

# Measuring Consumers' Luxury Value Perception: A Cross-Cultural Framework

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## EXECUTIVE SUMMARY

In view of the dynamic growth in the luxury market and the availability of luxury goods to a wider range of consumers than ever before, the luxury market has transformed from its traditional conspicuous consumption model to a new experiential luxury sensibility marked by a change in the way consumers define luxury. In a global context, it is critically important for luxury researchers and marketers to understand why consumers buy luxury, what they believe luxury is and how their perception of luxury value impacts their buying behavior.

The main contribution of the present paper is to develop an integrated conceptual framework of consumers' luxury value perception for researchers and marketers of luxury goods who may wish to measure the dimensions of individual luxury perception as a general basis for marketing strategies to improve purchase value for different segments of consumers that span the globe. The model illustrates that individual and social as well as financial and functional dimensions significantly impact the consumer's luxury value perception and consumption on an international level.

As luxury is a subjective and multidimensional construct, a definition of the luxury concept should follow an integrative understanding. For our purposes, we define luxury as the highest level of prestigious brands encompassing several physical and psychological values. To explain consumers' behavior in relation to luxury brands, apart from interpersonal aspects like snobbery and conspicuousness, personal aspects such as hedonist and perfectionist motives as well as situational conditions (e.g., economic, societal, and political factors) have to be taken into consideration. The consumption of luxury goods involves purchasing a product that represents value to both the individual and their reference group. Referring to personal and interpersonal oriented perceptions of luxury, it is expected that different sets of consumers would have different perceptions of the luxury value for the same brands, and that the overall luxury value of a brand would integrate these perceptions from different perspectives. Even if the overall luxury value level of a certain product or brand may be perceived equally across national borders, a differentiated measurement may reveal that the overall luxury

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value perception is a combination of different evaluations with regard to the sub-dimensions. Furthermore, this differentiated perception of luxury value may be dependent on the cultural context and the people concerned.

Following a comprehensive understanding of the luxury construct, all relevant current and potential value sources of the consumers' luxury perception should be integrated into one single model. A customer's luxury value perception and the motives for luxury brand consumption are not simply tied to a set of social aspects of displaying status, success, distinction and the human desire to impress other people, but also depend on the nature of the financial, functional and individual utilities of the certain luxury brand. Pointing to the fact that luxury value lies in social and individual as well as in functional and financial aspects, it is important to synthesize all relevant cognitive and emotional value dimensions in a multidimensional model.

Our model might be a useful instrument for both academics and practitioners who want to better understand consumer behavior; it may also serve as a basis to successfully create, market and monitor luxury brands or products in a cross-cultural context. Even if the world of luxury products is not homogeneous, we believe that the underlying consumer motives and desires transcend national boundaries in a structure that derives from the individual's situation and the luxury value dimensions. Our multi-dimensional model integrates these consumers' value perceptions from different perspectives. Encompassing cognitive and emotional dimensions, it might already lead to a better understanding of the conditions and drivers of luxury product perception and to a broadened view of luxury value which lies in social, individual, functional, and financial aspects. In contrast to former studies exploring the customer's perception of and the motives for purchasing luxury, we are able to identify a broader variety of potential luxury value drivers based on our conceptual model.

*Keywords: Luxury Concept, Consumers' Luxury Value Perception, Cross-Cultural Segmentation*

# Measuring Consumers' Luxury Value Perception: A Cross-Cultural Framework

Since consumer behavior does not abruptly change when national borders are crossed (Farley and Lehmann 1994) and segments of consumers across national boundaries might be more similar than those within the same country (Hassan and Kaynak 1994; Hassan and Katsanis 1994), the major challenge companies are facing in an international marketplace is to identify and satisfy the common needs and desires of global market segments, requiring a global level in research methodology and models (Hofstede et al. 1999). In this context, a major objective of global marketing strategies is the identification and profiling of potentially global consumer segments such as the cosmopolitan luxury consumers who travel frequently, speak more than one language, shop in international department stores, and – as opinion leaders – often influence the purchasing behavior of other consumers (Anderson and Engledow 1977). Regarded as a common denominator that can be used to define consumption across cultures (Bourdieu 1984; Dubois and Paternault 1997), luxury is a main factor that differentiates a brand in a product category, (Allèrès 1991; Kapferer 1997) and a central driver of consumer preference and usage (Dubois and Duquesne 1993). Nevertheless, although the luxury market has been increasing greatly over the last decade and the marketing literature has recently seen substantial interest in the study of luxury brands, little is known about how to best market and monitor luxury brands (Vigneron and Johnson 1999, 2004).

Against this background, considering the limited empirical attention within the marketing-related literature regarding the measurement of the perceived luxury value of a product or a brand, the first step is to develop a scale that measures the sub-dimensions of luxury value perception. Even if the overall luxury value level of a certain product or brand may be perceived equally across national borders, a differentiated measurement may reveal that the overall luxury value perception is a combination of different evaluations with regard to the sub-dimensions. This differentiated perception of luxury value may be dependent on the cultural context and the people concerned. The scale might be a useful instrument for both academics and practitioners who want to better understand consumer behavior; it may also serve as a basis to successfully create, market and monitor luxury brands or products in a cross-cultural context.

Incorporating relevant theoretical and empirical findings, this paper aims to identify and conceptualize the primary dimensions which influence the consumers' individual perception of luxury as a first step leading towards a scale to measure luxury value cross-culturally. According to Hassan and Katsanis (1994) and Tse et al. (1988), we suggest that the needs of luxury consumer segments cross national borders and that common structures in luxury value perception exist cross-culturally – even if the relative importance of the decision determinants may vary. Our multi-dimensional conceptualization, which encompasses financial, functional, individual, and social value components, may serve as a basis for further research in identifying and segmenting different types of luxury consumers that cross national borders. The conceptual framework and propositions are also discussed with reference to their managerial and research implications.

