what the person believes others believe about the product or event."</i>
Truong et. al. 2008, p. 190 [38]	<i>"While the rich and affluent may consume luxury goods to assert status and membership to the elite class, the modest may consume the same goods to gain status but with a purely conspicuous intention."</i>
Chevalier and Mazzalovo 2008, p. viii [7]	<i>"A luxury brand is one that is selective and exclusive, and which has an additional creative and emotional value for the consumer."</i>
Atwal and Williams 2009, p. 339 [2]	<i>"Luxury has traditionally been associated with exclusivity, status and quality."</i>
Berthon et al. 2009, p. 47 [6]	<i>"Luxury has an intensely individual component as well: what might be luxury to one person will be commonplace, or perhaps even irrelevant and valueless, to another."</i>
Kapferer and Bastien 2009a, p. 210 [23]	<i>"In luxury you communicate in order to create the dream and to re-charge the brand's value, not in order to sell."</i>
Kapferer and Bastien 2009b, p. 321 [24]	<i>"Luxury is an appreciation of fine works, fine craftsmanship, creativity and the making of a legend."</i>
Wiedmann et al. 2009, p. 627 [44]	<i>"Luxury is a subjective and multidimensional construct, a definition of the concept should follow an integrative understanding."</i>
Shukla 2011, p. 243 [37]	<i>„Luxury goods are conducive to pleasure and comfort, are difficult to obtain, and bring the owner esteem, apart from functional utility."</i>

Against the backdrop of the rich facets of the luxury concept, a definition of luxury should not follow a narrow but rather an integrative understanding of the luxury concept. Given that luxury is a subjective and multidimensional construct, as described in the following section, there are numerous product categories that are competing in the market for luxury goods.

5.2.2 Luxury Product Categories

Reasoning that the meaning of luxury varies based on subjective evaluations, there are luxury brands in diverse industry sectors that try to seduce the consumer with the desire for luxury: *“Luxury refers to a specific tier of offer in almost any product or service category”* ([14], p. 115).

Apart from traditional luxury houses mainly from France and Italy with a rich history and long heritage of craftsmanship in product categories such as fashion, leather goods and accessories (e.g., Louis Vuitton and Gucci), brands in other categories such as cars (e.g., Ferrari), jewelry (e.g., Cartier) and watches (e.g., Rolex), consumer electronics (e.g., Bang & Olufsen), and home furnishing (e.g., arts and antiques) are part of the luxury market. Besides, the luxury category encompasses experiential luxuries such as dining in an exclusive restaurant or travelling to luxurious destinations and hotels (e.g., The Ritz Hotel).

In an attempt to identify measures that can be used across industries for purposes of assessing consumers’ response to luxury products in different countries, in our empirical study, we focus on the following product categories:

- the purchase of a car,
- the purchase of fashion and accessories,
- the purchase of jewelry and watches,
- dining in an exclusive restaurant,
- the purchase of consumer electronics,
- the purchase of home furnishing.

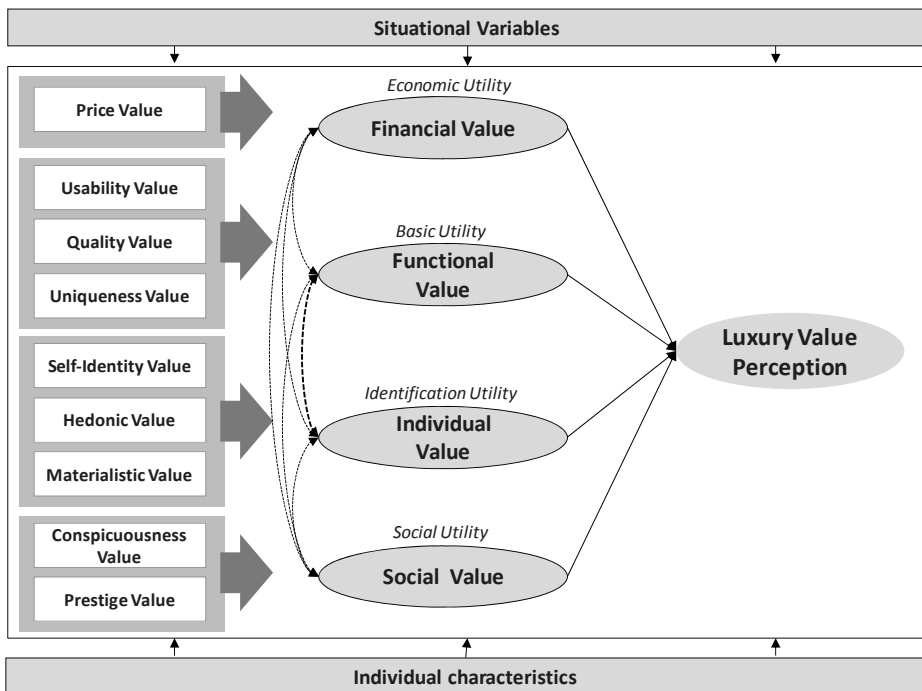
As a basis to successfully market and monitor luxury brands or products in a cross-cultural context, we present in the following section the four-dimensional model of luxury value perception as conceptualized by Wiedmann, Hennigs, & Siebels [43], [44].

5.3 Conceptualization: Luxury Value Perception

From a consumer’s point of view, perceptions of and motives for purchasing luxury products can be explained by four dimensions: the financial, functional, individual and social evaluation of the luxury brand [43], [44]. In this context, the concept of customer perceived value, understood as the *“consumer’s overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given”* ([45], p. 14), is conceptualized as a key component that drives consumer attitude and behavior. Based on an integral perceived

value concept, **Figure 5.1** illustrates the components of consumer value perception in the context of luxury products.

Figure 5.1 Dimensions of Luxury Value Perception



As discussed by Wiedmann, Hennigs, & Siebels [43], [44], the financial dimension of luxury value perception addresses direct monetary aspects, such as price, resale cost, discount, and investment. Referring to core product benefits and basic utilities, the functional dimension focuses on product aspects such as quality, uniqueness, usability, reliability, and durability. Based on customer's personal orientation toward luxury consumption, the individual dimension of luxury value addresses personal issues, such as materialism, hedonism, and self-identity. Finally, the social dimension refers to aspects such as conspicuousness and prestige and focuses on the perceived utility that individuals acquire from products or services that are recognized within social groups.

Along with the increasing global demand for luxury products, the question arises of what are the possible differences and/or similarities in the luxury value perception of consumers in distinct parts of the world. Wiedmann, Hennigs & Siebels [43] suggest that in a cross-cultural context, the key dimensions of luxury value are perceived differently by different

sets of consumers, even if the overall luxury level of a brand may be perceived equally. They state that “...the needs of luxury consumer segments cross national borders and common structures in luxury value perception exist cross-culturally – even if the relative importance of the decision determinants may vary” ([43], p. 1).

Consequently, the impact of each of the four dimensions on the overall luxury value perception is supposed to differ significantly across cultures and with reference to diverse industries. Reasoning this, the aim of the present study is to explore whether consumers in different parts of the world vary in their perception of the financial, functional, individual, and social dimension of luxury value with respect to diverse product categories.

5.4 Methodology

5.4.1 Measurement Instrument

To investigate whether and to what extent consumer perceptions of luxury value dimensions differ across countries and industries, we focused on the four luxury value dimensions of Wiedmann, Hennigs and Siebels [43], [44] as described in the preceding section. Specifically, after having introduced the financial, functional, individual, and social aspects of luxury consumption to the respondents, they were asked to rate the importance of the specific value dimensions with regard to personal, experiential, and home, luxuries. Referring to the different product contexts, the question read as follows:

There are different types of luxury product categories; the purchase of these product categories is influenced by different aspects. Please imagine...

- a. *the purchase of a car*
- b. *the purchase of fashion and accessories*
- c. *the purchase of jewelry and watches*
- d. *dining in an exclusive restaurant*
- e. *the purchase of consumer electronics*
- f. *the purchase of home furnishing*

...how important are the following aspects?

1. *Financial Aspects (e.g. price, resale price)*
2. *Functional Aspects (e.g. quality, uniqueness, usability)*
3. *Individual Aspects (e.g. self-identity value, hedonic value)*
4. *Social Aspects (e.g. status, prestige)*

All items were rated on a five-point Likert scale (1=absolutely unimportant, 5=absolutely important). The first version of the questionnaire was face-validated twice using exploratory and expert interviews and pre-tested with 40 respondents.

5.4.2 Sample and Data Collection

The data were collected in collaboration with 11 partners from ten countries: Brazil, France, Germany, Hungary, India, Italy, Japan, Slovakia, Spain, and the USA (Northern and Southern regions). To enhance the homogeneity of the respondents across cultures [13], [17], [18] and to reduce minor random errors [8], we decided to draw comparable samples from identifiable subgroups of the population [26], [28], [32]. In accordance with Dawar and Parker [12], we chose student respondents, as they show similar levels of age, education, professional aspirations, general income and other demographic characteristics across countries [12], [1]. For the data collection, we used a purposeful sampling method in which the sample choices were arranged to be comparable across countries: we aimed for a sample target of 100 university student participants (with an equal number of males and females) in each region. The respondents were contacted directly by the researchers at each university to secure the interest of the students in the domain of luxury brands/goods and the willingness of these students to participate in the research project. In March 2011, a total of 1275 valid and completed questionnaires were obtained. **Table 5.2** describes the key characteristics of the sample.

Table 5.2 Sample Characteristics

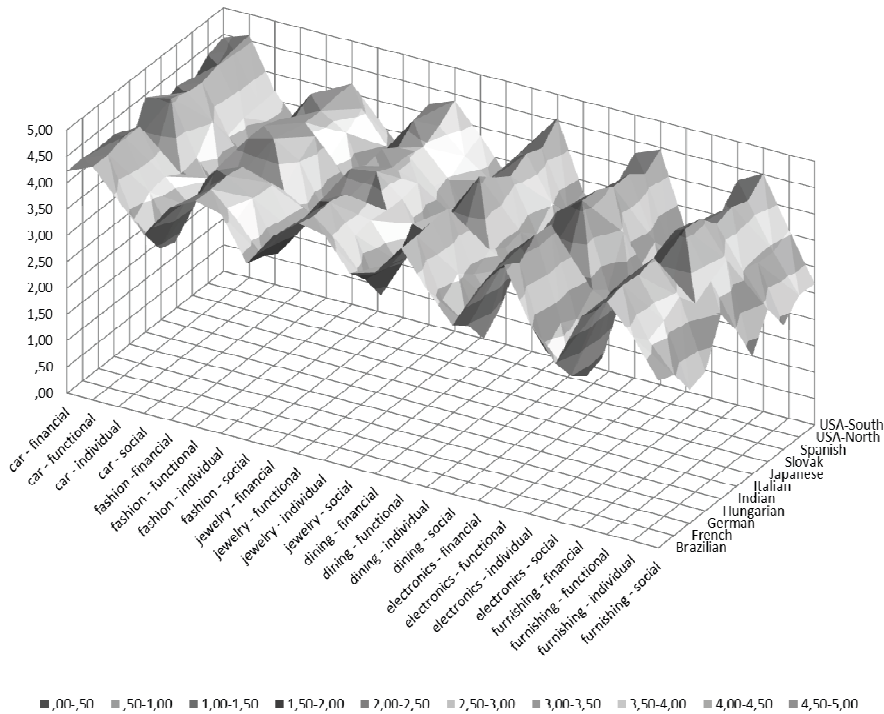
Countries/ Nationalities	n	%	Female (%)	Mean Age (years)	Income Level/ Family Status
Brazil	106	8.3	54.7	21.4	Middle to high income
France	47	3.7	72.3	23.5	Middle income
Germany	108	8.5	50.5	23.7	Middle income
Hungary	116	9.1	58.6	20.6	Middle income
India	159	12.5	54.7	25.6	Middle income
Italy	64	5.0	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 (North- ern states)	131	10.3	51.1	20.6	Middle income
USA (South- ern states)	143	11.2	41.3	26.1	Middle income
Other Na- tionalities	74	5.8			
Total	1275	100.0	53.5	22.7	Middle income

As **Table 5.2** illustrates, 1275 usable questionnaires were received. A total of 53.5% of the respondents in the final sample are female with an average age of 22.7 years and a self-reported middle income level. Given that this study requires a certain level of 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, that they are well informed about the luxury world, and that they purchase luxury brands on a regular basis. Even if our sample is not representative with respect to the given exploratory research focus, the sample offers a balanced set of data from each country.

5.5 Results and Discussion

To examine possible differences and/or similarities across countries and industries in the four dimensions of customer luxury value perceptions, we used analysis of variance (ANOVA). As illustrated in **Figure 5.2**, the results reveal significant differences in the perception of the luxury value dimensions across countries and with reference to different industries. In the following paragraph, the results are described in detail.

Figure 5.2 Overview: Cross-Cultural and Cross-Industry Comparison



In the context of cars, as shown in **Figure 5.3**, we found significant differences across countries in all luxury value aspects (see **Table 5.3**). Referring to the importance of financial and functional aspects, country mean scores were at high levels (>4.0) for all countries, with the exception of India (3.73; 3.71). The individual and social aspects were perceived to be less important, values ranged between 3.32 (France) and 4.04 (Japan) for the individual value dimension, and between 2.69 (Japan) and 3.54 (India) for the importance of social aspects.

Table 5.3 ANOVA Results: Cars

	Financial Aspects	Functional Aspects	Individual Aspects	Social Aspects
Brazil	4.22	4.42	3.91	3.40
France	4.23	4.43	3.32	2.89
Germany	4.19	4.54	3.61	2.79
Hungary	4.22	4.50	3.67	3.23
India	3.73	3.71	3.49	3.54
Italy	4.45	4.56	3.56	3.02
Japan	4.01	4.45	4.04	2.69
Slovakia	4.21	4.41	3.52	3.03
Spain	4.05	4.50	3.62	2.70
USA-North	4.34	4.56	3.64	3.40
USA-South	4.44	4.61	3.66	3.14
F	7.024	17.228	3.334	8.682
Sig	.000	.000	.000	.000

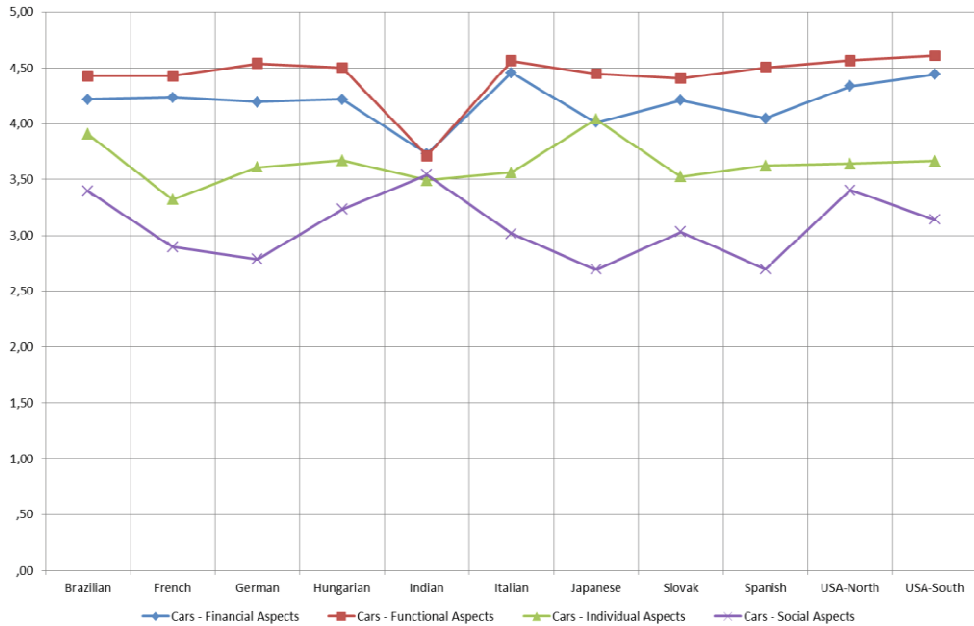
Figure 5.3 Country Comparison: Cars

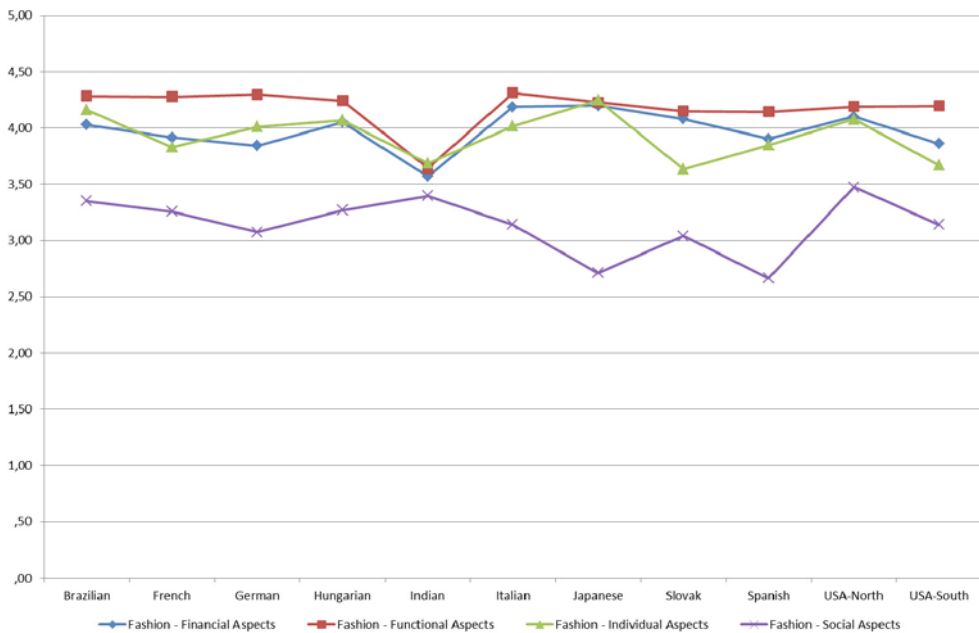
Figure 5.4 illustrates that in the domain of fashion and accessories mean scores differed significantly between countries (see **Table 5.4**). Apart from the perceived less importance of social aspects with values that ranged between 2.66 (Spain) and 3.47 (USA), the other three dimensions of luxury value were rated as being important to a comparable degree by each country. Again, India had the lowest mean scores for all dimensions except the social aspects of luxury value.

Table 5.4 ANOVA Results: Fashion and Accessories

	Financial Aspects	Functional Aspects	Individual Aspects	Social Aspects
Brazil	4.03	4.28	4.16	3.35
France	3.91	4.28	3.83	3.26
Germany	3.84	4.30	4.01	3.07
Hungary	4.05	4.24	4.07	3.27
India	3.57	3.64	3.69	3.39

	Financial Aspects	Functional Aspects	Individual Aspects	Social Aspects
Italy	4.19	4.31	4.02	3.14
Japan	4.20	4.23	4.25	2.71
Slovakia	4.08	4.15	3.63	3.04
Spain	3.90	4.14	3.85	2.66
USA-North	4.10	4.19	4.08	3.47
USA-South	3.86	4.20	3.67	3.14
F	4.923	6.789	5.462	6.461
Sig	.000	.000	.000	.000

Figure 5.4 Country Comparison: Fashion and Accessories

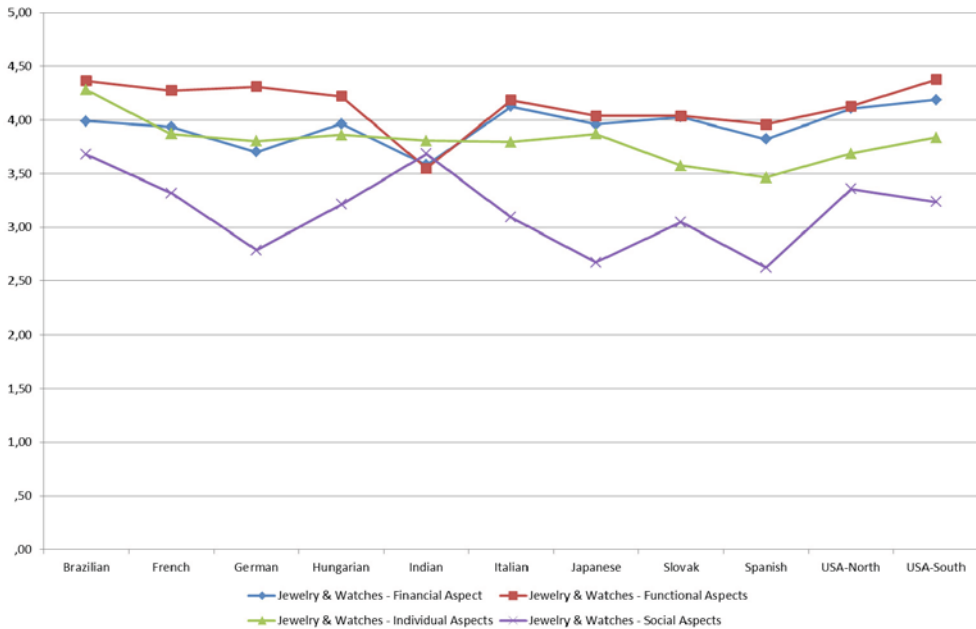


Referring to jewelry and watches, the mean scores for the perceived importance of all luxury value aspects differed significantly between countries (see **Table 5.5**). As shown in **Figure 5.5**, functional and financial aspects were rated as being comparatively important by India, Italy, Japan, Spain, and the USA. In contrast to this, Brazilian respondents associated jewelry and watches mainly with functional and individual aspects (4.37; 4.28), French, German and Hungarian consumers perceived financial and individual aspects to be equally important. India showed similar values for all aspects of luxury value, whereas the social value dimension was perceived to be less important by all other countries.

