THE ART AND SCIENCE OF LUXURY

AN ASIAN PERSPECTIVE

Edited by Srinivas K. Reddy and Jin K. Han

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Contents

Foreword

The Asian footprint in the global luxury market now looms larger more than ever, as the Chinese consumers continue to be the main driving force propelling this trend. According to the *Bain & Company Luxury Study*, the sales growth forecast for luxury goods in China stands at 20 percent – all the while the two largest markets, Europe and the Americas, are expected to remain flat due to their strong currencies. As for the rest of Asia, the region chalked-up a brisk seven percent growth, led by South Korea, along with Singapore, Thailand, Taiwan, coupled with Hong Kong and Macau slipstreaming on China's robust performance. Only the luxury sales figures for Japan showed slight softening at three percent growth. The study's most significant announcement, however, is that the Chinese consumers will account for nearly half of the sales in the estimated €365 billion (US$412.29 billion) global market by 2025.

For the global luxury industry, the unbridled exuberance on the increasing patronage of the Chinese consumers, inevitably, is not without a flipside. That is, any potential downside impact associated with Chinese shoppers will be felt just as hard. With a dark cloud forming over the high-end shopping industry due to (1) the economic slowdown in China coupled with (2) geopolitical threat of a U.S.-Sino trade war, some signs of weakening consumer confidence are already appearing, and in turn, moderated spending for luxury by Chinese consumers. To navigate through the current challenging macro-environment, it has become even more imperative for luxury manufacturers to identify key emergent trends in the industry. Some key trends highlighted in the trade and press are as follows.

- Chinese consumers are purchasing luxury products increasingly in China versus abroad – as the price differential is decreasing and the strong currencies abroad make foreign travel and shopping more expensive. Luxury brands need to focus on designing and delivering exceptional customer experience in the Chinese market to capitalize on this trend.
- There is a rudimentary shift in consumer values towards luxury experiences from owning high-end tangible goods. Millennials

are transforming the definition of luxury and status as *carpe diem* philosophy of pursuing Instagram-worthy experiences or checking-off items on a bucket list has a higher value to this generation than owning luxury items. Bain estimates the luxury goods and experiences together comprise €1.2 trillion market globally. Luxury goods manufacturers need to extend their product lines to include experiences and/or bundle status goods and experiences to accommodate the fundamental shifts in demands for status and luxury.

- Digital channel sales of luxury goods are increasing nearly three times faster online compared to those of the offline channel, according to a Euromonitor International report. To this end, as many luxury brands belatedly but increasingly embrace the digital channel to implement their omni-channel strategies, Pamela N. Danziger of *Forbes Magazine* underscores the need to program a "human dimension" into the digital channel to enhance digital human experience.
- With the rising global resentment towards income inequality and the wealthy elite, the practice of proudly wearing wealth conspicuously is going out of favor in preference for a more subtle approach – and the Asian region is no exception to this prevailing trend. Luxury brand manufacturers need to deliver the essence of status and luxury inconspicuously without sacrificing the enjoyment that accompanies luxury shopping and ownership.
- Opportunities to cross pollinate between East and West is increasingly emerging as creative influences of Asian cultures and trends are reshaping global luxury businesses. For example, Louis Vuitton's small charms on handbags is an idea generated purely from Asia, which racked up US$500 million profit for the company. The old paradigm of luxury exclusively coming from the West warrants a major revision as Asia has raised its luxury game not only as a consumer but also as a source.

The selected papers in this book have touched upon, yet are not limited to, the issues outlined above. We hope these papers provide new insights into the luxury business and moreover, that these papers serve as a fertile platform for further interest, research, and discussion.

The Impact of Attitude Functions on Luxury Handbags Brand Consumption in Indonesia: An Age-Based Group Comparison

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

ABSTRACT

Objectives – This study examines the factors that influence purchase intention of Generation X and Generation Y towards luxury handbag brands in Indonesia and test the linkage of age between the dependent and independent variables.

Method – The explanatory study is using multiple linear regressions to test all hypotheses and utilizing Independent T-Test for additional analysis to compare two or more demographic groups in the analysis.

Results – The result of the study indicates that age was not shown as a moderator between purchase intention and the independent variables. Social-adjustive function, value-expressive function, hedonic function, utilitarian function, functional value dimension, and vanity achievement have a positive linear relationship towards purchase intention.

Conclusion – Indonesian consumers' purchase intention of luxury handbags are mainly influenced by social-adjustive function, value-expressive function, hedonic function, utilitarian function, functional value dimension, and vanity achievement.

Key words – luxury handbag brands, luxury handbag brand consumption, Generation X, Generation Y

INTRODUCTION

This synthesis research is based on two studies by Michael Schade, Sabrina Hegner, Florian Horstmann, and Nora Brinkman (2015)

entitled "The Impact of Attitude Functions on Luxury Brand Consumption: An Age-Based Group Comparison" and another research by Mohd Noor Mamat, Norshazreena Mohd Noor, and Norshaheeda Mohd Noor (2016) entitled "Purchase Intentions of Foreign Luxury Brand handbags among Consumers in Kuala Lumpur, Malaysia".