## CONSTRUCT DEFINITION AND LITERATURE REVIEW

### Culture and Market Segmentation

The identification and understanding of cross-cultural market segments has been the research focus of several studies (e.g., Lindridge and Dibb 2003; Kahle et al. 1999; Hofstede et al. 1999; Djursaa and Kragh 1998; Grunert et al. 1995) – each with a different viewpoint. However, there is no unique theoretical or empirical perspective on the definition of cultural factors and the impact of cultural forces on consumer behavior in general and its implications for marketing segmentation strategies (Dubois and Duquesne 1993).

According to a recent view of culture as a dynamic process (Miller 1995; Shaw and Clarke 1998), cultural differences often cause differences in consumer behavior within and across national borders. Referring to the identification of consumer segments across countries, macro-level geographic, political, economic, and cultural data have been typically used (e.g., Helsen et al. 1993; Kale 1995). In fact, to identify market segments, national borders and the study of culture are appropriate as segmentation criteria when consumer behavior is "culture bound" (e.g., certain food products) and demands local adaptation strategies (Dawar and Parker 1994).

Even if this approach provides insights about potential target country markets, no information is provided on the within-country consumers' heterogeneity and their response to marketing efforts. In this context it has to be stated that the globalization of consumer markets and the global acceptance of products and brands lead to a globalization of consumers' behaviors and attitudes. Existing studies show that on certain consumer behaviors, cross-cultural differences have minimal or no impact (Elinder 1961; Fatt 1964; Levitt 1983; Ohmae 1985; Roostal 1963) and that, under certain conditions, there is a greater similarity in the values of customers from different countries, than amongst different customers in the same countries (Anderson and Hee 1998). In view of internationally mobile consumers and the convergence of income, technology, communication media like the internet, internationally distributed magazines and globally broadcast television, consumers' preferences, tastes, and attitudes have become homogenized (Douglas and Craig 1997; Levitt 1983) (e.g., Assael 1998; Bullmore 2000; Czinkota and Ronkainen 1993; Jain 1987). As former communist countries turn to capitalism and developing economies become more affluent, consumer culture is spreading from the West to other parts of the world (e.g., Belk 1995; Featherstone 1990; Mattelart 1989/1991; Sklair 1991) and the demand for luxury products is increasing (Wong and Ahuvia 1998). Stimulated by mass media, tourism and multinational marketing campaigns, even consumers of the so-called third world seem to be starting to want luxury consumer goods – before having adequate nutrition (Belk 1988; Vilanilam 1989, Wallack and Montgomery 1991).

Therefore, it is useful to use groups of consumers instead of countries as a basis for identifying international segments (Jain 1989). Within a segment and regarding a particular "culture-independent" product category (e.g., fashion, cars, luxuries), consumer behaviors do not vary across cultures or countries (Dawar and Parker 1994). For example, information search and exchange can be regarded as "universal" consumer behaviors and can be observed in all cultures (Dawar and Parker 1994; Murdock 1945). Related to the cognitive processes underlying decision making which are not cultural issues, but standardized decision-making paths that differ within, not across cultures (McDonald 1994) – so-called marketing universals are more useful (Dawar and Parker 1994). This includes globalized strategies and an intermarket-segmentation approach to world markets with the identification of homogeneous segments that transcend national boundaries (Jain 1989).

### **Defining the Luxury Concept**

The term "luxury" is routinely used in our everyday life to refer to products, services or a certain lifestyle, however, often without a clear understanding of the luxury concept as it takes on many different forms for different people and is dependent on the mood and experience of the consumer: "Luxury is particularly slippery to define. A strong element of human involvement, very limited supply and the recognition of value by others are key components" (Cornell 2002, p. 47). The word 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" (Kapferer 1997, p. 253). Whereas necessities are utilitarian objects that relieve an unpleasant state of discomfort, luxuries are characterized as objects of desire that provide pleasure (Berry 1994), and as "non-essential items or services that contribute to luxurious living; an indulgence or convenience beyond the indispensable minimum" (Webster's Third New International Dictionary 2002).

Defined as goods for which the simple use or display of a particular branded product brings esteem for the owner, luxury goods enable consumers to satisfy psychological and functional needs. Above all these psychological benefits can be regarded as the main factor distinguishing luxury from non-luxury products or counterfeits (Arghavan and Zaichkowsky 2000). In the literature on luxury, a concept of exclusivity or rarity is well documented (Pantzalis 1995). Luxury brands can be defined as those whose price and quality ratios are the highest of the market (McKinsey 1990) and even though the ratio of functionality to price might be low with

regard to certain luxury goods, the ratio of intangible and situational utility to price is comparatively high (Nueno and Quelch 1998). Therefore, luxury brands compete on the ability to evoke exclusivity, brand identity, brand awareness and perceived quality in the consumer's perspective (Phau and Prendergast 2000). Thus, a definition of luxury should not follow a narrow but rather an integrative understanding of the luxury concept, as luxury is a subjective and multidimensional construct. For the purposes of this paper, we follow the luxury brand definition of Vigneron and Johnson (1999) as the highest level of prestigious brands encompassing several physical and psychological values.

Facing the rapidly changing global business and different cross-country customer cultures, luxury can be understood as a special transnational type of culture. It represents a system of tangible (clothing, cars, buildings, etc.), as well as intangible components comprising ideals, expected behaviors, and beliefs in a group specific value system. In a global marketplace, there is no understanding of luxury conceivable which is nationally or regionally bound. However, it has to be stated that to some extent ethnocentrism and "country-of-origin" effects may interfere. Concerned instead with the question of which countries' luxury products are more or less accepted, it does not impact the basic dimensions of luxury value perceptions.