Table 5.5 ANOVA Results: Jewelry and Watches

	Financial Aspects	Functional Aspects	Individual Aspects	Social Aspects
Brazil	3.99	4.37	4.28	3.68
France	3.94	4.28	3.87	3.32
Germany	3.70	4.31	3.81	2.79
Hungary	3.97	4.22	3.86	3.22
India	3.58	3.55	3.81	3.69
Italy	4.13	4.19	3.80	3.09
Japan	3.96	4.04	3.87	2.67
Slovakia	4.03	4.04	3.57	3.05
Spain	3.82	3.96	3.46	2.62
USA-North	4.11	4.13	3.69	3.36
USA-South	4.19	4.38	3.84	3.24
F	4.594	8.564	4.352	11.221
sig	.000	.000	.000	.000

Figure 5.5 Country Comparison: Jewelry and Watches



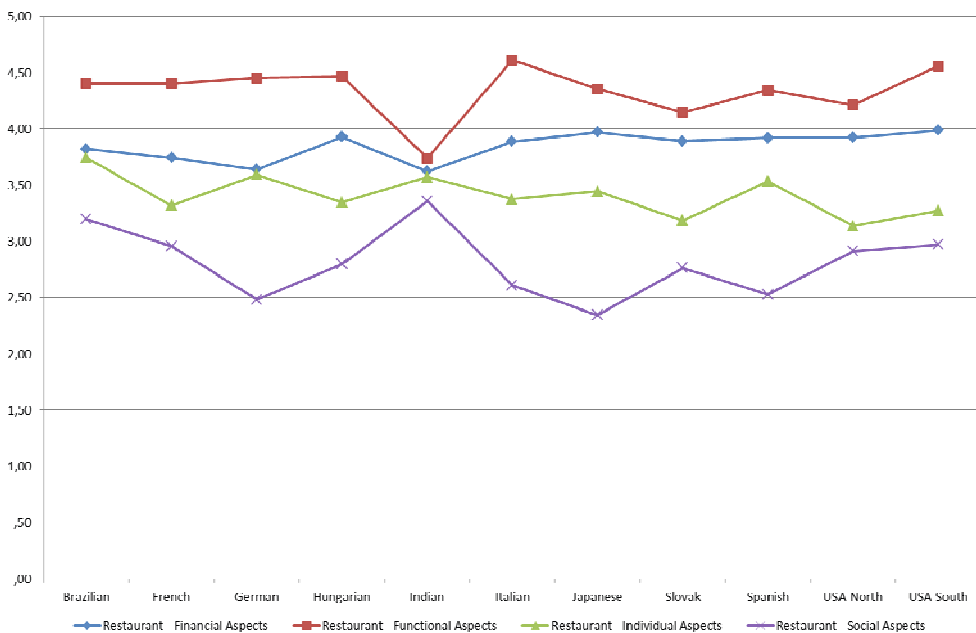
Referring to experiential luxury and the dinner in an exclusive restaurant, mean scores for functional and social aspects differed significantly between countries (see **Table 5.6**). While India showed similar values for all dimensions of luxury value at a moderate level, all other countries differed in their evaluation of the perceived importance of the four value aspects. As illustrated in **Figure 5.6**, all countries perceived the functional aspect to be most important (Italy: 4.61), followed by financial (USA: 3.99), individual (Brazil: 3.75) and, with less importance, the social dimension (India: 3.36).

Table 5.6 ANOVA Results: Dining in an Exclusive Restaurant

	Financial Aspects	Functional Aspects	Individual Aspects	Social Aspects
Brazil	3.82	4.41	3.75	3.20
France	3.74	4.40	3.32	2.96
Germany	3.64	4.45	3.59	2.48
Hungary	3.93	4.47	3.35	2.80
India	3.62	3.74	3.57	3.36

	Financial Aspects	Functional Aspects	Individual Aspects	Social Aspects
Italy	3.89	4.61	3.38	2.61
Japan	3.97	4.36	3.45	2.35
Slovakia	3.89	4.15	3.19	2.76
Spain	3.92	4.34	3.54	2.53
USA-North	3.92	4.21	3.14	2.92
USA-South	3.99	4.56	3.27	2.97
F	2.043	10.707	2.898	8.302
sig	.026	.000	.001	.000

Figure 5.6 Country Comparison: Dining in an Exclusive Restaurant

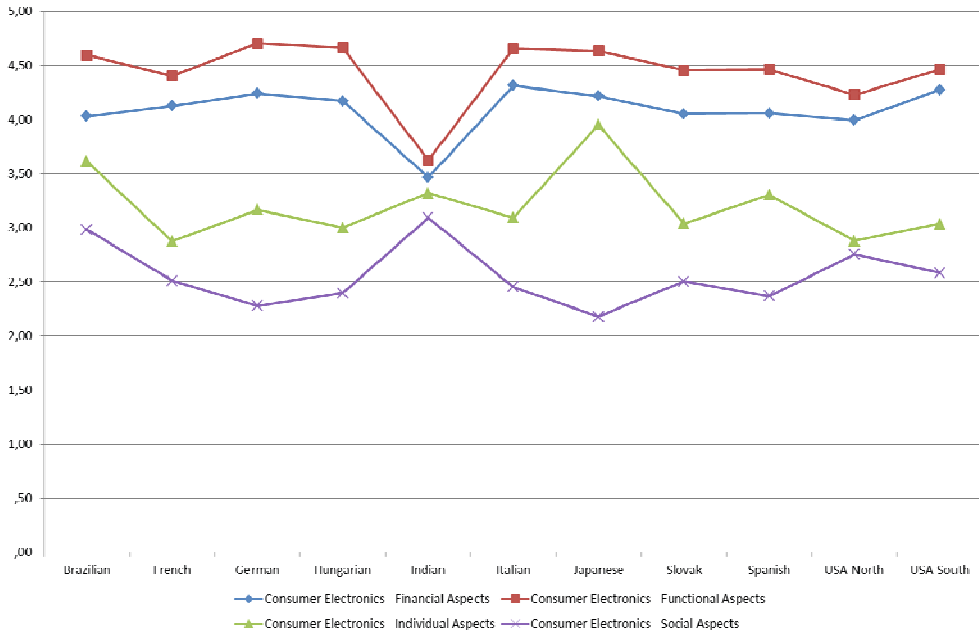


In the context of consumer electronics, country mean scores differed significantly in the perception of all value dimensions (see **Table 5.7**). **Figure 5.7** shows that mean scores for functional and financial aspects were rated in a comparable manner by all countries with slightly higher importance for the functional evaluation. Again, Indian consumers rated these aspects less important than all other countries. While the social dimension was perceived to be less important by all countries except India (3.09), particularly Japanese and Brazilian consumers put emphasis on the individual aspects of consumer electronics (3.95; 3.61).

Table 5.7 ANOVA Results: Consumer Electronics

	Financial Aspects	Functional Aspects	Individual Aspects	Social Aspects
Brazil	4.03	4.59	3.61	2.98
France	4.13	4.40	2.87	2.51
Germany	4.24	4.70	3.17	2.28
Hungary	4.17	4.66	3.00	2.40
India	3.47	3.62	3.32	3.09
Italy	4.31	4.66	3.09	2.45
Japan	4.22	4.63	3.95	2.18
Slovakia	4.05	4.46	3.04	2.50
Spain	4.06	4.46	3.30	2.37
USA-North	3.99	4.23	2.88	2.76
USA-South	4.27	4.46	3.04	2.58
F	9.536	22.190	8.442	7.653
sig	.000	.000	.000	.000

Figure 5.7 Country Comparison: Consumer Electronics



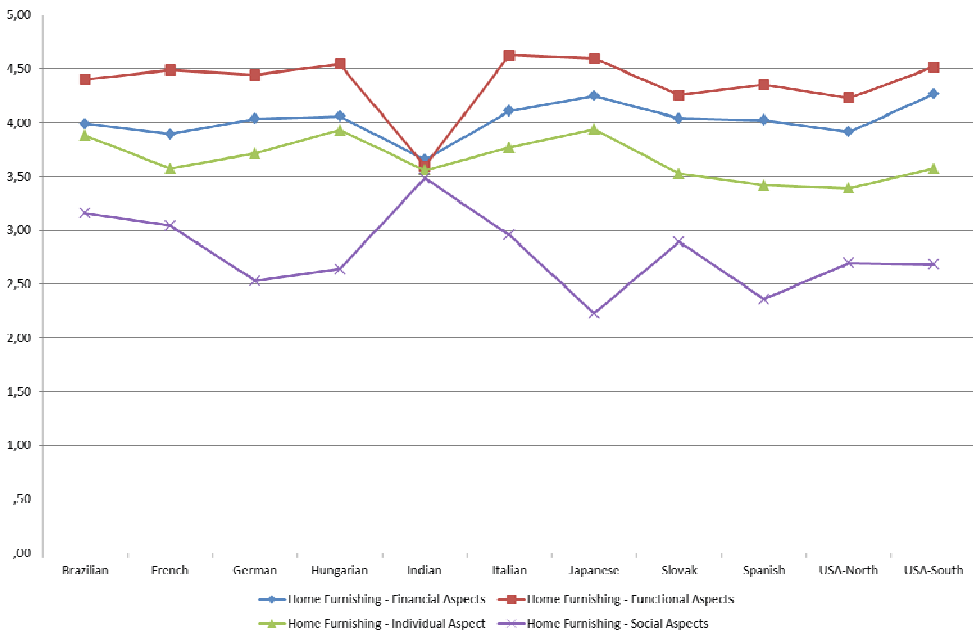
Referring to home luxury and exclusive furniture, as shown in **Table 5.8**, significant differences were found across countries in all luxury value aspects. As illustrated in **Figure 5.8**, apart from India where results revealed similar scores for all dimensions of luxury value, the other countries rated the functional (Italy: 4.63), financial (USA: 4.27), and individual aspects (Japan: 3.94) in a similar pattern with falling tendency. While Indian respondents rated comparatively high importance to social aspects (3.48), all other countries perceived the social dimension of luxury value to be less important.

Table 5.8 ANOVA Results: Home Furnishing

	Financial Aspects	Functional Aspects	Individual Aspects	Social Aspects
Brazil	3.99	4.41	3.88	3.16
France	3.89	4.49	3.57	3.04
Germany	4.04	4.44	3.71	2.53
Hungary	4.06	4.54	3.93	2.64
India	3.65	3.60	3.56	3.48

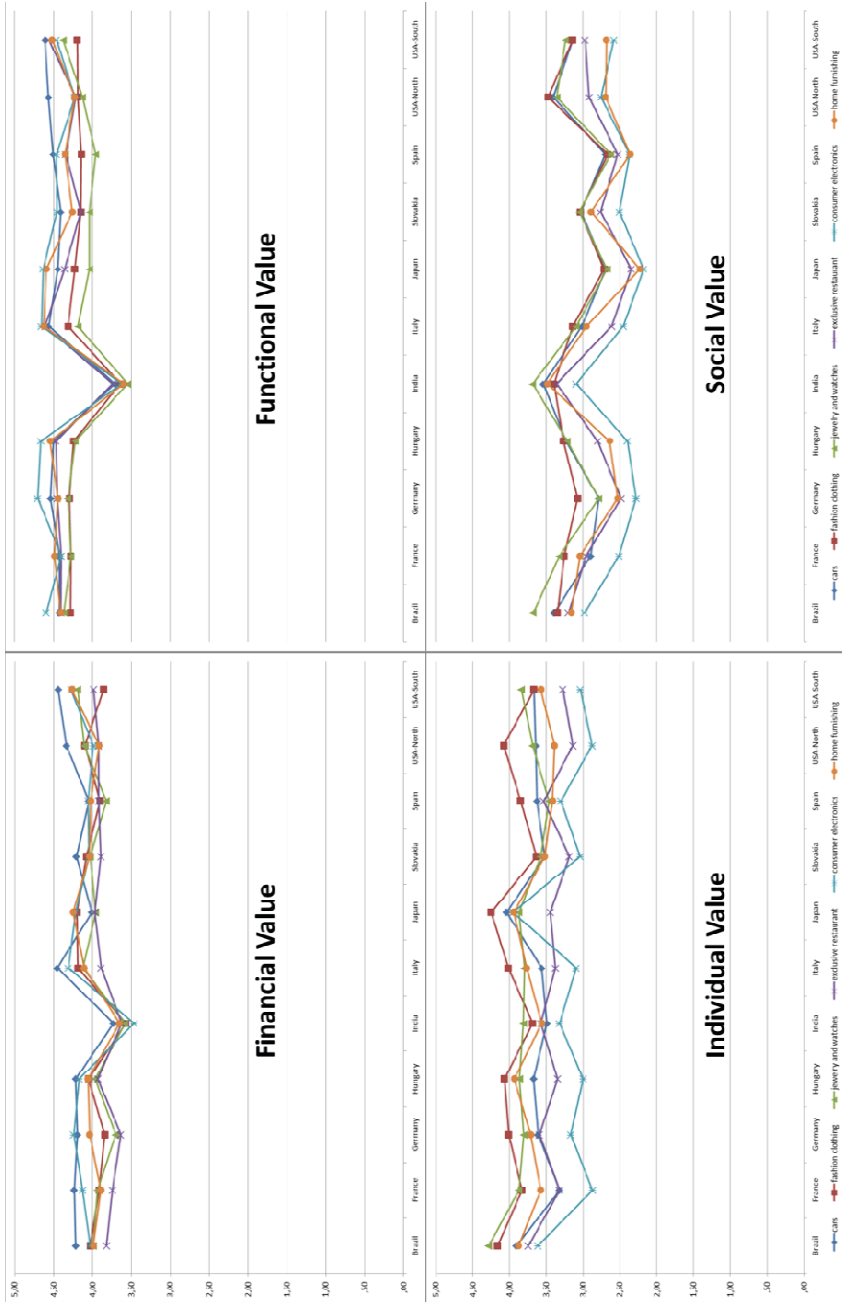
	Financial Aspects	Functional Aspects	Individual Aspects	Social Aspects
Italy	4.11	4.63	3.77	2.95
Japan	4.25	4.59	3.94	2.23
Slovakia	4.04	4.26	3.52	2.89
Spain	4.02	4.35	3.42	2.36
USA-North	3.92	4.23	3.39	2.69
USA-South	4.27	4.52	3.57	2.68
F	4.266	16.542	3.417	12.971
sig	.000	.000	.000	.000

Figure 5.8 Country Comparison: Home Furnishing



Comparing all four value dimensions in terms of their importance in the context of the different product categories, Figure 5.9 shows that even if the ANOVA results revealed significant differences across country mean scores, there are similar patterns recognizable.

Figure 5.9 Importance of Value Dimensions across Countries and Industries



In sum, the ANOVA results provide evidence to confirm significant cross-cultural differences but also similarities between the luxury value dimensions as perceived by consumers from different countries in the context of diverse product categories. Even if these insights are only first steps toward a conclusive picture of key dimensions of the cross-cultural and cross-industry luxury value perception, we believe that the results of this study are worthy of further consideration in future research and business practices.

5.6 Conclusions and Implications

In the interplay between increasing mobility, global communication and media distribution on the one hand, but distinct economic, political, legal, and educational environments on the other hand, the question arises of whether the market for luxury goods can be treated as a single market and whether between-country differences are relevant in luxury marketing. The main objective of the present study was to empirically explore possible similarities and differences related to the luxury value as perceived by consumers from different countries and with reference to diverse luxury product categories. The study results give evidence that the luxury value perception encompassing financial, functional, individual, and social aspects of luxury products varies significantly across countries and industries. Nevertheless, the basic structure of the perceived importance of these four value dimensions was shown to be cross-cultural and cross-industry stable.

Given that this study relies on explicit answers and self-reported survey data, further research should concentrate on implicit measures as well. To overcome existing limitations of explicit measures such as social desirability and the respondent's inability to report correctly, the combination of the measurement of both conscious and unconscious responses to a luxury brand or product category is worth focusing on. Such a holistic approach might lead to an enhanced understanding and interpretation of the value aspects of luxury brand perceptions as a basis to adequately address questions of sampling and country selection in consideration of the variety of cultures across the world.

From a managerial perspective, given that the concept of luxury is subjective and multidimensional in nature, the orientation on an empirically verified system of consumer perceived values is of special importance. As the results revealed, there are cross-cultural differences and similarities in the perceived importance of financial, functional, individual, and social aspects of diverse luxury products. The translation of these individual evaluations to the management luxury brands is a key challenge in a global economy in which low-cost counterfeits are easily available. In fact, to appeal to the cognitive needs and affective desires of luxury consumers it is not so much a question of whether culture is driving luxury consumption, but rather how the concept of luxury is understood and managed:

*"Luxury is a culture,
which means that you have to understand it to be able to practice it with flair and spontaneity."*

Kapferer and Bastien ([24], p. 313)

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Module 2

Antecedents and Outcomes of Consumer Attitudes and Individual Luxury Perception

- Paper 2.1: Hennigs, N.; Wiedmann, K.P.; Klarmann, C.; Behrens, S.: 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.; Behrens, S.: 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.; 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 2 (Paper 2.1)

Consumer Attitudes toward Luxury: A Cross-National Comparison

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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

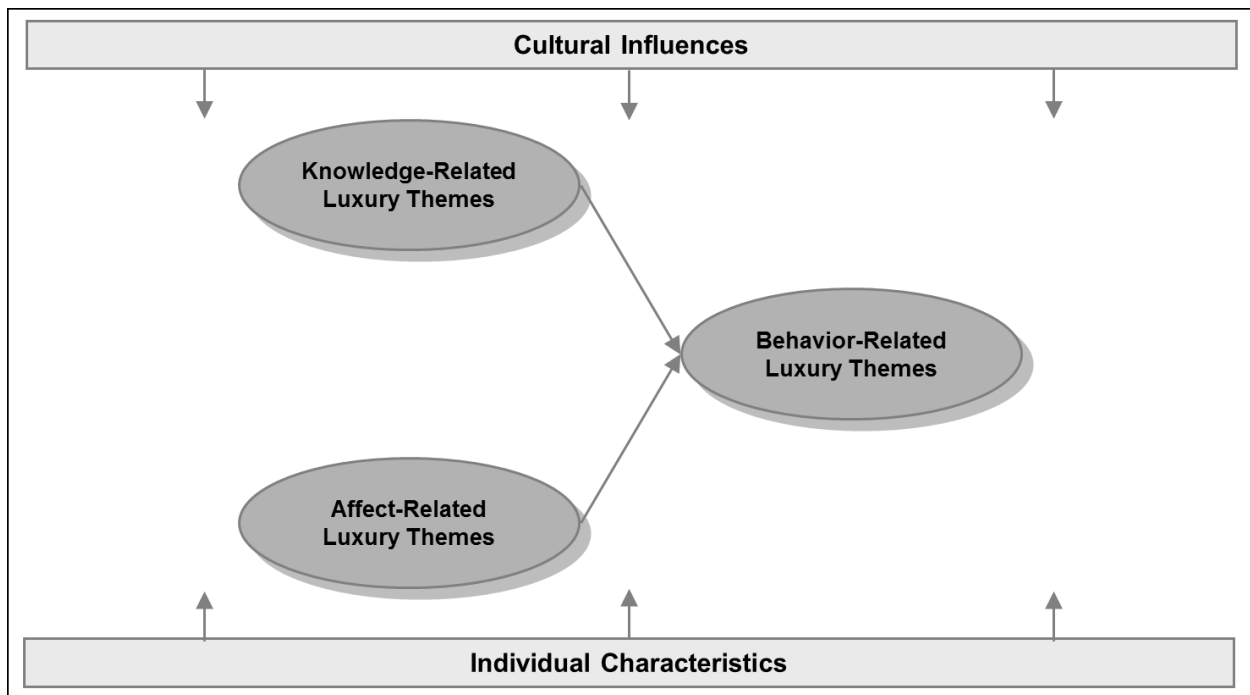


Table 1: Sample Characteristics

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

Module 2 (Paper 2.2)