Phau and Prendergast (2000) stated that luxury brands encourage exclusivity, renowned brand identity, high brand awareness and perceived quality, maintained sales and customer loyalty. This type of brand is valued highly by customers and priced highly by the company.

Every person may have a different way in expressing himself or herself. One of the ways is to use fashion to express who they are. There are several fashion products that could be utilized to express the personality of a person. One kind of fashion products is handbags, particularly the luxury ones. There are many different brands of luxury handbags in the world. Luxury handbags are mostly known by the quality of the product and the exclusivity that entails an expensive product.

It has been noted that age differences or generational differences may lead to different purchasing behavior and even value orientation (Hellevik, 2002). Luxury brands have a wide range of target markets that can be grouped into different generations. Different age groups will possibly have different motives for purchasing luxury handbags (Bobila, 2016). There is an increasing number of young consumers who respond positively to luxury consumption (Roland Berger Strategy Consultants, 2012). This study indicates that both older and younger consumers purchase luxury goods. We foresee that the motivation or purchase intention of a customer is influenced by their age. As stated by Diehl and Hay (2011), age is a vital aspect that influences personal motivations.

The aim of this study is to identify the impact of attitude functions, functional value dimension, and vanity achievement towards the purchase intention of Generations X and Y of luxury handbag brands.

LITERATURE REVIEW

Luxury handbag brands are unique and each of them illustrates this uniqueness in an exclusive way. Besides functioning as a carrier, these luxury bags can be an asset for investment. According to Forbes (2016), the top ten designer bags to invest in in 2016 included Chanel,

Louis Vuitton, Hermes, Chloe, Gucci, Fendi, Yves Saint Laurent, Alexander McQueen, Givenchy, and Dior.

The target market of these brands' products can be divided into two different generations, Generation X and Generation Y. Gurau (2016) has noted that Generation X are people who were born in the years between 1961 and 1979 while Generation Y were born between 1980 and 1999.

Besides identity development theory, Inglehart (1977) proposed a different theory to divide the population, namely the generational cohort. Generational cohort is a theory used to group the population in different segments by dividing the population based on the year they were born. There are three different segments to differentiate the population according to Gurau (2012) including baby boomers, Generation X, and Generation Y. Baby Boomers are people who were born in the years 1946 – 1960, Generation X is a group of people born between 1961 and 1979, while Generation Y is a group of population that were born in 1980 – 1999. Generation X grew up in a situation where the economy was still unstable; their parents were working, or they had single/divorced parents. Therefore this generation tends to be more independent at a young age (Lyons, et al., 2007). Different than Generation X, according to Parment (2011), Generation Y grew up in a growing economic situation and fast development of social media.

Functional Theories of attitudes consist of four different attitude functions including social-adjustive function, hedonic function, and utilitarian function (Schade., et al, 2015). According to Bian and Forsythe (2012) social-adjustive function is a process to purchase and use such brands to gain acceptance in the peer group and also to maintain relationships within the group. For instance a person in the middle to upper social class peer group bought a luxury handbag brand in order to be recognized by the group member. This attitude function is important for an individual to adjust themselves to meet the expectation of others (Bearden, Netemeyer, & Teel, 1989). Social-adjustive function has been shown to influence purchase intention (Schade, et al., 2015). In this study, it is hypothesized that social adjustive has stronger influence towards purchase intention of luxury brand for Generation Y than Generation X.

H1: The linkage between social-adjustive function and luxury brand purchase intention is stronger for Generation Y than Generation X.

Besides social-adjustive function, value-expressive function is one of the factors influencing the purchase intention of Generation X and Generation Y of luxury handbag brands. Value-expressive function can be defined as a tendency of consumers to purchase and use brands to state their identity, including their beliefs, attitudes, and values to their peer group (Bian & Forsythe, 2012). Most consumers purchase a brand for hedonic reasons such as to gain sensory pleasure, aesthetic attractiveness, and to get excitement by having the products from the luxury brand (Dubois & Laurent, 1994).

Dubois and Laurent (1994) stated that hedonic function is important in representing satisfaction and sensory pleasure the consumer experienced using a brand. Utilitarian function is focusing on the quality, performance, and rational purposes of goods (Tynan, McKechnie, & Chhuon, 2010). Consumers pay more attention to the durability of their desired goods (Voss, Spangenberg, & Grohmann, 2003).

Besides attitude functions, there are two factors influencing Generation X and Generation Y in purchasing luxury handbag brands such as function value dimension and vanity achievement. Functional value dimension is not much different from utilitarian function. Function value dimension refers to the functionality of the product (Mamat, et al, 2016). It shows how consumers consider a product's performance, sophistication, and superiority (Mamat, et al, 2016). According to Mamat and Noor (2016), vanity achievement is about an individual's pride in terms of education, career, life, etc.

2.1 VALUE-EXPRESSIVE FUNCTION

Value-expressive function can be defined as a tendency of consumers to purchase and use brands to state their identity, including their beliefs, attitudes, and values to the peer group (Bian & Forsythe, 2012). This type of consumer is usually motivated to purchase a luxury brand because they want to express their personality by using it even though it is not in the same taste as his/her social group (Shavitt, 1990).