### **Dimensions of Luxury Value Perception**

Concerning the motives for consuming luxury brands, it has to be stated that the notion of "buying to impress others", still more or less serves as a strategic principle for the marketing management of luxury brands (Berry 1994; Dittmar 1994; Corneo and Jeanne 1997; Vigneron and Johnson 1999, 2004; O'Cass and Frost 2002). According to the theory of impression management, consumers are highly affected by the internal drive to create a favorable social image from the outcome of their purchase behavior (Eagly and Chaiken 1993; Mandrik 1996; Sallot 2002). Existing research demonstrates that behavior varies between different people depending on their susceptibility to interpersonal influence (Bourne 1957; Mason 1981; Bearden and Etzel 1982; Horiuchi 1984; Bushman 1993; Pantzalis 1995). However, following a broader perspective in exploring the customer's perception of and the motives for purchasing luxury brands, it is not sufficient to explain the whole picture of consumption in the luxury market with socially oriented consumers' motives (e.g., Hansen 1998; Wong and Ahuvia 1998; Vigneron and Johnson 1999, 2004; Wong et al. 1999; Gentry et al. 2001; Puntoni 2001; Roth 2001; Miquel et al. 2002; Coulter et al. 2003).

While the consumption of prestige or status products involves purchasing a higher-priced product to embellish one's ego (Eastman et al. 1997), the term "luxury" and the consumption of luxury goods involves purchasing a product that represents value to both, to the individual *and* their reference group. Therefore, in addition to the socially oriented luxury brand consumption and the human desire 'to impress others', a personally oriented type of consumption should be considered in the marketing management of luxury brands. Referring to personal and interpersonal oriented perceptions of luxury, it is expected that different sets of consumers would have different perceptions of the luxury value for the same brands, and that the overall luxury value of a brand would integrate these perceptions from different perspectives. Thus, to explain consumers' behavior in relation to luxury brands, apart from interpersonal aspects like snobbery and conspicuousness (Leibenstein 1950; Mason 1992), personal aspects such as hedonist and perfectionist motives (Dubois and Laurent 1994) as well as situational conditions (e.g., economic, societal, and political factors) have to be taken into consideration (Vigneron and Johnson 1999, 2004).

Nevertheless, a review of the existing literature on luxury shows that in comparison with personal aspects, social and interpersonal orientation dominates luxury-related research. A comprehensive model which includes all relevant dimensions – psychological and functional needs – that constitute the luxury value of products in the customer's perception is still lacking. Considering all different aspects that constitute a customer's perception of and willingness to buy luxury products, it is important to combine a set of luxury value dimensions into one single framework, rather than treating each perceived value of luxury separately, as has been characteristic in the luxury research literature.

## **CONCEPTUALIZATION AND PROPOSITIONS: DETERMINANTS OF A CONSUMERS' LUXURY VALUE PERCEPTION**

### **A Luxury Value Model**

Following a comprehensive understanding of the luxury construct, all relevant present and potential value sources of the consumer's luxury perception should be integrated into one single model. Generally, values can be regarded as beliefs that guide the selection or evaluation of desirable behavior or end states (Schultz and Zeleny 1999). With regard to consumption values which directly explain why consumers choose to buy or avoid particular products (Sheth et al. 1991), different types of values influence consumers' purchase choices: A customer's luxury value perception and the motives for luxury brand consumption are not simply tied to a set of social aspects of displaying status, success, distinction and the human desire to impress other people, but also depend on the nature of the financial, functional and individual utilities of the certain luxury brand. Pointing to the fact that luxury value lies in social and individual as well as in functional and financial aspects, it is important to synthesize all relevant cognitive and emotional value dimensions in a multidimensional model.

Inspired by the work of Dubois and Laurent (1994), Leibenstein (1950), Mason (1992), Kapferer (1998), Eastman et al. (1999) Phau and Prendergast (2000), and Dubois et al. (2001) on the evaluation of luxury brands, Vigneron and Johnson (2004) developed a framework of 'brand luxury index' proposing that the luxury-seeking consumer's decision-making process can be explained by five main factors that form a semantic network. Including personal perceptions (perceived extended self, perceived hedonism), as well as the more usual non-personal perceptions (perceived conspicuousness, perceived uniqueness, perceived quality), Vigneron and Johnson reviewed the latent structure of and the interrelations among the primary meanings of the luxury concept that underlie the decision-making process that occurs when assessing luxury brands.

Drawing on existing luxury research literature as well as Bourdieu's capital theory (1986) proposing economic, cultural, and social capital, our model extends the Vigneron and Johnson five-dimension framework in order to enhance the current understanding of consumer motives and value perception in relation to luxury consumption. The question of what really adds luxury value in the consumer's perception is defined in this paper through the existence of four latent luxury value dimensions:

*Financial Dimension of Luxury Value Perception* – The financial dimension addresses direct monetary aspects such as price, resale price, discount, investment, etc. It refers to the value of the product expressed in dollars and cents, and to what is given up or sacrificed to obtain a product (e.g., Ahtola 1984; Chapman 1986; Mazumdar 1986; Monroe and Krishnan 1985).

*Functional Dimension of Luxury Value Perception* – The functional dimension of luxury refers to the core benefit and basic utilities that drive the consumer based luxury value such as the quality, uniqueness, usability, reliability, and durability of the product (Sheth et al. 1991).

*Individual Dimension of Luxury Value Perception* – The individual dimension focuses a customer's personal orientation on luxury consumption and addresses personal matters such as materialism (e.g., Richins and Dawson 1992), hedonistic and self-identity value (e.g., Vigneron and Johnson 2004; Hirschman and Holbrook 1982).