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

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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

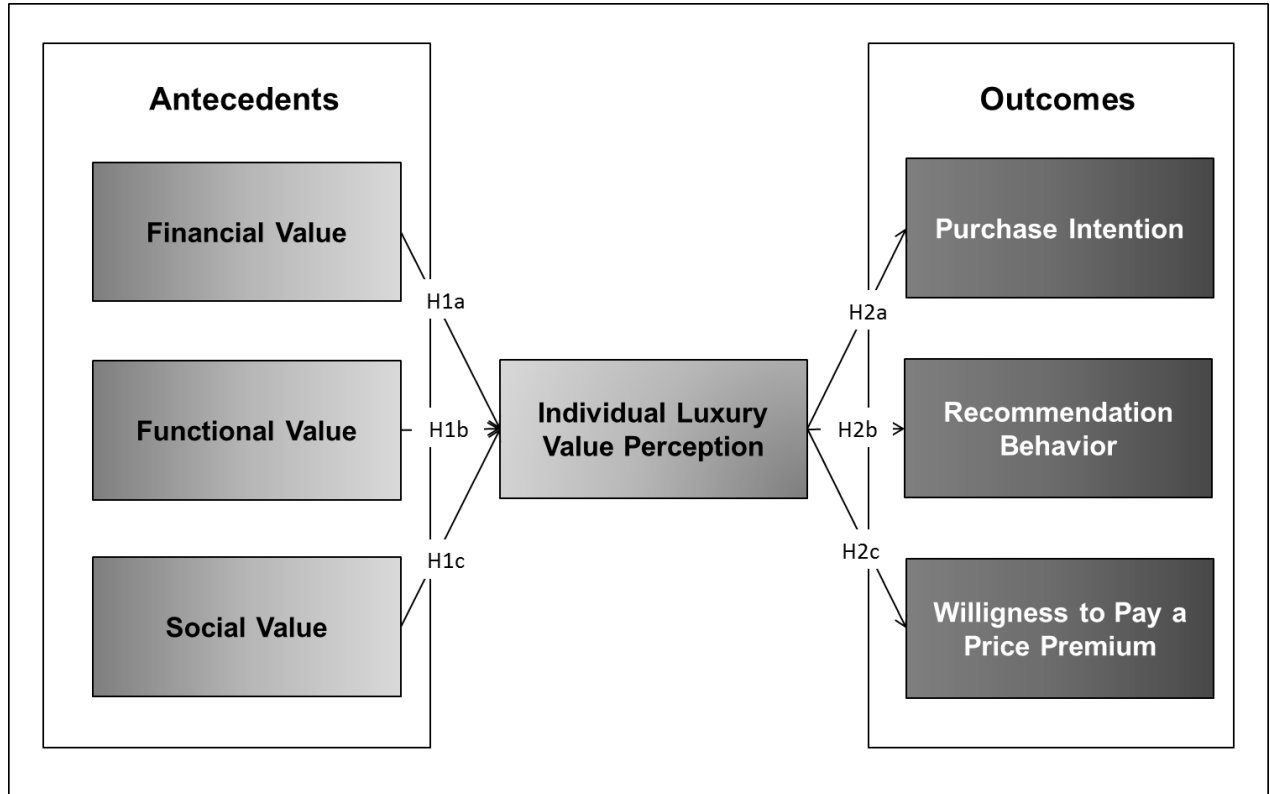


Figure 2: Structural Model

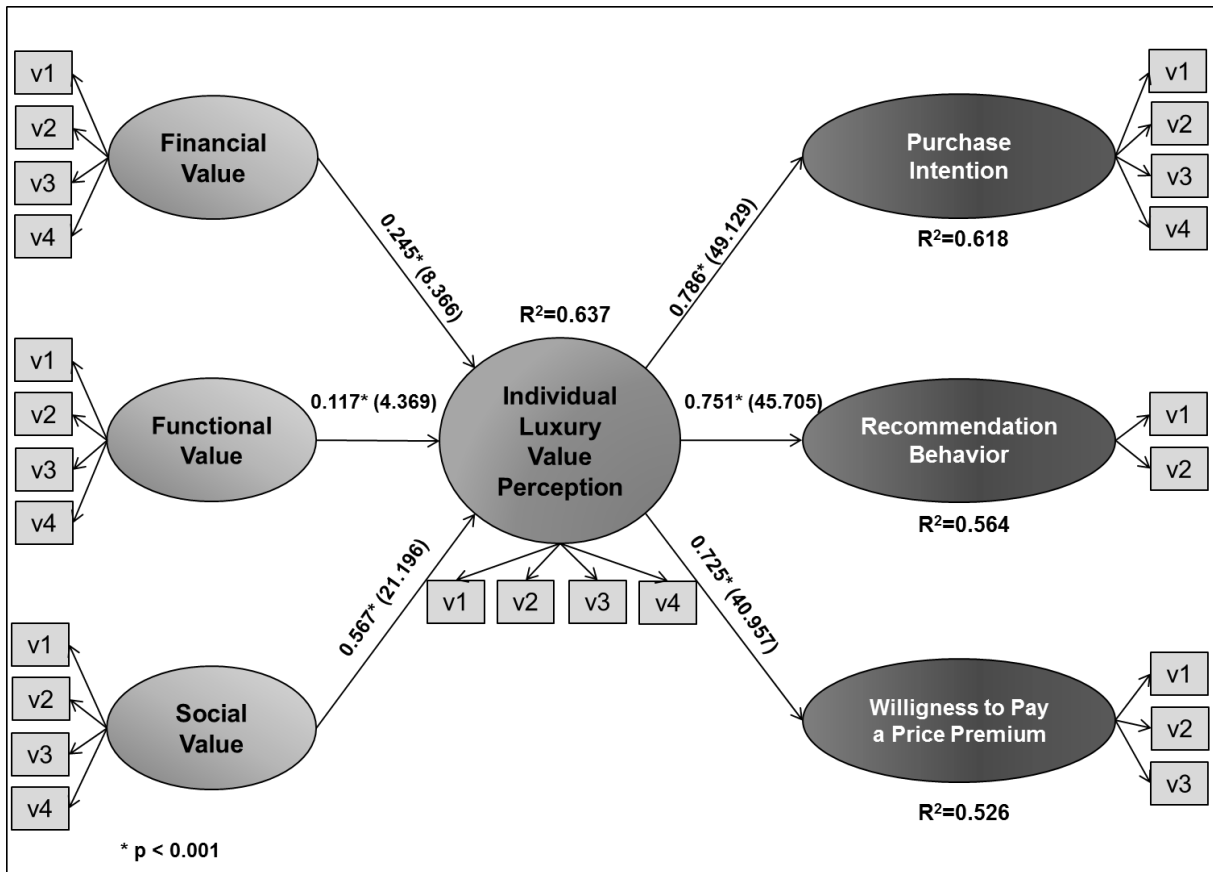


Table 1: Demographic Profile of the Sample

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.	.799	.823	48.893	.869	.627	.627 > .391
In my opinion, luxury brands are good products for the price.		.826	59.613			
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.	.871	.873	88.312	.912	.722	.722 > .569
In my opinion, luxury brands make a good impression on other people.		.805	51.564			
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.	.957	.942	152.653	.969	.886	.886 > .655
I am likely to purchase luxury brands.		.952	218.949			
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

Module 2 (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

Journal of Brand Management

Vol. 20, No. 8, pp. 705-715

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Module 3

Consumer Misbehavior - Luxury Counterfeit Consumption

- Paper 3.1: Wiedmann, K.-P., Hennigs, N., Klarmann, C. (2012): Luxury consumption in the trade-off between genuine and counterfeit goods: What are the consumers' underlying motives and value-based drivers? *Journal of Brand Management*, Vol. 19, No. 7, pp. 544-566.
- Paper 3.2: Klarmann, C., Wiedmann, K.-P., Hennigs, N. (2013): Luxury Longing and Counterfeit Complicity: A Consumer Typology based on the Perception of Luxury Value and Counterfeit Risk. In: Wiedmann, K.-P., Hennigs, N. (Edt.) (2013): *Luxury Marketing*, Wiesbaden, S. 261-277, Springer Gabler.
- Paper 3.3: Hennigs, N.; Klarmann, C.; Wiedmann, K.-P.: Individual Risk Perception and Counterfeit Shopping Behavior: Should I Buy Or Should I Not? Submitted to *Journal of Fashion Marketing and Management*.

Module 3 (Paper 3.1)

Luxury consumption in the trade-off between genuine and counterfeit goods: What are the consumers' underlying motives and value-based drivers?

Klaus-Peter Wiedmann

Nadine Hennigs

Christiane Klarmann

Journal of Brand Management

Vol. 19, No. 7, pp. 544-566

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Wesford Luxury and Counterfeiting Conference, Geneva, Switzerland, June, 9th – 10th 2011.

Based on

Hennigs, N.; Wiedmann, K.-P.; Klarmann, C.; Behrens, S. (2011): Selling Dreams or Empty Promises: Customer Perceived Values in Trade-Off Between Genuine Luxury and Counterfeit Goods. Paper presented at the 2011 ANZMAC, Perth, Australia, November 28th – 30th, 2011.

Module 3 (Paper 3.2)

**Luxury Longing and Counterfeit Complicity: A Consumer Typology based on the
Perception of Luxury Value and Counterfeit Risk**

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Klaus-Peter Wiedmann

Nadine Hennigs

Luxury Marketing

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

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15 Luxury Longing and Counterfeit Complicity: A Consumer Typology based on the Perception of Luxury Value and Counterfeit Risk

Christiane Klarmann, Klaus-Peter Wiedmann, Nadine Hennigs

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15.1 Introduction

In last decades, there has been an enormous theoretical as well as practical debate on concepts of consumer misbehavior, which also included the purchase of counterfeit goods, due to the increasing economic importance of this illicit market. Counterfeits constitute an important economic, political and social issue [12], [73]. The market for counterfeit goods has spread to almost all product categories, is estimated to account for as much as ten percent of world trade [66], and is often seen as one of the fastest growing industries in the world [40]. More precisely, according to the International Chamber of Commerce (ICC) based on 2008 data, the total global economic value of counterfeit and pirated products accounts for as much as \$650 billion every year and estimated to be \$1.77 trillion in 2015 [36].

Poddar et al. [58] argue that “...counterfeit purchases are one of the most serious problems facing luxury brand marketers.” Counterfeiting harms the legitimate producers, as substandard imitations may affect consumers’ confidence in the genuine brand, destroy brand equity and companies’ reputation, cause loss of revenues, and threaten consumer health and safety [12], [26], [28]. Especially in a luxury product context, the prevalence of low-cost counterfeits may also reduce the perceived exclusiveness [89], while threaten revenues and intangible values of the genuine brands [14]. Although counterfeits encompass various negative effects consumers disregard these issues [57].

Even though the purchase of counterfeits may include risks in getting caught by authorities [2], the demand for counterfeit products still increases [36]. Counterfeiting constitutes an international phenomenon; nevertheless, punishment for participating in this illegal market at both the supply and the demand side is internationally inconsistent [15]. Against this backdrop, a better understanding of the antecedents of counterfeit demand will enable marketers to implement effective customized countermeasures. Therefore, focusing on consumers’ motives for counterfeit consumption as well as drivers for counterfeit non-consumption becomes more worthwhile than ever before. Given that the market for counterfeit luxury brands relies on consumers’ desire for real luxury brands [34] [54], it is critical for researchers and marketers to investigate both, consumers’ perceived luxury value and perceived counterfeit risks as drivers affecting buying behavior in the trade-off between authentic or counterfeit products. Reasoning this, the aim of the present study is to begin filling this research gap by identifying groups of consumers who differ in their value and risk perception related to the trade-off between genuine and counterfeit luxury goods.

15.2 Theoretical Background

15.2.1 Luxury Consumption

Although the concept of luxury becomes more often scientifically considered, still, the term “luxury” elicits no clear understanding. This might be due to its subjective concept that depends on each consumer's perception of indulgent value [55], [9], Tyman et al. [77] state

that luxury starts where the ordinary ends, whereby boundary is a matter of degree as judged by consumers. Generally, luxury can be seen as goods for which the simple use or display of a particular branded product brings esteem for its owner, as apart from functional needs luxury goods also enable consumers to satisfy psychological needs [83]. As a subjective and multidimensional construct, a definition of the concept of luxury should follow an integrative understanding [87], [88]. Following Vigneron and Johnson [82] luxury brands can be seen as the highest level of prestigious brands encompassing several physical and psychological values. Thus, to evoke exclusivity, brand identity, brand awareness, as well as perceived quality from the consumer's perspective becomes essential for luxury brand management [55]. Although the term "buying to impress others" has often been used in order to explain luxury consumption behavior, with reference to Wiedmann, Hennigs and Siebels [87] interpersonal aspects like snobbery and conspicuousness [39], [42] should be enhanced through personal factors such as hedonism and perfectionism [21] as well as situational conditions (e.g., economic and societal factors) [82], [83]. Therefore, the perceived luxury value can be explained through four dimensions: financial, functional, individual and social value [87], [88].

15.2.2 Counterfeit Consumption

Counterfeits are products which are bearing a trademark that is identical to, or indistinguishable from, a trademark registered to another party, and thus are infringing the rights of the holder of the trademark [10]. More specific, counterfeiting can be defined as "*...any manufacturing of a product which so closely imitates the appearance of the product of another to mislead a consumer that it is the product of another or deliberately offer a fake substitute to seek potential purchase from non-deceptive consumers*" [51]. According to this it has to be distinguished between deceptive and non-deceptive counterfeit consumption [29]. In case of deceptive counterfeiting, consumers can be regarded as a victim that unknowingly purchases a counterfeit product [56]. Markets for automotive parts, pharmaceuticals and medical devices are often threatened by deceptive counterfeiting [29]. Non-deceptive counterfeiting is related to the situation when the consumer knows or strongly suspects that the purchased product is not an original [29]. Customer complicity is often mentioned related to this buying behavior, as counterfeits are actively demanded [15]. This article focuses on non-deceptive counterfeiting, which is prevailing in the luxury market [48], and enables the identification of consumers' perceptions which influence their choice processes in the trade-off between genuine and counterfeit luxury goods [11]. The most promising way to defeat counterfeiting is to reduce the demand, which underlines the importance of investigating the antecedents of the counterfeit buying intention.

Existing studies have investigated the consumer's attitudes to as well as underlying assumptions for counterfeit consumption. According to Wiedmann, Hennigs and Klarmann [86], it can be suggested that the trade-off between genuine and counterfeit is determined by the value of the original. Furthermore, we assume that the choice-process is significantly influenced by the risk perception in view of the faked product.

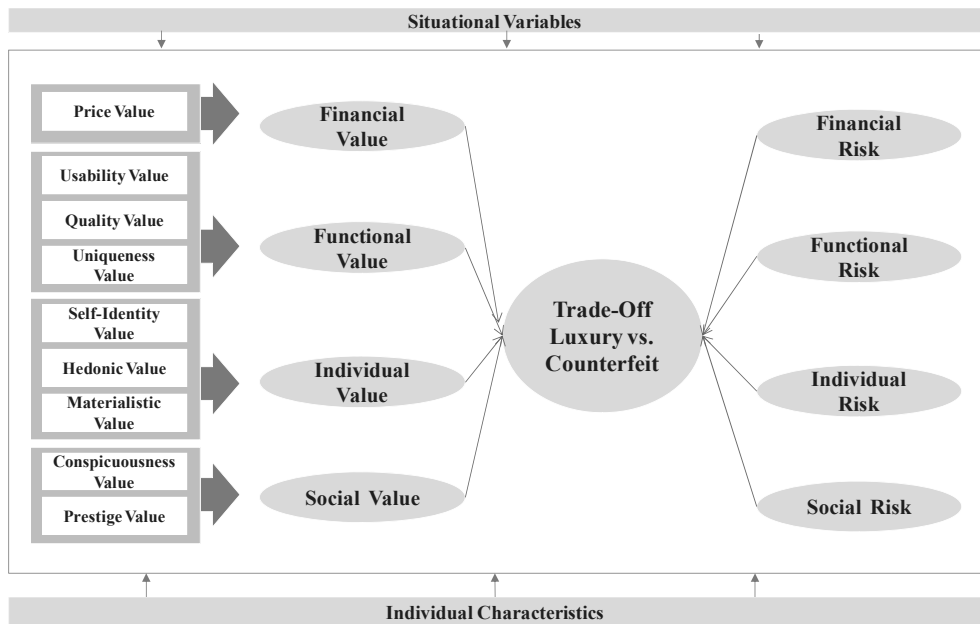
15.3 Conceptualization

15.3.1 The Conceptual Model

In order to identify groups of consumers who differ in their buying decision in the trade-off between genuine and counterfeit luxury goods, both perceived values and risk should be integrated into a single model.

As illustrated in **Figure 15.1**, the study presented here considers a combination of four value dimensions (financial, functional, individual, and social value specified as price, usability, quality, uniqueness, self-identity, hedonic, materialistic, conspicuousness, and prestige value) as well as four risk dimensions (financial, functional, individual, and social risk) related to the trade-off between luxury and counterfeit consumption.

Figure 15.1 The Conceptual Model



Assuming that the market for counterfeit luxury brands relies on consumers' desire for real luxury brands [34], [54], it is critical for researchers and marketers to investigate consumers' perception of luxury value. Generally, values can be regarded as beliefs that guide the selection or evaluation of desirable behavior [65]. With regard to consumption values which directly explain why consumers choose to buy or avoid particular products [67], different

types of values influence consumers' purchase choices. In relation to luxury consumption, Wiedmann, Hennigs and Siebels [87] revealed four dimensions – financial, functional, individual and social value – in order to enhance the current understanding of consumer motives and value perception. These four dimensions remain the basis for the presented model.

Besides any potential values and benefits consumers may also experience risks during their purchase decision process [31]. Generally, consumers try to reduce negative consequences and uncertainty before purchasing products [16], [18], and therefore it is assumed, that perceived risk primarily relates to potentially negative outcomes within the context of consumer behavior [72]. Basic approaches which analyzed the 'if' and 'how' perceived risk influences consumer choices in terms of non-deceptive counterfeits already exist (e.g. [10], [81], [31], [3], [54], [75]). Nevertheless, past research is lacking in contrasting consumer's perceived values and risks in the trade-off between genuine and counterfeit goods.

In this context, there is a research gap related to the segmentation of counterfeit and luxury consumers related to their perceived values and risks in terms of counterfeit and genuine luxury consumption.

15.3.2 Dimensions of Luxury Value Perception

In a luxury product context, the evaluation and propensity to purchase or consume luxury brands can be explained by four dimensions [87], [88]. As the consumer's demand for the counterfeit good is related to their desire for the original [34], [54], the trade-off between authentic and faked products will be affected by the four value dimensions [86].

The **price value** – related to the financial dimension – addresses direct monetary aspects. Prestige pricing, as setting a rather high price to suggest i.e. high quality and/or high status [43], may even make certain products or services more desirable [30]. Nevertheless, it is important to realize that a product or service does not have to be expensive to be a luxury good or is not luxurious just because of its price – but a high price might be a signal for exclusivity, uniqueness and high quality.

The functional dimension addresses product related attributes, such as usability, quality, and uniqueness:

The **usability value** is related to the performance and particular function of a product. The concept of usability has been examined and understood in terms of ease of use and can be defined by the physical-chemical-technical (e.g., technical superiority), concrete or abstract product/service dimensions (e.g., [53]). Consumers expect the item they buy to work right, look good, last a long time, and perform as expected and as promised (e.g., [24]). It has to be stated that usability needs to be differentiated between an objective and subjective judgment of usability which depends on individual evaluation and the specific purpose of use [87].