The value-expressive function foresees that the development of an individual's attitude to the object is based on his or her values (Muzikante and Renge, 2011). The values constitute a more stable construct than the attitudes, and the results of previous studies prove the link between this construct and the attitudes (for example, Maio & Olson, 1994). Value-expressive consumers focus on who they really are, find what suits them based on their character and purchase

it to represent their personality (Hudders, 2012). According to Erikson (1963), young adults at the age of 26-39 have high enthusiasm in expressing their identity rather than late adolescent consumers because the late adolescents feel that they do not need to communicatetheir identity to others. While middle-aged adults, who are consumers aged between 40 and 59 years old, start to accept their limitation by adjusting themselves to a more "passive" environment (Lesser & Kunkel, 1991). Therefore, it is assumed that young adults have the highest level of expressive identity.

Younger consumers tend to choose products or brands that are new in the market, are able to make a change in their daily life and set their expectation to take risks, while the older generation is more cautious about brands they purchase (Botwinick, 1978).

Value-expressive function has been shown to influence purchase intention (Schade, et al., 2015). Therefore it can be hypothesized that value-expressive has a stronger influence towards purchase intention of luxury brands for Generation Y than Generation X.

H2: The relation between value-expressive function and luxury brand purchase intention is stronger for Generation Y than Generation X.

2.2 HEDONIC FUNCTION

Based on the "Functional Theories of Attitudes", besides social attitude function, this theory also consists of hedonic function (Wang, 2009). Most consumers purchase a brand for hedonic reasons to gain sensory pleasure, esthetic attractiveness, and fulfillment of excitement by having the brand (Dubois & Laurent, 1994). Dubois and Laurent stated that the hedonic function is important in representing satisfaction and sensory pleasure derived from the consumer experienced using the brand.

Fulfillment of excitement can be linked to nostalgic experience. Lambert-Pandraud and Laurent (2010) stated that nostalgic experience could be a motivational factor of consumption for older customers, to reminisce about the old days when they had used the brand before.

Hedonic function has been shown to influence purchase intention (Schade, et al., 2015). Therefore, it can be hypothesized that there is no significant difference in terms of impact of attitude's hedonic function towards purchase intention of luxury brand between Generation Y and Generation X.

H3: Generation X and Generation Y are influenced similarly by hedonic function towards purchase intention of luxury handbag brands.

2.3 UTILITARIAN FUNCTION

One of "Functional Theories of Attitudes" is utilitarian function. It is focusing on the quality, performance, and rational purposes of goods (Tynan, McKechnie, & Chhuon, 2010). Consumers pay more attention to the durability of their desired goods (Voss, Spangenberg, & Grohmann, 2003). Wiedmann, Hennings, and Siebels (2009) believe in the context of luxury brand consumption, luxury brands provide higher quality and better performance for consumers to purchase than other brands.

In Western societies, utilitarian function has great influence in the purchase intention of luxury brands (Shukla & Purani, 2012). Based on "Identity Development Process" there is no differences among three different age groups including late adolescents, young adults, and middle aged adults concerning the effect of utilitarian function towards purchase intention of a luxury brand.

According to Lambert-Pandraud and Laurent (2010), older consumers or Generation X tend to make a purchase of goods based on their previous experience and choose long and well-established brands because they trusted the brands.

In addition to that, utilitarian function has been shown to influence purchase intention (Schade, et al., 2015).

Therefore, it can be hypothesized that:

H4: Generation X and Generation Y are influenced similarly by utilitarian function towards purchase intention of luxury handbag brands.

2.4 VANITY ACHIEVEMENT

According to Netemeyer (1995), physical vanity and vanity achievement have great influence on an individual's purchase intention. Physical vanity is an extreme concern for an individual's physical appearance. When a consumer is conscious about his/her physical appearance and is embarrassed if he/she does not dress appropriately for the occasion, it could be categorized as physical vanity. On the other hand, vanity achievement is an immoderate concern for individual's personal achievements. According to Mamat and Noor (2016), vanity achievement is about an individual's pride in terms of education, career, life, etc.

Vanity achievement has been shown to influence purchase intention (Mamat, et al., 2016). As stated by Peralta (2015), Generation X primarily has the highest concerns about their own physical appearance as they care about what others think about them. On the other hand, Generation Y individuals purchase a luxury handbag in order to show the people around them that they have a high level of spending power as a sign of their own achievement (Martin & Turley, 2004).

Therefore, it can be hypothesized that:

H5: Generation X and Generation Y are influenced similarly by vanity achievement towards purchase intention of luxury handbag brands.

2.5 FUNCTIONAL VALUE DIMENSION

Function value dimension refers to the functionality of the product (Mamat, et al, 2016). It shows how consumers consider a product's performance, sophistication, and superiority (Mamat, et al, 2016). The functional approach suggests that attitudes can fulfill an individual's psychological needs (Olson and Zanna, 1993). The functional approach addresses the motivational drivers of people's attitudes, or the functional underpinnings of their attitudes as conceptualized by Smith, Bruner and White (1956 in Gregory, Munch and Peterson, 2002) as well as Katz (1960 in Gregory et al, 2002). Functional value dimension could be one of the influences of a consumer's purchase intention towards luxury brands following other variables including social function attitudes, hedonic function, utilitarian function, and vanity achievements. Functional value dimension has been shown to influence purchase intention (Mamat, et al., 2016).