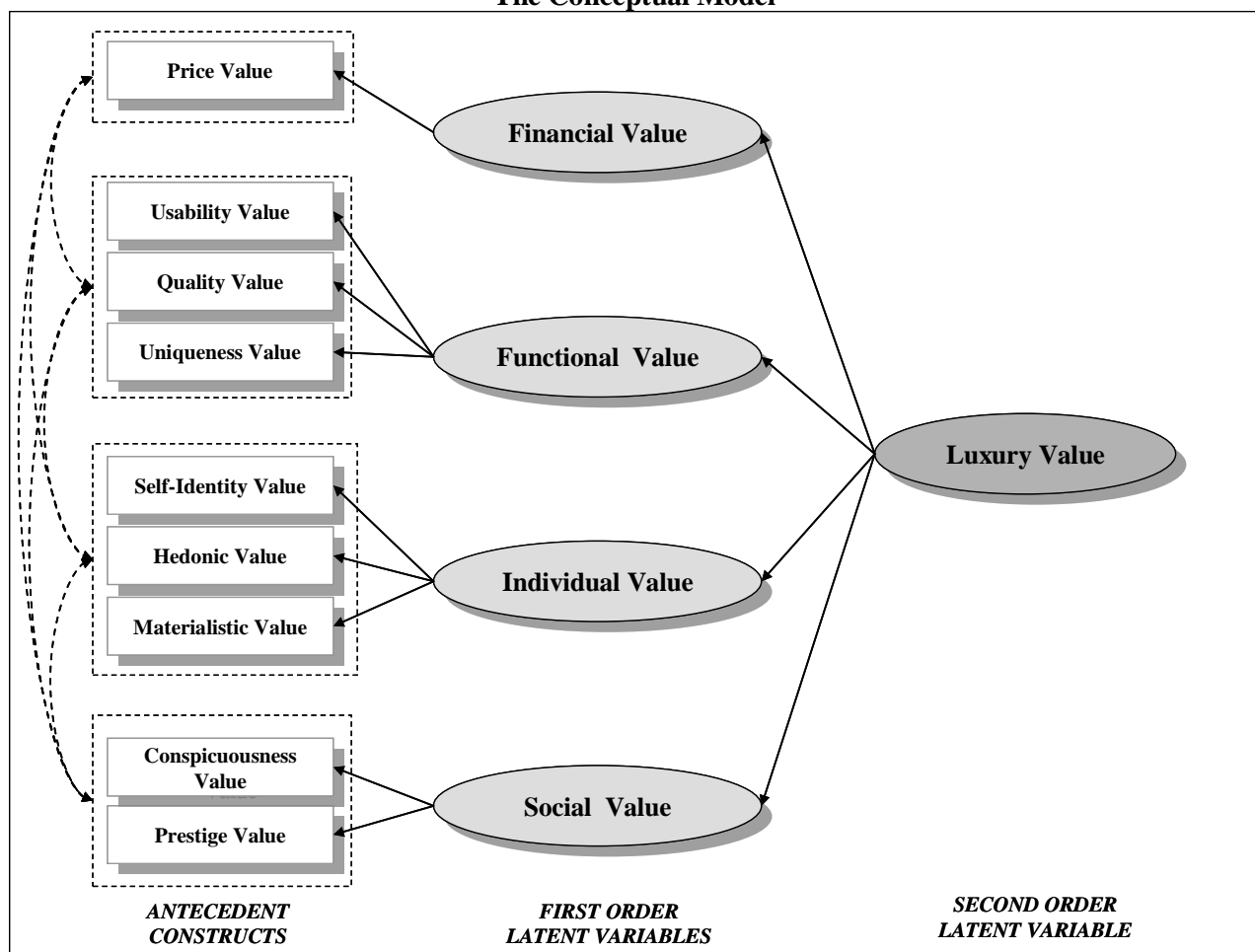
*Social Dimension of Luxury Value Perception* – The consumption of luxury goods appears to have a strong social function. Therefore, the social dimension refers to the perceived utility individuals acquire by consuming products or services recognized within their own social group(s) such as conspicuousness and prestige value, which may significantly affect the evaluation and the propensity to purchase or consume luxury brands (Vigneron and Johnson 1999, 2004; Bearden, and Etzel 1982; Brinberg and Plimpton 1986; Kim 1998).

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 shown in Figure 1 (see image below). It may serve as the basis for further identification and segmentation of different types of luxury consumers across

different cultures and national boundaries. As sketched in our framework, several influencing variables and value drivers may be related to the four key dimensions of luxury value perception (e.g., price, quality, and conspicuousness). For the purposes of this paper, we will – based on theoretical and empirical research – analyze selected variables with regards to possible links to the financial, functional, individual, and social dimensions as well as their associated influence on the individual's overall luxury value perception. Referring to our multi-level model, it has to be stated that these selected variables, i.e. our antecedent constructs (e.g., price value, quality value, prestige value) have to be understood as individual value judgments. They do not represent an objective valuation, but the individual consumer's perception of a certain luxury brand or product comprising their personal weighing of the different antecedent constructs that can be aggregated to four key luxury value dimensions. For example, the objective and perceived price of a product constitutes the financial value dimension, but may also act as a moderating variable with regards to e.g. the perceived prestige value of a certain luxury item. Therefore, the linkages shown in our model can only represent the key relations between the antecedent constructs and luxury value key dimensions.

In a cross-cultural context it is expected that these key luxury dimensions are perceived differently by different sets of consumers, even if the overall luxury level of a brand may be perceived equally. Therefore, the impact of each of the antecedent constructs and the key dimensions on the overall luxury value perception may vary across different cultures. By integrating these perceptions from different perspectives, we believe that the overall structure of the model is stable and must be monitored for creating a lasting luxury brand in a global context.