The **quality value** in terms of luxury is often referred to the fact that products are not being mass-produced, but often hand-made and thus, offer excellent product quality and perfor-

mance as compared to non-luxury brands (e.g., [21], [22], [27], [63], [60], [48], [49], [83]). Consumers may associate luxury products with a superior brand quality and reassurance so that they perceive more value from it [1]. In accordance to this, the literature on luxury consumption often underlines the importance of quality to ensure the perception of and therefore the value of luxury [60], [61], [27], [30], [63].

The **uniqueness value** is related to the assumption that the perceived exclusivity and rareness of a limited product enhances the consumer's desire or preference for a brand [80], [41], [52]. Therefore, the more unique a brand is perceived, the more valuable the brand becomes [79]. The wish of consumers for differentiation and exclusivity can only be fulfilled when the consumption and use of a certain brand is only given to an exclusive clientele [39], [82], [83].

The individual dimension addresses personal matters such as materialism, hedonism, and self-identity:

The **self-identity value** refers to the internal (private) facet of one's self in terms of the way the individual perceives him or herself [45], [69], [37]. Concerning luxury brands, [59] confirmed the significant impact of self-congruity on luxury-brand purchase. From this point of view, consumers may use luxury items to integrate the symbolic meaning into their own identity [35], [83] or they use a luxury brand to support and develop their own identity [20], [33], [19].

The **hedonic value** is based on the fact, that certain products and services carry an emotional value and provide intrinsic enjoyment in addition to their functional utility [32], [67], [85]. Research concerning the concept of luxury has repeatedly identified the emotional responses associated with luxury consumption, such as sensory pleasure and gratification, aesthetic beauty, or excitement [8], [23], [64], [83].

The **materialistic value** is connected to the degree to which individuals principally find possessions to play a central role in one's life. The more materialistic a consumer is, the more likely he is to acquire possessions, to have positive attitudes related to acquisition, and to assign a high priority to material possessions [87]. Additionally, research has found that materialistic oriented consumers rely heavily on external cues, favoring those possessions that are worn or consumed in public places [62], [50], whereby consumers' possessions serve as a signal or source of communication to others for portraying and managing impressions of who they are and what their status or position is [20], [6].

The social dimension refers to aspects of status consumption and prestige orientation:

The **conspicuousness value** is linked to individuals' search of social status and representation. Conspicuous consumption means in particular that the ranking in a society is associated with a brand [87]. For example, [4] concluded that luxury goods consumed in public were more likely to be conspicuous goods than privately consumed luxury goods, and therefore, conspicuous consumption plays a significant part in shaping preferences.

The **prestige value** assumes that products often enclose prestigious values, and thus, social referencing and the construction of one's self appear to be determinants of luxury consump-

tion [87]. People's desire to possess luxury brands will serve as a symbolic sign of group membership. This bandwagon effect influences an individual to conform to affluent lifestyles and/or to distinguish themselves from non-affluent lifestyles [25], [68], [47], [70], [46], [44], [7], [19].

With reference to counterfeit luxury goods, it is expected that consumers who have a high value perception of genuine luxury goods are less willing to purchase counterfeits because he or she is worried about the buying decision and has a higher risk perception of the counterfeit alternative. On the other hand it might be that the positive perception of the luxury brand is transferred to the counterfeited alternative. Then, the faked good would fulfill e.g. the social value and the consumer might look in particular for the counterfeit product.

15.3.3 Dimensions of Counterfeit Risk Perception

Besides any potential values and benefits consumers may experience feelings of risk during the purchase decision process [31]. Within the context of consumer behavior the concept of perceived risk primarily relates to potentially negative outcomes [72]. The level of perceived risk of counterfeit luxury consumption might conclusively influence the trade-off purchase decision [86]. As in case of non-deceptive counterfeits, where the consumer is well aware or strongly suspects that the product is faked, the risk associated with its purchase might be higher [17]. Some scholars have already attempted to analyze how perceived risk influences consumer choices in terms of counterfeit goods (e.g. [78], [81], [31]). Evidence was found that consumers are aware of potential consequences of purchasing these illicit products, e.g. loss of money or dissatisfaction with the performance (see [78], [3]). Further research indicates perceived risk to have a significant negative effect on the attitude towards counterfeits [18].

In accordance to Stone and Grønhaug [72], the construct of perceived risk can be divided into six dimensions: financial, performance, physical, psychological, social and time-related risk. Nevertheless, to match the key luxury value dimensions, the present study focuses on the perceived financial, functional, individual and social risk:

The **financial risk** in terms of counterfeit consumption might be associated to the lower quality compared to genuine goods or a lack of performance which are often ascribed to counterfeit products (e.g. [54]). Therefore, the chance of a monetary loss can be regarded as being higher. Additionally, in the case of poor performance or usability, consumers may not have the opportunity to return or exchange the product because the illegal manufacturer remains largely unknown and no warranties are given [18], [16].

The **functional risk** is related to consumers' perception of counterfeits being inferior in quality, usability, as well as uniqueness as they are easily affordable (e.g. [84], [76], [16]). In their early work about product counterfeiting, Bamossy and Scammon [3] describe poor quality materials, poor performance, and manufacturing defects as 'trademarks' of counterfeit products. Their interviewees indicated these aspects as the three top reasons for dissatisfaction with the product.

The **individual risk** dimension is related to the consumers self-construct. Veloutsou and Bian [78] suggest that consumers may fear that consuming counterfeits will destroy their self-concept or self-esteem captures. Moreover, consumers' might fear that buying a fake product is not be perceived as very wise and therefore, consumers may feel uncomfortable with the purchase decision in hindsight or may even experience feelings of guilt [38]. This would be contrary to a hedonically motivated shopping experience.

The **social risk** refers to the consumer's fear, that the peer group may evaluate the possession of counterfeit goods in a negative way. This is especially important for publicly consumed goods [18] or when peers have expert knowledge and are able to distinguish authentic luxury from fake [56]. Especially when the impression on others is important, buyers of counterfeits face the risk of being detected wearing fake and "have to reckon with social sanctions" [54].

15.4 Methodology

In order to identify types of genuine and counterfeit luxury consumers in the context of our conceptual model, we used existing and tested measures, as shown in **Table 15.1**.

Table 15.1 The Questionnaire Scale

Scale	Author (s), year
Luxury Values	
Price Value	Yoo et al. [90] Sweeney and Soutar [74] Wiedmann et al., 2009 [88]
Functional Value	Wiedmann et al. [88]
Uniqueness Value	Wiedmann et al. [88]
Quality Value	Sweeney and Soutar [74]
Self-Identity Value	Wiedmann et al. [88]
Hedonic Value	Spangenberg et al. [71]
Materialistic Value	Richins and Dawson, [62]
Conspicuousness Value	Sweeney and Soutar [74]
Prestige Value	Bearden et al. [5], Wiedmann et al. [88]
Counterfeit Risks	
Financial Risk	Stone and Grønhaug [72]; Ha and Lennon [31]
Functional Risk	Stone and Grønhaug [72], Tan [75] , Ha and Lennon [31]
Individual Risk	Ha and Lennon [31]
Social Risk	Stone and Grønhaug [72]

All items were rated on five-point Likert scales (1 = strongly disagree to 5 = strongly agree). After examining the length and layout of the questionnaire and the quality of the items used, to investigate the research model, personal interviews were conducted among consumers in Germany in summer 2011. A total of 123 questionnaires were received. Regarding sample characteristics' gender distribution, 60.2% of the respondents were female. The mean age of the respondents amounts 26.2 years. Regarding the study context of luxury and counterfeit goods, 82.9% of the respondents have already bought a genuine luxury product at least once, 56.9% have already bought a counterfeit luxury product. Although this is not a representative one, with reference to the given research focus, the convenience sample used in this study offers a balanced set of data.

15.5 Results and Discussion

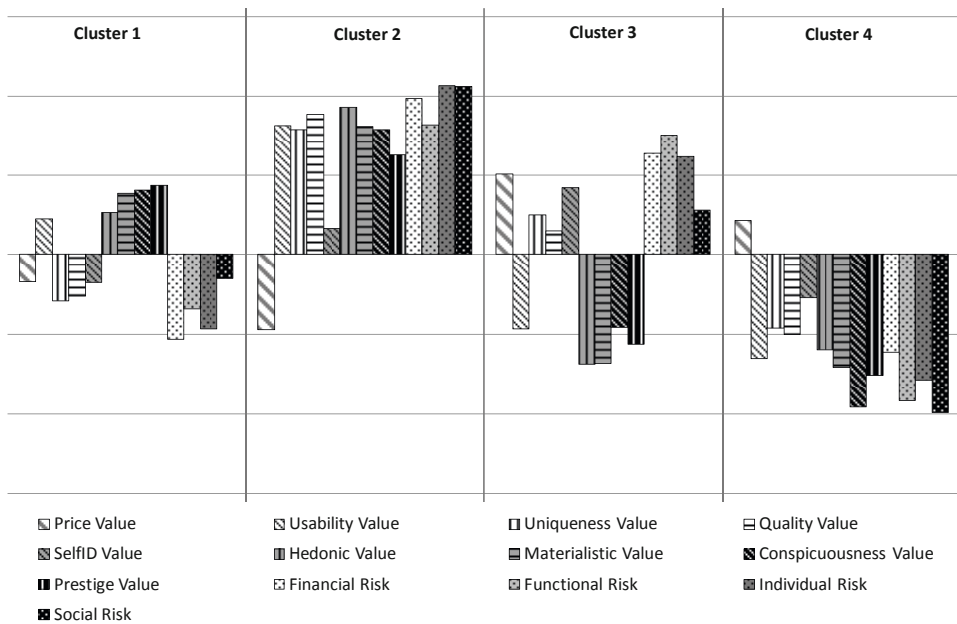
SPSS 19.0 was used to analyze the data. A principal component factor analysis with varimax rotation revealed a 13-factor structure that summarized 44 items with medium to high factor loadings. To conduct the cluster analysis, the factor scores for each respondent were saved.

Table 15.2 Cluster Results: Factor Mean Scores

	Cluster 1	Cluster 2	Cluster 3	Cluster 4	F	Sig.
% of the sample	37.4	19.5	22.0	21.0		
Luxury Value Dimension						
Price Value	-.17005	-.47456	.50480	.21470	5.482	.001
Usability Value	.22205	.80954	-.46752	-.65463	15.983	.000
Uniqueness Value	-.29069	.78251	.24641	-.46391	10.648	.000
Quality Value	-.26049	.87982	.14690	-.50383	12.303	.000
SelfID Value	-.17832	.16200	.42281	-.27312	3.106	.029
Hedonic Value	.26363	.92492	-.69453	-.59896	24.076	.000
Materialistic Value	.38578	.80714	-.68889	-.71220	26.159	.000
Social Value	.40416	.78406	-.46186	-.95917	29.415	.000
Prestige Value	.43730	.62574	-.56742	-.76204	20.814	.000
Counterfeit Risk Dimension						
Financial Risk	-.53597	.98141	.63609	-.61822	36.381	.000
Functional Risk	-.34462	.81240	.74904	-.91805	33.543	.000
Social Risk	-.15048	1.05835	.27681	-.99816	43.380	.000
Individual Risk	-.46819	1.06233	.61609	-.79206	5.482	.000

In our analysis, we used a combination of Ward’s method of minimum variance and non-hierarchical k-means clustering. The results strongly suggested the presence of four clusters. With regard to classification accuracy, we also used discriminant analysis to check the cluster groupings once the clusters were identified; 95.1% of the cases were assigned to their correct groups, validating the results of cluster analysis for the useful classification of consumer subgroups based on the factors included in the model. To develop a profile of each market segment, more detailed information was obtained by examining the factor scores cross-tabulated by cluster segment, as presented in **Table 15.2** and **Figure 15.2**.

Figure 15.2 Cluster Segments



Based on the variables from which they were derived, the four clusters were labeled as follows:

Cluster 1: The Prestige-Seeking Counterfeit Consumers with the lowest mean age of 25.2 years and 50% female respondents form 37.4% of the sample. Referring to our study context, 96% of the respondents state that they purchased a genuine luxury good at least once. 73% have also already bought a counterfeit luxury product once, of whom 43% have already bought a counterfeit luxury product several times – this is the highest percentage of all groups. In terms of future purchase, with 52% (at least considering counterfeit consumption) this group has the highest intention to buy counterfeits (again). Typical consumers in this cluster can be considered as frequent consumers of fake luxuries, as evidenced by a low

counterfeit risk perception combined with high counterfeit experience. Significantly more than cluster 3 and 4, they value the social-oriented aspects of luxury and are not likely to fear social sanctions, as compared to cluster 2 and 3.

Cluster 2: The Risk-Averse Luxury Shoppers with a mean age of 25.9 years and 67% female respondents form 19.5% of the sample. Overall, 88% of the respondents in this group state that they have already bought a genuine luxury product at least once, 54% have never bought a counterfeit luxury good. Except the price and self-identity value, this cluster possesses the highest factor means, for both, perceived luxury value and perceived counterfeit risk. Especially the low price value is remarkable, as this consumer group possesses the lowest income level. Even on this backdrop, referring to their future behavior, 83% consider buying authentic luxury goods in the future, and with the lowest percentage of the identified clusters, only 4% consider buying a counterfeit luxury product.

Cluster 3: The Identity-Oriented Luxury Buyers with the highest mean age of 27.4 years and 56% female respondents comprise 22% of the sample. The Identity-oriented Luxury Buyers perceive the highest financial value. Compared to cluster 2, the self-identity value is higher, whereas, the other individual values are lower. The social-oriented values are even below average. 74% of these respondents state that they have bought a genuine luxury product at least once. In accordance with the high risk perception, less than half of the respondents of this cluster already bought a counterfeit luxury product. In the future, 67% of the Identity Oriented Luxury Buyers consider buying genuine luxury goods, whereas 15% consider buying counterfeit luxury goods.

Cluster 4: The Indifferent Risk-Takers with a mean age of 26.7 years and 65% female respondents comprise 21% of the sample. In this cluster, overall, the perceived luxury value – except the financial value – is very low. Characteristically is the low counterfeit risk perception. 35% of this cluster have never bought a genuine luxury product, which is compared to the other clusters the highest percentage. Besides, 54% have never bought a counterfeit luxury product. Even if the risk perception is low; referring to future behavior, none of the respondents is sure about buying genuine or counterfeit luxuries. This might be due to the underrepresented luxury value perception. Nevertheless, 77% at least consider buying genuine luxuries and 31% consider buying counterfeit luxury goods.

Our results show that the four perceived value and risk dimensions are able to segment consumers referring to their decision in the trade-off between luxury and counterfeit consumption. In view of developing effective countermeasures, our results might be a motivational basis for ongoing research regarding the concept of perceived counterfeit risk. According to this, in the next section based upon a short conclusion, implications for further research as well as managerial implications will be presented.

15.6 Conclusions and Implications

The topic of counterfeiting has become more important for marketers and researchers in last decades. This might be due to the increasing global impact of counterfeiting, which effects are perceptible at both macro- and microeconomic level. Even though governments, supranational organizations, and industry associations have undertaken various attempts – as e.g. IPR protection and law enforcement – the business of counterfeiting will be a prosperous business as long as there exists a high demand for counterfeited brands. Focusing on the demand side – while investigating the specific consumer motivation for purchasing faked goods as well as their reasons for counterfeit non-consumption – builds the basis for the development of strategies that aim to reduce the global appetite for counterfeits. Therefore, this paper aimed to fill the existing research gap by identifying different consumer segments related to their perceived luxury value and counterfeit risk.

Interestingly, the Prestige-Seeking Counterfeit Consumers have both, the highest luxury as well as counterfeit experience. This confirms the assumption that both shopping behaviors are not independent from each other. Even though price is often believed to be the main reason that causes counterfeit purchases, this study reveals that there are multifaceted motives that affect consumer attitudes and behavior. Cluster 2, the consumer group with the lowest price value and the highest counterfeit risk perception, has the highest intention to buy genuine goods and the lowest intention to buy counterfeit goods in the future. Similarly, the Identity-Oriented Luxury Buyers with the second highest risk perception are not interested in counterfeit products in the future. In this context, the results confirm that counterfeit risk perception negatively affects counterfeit shopping behavior.

Understanding the motives of counterfeit consumption and the determinants of counterfeit resistance enables luxury brand managers to implement customized countermeasures. Based upon our results, the threat of a high counterfeit demand can be avoided by communicating the risks associated with faked products as well as highlighting the values of the genuine goods.

As our results revealed, the trade-off between authentic and counterfeit consumption is affected through four value and risk dimensions. With regard to possible directions for future research, to advance current research focusing on counterfeit shopping behavior, our first approach should be pursued in view of situational contingencies as well as emotional effects, probably in a combination of explicit and implicit measurement methods. Additionally, the effectiveness of countermeasures directed to the consumer's perceived counterfeit risk would constitute a promising field of research.

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Module 3 (Paper 3.3)

**Individual Risk Perception and Counterfeit Shopping Behavior: Should I Buy or
Should I Not?**

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Individual Risk Perception And Counterfeit Shopping Behaviour:

Should I Buy Or Should I Not?

STRUCTURED ABSTRACT

Purpose: Due to the increased demand for counterfeit branded products, the study of determinants of consumers' counterfeit purchase behaviour has become more worthwhile than ever before. Nevertheless, the analysis of perceived values and risks as motivational drivers of this kind of consumer misbehaviour is still missing. The aim of the present study is to begin filling the existing research gap by: a) examining factors that significantly influence counterfeit risk perception and counterfeit shopping behaviour and b) identifying groups of consumers who differ in the specific reasons for acceptance of/resistance to counterfeit luxury goods.

Design/methodology/approach: In our exploratory study context PLS path modeling and a cluster analysis were considered for the empirical tests of our hypotheses.

Findings and implications: The results indicate that counterfeit risk perception negatively and significantly affects counterfeit shopping behaviour. Moreover, the results reveal that the antecedents of counterfeit risk perception can be divided into two groups: psychological antecedents as a combination of personality factors and antecedents related to the context of genuine and counterfeit luxury goods.

Originality/value: The results have important implications for luxury brand management and future research in the domain of counterfeit shopping behaviour. Therefore, the key challenge is to inform consumers about the personal risks and responsibilities associated with counterfeit consumption, raise ethical considerations, display the negative consequences for society, and convince them that – compared to the value of owning genuine luxury – on the long run, counterfeit products are not worth the money.

Keywords: Luxury Brands, Counterfeit Consumption, Perceived Risk

Article Classification: Research Paper

INTRODUCTION

Counterfeiting can be seen as a significant and growing problem worldwide: The increasing luxury consumption in last decades has been accompanied by a prevalence of pirated and counterfeit goods. Often related to organized crime and international terrorism, counterfeiting harms the legitimate producers who have invested in research, product development, and marketing (Furnham and Valgeirsson, 2007; Green and Smith, 2002). For example, the prevalence of low-cost counterfeits may lead to a reduction of the perceived quality or exclusiveness of the genuine product and could potentially erode consumer's confidence in the brand (Green and Smith, 2002; Wilke and Zaichkowsky, 1999). As a consequence, original brands do face lost revenues and loss of intangible values such as brand reputation and consumer goodwill (Bush et al., 1989). According to the International Chamber of Commerce (ICC) based on 2008 data, the total global economic value of counterfeit and pirated products accounts for as much as \$650 billion every year, whereby the upper bound of the global value of counterfeit and pirated products could be \$1.77 trillion in 2015 (ICC, 2011). As counterfeiting impacts the economy, society and development, a loss of tax revenues, higher welfare spending, job-losses and health costs represent solely a sample of the effect on the overall economy. Nevertheless, most consumers disregard the negative effects counterfeiting entails (Phau et al., 2009). Even though, understanding the demand side of counterfeiting is central for the development of countermeasures (Ang et al., 2001), researchers claim that the investigation of this area of customer behaviour is still deficient (de Matos et al., 2007; Swami et al., 2009), and the analyses of perceived values and risks as motivational drivers of this kind of consumer misbehaviour is still missing (Wiedmann et al., 2012). The aim of the present study is to begin filling this research gap by: *a*) examining factors that significantly influence counterfeit risk perception and

counterfeit shopping behaviour and *b*) identifying groups of consumers who differ in the specific reasons for acceptance of/resistance to counterfeit luxury goods.