In this study, it is posited that both Generation X and Generation Y individuals are equally influenced by functional value dimension of attitude in forming purchase intention of luxury handbags.

H6: Generation X and Generation Y are influenced similarly by functional value dimension towards purchase intention of luxury handbag brands.

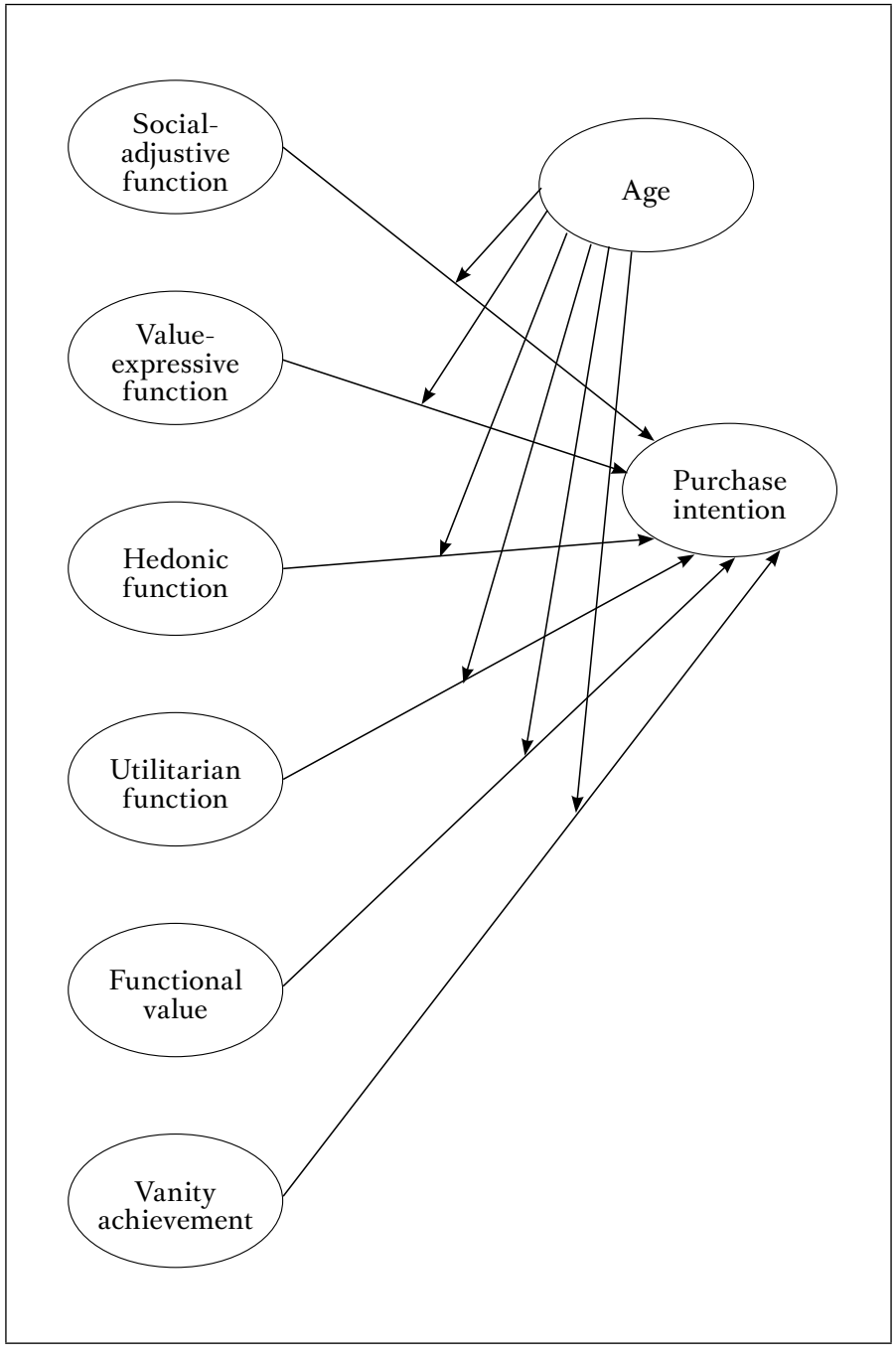

Figure 1: Conceptual Research Model

	Hypothesis
H1.	The linkage between social-adjustive function and luxury brand purchase intention is stronger for Generation Y than Generation X.
H2.	The relation between value-expressive function and luxury brand purchase intention is stronger for Generation Y than Generation X.
H3.	Generation X and Generation Y are influenced similarly by hedonic function towards purchase intention of luxury handbag brands.
H4.	Generation X and Generation Y are influenced similarly by utilitarian function towards purchase intention of luxury handbag brands.
H5.	Generation X and Generation Y are influenced similarly by functional value dimension towards purchase intention of luxury handbag brands.
H6.	Generation X and Generation Y are influenced similarly by vanity achievement towards purchase intention of luxury handbag brands.

Table 1: Summary of Hypotheses

RESEARCH METHODOLOGY

In this study, the researchers used two different approaches. The preliminary study conducted at the beginning of this research utilized a qualitative approach to gain insights into different luxury brands that the respondents have purchased and are familiar with. In the main study, the researchers applied quantitative method by using a survey as a tool to gather data. The questionnaires were distributed to 150 respondents in total. The researchers used cross-sectional method as time horizon to implement the study at a single specific time.