**FIGURE 1**  
**The Conceptual Model**



### **Antecedent Constructs and their Impact on Luxury Value**

*Price Value* – Referring to luxury goods, many authors have shown and demonstrated that the price of a product may have a positive role in determining the perception of high quality (Erickson and Johansson 1995; Lichtenstein et al. 1988; Tellis and Gaeth 1990). Often used as evidence for judging quality, status-conscious consumers tend to use a price cue also as a surrogate indicator of prestige (e.g., Berkowitz et al. 1992, Groth and McDaniel 1993). Thus, prestige pricing – setting a rather high price to suggest high quality and/or high status (McCarthy and Perreault 1987) – may even make certain products or services more desirable (Groth and McDaniel 1993). 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 – luxury consumers are demanding more value along with their luxury. Some items may, for example, be regarded as luxury goods not in terms of a price tag or label, but their sentimental value (i.e., a wedding ring as part of personal history, ancestral heirloom). Thus, consumers can and do distinguish between objective price (i.e., the actual price of a product) and perceived price (i.e., the price as judged by the consumer) (Jacoby and Olson 1977). This leads us to our first proposition:

P1a: The objective and the perceived price as an indicator of outstanding quality or exclusivity of a luxury product or service is positively related to the financial luxury value perception.

*Usability Value* – In general, a product or a service is designed to perform a particular function: the core benefit can be seen in the usability of a product to achieve the goal to satisfy consumer needs. 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., Park et al. 1986). It has to be stated that usability is based on both the product's properties and the consumers' needs. Hence, one has to differentiate between an objective and subjective judgment of usability which depends on individual evaluation and the specific purpose of use. With regard to basic usage, consumers expect the item they buy to work right, look good, last a long time, and perform as expected and as promised (e.g., Fennel 1978). These expectations increase even more in terms of luxury items. Thus:

P2a: The consumer's perceived level of excellent usability in terms of superior functional values of a luxury product or service is positively related to the functional luxury value perception.

*Quality Value* – Gentry et al. (2001) found that one reason why consumers buy luxury brands is because of the superior quality reflected by the brand name. This is congruent with the assumption in the field of perceived quality that not mass-produced, but often hand-made luxury brands offer excellent product quality and performance as compared to non-luxury brands (e.g., Dubois and Laurent 1994, 1996; Garfein 1989; Roux 1995; Quelch 1987; Garfein 1989; Nia and Zaichkowsky 2000; O'Cass and Frost 2002; Vigneron and Johnson 2004). Thus, on account of this, consumers may associate luxury products with a superior brand quality and reassurance so that they perceive more value from it (Aaker 1991). The literature on luxury consumption often underlines this importance of quality to ensure the perception of and therefore the value of luxury (Quelch 1987; Rao and Monroe 1989; Garfein 1989; Groth and McDaniel 1993; Roux 1995). In addition, high quality is seen as a fundamental character of a luxury product in terms of a 'sine qua non' (Quelch 1987; Garfein 1989; Roux 1995). Therefore, we propose that from a consumer perspective:

P2b: The consumer's perceived level of first-class quality in terms of a superior performance of a luxury product or service is positively related to the functional luxury value perception.

*Uniqueness Value* – Uniqueness is based on the assumption demonstrated in research that the perceived exclusivity and rareness of a limited product enhances the consumer's desire or preference for a brand (Verhallen 1982; Lynn 1991; Pantzalis 1995). Furthermore, this desire even increases when the brand is also perceived as expensive (Groth and McDaniel 1993; Verhallen and Robben 1994), which can be related to the financial evaluation of the luxury item. Therefore, the more unique a brand is perceived as and the more expensive it is compared to normal standards, the more valuable the brand becomes (Verhallen and Robben 1994). In addition, the functional value of uniqueness also strengthens the individual's need for uniqueness (Snyder and Fromkin



1977) and the wish of the consumers for differentiation and exclusivity which can only be fulfilled when the consumption and use of a certain brand is only given to an exclusive clientele (Leibenstein 1950; Vigneron and Johnson 1999, 2004). Therefore, it has to be stated that a luxury product or service is by definition not affordable to and owned by everybody – otherwise it would not be regarded as a luxury item. Consequently, the following proposition emerges:

P2c: The consumer's perceived level of uniqueness as an indicator of the exceptional exclusivity and scarcity of a luxury product or service is positively related to the functional luxury value perception.

*Self-Identity Value* – In contrast to the external (social) facet of one's self, self-identity refers to the internal (private) facet of one's self in terms of the way the individual perceives him or herself (Mehta 1999; Sirgy and Johar 1999; Jamal and Goode 2003). In addition, it is widely accepted within the theory of consumer behavior that the self-image congruity moderates the relationship between one's self-image and one's image of a product or service (Belk 1988; Mick 1986). The theory also proposed the impact of a consumer's self-concept to consumers purchasing behavior in a self-image or product-image congruity model (Sirgy 1982). Concerning luxury brands, Puntoni (2001) confirmed the significant impact of self-congruity on luxury-brand purchase. From this point of view, consumer may use luxury items to integrate the symbolic meaning into their own identity (Holt 1995; Vigneron and Johnson 2004) or they use the luxury brands to support and develop their own identity (Douglas and Isherwood 1979; Hirshman 1988; Dittmar 1994). This leads us to the proposition that:

P3a: The consumer's perceived level of perfect congruity of a luxury product or service and his self-image or intended self-image is positively related to the individual luxury value perception.