THEORETICAL BACKGROUND

The Concept of Luxury and Motives for Luxury Consumption: Luxury goods can be defined as *“goods for which the mere use or display of a particular branded product confers prestige on their owners, apart from any utility deriving from their function”* (Grossman and Shapiro, 1988, p. 82). Thus, for luxury brands it is essential to evoke exclusivity, brand identity, brand awareness, as well as perceived quality from the consumer’s perspective (Phau and Prendergast, 2000). Because luxury is a subjective and multidimensional construct, a definition of the concept should follow an integrative understanding (Wiedmann et al., 2007, 2009). According to Vigneron and Johnson (1999), luxury brands can be seen as the highest level of prestigious brands encompassing several physical and psychological values. In order to explain consumer behaviour, the notion *“buying to impress others”* has long been a guiding principle for luxury brand managers. However, it has been found that not only interpersonal aspects like snobbery and conspicuousness (Leibenstein, 1950; Mason, 1992) but also personal factors such as hedonism and perfectionism (Dubois and Laurent, 1994) as well as situational conditions (e.g., economic and societal factors) are relevant (Vigneron and Johnson, 1999, 2004).

Definition of Deceptive and Non-Deceptive Counterfeiting: Generally, the literature distinguishes between five common types of intellectual property rights infringements: counterfeiting, piracy, imitations, grey area goods and custom-made copies (Phau et al., 2001). However, some of these terms have been used interchangeably such as counterfeiting and piracy (Phau and Teah, 2009). The focus of this study is on counterfeiting that can be defined as *“...any manufacturing of a product which so closely imitates the appearance of the product of another to*

mislead a consumer that it is the product of another or deliberately offer a fake substitute to seek potential purchase from non-deceptive consumers” (OECD, 1998). Following this, from a consumer’s perspective, counterfeits can be deceptive or non-deceptive (Grossman and Shapiro, 1988), while deceptiveness is a continuum rather than a dichotomy (Eisend and Schuchert-Güler, 2006; Gentry et al., 2001; Bosworth, 2006). Deceptive counterfeiting stands for copies where consumers cannot readily tell the quality of the product they are about to purchase, nor can they differentiate between copy and authentic product. In this case the customer can be regarded as a victim that unknowingly purchases a counterfeit product (Phau and Teah, 2009). Non-deceptive counterfeiting, which is prevailing in the luxury market (Nia and Zaichkowsky, 2000), on the other hand refers to the situation when the consumer knows or strongly suspects that the purchased product is not an original (Grossman and Shapiro, 1988). In this situation, the consumer can be described as a complicit customer who actively seeks counterfeits (Chaudhry and Stumpf, 2011). The importance of focusing on the demand side becomes evident as all governmental actions to curtail counterfeit activities will not be sufficient as long as counterfeiters face such an immense demand for their products (Ang et al., 2001).

The Concept of Perceived Risk and its Relevance for Counterfeit Consumption:

Within the context of consumer behaviour, the concept of perceived risk primarily relates to potentially negative outcomes (Stone and Grønhaug, 1993). It is an important construct in marketing and suggests that consumers generally try to reduce negative consequences and uncertainty before purchase (Cordell et al., 1996; de Matos et al., 2007). According to this, it can be assumed that *“products that are considered to be risky are less likely to be purchased”* (Veloutsou and Bian, 2008, p. 5). Basic approaches to analyse how perceived risk influences consumer choices in terms of non-deceptive counterfeits already exist (e.g. Vida, 2007; Ha and Lennon, 2006; Bamossy and Scammon, 1985; Penz and Stöttinger, 2005; Tan, 2002).

Nevertheless, there is still a research gap related to the understanding of the construct of perceived risk including effecting antecedents and outcomes in terms of luxury counterfeit consumption.

CONCEPTUAL MODEL AND RELATED HYPOTHESES

For understanding the antecedents and outcomes of counterfeit risk perception in our context, in line with previous research dealing with the demand side of counterfeit goods (Ang et al., 2001; Huang et al., 2004), both psychological consumer traits and context-related aspects should be integrated into a single model. As illustrated in *Figure 1*, the study presented here considers a combination of *personality factors* (i.e., variety seeking, personal integrity, moral judgment, and risk aversion) and *context-related factors* (i.e., luxury involvement, luxury value perception, and the trade-off between genuine and counterfeit luxury goods) as antecedents of consumers' *risk perception* toward counterfeits and actual *counterfeit shopping behaviour*.

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Psychological Antecedents

Variety Seeking: In general, novelty seeking encompasses the desire of individuals to seek variety and difference (Phau and Teah, 2009; Wang et al., 2005), whereas variety seeking in particular comprises the consumers demand for different things and a great deal of variety (Donthu and Gilliland, 1996). Bringing variety into the context of luxury consumption, the well documented luxury characteristics of rarity and exclusivity (Vigneron and Johnson, 2004) may be connected to the consumer perceived variety. On the other hand, with reference to consumers who fear the hassle of being stuck with a 'last-season' item (Wiedmann et al., 2007), luxury counterfeits as mass products which are often out of season won't be convenient to a high variety

seeking consumer. Although various studies on counterfeit consumption exposed a negative influence of variety seeking on attitudes towards faked products (i.e. Wee et al., 1995), opposed to previous studies, this paper conceives variety seeking as a desire for quality and less for quantity and therefore assumes a positive influence on the risk perception regarding counterfeits. It can be postulated that, *H₁: Variety seeking in combination with the desire for exclusivity has a positive impact on counterfeit risk perception.*

Personal Integrity: A negative influence of personal integrity, determined by personal ethical standards and obedience to the law (i.e. Phau and Teah, 2009), on the attitude towards counterfeit luxury brands has previously been proved (i.e. Ang et al., 2001; Wang et al., 2005). Nevertheless, this paper follows Michaelidou and Christodoulides (2011) whereby ethical obligation is different from personal integrity. According to this, consumers may value honesty, politeness and responsibility (de Matos et al., 2007). Whereas consumers not inevitably have to feel obligated to avoid ethically questionable behaviours such as buying counterfeit products (Michaelidou and Christodoulides, 2011). Further, it can be assumed that consumers aim to reduce the cognitive dissonance of an unethical behaviour (de Matos et al., 2007) or they purchase products from retailers they like and do not inevitably feel that their behaviour harms someone else (Huang et al., 2004). In conformity with this, Ang et al. (2001) revealed in a survey among Asian consumers, both buyers and non-buyers did not consider individuals who buy counterfeits to be unethical nor did they perceive that there was anything wrong with buying faked products. Thus, we hypothesize, *H₂: Related to consumers who do not perceive counterfeit consumption as an unethical behaviour, personal integrity has a negative impact on counterfeit risk perception.*

Moral Judgment: The moral judgment of an individual critically affects his perception as to why certain actions are perceived as morally just or preferred (Tan, 2002). As the counterfeit

supply side is often related to organized crime (Furnham and Valgeirsson, 2007; Green and Smith, 2002; Nill and Schultz, 1996), consumer participation in a counterfeit transaction supports illegal activity (de Matos et al., 2007). According to this, it can be anticipated that consumers with a high standard of moral judgment may perceive a higher risk associated with counterfeit consumption, especially connected to individual and social issues. Accordingly, *H₃: For consumers with high moral standards, moral judgment has a positive impact on counterfeit risk perception.*

Risk Aversion: Considered as a personality variable and defined as the propensity to avoid taking risks (Zinkhan and Karande, 1991), risk aversion can be seen as an important characteristic for discriminating between buyers and non-buyers of a product category (de Matos et al., 2007). Huang et al. (2004) already revealed a significant inverse relationship between risk averseness and attitude towards counterfeits. Focusing on counterfeit risk perception, it can be assumed that consumers with a high avoidance of taking risks perceive a significant higher financial, functional, social, and individual risk regarding faked products which presumably not offer the same value as the genuine version. Thus, it is suggested that, *H₄: As the individual avoidance to take risks, risk aversion has a positive impact on counterfeit risk perception.*

Context-related Antecedents

Luxury Involvement: Understood as an internal state that indicates the amount of arousal, interest, or drive evoked by a particular stimulus or situation, involvement has been shown to influence purchasing behaviour (Park and Mittal, 1985). In terms of the average interest in a product category on a daily basis, a high level of product-class involvement leads to the consumer's willingness to spend more energy on consumption-related activities and hence make more rational decisions (Wilkie, 1994; Zaichkowsky, 1985). Therefore, high-involved consumers have a more favorable attitude to luxury goods in general and have stronger purchase intentions

(Huang et al., 2004). Consequently, when they cannot afford the real item, consumers with a strong personal desire for luxury goods might be more likely to purchase the counterfeit alternative (Bloch et al., 1993; Phau and Teah, 2009; Wilcox et al., 2008) and perceive a lower level of risk associated with this activity. It is expected that, *H₅: Luxury involvement as the strong personal desire for luxury branded products has a negative impact on counterfeit risk perception.*

Luxury Value Perception: With regard to consumption values that directly explain why consumers choose to either buy or avoid particular products (Sheth et al., 1991), different types of values influence consumers' purchase choices. In a luxury product context, the evaluation and propensity to purchase or consume luxury brands can be explained by four dimensions (Wiedmann et al., 2007, 2009): 1) The financial dimension that addresses direct monetary aspects, 2) the functional dimension that refers to basic utilities as quality, uniqueness, and usability, 3) the individual dimension that addresses personal matters such as materialism, hedonism, and self-identity, and 4) the social dimension that refers to aspects of status consumption and prestige orientation. With reference to counterfeit luxury goods, it is expected that consumers who have a high value perception of genuine luxury goods are less willing to purchase counterfeits because it diminishes the idea that counterfeit consumption is a savvy shopper behaviour and simultaneously enhances the perceived embarrassment potential (Wiedmann et al., 2012). Consequently, it can be assumed that the higher the consumer's value perception of the genuine luxury good, the more he or she is worried about the buying decision and has a higher risk perception of the counterfeit alternative. Reasoning this, it is hypothesized that, *H₆: Luxury value perception related to the original product has a positive impact on counterfeit risk perception.*

Trade-Off between Genuine and Counterfeit Luxury Goods: Assuming that the market for counterfeit brands relies on consumers' desire for and evaluation of real luxury brands (Hoe et

al., 2003; Penz and Stöttinger, 2005), the individual choice decision between authentic and counterfeit products is influenced by a trade-off based on the combination of the price of the product (Furnham and Valgeirsson, 2007), the perceived value of the product (Bloch et al., 1993; Furnham and Valgeirsson, 2007), and the quality of the authentic product (Munshaw-Bajaj and Steel, 2010). When presented with a choice between an authentic and a counterfeit luxury good, consumers who have a favourable opinion about the financial, functional, individual, and social value of the counterfeit alternative, perceive purchasing counterfeits as an acceptable choice. Therefore, in the trade-off between authentic and counterfeit luxury products, it is expected that, *H₇: For consumers who perceive counterfeits as an acceptable choice, the individual trade-off between real and fake luxury goods has a negative impact on counterfeit risk perception.*

Related Outcomes

Counterfeit Shopping Behaviour: With reference to the impact of consumers' counterfeit risk perceptions on actual counterfeit shopping behaviour, literature suggests that consumers who perceive more risk in the counterfeit alternative are less likely to buy counterfeit goods (Albers-Miller, 1999; Bloch et al., 1993; Nia and Zaichkowsky, 2000). Understood as “*the consumer's perceptions of the uncertainty and adverse consequences of buying a product or service*” (Dowling and Staelin, 1994, p. 119), consumers associate counterfeits with a higher level of risks that mediate consumers' evaluations of and feelings toward counterfeit purchases (Bamosy and Scammon, 1985; Chakraborty et al., 1996). The perception of financial, functional, psychological, and social risks related to the purchase of a counterfeit will influence every stage of the consumer decision-making process (de Matos et al., 2007). Therefore, *H₈: Counterfeit risk perception has a negative impact on actual and future counterfeit shopping behaviour.*

METHODOLOGY

To measure the antecedents and behavioural outcomes of counterfeit risk perception in the context of our conceptual model, we used existing and tested measures, as shown in *Table 1*.

--- Please insert Table 1 about here ---

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, personal interviews were conducted among consumers in Germany in June 2011. The study specifically focused on German consumers as Germany has more exposure to counterfeit goods compared to other European countries (European Commission, 2008). To address the issue of social desirability bias and the respondent's inclination to conform to social norms, we preferred purposive sampling for which the units of observation are habitually luxury and/or counterfeit consumers. The recruitment of interviewees was organized by a personal invitation mail that was sent to members of a luxury consumer panel. A total of 123 questionnaires were received. The sample characteristics are described in *Table 2*. Regarding gender distribution, 60.2% of the respondents were female, 71.7% of the participants were between 18 and 25 years of age, with 26.2 years as the mean age. With regard to educational level, 91.8% of the sample had received a university entrance diploma or a university degree. Regarding the study context of luxury and counterfeit goods, 82.9% of the respondents have already bought a genuine luxury product at least once, 56.9% have already bought a counterfeit luxury product. Although this is not a representative one, with reference to the given research focus, the convenience sample used in this study offers a balanced set of data.

--- Please insert Table 2 about here ---

RESULTS AND DISCUSSION

SPSS 19.0 and 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 9-factor structure with no general factor present (the first factor accounted for 9.5% 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, the test of our hypotheses, and the cluster segments 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 3*).

--- Please insert 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; 123 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 ($p < .01$).

--- Please insert Figure 2 about here ---

--- Please insert Table 4 about here ---

Referring to *psychological antecedents*, the latent variables *Variety Seeking*, *Moral Judgment*, and *Risk Aversion* reveal a positive and significant relationship to the latent variable *Counterfeit Risk Perception*, providing full support for hypotheses H₁, H₃ and H₄. As suggested, the impact of *Personal Integrity* on *Counterfeit Risk Perception* was significant and negative, this is supportive of H₂. With reference to the *context-related antecedents*, in hypothesis H₅, we postulated that *Luxury Involvement* has a negative impact on *Counterfeit Risk Perception*. The results reveal full support for H₅; the effects between *Luxury Involvement* and *Counterfeit Risk Perception* are significant and negative. Regarding H₆, as suggested, there is a significantly positive impact of *Luxury Value Perception* on *Counterfeit Risk Perception*. Furthermore, supportive of H₇, the results show a significant and negative relation between the *Trade-Off between Real and Fake* and *Counterfeit Risk Perception*. Consumers who made their choice in favor of counterfeit goods perceive such purchases as less risky. Besides, the assessment of the impact of *Counterfeit Risk Perception* on *Counterfeit Shopping Behaviour* provides full support for H₈; the causal relation between *Counterfeit Risk Perception* and *Counterfeit Shopping Behaviour* is negative and significant. Therefore, consumer risk perception is significant in influencing counterfeit purchase intention and behaviour; consumers who perceive more risk in counterfeits are less likely to purchase these goods. With reference to the evaluation of the inner model (see **Table 5**), the coefficients of the determination of the endogenous latent variables (R-square) reveal satisfactory values at .603 and .332. 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.

--- Please insert Table 5 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 antecedents of counterfeit risk perception and the resulting counterfeit shopping behaviour. To develop appropriate strategies aimed at different types of genuine and counterfeit luxury consumers, in a next step, we used cluster analysis in conjunction with discriminant analysis.

Types of Genuine and Counterfeit Luxury Consumers: To conduct the cluster analysis, the factor scores for each respondent were saved. In our analysis, we used a combination of Ward's method of minimum variance and non-hierarchical k-means clustering. The results strongly suggested the presence of four clusters. With regard to classification accuracy, we also used discriminant analysis to check the cluster groupings once the clusters were identified; 94.3% of the cases were assigned to their correct groups, validating the results of cluster analysis for the useful classification of consumer subgroups based on the factors included in the model. To develop a profile of each market segment, more detailed information was obtained by examining the factor scores cross-tabulated by cluster segment, as presented in *Table 6*.

--- Please insert Table 6 about here ---

Based on the variables from which they were derived, the four clusters were labelled as follows:

Cluster 1: The Luxury Lovers with a mean age of 27.5 years form 13.9% of the sample, with 17.6% male and 82.4% female respondents and the highest income level of all groups. Referring to our study context, 88.2% state that they purchase genuine luxury goods on a regular basis; 23.5% have already bought a counterfeit luxury product – this is the smallest percentage of all groups. When presented with a choice of a genuine or a counterfeit luxury product, all respondents in this group prefer the authentic alternative. Regarding future behaviour, 82.4%

intend to buy genuine luxury goods and 100% refrain from buying counterfeit products. Taken as a whole, 82.4% state, “*All in all, I consider buying a counterfeit luxury product as very risky*”. Typical consumers in this cluster can be considered as non-consumers of fake luxuries, as evidenced by the highest ratings for both psychological and context-related drivers of counterfeit risk perception and shopping behaviour. Significantly more than others, they value the characteristics of authentic luxury and are not likely to take the risks associated with counterfeits.

Cluster 2: The Counterfeit Accomplices with a mean age of 26.7 years form 29.5% of the sample, with 47.2% male and 52.8% female respondents and the lowest income level of all groups. Overall, 86.1% of the respondents in this group state that they have already bought a genuine luxury product at least once, and, with the highest percentage of all groups, 86.1% have already bought a counterfeit luxury good. In the trade-off between genuine and counterfeit luxury, consumers in this group are merely undecided or choose the counterfeit product (62.9%). As evidenced by lowest factor mean scores on counterfeit risk perception, they do not perceive counterfeit shopping as being very risky (91.7%). Referring to their buying intentions and related to the highest mean scores for counterfeit shopping behaviour, 63.9% intend to buy authentic luxury goods and 69.4% consider buying a fake alternative.

Cluster 3: The Inexperienced Moralists with a mean age of 26.8 years comprise 30.3% of the sample, with 40.5% male and 59.5% female respondents and middle income. In sum, 75.7% of these respondents state that they possess genuine luxury goods, 35.1% have already bought a counterfeit luxury product. As indicated by lowest mean scores for luxury involvement and luxury value perception, when they have to choose between genuine and counterfeit luxury products, only 54.1% prefer the authentic product. Even though mean scores for moral judgment and counterfeit risk perception are second highest of all groups, they do not perceive shopping for

counterfeits as being very risky (70.3%). In the future, 81.1% consumers of this group intend to buy genuine luxury goods, whereas 13.5% consider buying counterfeits as a possible alternative.

Cluster 4: *The Value-Conscious Waverer* with a mean age of 24.3 years comprise 26.2% of the sample, with 40.6% male and 59.4% female respondents with middle to high income. In this cluster, as evidenced by second highest ratings for luxury value perception and luxury involvement, 87.5% state that they possess genuine luxury goods, 65.6% have already bought a counterfeit luxury product. In the trade-off between real and fake, 78.1% choose the genuine luxury product over the counterfeit alternative – however, only 21.9% perceive the purchase of a counterfeit as very risky. Referring to future behaviour, 81.3% prefer buying genuine luxuries, 18.8% intend to buy counterfeit luxury goods.

With reference to our results and due to the fact that, in accordance to existing research (e.g., Furnham and Valgeirsson 2007), the individual perception of counterfeits was shown to be more important for consumer behaviour than ethical or legal considerations, we hope that this study is another motivational basis for on-going research in the area of consumer perception and behaviour towards genuine and counterfeit luxury goods as outlined in the following section.

NEXT RESEARCH STEPS AND MANAGERIAL IMPLICATIONS

The global impact of counterfeiting is increasing at an alarming rate; its effects are perceptible at both macro- and microeconomic level. Governments, supranational organizations, and industry associations have undertaken considerable efforts to curtail the illegitimate business through IPR protection and law enforcement. Nevertheless, an attempt where countermeasures focus on the supply side only falls short; any remedy will be insufficient as long as there is a maintained demand for counterfeit products. A better understanding of the specific consumer motivation for purchasing these goods builds the basis for the development of strategies that aim

to reduce the global appetite for counterfeits. The primary goal of this paper was to explore a multidimensional framework of counterfeit risk perception and counterfeit shopping behaviour as perceived by distinct consumer segments. Even though price is often believed to be the main reason that causes counterfeit purchases, this study reveals that there are multifaceted reasons that affect consumer attitudes and behaviour. In this context, the results indicate that counterfeit risk perception negatively and significantly affects counterfeit shopping behaviour. Moreover, the results reveal that the antecedents of counterfeit risk perception can be divided into two groups: psychological antecedents as a combination of personality factors and antecedents related to the context of genuine and counterfeit luxury goods. Therefore, the key challenge is to inform consumers about the personal risks and responsibilities associated with counterfeit consumption, raise ethical considerations, display the negative consequences for society, and convince them that – compared to the value of owning genuine luxury (i.e., “*the taste and face of having the original*”, Gentry et al., 2006) – on the long run, counterfeit products are not worth the money. In this context, there is empirical evidence that counterfeit and authentic consumers sometimes overlap (Staake and Fleisch, 2009); the report “*Counterfeiting Luxury: Exposing the Myths*” (Davenport Lyons, 2007) revealed that 20% of counterfeit consumers in the United Kingdom have annual household earnings of £50,000 and above. Further evidence is provided by (Gosline, 2009), who found in a long-term study with 100 consumers that approximately 40% adopted the legitimate product over time.