The researchers utilized non-probability sampling, a technique that does not require any estimation for the probability (McDaniel & Gates, 2015). According to McDaniel and Gates (2015), there are two types of non-probability sampling, which are convenience sampling and judgmental sampling. The latter has been chosen as a sampling method for this study; it was used by the researchers because of the possibility to recruit respondents who are suitable for the research.

By using judgmental sampling, the authors could ease the process of finding potential respondents acceptable for the criteria of the survey, approach them with no trouble in a limited time, and attain

targeted respondents as planned. In this study, the researchers also used secondary data to gather different information regarding this study because it is more valid and reliable in advance. The secondary data was obtained through a variety of business and marketing-related journals, Internet search, and books.

Multiple regression analysis method using SPSS software was utilized by the researchers to analyze the relationship among six independent variables into one dependent variable, which is luxury handbags purchase intention of Generation X and Generation Y. This analysis examined six different variables, including social-adjustive function, value-expressive function, hedonic function, utilitarian function, functional value dimension, and vanity achievement to purchase intention of luxury handbag. A moderator analysis was also conducted using age as a variable.

Dependent Variable	Independent Variable	R^2	ß	ANOVA	Sig.	Acceptable Alpha	Conclusion
Purchase Intention	ß0 Constant	0.652	-1.056		0.02	0.05	
	Social-Adjustive Function (SA)		.201	0.000	.011		Supported
	Value-Expressive Function (VE)		.142	0.000	.041		Supported
	Hedonic Function (HF)		.207	0.000	.011		Supported
	Utilitarian Function (UF)		.197	0.000	.009		Supported
	Functional Value Dimension (FVD)		.203	0.000	.008		Supported
	Vanity Achievement (VA)		.213	0.000	.002		Supported

Table 2: Research Findings

Dependent Variable	Independent Variable	R^2	ß	ANOVA	Sig.	Acceptable Alpha	Conclusion
Purchase Intention	ß0 Constant	0.652	-1.164		0.03	0.05	
	Social-Adjustive Function (SA)		.213	0.000	.009		Supported
	Value-Expressive Function (VE)		.156	0.000	.035		Supported
	Hedonic Function (HF)		.211	0.000	.010		Supported
	Utilitarian Function (UF)		.195	0.000	.011		Supported
	Functional Value Dimension (FVD)		.195	0.000	.013		Supported
	Vanity Achievement (VA)		.207	0.000	.003		Supported
	Age		.061	0.000	.572		Not Supported

Table 3: Regression Analysis Results

FINDINGS & DISCUSSION

The following is the result of analyzing the impact of six different independent variables (social-adjustive function, value-expressive function, hedonic function, utilitarian function, functional value dimension, and vanity achievement) towards the purchase intention of Generation X and Generation Y on luxury handbag brands.

Based on the Table 3 above, it is evident that both Generation X and Generation Y are both significantly influenced by all six independent variables equally on purchasing luxury handbag brands. Both generations purchase luxury handbag brands as a way to gain acceptance in their peer groups and also because the quality of these luxury handbags are desirable to them.

The findings suggest that luxury brand companies can establish a community of their customers, continue to produce high quality products, develop a campaign that emphasizes on the values that the customers want from the products, and produce modernized designs to target Generation Y. The community is aimed to develop a relationship between the users of the brand and increase the exposure of the brand itself. Selected loyal customers and influencers can be gathered in a community that could help strengthen branding efforts of the brand. The members of this community can be authorized as the brand's ambassadors from Indonesia, with a role to represent the company's image and its product offerings. Besides having a community, luxury brand companies should develop a campaign promoting self-confidence due to the lack of individuals' confidence in themselves for both Generation Y and Generation X. Luxury brand companies should provide more handbags with a variety of designs and styles that represent the interests of Generation Y without putting aside the classic value of the brands.

CONCLUSION

In conclusion, there are several motives behind purchasing luxury handbag brands for Generation X and Generation Y including social-adjustive function, value-expressive function, hedonic function, utilitarian function, functional value dimension, and vanity achievement. Generation X and Generation Y are equally affected by all these six factors in purchasing luxury handbag brands. Both generations purchase luxury handbag brands to gain acceptance from their peer groups and also to show their identity through using branded handbags. Additionally, Generation X and Generation Y buy luxury handbag brands due to the quality offered by the brand, making a purchase decision based on the handbag's good quality, trustworthy performance, and attractive design.

Based on the findings of this study, respondents from Generation X and Generation Y purchase luxury branded handbags to gain aesthetic pleasure and to be perceived as attractive by others. Lastly, it was found that intention of both generations in buying luxury handbags is due to their concern about their physical appearance, as they consider using the luxury branded handbags will improve their look.