*Hedonic Value* – Certain products and services carry an emotional value and provide intrinsic enjoyment in addition to their functional utility (Hirschman and Holbrook 1982; Sheth et al. 1991, Westbrook and Oliver 1991). Studies in the field of luxury consumption have shown that luxury products are likely to provide such subjective intangible benefits (Dubois and Laurent 1994). Additionally, 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 (Benarrosh-Dahan 1991; Fauchois and Krieg 1991; Roux and Floch 1996; Vigneron and Johnson 2004). Hence, hedonism describes the perceived subjective utility and intrinsically attractive properties acquired from the purchase and consumption of a luxury brand to arouse feelings and affective states, received from personal rewards and fulfillment (Sheth et al. 1991; Westbrook and Oliver 1991). In sum:

P3b: The consumer's perceived level of hedonism towards a luxury product or service and its property to satisfy an emotional desire for sensory gratification as best as possible is positively related to the individual luxury value perception.

*Materialistic Value* – In the area of consumer behavior, the topic of materialism has been widely researched since the late 1950s. But as researchers have interpreted materialism from different perspectives, theorists have not yet agreed on a single definition (Richins and Dawson 1992). Nevertheless, possessions and their acquisition play a central role in the definitions of materialism (Daun 1983; Bredemeier and Campbell 1960; Wackman et al. 1972; Heilbroner 1956; Rassuli and Hollander 1986; Du Bois 1955). More specifically, materialism can be described as 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. Highly materialistic individuals may, in a general sense, find possessions to be desirable and tend to devote more time and energy to product related activities (Belk 1985). Additionally, research has found that materialistic oriented consumers rely heavily on external cues, favoring those possessions that are worn or consumed in public places (Richins and Dawson 1992; O'Cass and Muller 1999). This can be associated with the understanding of (materialistic) individuals that 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 (Douglas and Isherwood 1979; Belk 1985). Thus, we propose:

P3c: The consumer's level of materialism and the devotion to material needs and desires that are out of the ordinary is positively related to the individual luxury value perception of a possible purchased luxury good.

*Conspicuousness Value* – In the early 1980s, a number of researchers carried out studies based on the original work of Bourne (1957), which focused on the influence of reference groups on the consumption of luxury brands (Mason 1981 and 1992; Bearden and Etzel 1982). The findings of these studies revealed that conspicuousness of a product was positively related to its susceptibility to the reference group. For example, Bearden and Etzel (1982) concluded that luxury goods consumed in public were more likely to be conspicuous goods than privately consumed luxury goods and still, conspicuous consumption plays a significant part in shaping preferences for many products which are purchased or consumed in public contexts (Braun and Wicklund 1989; Hong and Zinkhan 1995; Bagwell and Bernheim 1996; Corneo and Jeanne 1997; Vigneron and Johnson 2004). Thus, luxury brands may be important to individuals in search of social status and representation and means in particular that the ranking in a society associated with a brand plays an important factor in conspicuous consumption. Consequently:

P4a: The consumer's perceived supreme conspicuousness of purchased luxury product or service as an indicator of elitism and wealth is positively related to the social luxury value perception for status-seeking consumers.

*Prestige Value in Social Networks* – Much of the existing research has emphasized the role of status that takes place in communicating information about their possessors and social relationships (Hyman 1942; Barkow 1975; Douglas and Isherwood 1979; Dittmar 1994). This goes along with research which originally demonstrated that people tended to conform to the majority opinion of their membership groups when forming attitudes (Festinger 1954). Hence, a person may use a prestige brand during the week to conform with their professional position, and use a modest brand during the weekend to match social standards of his/her neighborhood. Thus, as luxury brands and products often enclose prestigious values, social referencing and the construction of one's self appear to be determinants of luxury consumption. 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 (French and Raven 1959; Sirgy 1982; Midgley 1983; Solomon 1983; Mick 1986; McCracken 1986; Belk 1988; Dittmar 1994). In conclusion, the contribution of reference theory in the analysis of luxury consumer behavior appears to be important for the motivation underlining luxury consumption. This reasoning leads us to our last proposition:

P4b: The level of perceived superior prestige of a luxury product or service as a symbolic sign of membership to their reference group is positively related to the social luxury value perception for status orientated consumers.

Although we have only made a very first step towards conceptualizing luxury in terms of identifying the dimensions of consumers' perception of luxury brands, our integrative framework sketched in Figure 1 seems to be worth focusing on in further research as well as in managerial practice in order to identify discriminating drivers of different consumer segments and proportions of segments in a cross-cultural study.

## MANAGERIAL AND RESEARCH IMPLICATIONS

### Limitations and Next Research Steps

In view of identifying and understanding luxury consumer segments on a global level, the primary goal of this paper was to establish a multidimensional luxury framework that specifies the dimensions of consumers' orientations towards luxury-brand consumption. Further, it confirms the view that luxury brand perception and purchase value is, apart from socially oriented motives of 'buying to impress others', also affected by financial, functional, and individual aspects. To expand the study of luxury value perception cross-culturally, the next

research step is to empirically test the generalizability of a model that is based on our conceptual framework and predicts consumers' luxury value perception on a global level. It would seem that the dimensions presented in this paper are appropriate variables for segmenting the market for luxury items. Even though consumers in different parts of the world buy or wish to buy luxury products for apparently varied reasons, they possess similar values and – regardless of their country of origin – their basic motivational drivers are really the same: the financial, functional, personal, and social dimensions of luxury value perception, only the individual weighing differs. Therefore, we propose that the overall structure of the model will be supported across countries, although the relative importance of the different dimensions may vary. Nevertheless, in consideration of the variety of cultures across the world, it has to be stated that the model will of course not be able to capture all effects of culture and ethnicity. Thus, our implications mainly refer to the global segment of cosmopolitan luxury consumers.