With regard to possible directions for future research, it must be stated that even if governments, international organizations, industry associations, and companies have recognized the importance of addressing the problem of counterfeiting from the demand side as well, valid measures of the success of these efforts on actual consumer behaviour are still lacking. Based on qualitative experiments and quantitative analyses, future research should examine the reasons

why consumers choose the counterfeit over the authentic product and how consumers respond to anti-counterfeit campaigns and activities in different countries and product categories. Furthermore, an interesting approach would be to analyse the booming online business with replicas and high-class counterfeits that are often sold for hundreds of dollars – this premium version of counterfeiting represents a growing concern for luxury brand managers.

In a global economy, where competitive products or counterfeits are easily available, luxury brand managers should stress the perceived values and emphasize the benefits of the given brand over competing brands or fake products. Even if low-cost counterfeit luxuries allow their buyers to be in tune with fashion without spending an exorbitant amount of money, a counterfeit product will never be able to provide the same pleasure or satisfy the individual need for sensory gratification. In order to be successful and to obtain a high perceived value in their customers' eye, luxury brand managers will have to understand the customer's evaluation in the individual trade-off between authentic and counterfeit goods. In this context, more than addressing the general impact of the counterfeiting industry on the society, messages focusing on personal risks are effective to discourage counterfeit purchases.

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TABLES AND FIGURES

Figure 1: The Conceptual Model

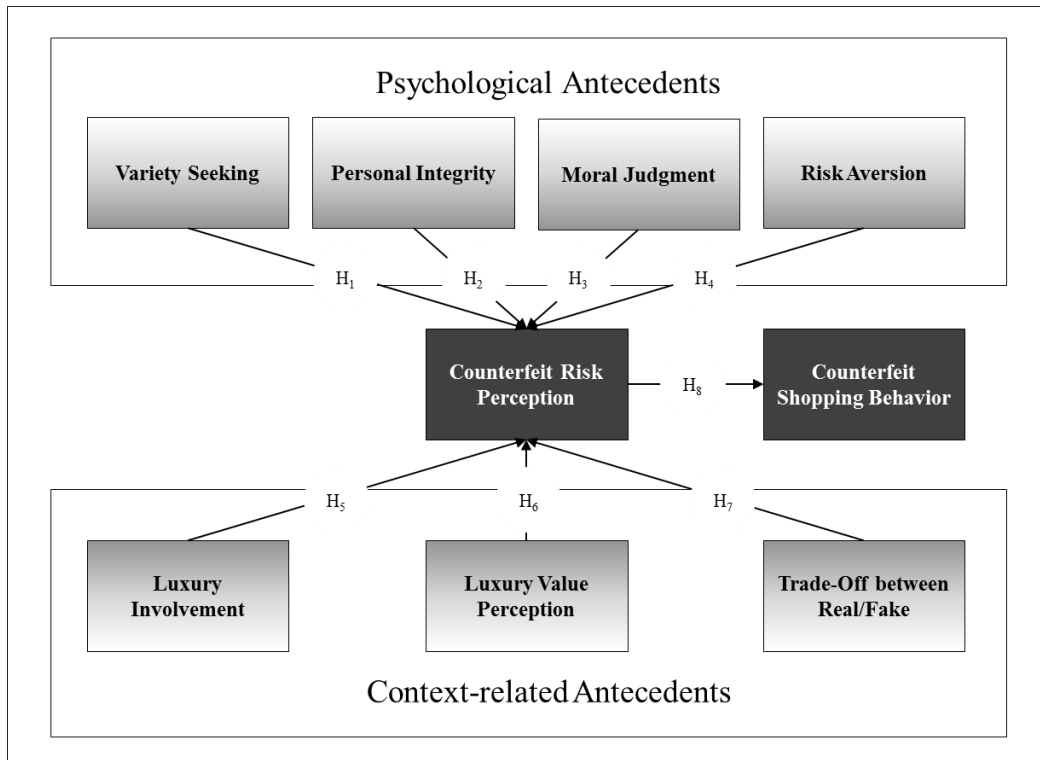


Table 1: The Questionnaire Scales

Scale	Author(s), year
Psychological Antecedents	
Variety Seeking	Donthu and Gilliland, 1996
Personal Integrity	Ang et al., 2001
Moral Judgment	Tan, 2002
Risk Aversion	Donthu and Gilliland, 1996
Context-related Antecedents	
Luxury Involvement	Beatty and Talpade, 1994
Luxury Value Perception	Sweeney and Soutar, 2001; Wiedmann et al., 2009
Trade-Off between Genuine and Counterfeit Good	In accordance to Wiedmann et al., 2009
Related Outcomes	
Counterfeit Risk Perception	Ang et al., 2001; Ha and Lennon 2006; Stone and Grønhaug, 1993
Counterfeit Shopping Behaviour	Kressmann et al., 2003

Table 2: Demographic Profile of the Sample

Variable		n	%
Age	18 – 25 years	86	71.7
	26 – 35 years	27	22.5
	36 – 55 years	6	5.0
	56 – 99 years	1	.8
Gender	Male	46	37.4
	Female	74	60.2
Marital status	Single	108	87.8
	Married	11	8.9
	Widowed	1	.8

Variable		n	%
Education	Lower secondary school	1	.8
	Intermediate secondary school	6	4.9
	University entrance diploma	71	57.7
	University degree	42	34.1
Occupation	Full time	32	26.0
	Part time	5	4.1
	Pensioner and retiree	1	.8
	Housewife and husband	2	1.6
	Job training	4	3.3
	Student	72	58.5
	Seeking work	3	2.4
Income	Very low income	3	2.4
	Low income	7	5.7
	Middle income	68	55.3
	High income	36	29.3
	Very high income	1	.8

Table 3: Evaluation of the Measurement Models

Factor	Cronbach's Alpha	Factor Loadings	t-value	Composite Reliability	AVE	Fornell-Larcker Criterion
Psychological Antecedents						
F1 Variety Seeking						
I like to try different things.		.820	28.981			
I like a great deal of variety.	.873	.913	69.346	.912	.784	.784 > .132
I like new and different styles.		.919	58.139			
F2 Personal Integrity						
I consider honesty an important human trait.		.868	18.229			
I consider politeness an important human trait.	.766	.827	12.130	.863	.678	.678 > .132
I consider responsibility an important human trait.		.773	7.896			
F3 Moral Judgment						
In my opinion, it is morally wrong to buy a counterfeit instead of the genuine product.		.865	287.312			
It is morally wrong to buy counterfeit luxury goods.	.907	.894	401.752	.940	.840	.840 > .309
There are ethical reasons against buying counterfeit luxury products.		.822	54.023			
F4 Risk Aversion						
I would rather be safe than sorry.		.796	30.786			
I want to be sure before I purchase anything.	.715	.680	20.542	.839	.638	.638 > .074
I avoid risky things.		.905	74.405			
Context-related Antecedents						
F5 Luxury Involvement						
I am very interested in luxury goods.		.913	71.115			
Luxury goods play an important role in my life.	.731	.925	47.251	.846	.658	.658 > .323
I never get bored when people talk about luxury goods.		.535	6.499			
F6 Luxury Value Perception						
The price of a luxury good matches its quality.		.512	12.655			
Luxury products are made of high quality.		.640	20.875			
A luxury good satisfies my needs.		.481	12.521			
A luxury product cannot be sold in supermarkets.		.605	19.867			
The luxury brands I buy must match what and who I really am.	.694	.309	6.567	.780	.291	.291 > .271
For me luxury goods are truly delightful.		.653	24.661			
I like a lot of luxury in my life.		.514	13.956			
I like to know what brands and products make a good impression on others.		.400	7.888			
Luxury goods help to make a good impression on others.		.638	21.851			

F7 Trade-Off between Genuine and Counterfeit Good referring to...						
Functionality		.459	11.938			
Quality		.643	27.799			
Usability		.572	20.710			
Uniqueness		.595	27.260			
Prestige		.546	21.710			
My self-concept		.690	43.364			
Personal gratification	.834	.667	33.584	.866	.336	.336 > .271
Visual Attributes: Logo and Brand Insignia		.463	12.958			
Conspicuousness		.463	11.557			
Social status		.639	28.104			
Self-Realization		.687	36.621			
Belonging to friends		.535	19.704			
Ethical aspects		.506	19.710			
Related Outcomes						
F8 Counterfeit Risk Perception						
If I bought a counterfeit luxury product, I would be concerned that I really would not get my money's worth from this product.		.727	41.250			
The quality of a fake product will be very poor.		.666	32.337			
I would not feel very comfortable wearing a fake product in public.	.806	.831	79.758	.866	.565	.565 > .401
People in my social environment do not appreciate counterfeit luxury goods.		.759	40.026			
All in all, I consider buying a counterfeit luxury product as very risky.		.767	60.991			
F9 Counterfeit Shopping Behaviour						
I have already bought counterfeit luxury products.		.529	10.803			
I have bought counterfeit luxury products several times.		.582	14.426			
I consider buying counterfeit luxury goods in the future.	.468	.730	36.228	.700	.371	.371 > .332
I do not intend to buy genuine luxury goods in the future.		.578	14.235			

Figure 2: The Empirical Model

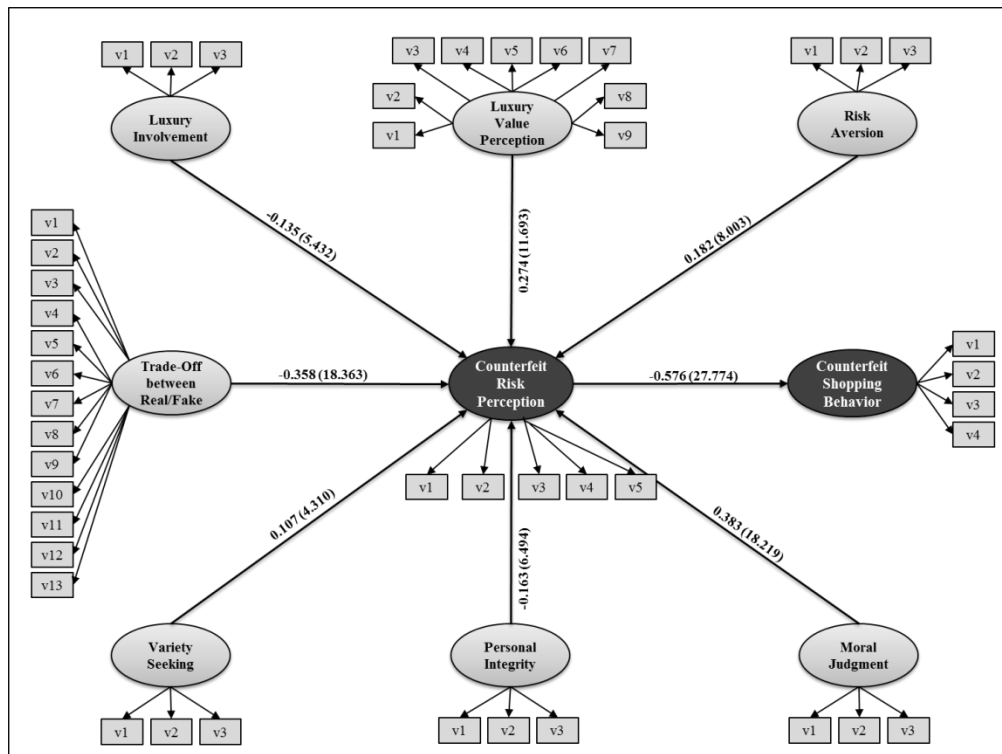


Table 4: Evaluation of the Structural Relations

Exogenous LV → Endogenous LV	Original Sample	Sample Mean	Standard Deviation	Standard Error	T Statistics
Psychological Antecedents					
H ₁ : Variety Seeking → Counterfeit Risk Perception	.107	.102	.025	.025	4.310
H ₂ : Personal Integrity → Counterfeit Risk Perception	-.163	-.154	.025	.025	6.494
H ₃ : Moral Judgment → Counterfeit Risk Perception	.383	.381	.021	.021	18.219
H ₄ : Risk Aversion → Counterfeit Risk Perception	.182	.181	.023	.023	8.003
Context-related Antecedents					
H ₅ : Luxury Involvement → Counterfeit Risk Perception	-.135	-.133	.025	.025	5.432
H ₆ : Luxury Value Perception → Counterfeit Risk Perception	.274	.273	.023	.023	11.693
H ₇ : Trade-Off Real/Fake → Counterfeit Risk Perception	-.358	-.361	.020	.020	18.363
Related Outcomes					
H ₈ : Risk Perception → Shopping Behaviour	-.576	-.576	.021	.021	27.774

Table 5: Evaluation of the Inner Model

Endogenous LV	R ²	Q ²
Risk Perception	.603	.026
Counterfeit Shopping Behaviour	.332	.113

Table 6: Cluster Means

	Factor Means Cluster 1	Factor Means Cluster 2	Factor Means Cluster 3	Factor Means Cluster 4	F	Sig
F1 Variety Seeking	.492	-.176	-.109	.171	2.474	.065
F2 Personal Integrity	.400	-.362	.132	.234	5.042	.003
F3 Moral Judgment	.218	-.642	.377	-.368	27.008	.000
F4 Risk Aversion	.672	-.490	-.100	.335	7.887	.000
F5 Luxury Involvement	.988	-.150	-.810	.517	29.141	.000
F6 Luxury Value Perception	1.258	-.334	-.742	.607	43.443	.000
F7 Trade-Off	-1.313	.556	.261	-.249	23.058	.000
F8 Counterfeit Risk Perception	1.605	-.803	.059	-.024	48.223	.000
F9 Counterfeit Shopping Behaviour	-.883	1.007	-.541	-.063	39.347	.000

Module 4
Selected Trends in Luxury Brand Management

- Paper 4.1: Hennigs, N., Wiedmann, K.-P., Klarmann, C. (2012): Luxury Brands in the Digital Age – Exclusivity versus Ubiquity. *Marketing Review St. Gallen*, Vol. 29, No. 1, pp. 30-35.
- Paper 4.2: Donvito, R., Aiello, G., Godey, B., Pederzoli, D., Wiedmann, K.-P., Hennigs, N., Klarmann, C., Chan, P., Halliburton, C., Tsuchiya, J., Koyama, T., Ivanovna Skorobogatykh, I., Weitz, B., Oh, H., Ewing, M., Newton, J., Lee, J., Fei, L., Rong Chen, C. (2013): Are you like me? I will be attached to you. Empirical findings from an international research about consumer, brand and store personality congruence in luxury sector, presented at the World Marketing Congress in Melbourne (AMS), July 17-20, 2013.
- Paper 4.3: Wiedmann, K.-P.; Hennigs, N.; Klarmann, C.; Behrens, S. (2013): Creating Multi-Sensory Experiences in Luxury Marketing. *Marketing Review St. Gallen*, Vol. 30, No. 6, pp. 72-80.
- Paper 4.4: Hennigs, N.; Wiedmann, K.-P.; Klarmann, C.; Behrens, S. (2013): Sustainability as Part of the Luxury Essence: Delivering Value through Social and Environmental Excellence. *Journal of Corporate Citizenship*, Vol. 52, No. 11, pp. 25-35.

Module 4 (Paper 4.1)

Luxury Brands in the Digital Age – Exclusivity versus Ubiquity.

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Marketing Review St. Gallen

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Luxury Brands in the Digital Age – Exclusivity versus Ubiquity

Given that luxury goods are primarily bought for what they symbolize – and in light of the rise of experiential and multi-sensory marketing approaches – it is crucial for luxury managers to create a prestigious atmosphere offline and online. However, in the ubiquity of the virtual environment where counterfeit luxury goods are only one click away, the question is: what is the best approach in the balance between mass class and high class?

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Due to the growing global appetite for luxury goods within the era of the “democratization of luxury” or the “luxurification of society” (Atwal/Williams 2009; Tsai 2005; Yeoman/McMahon-Beattie 2005), luxury brands are facing the challenge of using mass marketing strategies and simultaneously accentuating the exclusivity dimension of their products (Okonkwo 2010). This leads to the necessity of a better understanding of the rules and behavior in the digital marketplace. However, while being leaders on fashion trends and catwalks, luxury managers are still hesitant when it comes to innovative online strategies.

The internet is by nature the most democratic medium that allows access to anybody from anywhere. As the virtual environment is a place where images, videos and opinions circulate regardless of brand ownership, is it possible to keep a sense of exclusivity

around a luxury brand? Against this backdrop, the present paper focuses on the question of how luxury brands, defined as the highest level of prestigious brands encompassing several physical and psychological values (Vigneron/Johnson 1999), can be managed in the digital age maintaining a balance between exclusivity and ubiquity, high class and mass class.

Luxury E-tailing: Blessing or Curse?

From the consumer’s side, the main concerns associated with buying luxury goods online are the financial risk involved in online payment by credit card and the product risk dealing with the problem of counterfeiting. Risk-averse luxury consumers prefer the “touch and feel” experience in luxury stores while being afraid of

the product deception risk associated with an online shopping environment. The counterfeit market is one of the biggest concerns for luxury retailers as the internet is traditionally associated with cheap imitations and heavy discounting. By presenting their products online – in combination with 360-degree product presentations – they provide detailed views of the luxury product not only to actual and potential customers but also to counterfeit suppliers. This may help the latter to create cheap knockoffs that look like the originals. Consequently, if consumers search for a certain luxury product online, hundreds of fakes are presented to them as authentic. Thus, due to the internet image as a discount channel where counterfeits are abundant, luxury brand owners are afraid that e-tailing will damage their brand. However, as the internet has become the primary search and purchase environment for many consumers including the wealthy and super-rich, the presentation and availability of the products in an online environment guarantee access to consumers who shop online because of time restrictions and personal shopping preferences. Due to both the internet's increased ubiquity and print advertising's decreased returns, shopping convenience and product accessibility are the key decision factors forcing luxury brands to develop innovative strategies for the transition to online advertising and e-commerce (Okonkwo 2009, 2010).

» The counterfeit market is one of the biggest concerns for luxury retailers as the internet is traditionally associated with cheap imitations. «

What is Exclusivity if it is Accessible to Everyone?

The aspect of exclusivity is widely understood as a key characteristic of luxury products (Kapferer/Bastien 2009; Okonkwo 2009). In this context, limited accessibility and rarity are cornerstones of luxury and justify their price premium. A sense of exclusivity should be maintained at all customer contact points, which demands specific locations, excellent product presentation and skilled sales personnel (Kapferer/Bastien 2009). Given the fact that the internet is founded on principles of democracy and accessibility, this raises the question of how luxury brands can combine a sense of exclusivity with the potential of the internet. As true luxury is only available to a few but desired by many, all market communications of luxury brands are by definition located in the spectrum between accessibility and exclusivity. The internet is the perfect environment for luxury brands to create both a sense of desirability with the distribution of content that appeals to existing and potential customers and to remain exclusive in terms of the selective distribution of the actual product. Thus, luxury brands can use the internet to spread the brand's dream and attract new consumers but still keep a sense of exclusivity by offering selective online content and services to the brand's traditional customers.

The Art of Creating Multi-Sensory Luxury Experiences Online

Because the experience of luxury must be 'multi-sensory' and experiential (Kapferer/Bastien 2009; Atwal/Williams 2009), many luxury managers who have accepted the necessity of being online as essential to their brand are faced with the question of how to create a multi-sensory experience of luxury on the internet. In a physical store, the high aesthetics of luxury products can be presented in an exclusive shopping atmosphere full of multi-sensory experiences (Caru/Cova 2007) that appeal to people's emotions. The internet, however, as Karl Lagerfeld said, does not convey "the unique feel and sophistication of luxury materials, refined tailoring and extraordinary attention to detail found in luxury fashion." Indeed, it is a key challenge to combine the traditional luxury brand image with the usage of innovative technologies.

Nevertheless, in contrast to traditional one-way marketing communication, it is possible to create the magic and myth of a luxury brand following an understanding of the internet as a 360-degree experience. In the digital age, the heritage and key values of a luxury brand can be communicated by using visual tools like pictures, videos or 3D product presentations, music that evokes certain emotions, and interactive media that promote the dialogue with brand advocates and evangelists.