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Mileage Out of Millennials

By **Pritish Bhattacharya**, Research Officer, ISEAS – Yusof Ishak Institute (Singapore)

ABSTRACT

Over the course of the past few decades, the luxury market has grown exponentially. Millennials are new, but significant contributors to this trend. While extant literature is replete with studies on behaviour exhibited by "traditional" luxury consumers, little research has been devoted to analyse Millennials as a separate subgroup. This chapter takes a small step to fill that gap. Through a hermeneutic analysis of interviews conducted with 89 Millennial luxury buyers of 17 different nationalities, common themes were identified. Based on their responses, it was found that luxury holds a different meaning for Millennials as compared to customers from previous generations. Specifically, the aspect of "exclusivity," which has been the mainstay of the textbook definition of luxury, appears to have taken a backseat in the minds of the Generation Y members. Before making a luxury purchase, they, on the other hand, focus on a set of four "worth it" attributes – functionality, durability, design, and unique identity. Given that Millennials are no longer as financially fettered as they were a few years ago, the findings of this study can help brand managers to acquaint themselves with the emerging demographic group's unique luxury consumption motivations and develop suitable marketing strategies to secure mileage out of them.

Keywords: Luxury, millennials, exclusivity, hermeneutics, brand management

1. INTRODUCTION

Throughout history, the popularity of luxury goods and services has been dependent on a carefully orchestrated supremacy of "wants" over "needs." The latest sales growth figures of the luxury goods industry clearly illustrate that this strategy has worked brilliantly – in 2017, for instance, the global luxury market grew by 5 per cent to an estimated US$1.39 trillion. An increased appetite for, and subsequent sales of luxury – cars, personal goods, hospitality,

travel, and food and wine were major contributors to this trend (Bain & Company 2017). According to Deloitte's *Global Powers of Luxury Goods 2018* report, the cumulative annual sales value for the world's top 100 luxury companies alone stands at US$2.2 billion. The same report shows that the composite profit margin of these brands reached a staggering 8.8 per cent in 2017. It is not difficult to understand how. In May 2017, Christie's in Hong Kong broke the world record for the most expensive bag ever sold at auction when a white Himalaya crocodile diamond Birkin bag by Hermès realised US$379,261[i]. In another auction in November 2017, a Patek Philippe 5208T watch sold for around US$6.2 million[ii]. While such numbers might give luxury brands the illusion that their existing marketing approach is infallible, the emergence of a new, almost non-conformist, category of consumers – Millennials – will not allow the sense of complacency to set in.

By definition, Millennials, or members of "Generation Y" refer to individuals born between the early 1980s and early 2000s. Currently, they account for over 2 billion of the world's population. Although they are far from being homogeneous, a number of studies have shown that Millennials, as a group, are significantly different from "Baby boomers" and "Generation X." Specifically, they have been found to be more educated, affluent, ambitious, independent, technologically adept and self-identity driven (Howe and Strauss 2009; Pew Research Center 2010; Hartman and McCambridge 2011; Hawkins and Mothersbaugh 2012; Jain and Pant 2012).

Even without academic evidence, a quick Google search on some of the buzzwords that are most commonly associated with Millennials can easily highlight the dissimilarity between them and other demographic groups in terms of general attitudes, career aspirations, and long-term ambitions. As of July 2018, some of these trending jargons/phrases include: "FOMO" (fear of missing out); "YOLO" (you only live once); "boujee" (an adjective used to describe someone who is part of the elite); "the struggle is real"; and "on fleek" (employed to describe something that looks good or has been executed well). Fortunately (for adventure seeking marketers) or unfortunately (for change averse brands), as Millennials continue to amass greater market power, their distinct behaviour is also beginning to reflect itself in their shopping patterns in general, and luxury purchase in particular. The subtle ways in which these new-age

shoppers are gradually redefining the basic doctrines of the luxury industry forms the main body of this study.

Using hermeneutics to analyse in-depth interview responses of a group of diverse Millennials, this research aims to answer three overarching questions regarding luxury consumption. First, has the notion of luxury undergone a transformation in recent years? Second, does there lie a noteworthy difference in the way Millennials approach luxury as compared to buyers belonging to other generations? And third, what can high-end brands do to attract Millennial shoppers and retain them in the long run?

To this end, the chapter is structured in the following manner. After the introduction, the second section reviews the literature on the array of factors explaining luxury acquisition. The subsequent section describes the methodology employed in this research. The main findings are presented in the fourth section, and the final section concludes the chapter with a discussion on the theoretical and managerial implications of this study.

2. LITERATURE REVIEW

Over the past century, not many social scientists have been successful in constructing a standard definition of a luxury good. Extant literature, however, is packed with detailed studies that shed ample light on its individual facets and factors justifying its rapidly growing consumption. Among these, Veblen's *The Theory of the Leisure Class* (1899) is one of the most often cited commentaries that elucidates the charm of possessing luxury. Elaborating on the concept of "conspicuous consumption," the author posited that in order to gain and hold the esteem and envy of fellow men, wealth must be evident and prominent. What Veblen said 119 years ago continues to be dissected until this day. Some scholars have unreservedly backed the theory, while others have highlighted the exact conditions under which it can be applied in contemporary times (see Basmann *et al.* 1988; Bagwell and Bernheim 1996; Mason 1998; Dolfsma 2000; Trigg 2001; Chaudhuri and Majumdar 2006; Truong 2010).