Of course, our framework is only a first step and should be developed in different ways. First, the different propositions sketched above as well as the proposed factor structure will have to be elaborated upon more in depth. Therefore, in collaboration with American, European, and Asian researchers, we will be conducting an intersectoral prestudy measuring the luxury value perception of different types of consumers using qualitative (exploratory interviews) as well as quantitative research methods (survey). In this context it has to be stated that measuring a difficult construct such as luxury value perception cross-culturally is challenging and a considerable effort is required to ensure both the equivalence and comparability of primary data obtained from different cultures (Salciuviene et al. 2005). Given the common practice of applying American developed scales to foreign cultures without considering their cultural appropriateness, there is a widespread cultural bias in consumer research (Bagozzi 1994). Consequently, it is a major challenge to develop an appropriate luxury value perception scale that would function cross-culturally in a reliable and valid manner. A scale that is applicable cross-culturally should lead to similar patterns of reliability, factor loadings, and factor structure in samples from different countries. In some cases we can fall back on already existing and somewhat tested measures, in other cases we will have to start from scratch. Especially in light of the different dimensions of luxury value perception it might be worth starting with exploratory interviews, with respondents being asked what benefits they associate with certain luxury goods, which are likely to yield further items. As sketched in our propositions, these items will have to reflect the superlative performance of luxury goods and services that are by definition high above the usual standards (e.g., Kapferer 1997; Vigneron and Johnson 2004). Because of the problems associated with validating similar psychographic interpretations by respondents with varying cultural experiences, construct validity issues have often been ignored in past cross-cultural research (Sinkovics and Holzmuller (2001); Schaefer et al. 2004). In order to examine construct validity in cross-national research and assess the factor structure for similarities in dimensionality, several tests are available (Steenkamp and Baumgartner 1998). Another important aspect to take into consideration is the sampling and country selection that largely affects the ability to interpret findings and generalize the results. Generally, in order to enhance the homogeneity of respondents across cultures (Douglas and Craig 1983; Durvasula et al. 1997; Furrer et al. 2000) and reduce minor random errors (Calder et al. 1981), cross-cultural research requires drawing comparable samples from identifiable subgroups of the population, e.g., housewives or students (Madden et al. 2000; Mitchell and Vassos 1997; Van Raaij 1978).

Referring to statistical analyses, it is appropriate to use multivariate techniques that “offer a better understanding of subtle differences among cultures” (Peng et al. 1991, in Samiee et al. 1994, p. 214). As a basis for clustering sectoral as well as intersectoral groups according to their primary perceived values of luxury brands, the results of a multi-stage factor analysis, including both exploratory and confirmatory factor analyses, will be used. Furthermore, to examine cross-cultural differences in luxury value perception across groups, we will use multivariate analysis of variance (MANOVA). Further steps of the empirical work have, of course, to meet the state of the art in the use of sophisticated multivariate methods. For example, it might be useful to compare different approaches of formative and reflexive construct development and testing (Diamantopoulos and Winklhofer 2001; Jarvis et al. 2003), and, due to the fact that we cannot assume linear relationships between the different variables, we should also draw on nonlinear causal modeling (cf. also using neural networks). The use of such approaches may provide the possibility to incorporate some exploratory causal analyses to identify relevant behavioral patterns across different segments. Once having identified the relevant dimensions and drivers of luxury value perception we, of course, will have to start with segmentation analyses – not only using ‘clustering-

based segmentation' (Green 1977; Wind 1978) or EFA-based segmentation, but also a more theory-based 'a priori segmentation' using CFA etc. A well arranged multi-step segmentation approach combining a priori and post hoc segmentation methods might lead to a proper understanding of existing target groups of cross-cultural luxury consumption.

Based on the knowledge of the relevant dimensions of luxury perception we will also have to identify the relevant drivers as well as moderators incorporating cross-cultural aspects. What kind of values, customs, rituals etc. will deliver impact on the relevancy as well as understanding or interpretation of financial, functional, individual, and social value? One example is the materialistic orientation and the social acceptance of status symbols and luxuries such as jewelry and furs in a society. Is it accepted to 'celebrate' luxury consumption in public as a sign of personal achievements? In this context, we will, of course, have to build upon existing research in cross-cultural comparisons, e.g., on Hofstede's research on cultural dimensions (1980, 1997, 2001) which is regarded as one of the most influential culture theories in social science research (Nokata and Sivakumar 2001). Based on his empirical research, we might be able to elaborate on some relevant hypotheses. For example, referring to the dimensions of *masculinity-femininity* (the relative strength of masculine vs. feminine values in a society) or *individualism-collectivism* (the extent to which the interests of the individual prevail over the interests of the group within a society), one can hypothesize the relative meaning of individual or social value dimensions in this culture.

We will also be considering different aspects which might increase or decrease cross-cultural adjustments. Obviously, it is necessary to take a closer look at the development of globalization and its acceptance or non-acceptance. Some attention should be devoted as well to such factors which are rooted in religious movements, leading to tensions between different lifestyles and consumption patterns, and especially to a rejection of Western lifestyles and consumption patterns. Along with a more widespread diffusion of extreme Islamic values, the perception and acceptance of luxury will be strongly affected. However, to some extent, moderate religious influences may lead to a different understanding of diverse luxury values. Last but not least, the "country-of-origin" effect has to be taken seriously. But, as already mentioned above, this might have a much stronger impact on the decision as to which brands from certain countries will be more or less accepted. For instance, in the future we will be confronted with more and more Asian luxury brands; nevertheless, the set of core brand values is quite similar, even if different aspect of financial, functional, individual, and social values are taken into consideration.

Despite the limitations and necessary steps in future research, the primary contribution of our framework lies in developing and explaining a comprehensive model of consumers' perception of luxury by integrating the dimensions of financial, functional, individual, and social value.