The Value of Luxury Online

Given that luxury goods are primarily bought for what they symbolize, it is crucial for luxury brand managers to know what kind of values their brand promotes in the eyes of actual and potential customers.

Referring to the predominant management orientation of luxury brand research, the key values luxury brands address are dependent on the consumers' personal perceptions regarding financial, functional, individual, and social aspects. These key dimensions of luxury value perception encompassing the financial, functional, individual, and social aspects are strongly correlated but not identical with each other, as illustrated in figure 1 (for a detailed description cf. Wiedmann et al. 2007, 2009).

These value dimensions form the basis of a framework of luxury brand management online as described in the following paragraphs.

- Financial value. Even if a high price is widely accepted as a necessary element of luxury products (Fionda/Moore 2009), it is important to point out that luxury is qualitative not quantitative (Kapferer/Bastien 2009). The consumption of luxury products needs to provide social and psychological enhancements (Okonkwo 2009); thus, the price-value relationship is crucial. As the internet is a public place of immediate buying and selling, and often related to price discounts, the price premium associated with unique and exclusive products, superb quality, hand-made craftsmanship, and impeccable service needs to be ensured in the virtual environment via limited distribution.
- Functional value. Besides product-related functions, the functional value of luxury in an online environment refers to the usa-

bility, quality and uniqueness of the online appearance when using the website and further applications. Even though the senses of touch and smell are lacking, the internet can leverage movement, music, texture, space and community to successfully recreate a brand's character online. As affluent consumers are particularly heavy users of the internet (Unity Marketing 2011), luxury brand managers need to go beyond aesthetics and create marketing products that add value for the consumer – whether it is entertainment, education, or utility – to engage users with the brand.

- Individual value. As the use of luxuries can ultimately support individuals in their individual identity projects (Bauer et al. 2011), consumers' emotional needs are the key elements in defining the concept of luxury. Consumers experience luxuries as symbolic resources constituting important tangible cues that allow them to define themselves and to transfer the brand's social symbolism, such as exclusivity, authenticity, quality, uniqueness and culture, into their own aspired identities. Therefore, with regard to the individual value of luxury, brand managers should transfer the offline appearance into the online environment and, in order to get the consumers involved with the brand at a deeper level, the opportunity should be taken to ask them for their opinion and make adjustments accordingly.

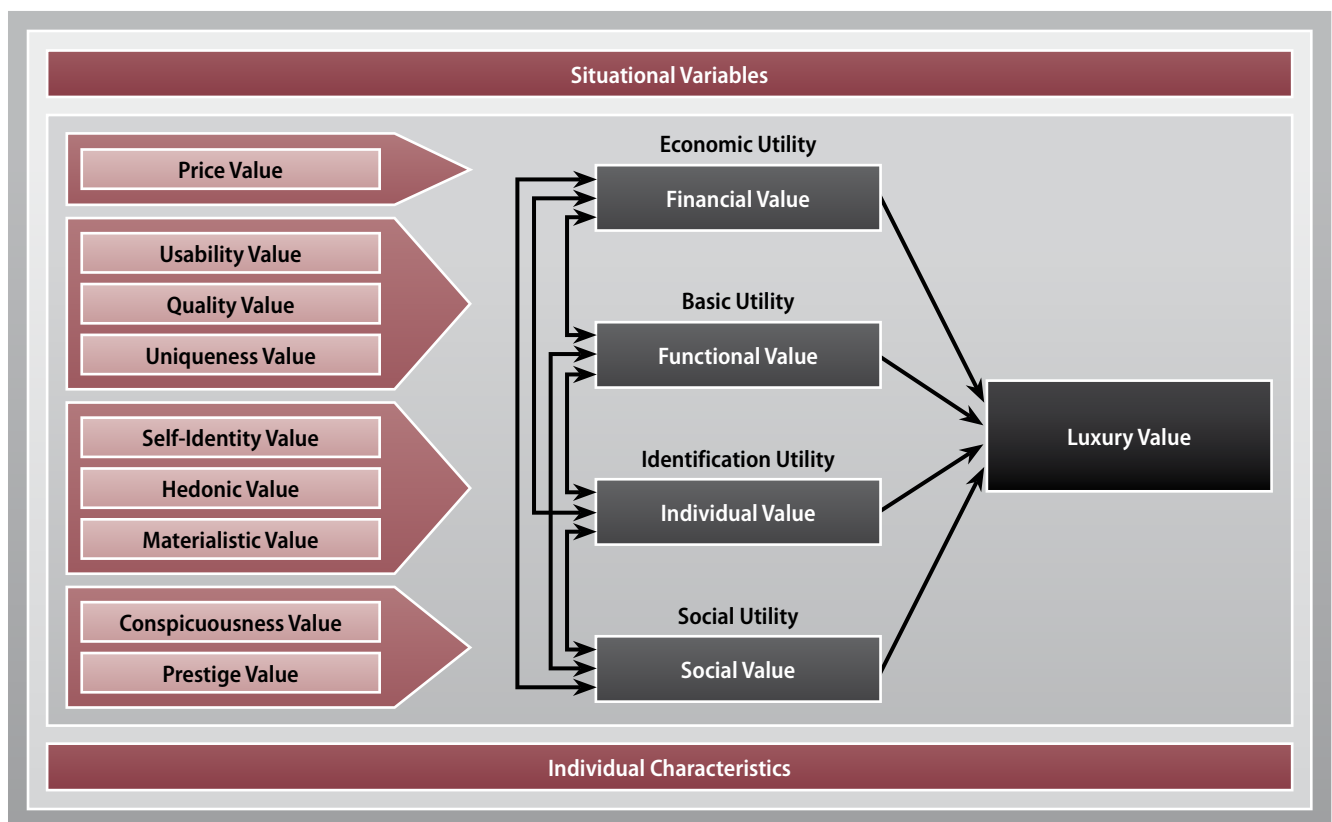
- Social value. The social dimension of luxury addresses the cognition of the individuals' social group(s) and focuses on online social networks. A high amount of wealthy internet users regularly utilizes social media applications (Unity Marketing 2011) and even though not all digital natives are potential customers of luxury brands, they may be potential brand advocates. Consumers use luxury brands as status symbols, and while broadcasting their association within their social circles for personal brand building efforts, they simultaneously promote the brand. By using the appropriate strategy, brands can become a part of the consumer's online identity and vice versa.

Leaders in Online Luxury

While many luxury managers are still hesitant about going online, the success of the luxury brands described in the following paragraphs proves the power of the internet as an instrument to reach a global audience while still maintaining a sense of exclusivity and sensory experience. With reference to the above-mentioned value dimensions, leaders in online luxury incorporate the aspects that have to be addressed in an e-luxe-approach as illustrated in figure 2.

The four companies described below apply these four value dimensions with differing priorities. The companies have been

Fig. 1 Consumers' Luxury Value Perception



selected based on their differences in interacting with the online audience and their leading position in adopting new technologies for communicating their luxury message online.

Louis Vuitton

Louis Vuitton is one of the first luxury brands with a comprehensive online strategy. Regarding the four luxury values as perceived by the consumer, Louis Vuitton incorporates all of them in the online environment.

As the web has meanwhile developed into a social platform, social communities such as Facebook and Twitter have become platforms which are visited on a daily basis by millions of people around the world. The Facebook page of Louis Vuitton has about three million fans and offers its users the latest news on the brand, information about products and the company and also allows them to comment on these contributions. Members of the Facebook fan page are offered videos of fashion shows and background information, photos, and stories about the brand's history such as 'The Art of Travel' by Louis Vuitton. Facebook as well as Twitter make it easy for people to socialize in connection with the brand which allows them to distinguish or separate themselves from others. Historically oriented storytelling can also be found on the website of Louis Vuitton. It offers internet

users and consumers as well as interested people extensive information which serves the individual value of consumers since the focus is not just on the products but also on the 'meaning' of the brand. Besides, Louis Vuitton provides the opportunity to personalize products.

With regard to the functional value, the atmosphere of brand websites is often related to the consumer's functional brand perception, and therefore the website's usability, in terms of navigability, functionality and interactivity, gains importance. Brands that are new to social media often make the mistake of being too innovative and trying too much, which may damage the brand's image; instead, interactive tools ought to be used prudently and should be related to the brand's personality and equity. The website of Louis Vuitton emphasizes the core values of the brand through intuitive navigability, compelling visuals, and a focus on brand heritage. As the internet is often used for information seeking, the prices are presented directly but not overwhelmingly and never reduced which corresponds to the offline price strategy of Louis Vuitton, thus addressing the financial value.

Gucci

With regard to the online shopping experience Gucci has to be mentioned as one of the forerunners. The brand is very innovative



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in their product presentation as the website offers a video clip where products are presented with a focus on experience orientation and also can be bought directly. With more than five million followers on Facebook, Gucci is well positioned in the social web. Heritage as well as personalization plays a significant role on the brand's website. Easy navigation and extensive product information in a brand-adjusted atmosphere take the consumers' functional and financial values into account.

Burberry

The innovative platform 'The Art of Trench' made Burberry one of the most successful luxury brands regarding user-generated content. It addresses individual value through direct connection to the brand as well as social value needs as users can interact with others. Regarding functionality, the atmosphere and usability of the webpage mirror the offline brand presence. Product information as well as prices can be found easily, while the focus is on non-monetary values.

Viktor & Rolf

"Welcome to the house of Viktor & Rolf" – this claim exactly represents the concept of the brand's online presence. After a virtual casket has opened, an impressive hall appears representing the entry of the virtual house. The user can navigate through the house and, on opening various doors, enters the world of Viktor & Rolf, e.g. by watching the latest show or getting information about fragrances. Taking the elevator leads the internet user into an area where special and personalized information is offered after signing up.

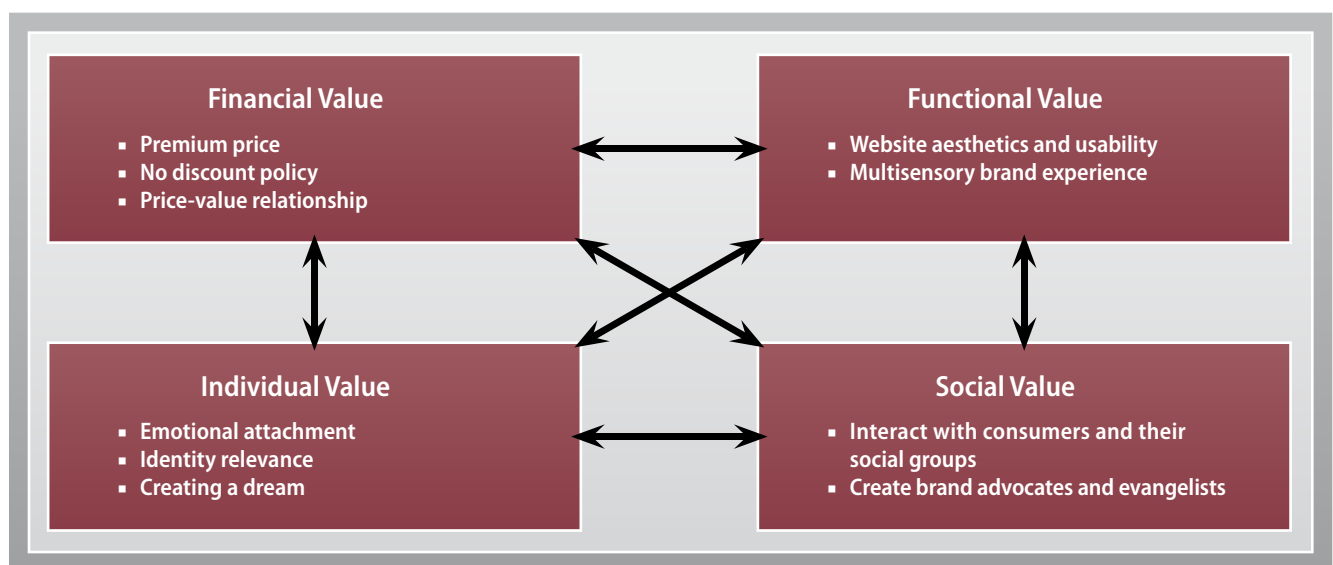
The online presence of Viktor & Rolf is not only innovative; it integrates the users, lets them experience the brand and creates a comprehensive world of the brand. Yet there is no possibility to buy the products online, price information cannot be found and the overall technical infrastructure could be optimized.

Conclusion

The decision to participate in the digital environment is crucial for luxury brands as online strategies are not weakening, but strengthening the brand. The refusal to accept the internet as a complement to offline retailing and the inability to innovate may become the biggest threats for luxury brands in today's business world. The digital environment offers the opportunity to reach billions of people internationally – brands that want to be relevant and desirable for current and future customers have to build their image and mythology online. Especially in the context of luxury brands, numerous third party information sources are to be found online, from customer reviews and blogs to auction sites and counterfeit online stores. In light of all the messages circulating around luxury brands, it is necessary for them to be an official part of the online landscape and to allow the interested community to become a part of the dream. Therefore, it is necessary to acknowledge the fact that a well-managed internet presence is the only way to guarantee that a brand has an adequate representation on the web and to ensure a well-orchestrated effort of different channels of digital communication.

Best practices give evidence that the key value dimensions of a luxury brand are a useful basis for the development of complementary offline and online strategies that create a true luxury experience.

Fig. 2 Values of e-Luxe



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Module 4 (Paper 4.2)

Are you like me? I will be attached to you. Empirical findings from an international research about consumer, brand and store personality congruence in luxury sector

Donvito, R., Aiello, G., Godey, B., Pederzoli, D., Wiedmann, K.-P., Hennigs, N., Klarmann, C., Chan, P., Halliburton, C., Tsuchiya, J., Koyama, T., Ivanovna Skorobogatykh, I., Weitz, B., Oh, H., Ewing, M., Newton, J., Lee, J., Fei, L., Rong Chen, C.

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Are you like me? I will be attached to you.
Empirical findings from an international research about consumer, brand and store personality congruence in luxury sector.

ABSTRACT

The paper analyses the phenomena of congruence between consumer, brand and store personality and its effect on attachment to brands in luxury sector at an international level. From a theoretical point of view, human personality, brand personality, store personality, congruence and attachment constructs are considered. From an empirical point of view, the paper presents the results of a quantitative primary research run on a sample young people “luxury experienced” from 10 countries. The empirical research considers specifically 6 luxury brands. In term of results this paper presents the validation of the personality congruence measurement scale proposed by the authors; furthermore the research highlights the existence of a correlation between personality congruence and brand attachment.

INTRODUCTION

The construct of “personality” has been theoretically studied and empirically observed since a long time; however, according to our knowledge, marketing scholars have not yet deeply investigated the phenomena of “congruence between human, brand and store personality” at once. Our work try to bring new insights within this conceptual area proposing a method to measure this triple congruence and starting to discover what happens when it exists. As a starting point we decided to address our attention to the luxury sector for analyzing the personality congruence in this specific environment and measuring the impact of this congruence on the attachment towards brands.

THEORETICAL BACKGRUOND

Human-consumer personality. As known in the last two decades there has been a growing interest and acceptance (Harvey, Murry, Markham 1995) of the so called Big Five view of the structure of personality (Cortina, Doherty, Schmitt, Kaufman, & Smith, 1992; Digman, 1990; McCrae & Costa, 1987). According to the Big Five taxonomy, the dimensions of human personality are Extraversion, Agreeableness, Conscientiousness, Emotional Stability, and Openness to Experience. According to Schmitt et al (2006), the most comprehensive instrument designed to measure the Big Five or FFM is the Revised NEO Personality Inventory (NEO-PI-R; Costa & McCrae, 1992, Costa & McCrae 1995).

Brand personality. Aaker (1997, p. 347) defines brand personality as “the set of human characteristics associated with a brand”. The term “characteristics”, however, makes this definition too broad and vague according to Ferrandi et al (2003). Therefore Ambroise et al. (2003) propose to define the brand personality as “all human personality traits associated with a brand”. Anyway it is relevant to consider Aaker developed this theoretical framework taking into account the Big Five human personality dimensions. As known Aaker propose a measurement scale of brand personality based on 5 dimensions (Sincerity, Excitement, Competence, Sophistication, and Ruggedness), and 42 traits. Recently Heine (2009; 2010) has focused the attention on Luxury Brand Personality Dimensions. The results of this study suggest that consumers perceive luxury brands through five distinct personality dimensions: modernity, eccentricity, opulence, elitism and strength.

Store personality. Long before Aaker, Pierre Martineau proposed the idea that stores have a personality, that he states as “the way in which the store is defined in the shopper’s mind, partly by its functional qualities and partly by an aura of psychological attributes” (Martineau, 1958, p. 47). He identifies several aspects, named personality factors, as latent causes for the creation of a store personality: layout and architecture, symbols and colors, advertising, and sales personnel. Only in 2003 d'Astous and Levesque proposed a specific scale to measure store personality. At the end of the scale

purification process, 34 personality terms remained, summarized in 5 factors named sophistication, solidity, genuineness, enthusiasm and unpleasantness.

Congruence between human, brand and store personality. Levy (1959) asserts the output a consumer buys have personal and social meaning capable to strengthen the way the consumer contemplates himself. Brands performs its role as social congruity mean between brand and user self-image, that is considered as a significant motivational element in consumer choice (Homburg et al. 2009). The first studies on this phenomenon of perceived congruence see it as a structural correspondence between two entities (Mandler, 1982). Self-congruity is defined as the similarity between the symbolic attributes of the labeled product and self-concept of the individual (Sirgy, 1982). The measure of congruence between individual and brand has taken two main directions (Kressmann et al., 2006): differential and direct. It is important to highlight only few research dissociate conceptually and empirically congruence through the self-image and brand personality (Supphellen and Helgeson, 2004).

Brand attachment. Consumers can be intensely committed or lightly linked to a brand (Thomson, MacInnis, and Park, 2005). Potential causes of differing attachments are consumer and brand features (Robins et al., 2000) such as personality traits. Even if the academia has mainly examined attachment in interpersonal contexts, research in marketing filed asserts that consumers can also develop attachments to marketplace entities, such as product, brands, store (Fournier 1998; Keller 2003). The possible attachment consequences could consist of loyalty and willingness to pay a premium price for the brand (Thomson et al., 2005). So brand attachment can be finally considered as “a psychological variable that refers to a long lasting and inalterable (the separation is painful) affective reaction towards the brand, expressing psychological proximity with this one” (Lacoeuilhe, 2000).

RESEARCH METHODOLOGY

Research objectives and methodology. This study is a working in progress output of a wider international research project about luxury sector; our research group is composed by scholars from 12 countries (Australia, Brazil, China, France, Germany, India, Italy, Japan, Russia, South Korea, United-Kingdom, and the USA). In a previous step of this international research project (Authors, 2012), a specific measurement scale of personality congruence was built and tested on a sample of 160 respondents (young people from Italy, France, Germany and India). This scale originally including 134 items for each measurement (Brand/Store/Human personalities) was reduced to 5 dimensions (Prestige/Emotion/Trust/Anxiety/Order) and 13 items (Upper-class, Prestigious, High priced, Upscale, Happy, Enthusiastic, Feelings, Trust, Trustworthy, Anxious, Vulnerable to stress, Well-organized, Orderly) through a principal component factor analysis with Varimax rotation (Authors, 2012). The measurement scale of personality congruence based on 134 items was built retaining five personality scales: Human personality NEO-PI-R (30 traits) McCrae and Costa (2005), Brand personality (42 traits) Aaker (1997), Adapted Aaker’s brand personality scale, (42 traits) Chan et al. (2003), Luxury brand personality (31 traits) Heine (2008, 2009), Store personality (34 traits) d’Astous and Levesque (2003). The two main tasks of this step of the research are: a) the validation of the personality congruence measurement scale (5 factors, 13 items). To do this, exploratory and confirmatory factor analysis was used; b) the identification and the measurement of the eventual causal relationship between “congruence” and “brand attachment” for luxury goods will be tested. To do this the Lacoeuilhe (2010) attachment scale was used. To measure congruence between the perception that the individual has of himself and his perception on brand and store personality, we calculate a distance representative of this congruence. The congruence score is of the form: $\sum_{i=1}^n |PerB_i - PerC_i| + |PerS_i - PerC_i|$, where $PerB_i$ measures the score on the items of brand personality, $PerS_i$ on the items of store personality and $PerC_i$ on the items of individual personality and, where $|PerB_i - PerC_i|$ measures the distance between brand personality and consumer personality and $|PerS_i - PerC_i|$ the distance between store personality and consumer personality. Finally, we get:

$$Congr_{i=1}^n = \frac{\sum_{i=1}^n |PerBi - PerCi| + |PerSi - PerCi|}{2}$$

which represents a mean of the two various types of congruences. The scores then have been reversed so that the smallest distances are ones which get the highest scores. This classical form of measurement, although criticized (Sirgy et al. 1997; Supphelen and Helgeson, 2004; Kressmann et al., 2006), has been widely used in work on the image congruence and continues to be (Verette, 2003). From this first calculation, we performed a factor analysis to replicate the measurement scale developed in the first step of our research program (Authors, 2012).