Five decades after the famous treatise, Leibenstein (1950) added "bandwagon effect" and "snob appeal" to the list of motivations behind the non-functional demand for luxury goods. While the former describes the increase in demand for a good because everyone else is purchasing it, the latter concept deals with individuals decreasing

the consumption of a good to disassociate themselves from the "common herd." Along similar lines, Dubois and Paternault (1995) argued that the prestige factor associated with a luxury brand gets eroded with the destruction of its rarity, i.e., if too many people own its product(s). This "rarity principle" was further extended by Roux and Floch (1996) who claimed that luxury brands always face a paradox. On one hand, these companies, following simple economics, want to maximise profits; on the other, they can never sell or standardise too much, fearing commoditisation. The allure and strict inaccessibility of luxury was also emphasised by Kapferer (1997) when he stated "luxury brands must be desired by all, consumed only by the happy few." In the same vein, the "dream value" of high-end brands and the eagerness of their target consumers – a small group with high disposable income – was explained by Phau and Prendergast (2000).

Across these and dozens of more classic studies spanning several decades, the common theme that comes forth is that of exclusivity – both of the luxury brand as well as the luxury good. However, this idea of using luxury primarily to distinguish oneself from the majority through hard-core status signalling is now being rivalled by other, more up-to-date, consumption motivations.

Recent literature draws attention to purchase decision (regarding luxury and also non-luxury goods) that is strongly driven by factors like functionality (Vickers and Renand 2003), personal satisfaction (Silverstein and Fiske 2003, 2005), self-fulfilment goals and personal orientation (Tsai 2005), and emotional attachment and love towards a brand (Thomson *et al.* 2005; Carroll and Ahuvia 2006; Hwang and Kandampully 2012). Vigneron and Johnson (2004), in particular, developed a sophisticated theoretical framework for a comprehensive "brand luxury index" based on perceived-conspicuousness, uniqueness, extended self, hedonism, and quality of luxury brands. Another model of luxury value perception was created by Wiedmann *et al.* (2007) that emphasised four dimensions: social; individual; functional; and financial values.

It is interesting to note that most of the "newer" studies mentioned above are based on samples comprised young adults – mainly university students or new entrants to the job market. This suggests that focussing on a younger cohort of shoppers could potentially help to decode even more determinants of luxury consumption

behaviour. In fact, almost every major consulting company (including KPMG[iii], Boston Consulting Group[iv], McKinsey & Company[v] *inter alia*) has highlighted the emergence of new-age buyers and the need for luxury brands to cater to their changing tastes for sustenance over the next few decades. Millennials are predicted to represent 40 per cent of the global personal luxury goods market by 2025 (Bain & Company 2017), but this young group does not have sufficient marketing literature explicitly devoted to its unique relationship with luxury. Thus, 89 members of this demographic cluster form the sample of this study. The research findings will be beneficial for brand managers to not only comprehend Millennials' preferences, but also revise their short- and long-term marketing strategies accordingly.

3. RESEARCH METHOD

Since the overall objective of this study is to gain empirical insights into the Millennials' mindset with respect to luxury, a qualitative research method is employed. While statistical analysis could also be used to reveal certain fundamentals of the young consumers' shopping habits, an interpretivist approach can provide a more well-rounded idea about their general attitudes as well as specific feelings towards luxury goods and brands. Therefore, for the purpose of data collection, individual in-depth interviews were conducted.

3.1 Sample Selection

Although the exact cut-off year of birth of Millennials is not watertight in academic literature, in this study, an individual is considered a Millennial (or equivalently a Generation Y member) if s/he was born between 1982 and 2004 (Howe and Strauss 2009; Howe 2014).

Fifty-one female and 38 male Millennial luxury consumers (n = 89) between the ages of 18 and 35 years (x = 27 years, s.d. = 4 years) working in Singapore were chosen to form the interviewee sample using a non-probability (snowball) sampling technique. In order to qualify as a luxury consumer, the participants must own luxury goods and have purchased at least two personal luxury goods[vi] in the past year. To maintain diversity while forming the sample, the participants were carefully chosen from different backgrounds – age, academic qualification, occupation, and number of years of experience with luxury were some of the variables that were considered. Collectively, the subjects represented 17 nationalities. The detailed interviewee profiles are presented in Appendix A.

3.2 Interview Procedure

Prior to the formal interviews, a draft interview guide with a set of preliminary questions was prepared and used for a face-to-face pilot study with three random participants. The purpose was to elicit their responses for: setting the tone and overall direction of the final interview; making sure that no important topics were omitted from the study; adding some points that were previously missed; and improving the clarity, phrasing and structuring of specific questions.

With the overall theme defined and discussion questions fine-tuned, the final interview phase commenced. Before beginning the session, the respondents were informed about the broad objectives of the study and their permission was sought to record their responses in audio format. Apart from anonymity, they were also assured that there were no right or wrong answers to the questions. To further ease them into the interview, the opening questions were related to general demographic information. Once the participants felt reasonably comfortable, more study-related questions were put forward.