### **Managerial Implications**

Knowledge of all relevant aspects of consumers' luxury perception and more robust measures of luxury value across countries is important for managerial practice. Our framework synthesizes cognitive and emotional dimensions and might lead to a better understanding of the conditions and drivers of luxury product perception and to a broadened view of luxury value which lies in social, individual, functional, and financial aspects. In contrast to former studies exploring the customer's perception of and the motives for purchasing luxury, we are able to identify a broader variety of potential luxury value drivers with our conceptual model. Based on this, marketers should first explore the values expressed by their brands, products, and market communication and then compare them to their customers' luxury value system. If necessary, they should revise their marketing strategy and product positioning accordingly.

In view of our propositions concerning the impact of financial, functional, individual, and social dimensions and the empirical evidence that supports the model, marketers will have greater confidence in employing the same luxury value model in international settings to identify potential cross-national segments and develop appropriate marketing strategies. To adequately respond to their customers' needs and values in an increasingly competitive global marketplace, segmentation and positioning decisions have to be made on an international level. In the luxury industry and market, multinational firms can benefit from the scale economies of global branding and

standardized marketing campaigns by identifying the luxury values as perceived by consumer segments which span the globe. Based on a deeper understanding of why consumers buy luxuries, luxury brand marketing managers may elicit more sales from their target consumers by adequately addressing their perceptions of and attitudes toward the luxury products.

Our framework assumes the existence of a latent luxury value construct influenced by financial, functional, individual, and social value perceptions toward the brands. This helps explain the key luxury values that managers must establish or monitor for creating a lasting luxury brand. Even if the impact of each of the antecedent constructs and the key dimensions on the overall luxury value perception may vary across different cultures, we believe that the luxury market not only allows a homogeneous marketing approach across national boundaries but demands such an approach: The cosmopolitan wealthy and ultra-wealthy expect to get the latest designer label offerings no matter where they shop – be it New York, Paris, Moscow, or Hong Kong. The desire to possess the latest fashion and the original designer ‘must-haves’ as promoted in the global magazines spans the globe – the high-end buyers fear the hassle of being stuck with an item that’s ‘so last season’. Even the needs of consumers who buy and consume luxury goods (e.g., accessories or perfume) only in specific circumstances and exceptional moments can be found in our universal luxury value structure.

In the strategic planning of the utilitarian, affective and symbolic product categories across regional boundaries, luxury brand marketing managers should avoid narrowly confining their perspective to the consumer’s desire to impress others. A comprehensive marketing strategy of luxury brands rests not only on social aspects but also on the benefits of the dimensions proposed in the shown model. Moreover, it is highly advisable to conduct luxury brand marketing management with multiple brand-positioning strategies as the luxury brand can be positioned, for example, as enhancing social status by providing the consumer with an impression management function or enhancing individual status for meeting personally oriented consumption goals.

From a market segmentation point of view, clustering groups according to their primary perceived values of luxury for a brand may reveal other demographic or psychographic characteristics which may better represent these consumers. The proposed factor structure for the concept of luxury value provides a basis for developing several profiles of consumers and may indicate distinct market segments to which different sets of luxury products appeal or advertising strategies could be implemented. Based on our conceptualization and empirically verified principles, marketers can improve purchase value for different cross-cultural segments of consumers who may differ in their luxury orientations and prefer that a certain luxury brand or product satisfies either their cognitive or emotional needs. To some, the social dimensions such as the conspicuousness, popularity or exclusivity of the luxury brand might be of particular importance as they signal wealth, power and status, and strengthen membership of peer groups. To others, luxury goods might serve as a financial investment or have to meet their individual standards of superior quality. Another segment’s luxury brand consumption might stem from hedonistic or materialistic motives that express their individual self. In sum, luxury brands have to encompass the consumer’s values to justify the purchase. Since the world of luxury brands is not homogeneous, the product category and situational characteristics play an important role. From the consumer’s perspective, each luxury product can provide a certain set of values and may be more appropriate in certain situations than in others. Thus, marketers have to consider individual differences in associating luxury values with certain situations. Knowledge of these differences can be an important starting point in designing appropriate marketing campaigns.

From a market positioning point of view, if monitoring a luxury brand indicates a declining level of luxury, researchers could identify and concentrate on the specific luxury value dimension which is weakening. Accordingly, researchers may change the advertising message, stressing the perceived values and emphasizing benefits of the luxury brand over competing brands.

Generally, concerning the managerial implications of our research, two basic strategic directions should be considered: First, a more adaptive strategy that aims at the identification and satisfaction of existing needs and wants against the background of established luxury perceptions and value estimations. Second, a strategy of actively influencing customers’ needs and wants in accordance to the company’s goals. In the first case, it is

necessary to incorporate a multi-dimensional measure as developed in this contribution to empirically examine the existing patterns of consumers' luxury value perceptions. It may serve as a general basis to optimize positioning and targeting strategies, for example, a more individualistic or social-oriented positioning of a certain luxury brand. In this case, the approach of market segmentation would be an inductive one, which Green (1977) termed post hoc segmentation. In the second case, trying to define a positioning strategy in a more deductive way, a luxury marketer may start with the question of which luxury concept might fit best to the company's situation (goals, products, and culture). Certainly, the challenge will be to identify a luxury consumption pattern which allows a globally standardized marketing program with a unique competitive differentiation and advantage. In this case, our multi-dimensional model might be used to creatively identify interesting luxury consumption patterns that can be incorporated in a decisive positioning strategy which is supported by an 'a priori segmentation'. Bearing in mind that the world of luxury brands and consumption is not homogeneous, in both cases it might be a useful approach to concentrate on cultural regions instead of national borders following Hofstede's cultural dimensions (1980, 1997, 2001) and the distinction of different cultural clusters (cf., Kale 1995) with similar luxury perception and consumption patterns. In this context, the collaboration between marketing researchers and marketers is crucial and might lead to valuable findings in the area of cross-cultural luxury research.

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