Sample and Data Collection. In this study we decided to analyze the population of young people aged 20-26 “luxury experienced” that is to say a population of young has already bought one or more luxury goods and that is informed about the luxury world. The empirical research considers specifically 6 luxury brands i.e. Louis Vuitton, Gucci, Hermes, Armani, Burberry and Salvatore Ferragamo. A convenience sample of young people was built using the following screening variables: age: 20-26 (extremes included); luxury purchase experience: one or more luxury goods (including luxury accessories such as sun-glasses, belt, perfume, etc.) bought during the last 3 years and a half (2012-11-10-09); luxury brands knowledge: at least 4 luxury brands over the 6 under analysis.

An on-line structured questionnaire was built. All items under analysis (scale of personality congruence and attachment scale) were rated on a five-point Likert scale. The process of questionnaire development was based on the approach recommended by Churchill and Iacobucci (2002). The first version of the questionnaire was face-validated twice using exploratory and expert interviews and pre-tested with 40 respondents. For establishing the translation equivalence a verbal translation committee approach was adopted (Craig Douglas 2005; Harkness, 2003). To analyze the brand personality perceived by the respondents non-verbal stimuli (one logo picture, four iconic products picture for each brand) were used (Troiano, Costa, Guardado 2002); to analyze the store personality perceived by the respondents other non-verbal stimuli (four store pictures for each store) were used. Brand and store non-verbal stimuli were selected after a pre-screenings of more than 40 pictures for each luxury company under analysis; the pre-screening was run on a sample and through the collection of luxury experts opinions. In October 2102, a total of 928 valid and completed questionnaires were obtained. The sample is not evenly distributed across the 10 countries (Australia, China, France, Germany, Italy, Japan, Russia, South Korea, UK, USA) participating in the research; results regarding the influence of each country should be analyzed with caution. The sample was composed of 66.2% women and 33.8% men with an average age of 22.5 years old. Considering the main tasks of the current study, first the measurement scale structures were validated. To do this, exploratory and confirmatory factor analysis was used successively for “congruence” and “brand attachment” scales. Then, the causal relationship model between “congruence” and “brand attachment” for luxury goods was tested. Finally, we ranked the constitutive dimensions of the congruence according to their influence depending on the country and the brand.

MAIN EMPIRICAL RESULTS

Exploratory factor analysis. On the basis of this sample, a principal component factor analysis with Varimax rotation was performed. We thus try to identify underlying variables to explain the origin of correlations within all of our observed variables. As a preliminary, tests were carried out on the suitability of the data sample for factor analysis¹. We also tested the internal reliability² of this measure. Cronbach’s alpha ($\alpha = .825$) showed good internal consistency of this measurement scale.

¹ To conduct a factor analysis, the KMO test must be greater than .5. This measure varies between 0 and 1, and values closer to 1 are better. A value of .6 is a suggested minimum. The Bartlett’s Test of Sphericity tests the null hypothesis that the correlation matrix is an identity matrix. The Bartlett’s Test must be significant. For this analysis, the two conditions are verified (KMO = 0.811 and Bartlett test $\chi^2(78)=4029.3, p<0.001$).

² The reliability or internal consistency of a measurement scale measures the degree of stability of results when applying the instrument again in identical conditions. In this phase of analysis, reliability is measured by Cronbach’s α (1951). It must be greater than .60 for exploratory research and .80 for applied research (Nunnally, 1978, Peterson 1994).

The resulting factor solution with 5 dimensions initially developed is confirmed for 73.0% of explained variance (see Table 1).

1. The first dimension (4 items, 22.6% of variance explained, Cronbach's $\alpha = .878$) includes items illustrating the “elitist” and “prestigious” sides of luxury associated with its “price”. This is a classic vision of luxury highlighted in research on this topic.
2. The second dimension (3 items, 13.8%, $\alpha = .662$) shows the “emotional” part of luxury consumption which is also recognized as a major driving force for the consumption of luxury brands.
3. The third (2 items, 12.7%, $\alpha = .778$) corresponds to the items of “trust” generated by luxury in general.
4. The fourth (2 items, 12.2%, $\alpha = .723$) marks the “stress” and “anxiety” experienced by consumers. At this point, two conflicting interpretations are possible. On the one hand, this could be related to the stress felt by consumers when facing an involving decision with for example financial stakes or, conversely, to the absence of stress-related risk reduction and confidence attributed to luxury brands.
5. The fifth (2 items, 11.6%; $\alpha = .672$) is representative of the seriousness through the “organization” and “order”.

Confirmatory factor analysis. Confirmatory factor analysis shows a satisfactory fit of the congruence scale to its data. The internal consistency coefficients³ of the scale is measured by Jöreskog's ρ . Convergent validity is measured using ρ_{cv} . Whilst indicators suggest a good reliability for the scale since Jöreskog's ρ is slightly above a threshold of .70 ($\rho_{\text{Jöreskog}} = .745$), its convergent validity is well lower than the accepted standard of .50 ($\rho_{cv} = .370$).

“Congruence → Brand attachment”: Structural equation model. A structural equation model linking the “personality congruence” to “brand attachment” is tested (see Table 2). The global model testing results show fit values of GFI (.951), AGFI (.935), RMSEA (.050), and normed χ^2 (3.275) coefficients better than commonly accepted standards. The CFI and TLI, which compare the tested model with a model where all the manifest variables are independent of each other, are beyond the acceptable (CFI = .958 and TLI = .951). In addition, PGFI (.717) which is based upon the GFI by adjusting for loss of degrees of freedom is also up to standard. These results allow us to conclude that the model fit is good. It seems therefore possible to analyze the results of structural equation modeling (Figure 2). As the model fit is acceptable, estimates of standardized regression weights coefficients and squared multiple correlations for the dependent variables can be calculated⁴. Results highlight the existence and relative importance of the link between “Congruence” and “brand attachment” with a coefficient of determination ($R^2 = .190$) significant at the 0.1% level. This congruence model explains 19.0% of the “brand attachment” variance for the global sample.

Comparisons between countries. We now want to compare results country by country. To the extent that our samples per country are too small, it is not possible to use a procedure of multiple-group analysis with Amos. Multiple regression ($D_i\text{Congr} \rightarrow \text{Congruence}$) and simple linear regression ($\text{Congruence} \rightarrow \text{Brand attachment}$) are performed. To compare, country by country, the weight of each dimension in the formation of congruence, a multiple regression is performed. Standardization of the coefficient (β eta) is usually done to answer the question of which of the independent variables ($D_i\text{Congr}$) has a greater effect on the dependent variable (Congr) in a multiple regression analysis. It is then possible to rank the dimensions according to their influence. Before that, a one-way ANOVA analysis was conducted to determine whether there are significant differences between countries in terms of congruence (see Table 3).

³ This first measure of reliability was complemented in the confirmatory factor analysis with Jöreskog's ρ (1971) which is considered more reliable than Cronbach's α as it is less sensitive to the number of items in the scale. In this same phase of analysis, convergent validity was measured through the ρ_{cv} which must be greater than .50.

⁴ The confirmatory analysis provides lambdas (λ_i) which are the standardized correlation coefficients of variables with latent variables. They are all statistically significant at the 5% significant level since the critical ratios are all above 1.96.

This analysis must be conducted with caution since the samples from each country are mostly unequal. However, it is interesting to note that there is no real common structure to countries where luxury is traditionally implemented and other countries when the deployment of luxury brand is more recent. This result is interesting in itself because it justifies further study of the peculiarities of each country (Table 4). The first dimensions are “emotion” and “prestige” for three countries, when order and trust occupy the first place for two countries each. If we look at the first three ranked dimensions, “emotion” and “prestige” appear as the main common elements, because these dimensions are present respectively for nine and eight out of the ten countries surveyed. Other dimensions present a more contrasted weight:

- “Trust” is present as a key component in six countries, new comers on the luxury consumption such as China and Australia, and also for the USA, UK, German and Japanese consumers.
- “Anxiety” has a very important weight in France, Italy and Russia.
- “Order” occupy one of the first three places for Eastern Consumers, especially Japanese, Korean, Chinese, but it is also quite relevant in France.

CONCLUSION, LIMITATIONS, FURTHER DEVELOPMENTS

We note that congruence of the personality of luxury brands, stores and individuals can explain at a significant level the “brand attachment”. Results country by country show remarkable differences that seem not to be related only to the different level of luxury consumption maturity. The results country by country should be analyzed with great care and a more detailed analysis country by country and brand by brand will be realized in a further step of our research. These initial results would therefore require to be replicated on a larger sample to obtain more significant data. In this research we have applied a scale measuring the personality of brand, store and respondents to a sample of 928 young people from 10 countries.

The results of this research can be interesting for both academic and professionals:

- From the academic point of view, we have tested in 10 countries from four continents a purified scale of personality that can apply to luxury brands, stores and consumers;
- From the managerial point of view, we have discovered that some dimensions explaining the personality of luxury brands and stores occupy a strong place in a vast majority of the countries under analysis, but that some interesting differences remain in the relative weight of each dimension. We have discovered also that some dimensions of luxury brand personality can clearly help to differentiate amongst countries. If managers want to propose luxury offerings in the ten countries analyzed, they have the chance to consider the different elements highlighted by this research to attract customers and to stimulate brand attachment country by country.

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TABLES AND FIGURES

Table 1: Personality congruence between luxury consumers, brands and stores: Rotated Factor Matrix^{a5a}

		Factor				
		1	2	3	4	5
Congr2	Upper-class	,866				
Congr3	Prestigious	,837				
Congr4	High priced	,814				
Congr1	Upscale	,807				
Congr6	Happy		,813			
Congr7	Enthusiastic		,806			
Congr5	Feelings		,598			
Congr8	Trust			,876		
Congr9	Trustworthy			,865		
Congr11	Anxious				,861	
Congr10	Vulnerable to stress				,858	
Congr12	Well-organized					,839
Congr13	Orderly					,836

Extraction Method: Principal Axis Factoring. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 5 iterations.

Table 2: Personality congruence between luxury consumers, brands and stores: Fit indices

Fit Indices		Suggested minimum ⁶	Value for the tested model	
Absolute	Absolute fit indices determine how well an <i>a priori</i> model fits the sample data (Kaplan, 2000; McDonald & Ho, 2002)	GFI	≥ ,90	.978
		AGFI		.966
		RMR	< ,050	.033
		RMSEA	< ,050: Satisfying < ,080: Tolerable	.037
		Normed χ^2	≤ 5 and if possible ≤ 2 ou 3	2.294
Incremental	Incremental fit indices are a group of indices that do not use the chi-square in its raw form but compare the chi-square value to a baseline model (Hair et al., 1995; McDonald & Ho, 2002)	TLI	≥ ,90	.975
		CFI		.980
Parsimony	Parsimony-based indexes of fit take into account the complexity (ie number of estimated parameters) of the hypothesized model in the assessment of overall model fit. (James, Mulaik & Brett, 1982; Mulaik et al., 1989)	PGFI	> .50	.645

⁵ This table contains the rotated factor loadings, which are the correlations between the variable and the factor. Because these are correlations, possible values range from -1 to +1. We used the option, which tells SPSS not to print any of the correlations that are .5 or less. This makes the output easier to read by removing the clutter of low correlations that are probably not meaningful anyway.

⁶ Steiger and Lind, 1980; Pedhazur and Pedhazur Schmelkin, 1991; Browne and Cudeck, 1993; Hu and Bentler, 1999; Tabachnik and Fidel, 2007; Steiger, 2007

Figure 1: Personality congruence between luxury consumers, brands and stores: Model

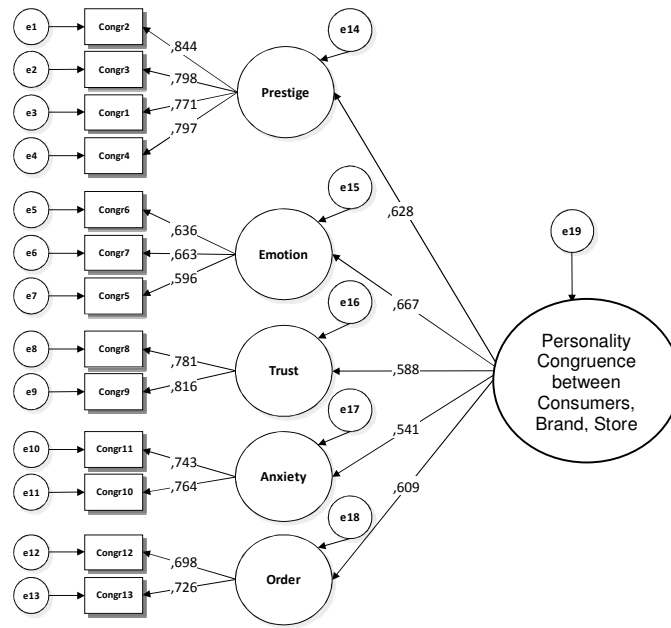


Table 3: One-Way Anova “ScoreCongr”: Significant differences between countries

	Australia	China	France	Germany	Italy	Japan	Russia	UK	USA	Korea
Australia		***		***			***			
China	***		***			***		***	***	
France		***								
Germany	***					***				
Italy						***				
Japan		***		***	***		***		***	***
Russia	***					***		***		
UK		***					***			
USA		***				***				
Korea						***				

Table 4: Multiple regression “D_iCongr → Congruence”: standardized coefficient (β̂eta) and country rankings

D _i Congr → Congr	Overall		Australia		China		France		Germany		Italy	
D ₁ Congr: Prestige	,332	①	,328	①	,265	④	,375	④	,331	②	,346	①
D ₂ Congr: Emotion	,316	②	,301	②	,320	③	,462	①	,367	①	,338	③
D ₃ Congr: Trust	,308	③	,298	③	,341	②	,356	⑤	,314	③	,269	⑤
D ₄ Congr: Anxiety	,285	⑤	,248	⑤	,204	⑤	,430	②	,167	⑤	,342	②
D ₅ Congr: Order	,299	④	,270	④	,386	①	,397	③	,256	④	,313	④
N	928		121		49		61		43		128	

D _i Congr → Congr	Overall		Japan		Russia		UK		USA		Korea	
D ₁ Congr: Prestige	,332	①	,317	②	,346	①	,323	③	,341	③	,313	③
D ₂ Congr: Emotion	,316	②	,272	⑤	,338	③	,390	②	,344	②	,348	①
D ₃ Congr: Trust	,308	③	,306	③	,269	⑤	,415	①	,356	①	,289	⑤
D ₄ Congr: Anxiety	,285	⑤	,305	④	,342	②	,216	⑤	,289	⑤	,312	④
D ₅ Congr: Order	,299	④	,321	①	,313	④	,239	④	,324	④	,348	①
N	928		111		110		81		104		120	

Module 4 (Paper 4.3)

Creating Multi-Sensory Experiences in Luxury Marketing

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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-

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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.

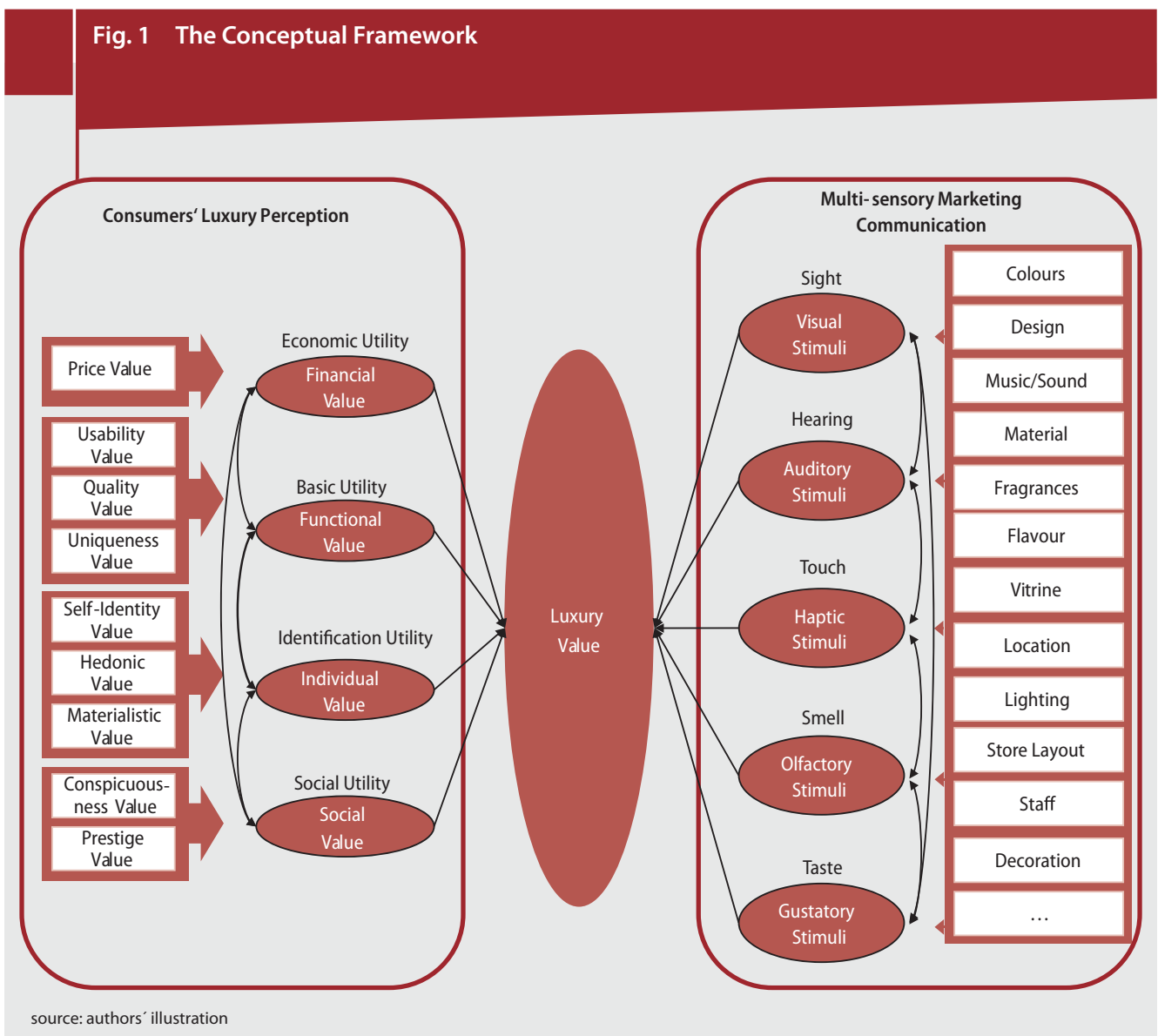
Overall, the communication of luxury brands has to ensure substantial, spatial and temporal coordination and maintain certain quality standards: *"The magazines selected for advertising (...), the movies in which the brand*

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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Module 4 (Paper 4.4)

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

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Sustainability as Part of the Luxury Essence

Delivering Value through Social and
Environmental Excellence

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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

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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;

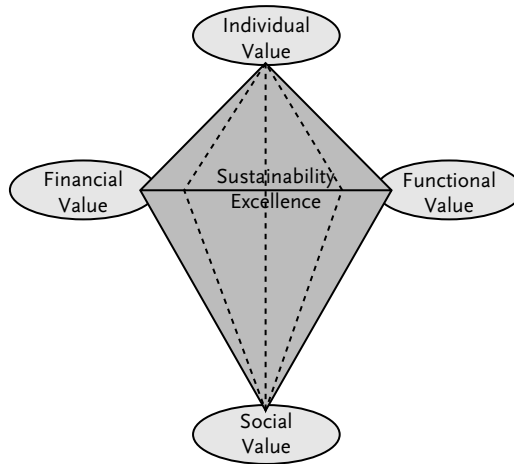
Kleanthous 2011). The shift from ‘conspicuous consumption’ to ‘conscientious consumption’ (Cvijanovich 2011) leads to responsible consumers who are better informed about brands and products, including controversial issues (Sarasin 2012). Reasoning that luxury brands are often used to signal consumer 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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