Each interview was implicitly divided into two (roughly) equally timed segments. In the first part, the respondents were asked to share their basic understanding of what constitutes luxury and whether they attach any different meaning(s) to their ownership and use as compared to traditional shoppers. The questions in the second part, on the other hand, probed into the exact characteristics that they associate with luxury goods and brands. Notwithstanding the pre-planned template of the interview, the course of the dialogue was largely set by the respondents. The primary aim was to encourage them to talk freely about different sides of their consumption stories, and not to use their responses to accept or reject any hypotheses. Throughout the sessions, the questions basically posed as gentle nudges to make sure that the participants did not digress much.

3.3 Data Interpretation

The interviews were then transcribed from the audio files and the textual data was analysed using Thompson's (1997) hermeneutical framework. This approach is based on a "part-to-whole" interpretation of consumption stories, whereby parts of the story help to understand its whole meaning and *vice versa*. The use of hermeneutics requires

the investigator to undertake multiple readings of the interview transcripts in two phases. In the first *intratextual* phase, the text is read in its entirety to identify the larger "narrative movement" across different plot lines. Once a holistic picture can be traced, the second *intertextual* phase involves reading the individual interviews again to decrypt common (and unique) themes.

Since the simultaneous identification of both the consumers' broad meaning(s) as well as their specific features of luxury solely depended on the iterative reading of their verbatim interview transcripts, this study adopted two methodological criteria of textual data interpretation – the emic approach, and autonomy of the text (Thompson *et al*. 1989). Under the emic approach, the interpretation only relies on the respondents' own terms and category systems rather than the researcher's, thereby minimising the latter's bias. Likewise, the treatment of the interview text as an autonomous body of data ensured that inferences and conjectures that exceeded the evidence provided by the transcript did not corrupt the research findings.

4. FINDINGS

The views expressed by the Millennial consumers in this research shed light on their distinctive understanding of the concept and characteristics of luxury. In particular, the study showed how an up-and-coming generation of consumers can perceive and value an entire class of goods in a totally different manner as compared to other established groups of buyers.

4.1 Declining Importance of Exclusivity

Since time immemorial, one of the central attributes associated with luxury commodities has been exclusivity. In retrospect, it is not hard to see that the massive success of high-end brands has relied heavily on making sure that only a handful of individuals get to use their goods and services. So entrenched is this principle of scarcity-preservation that upmarket fashion labels like Burberry, Chanel and Louis Vuitton have been literally setting fire on their unsold stock of goods (*Newsweek*, 19 July 2018). One more example is that of the luxury fashion house Bijan – the brand experience is supposed to be so restrictive that even entry into its Rodeo Drive boutique requires an appointment to be made beforehand[vii].

The sampled Millennials, however, could not care less about the age-old tenet. An excerpt from the interview transcript of one of the participants corroborated the sentiment.

> *"My office is located at Raffles Place, where essentially every colleague of mine carries a Louis Vuitton handbag. Believe me, in one cursory glance across any street in this area, you will be able to spot at least a dozen ladies carrying the same bag. Did that motivate me to buy a similar bag? No! Did that deter me from buying a similar bag? Not at all! But coincidentally, I, too, carry the popular 'Neverfull' Louis Vuitton bag, but not to fit in or to stand out; I just like the bag and the brand. That's it!" – Interviewee #11, Australian, F, 29*

The idea of cherishing a luxury good simply because others do not have and/or enjoy it seems to be losing its appeal. The candid consumption story of another interviewee precisely conveyed the message.

> *"Unlike women, men have such limited choices when it comes to luxury fashion items. In addition, most men can't even tell the difference between luxury and plain stuff. For example, absolutely no one can tell that I am wearing handcrafted shoes from a luxury brand that cost me a fortune. Who cares anyway? The only reason I wear them is that they are very comfortable and sturdy. The pair is going to last for years, I'm sure." – Interviewee #19, American, M, 34*

Not only is exclusivity being side-lined, but a rival approach to luxury acquisition – collective consumption – is gaining momentum among Millennials. Interviewee #31 shared his experience.

> *"I'm a master's degree student at the National University of Singapore and a part-time employee at a local insurance company. My monthly salary is S$1,600 – much lower than what is needed to maintain a decent lifestyle here. But I still spent S$568 on the best seats available to see Britney Spears perform live in concert in Singapore. I'm not sure about people from other generations, but for me, that was luxury. Also, there were close to 8,000 people who had come to see her. We all had a great time together." – Interviewee #31, Singaporean, M, 27*

Two novel themes emerge out of the last narrative. First, the list of things that can clearly be categorised as luxury is expanding fast. A few years ago, it would have been virtually impossible to imagine concerts as luxury experiences. But with entry tickets to some shows being pegged at hundreds, and in some cases thousands, of dollars[viii], the phrase "luxury concert" does not seem all that oxymoronic anymore. Second, and more important, the consumption of high-end goods and services can be a shared experience with minimal loss of satiation for any buyer. Anyone who wants and has the resources to partake can do so without being worried about luxury being watered down.

From the preceding accounts, the message is rather lucid – for luxury brands, exclusivity cannot be the predominant sales and marketing strategy for Millennial buyers. These astute consumers seem to ascertain the value of a premium good not by the aura generated by the insignificant number of its existing users, but by the traits that make it worth buying.

4.2 Increasing Importance of "Worth It" Attributes

While the significance attached to exclusivity appears to be gradually diminishing, a collective group of features is quickly gaining the reputation of being the chief determinants of a luxury good's worth. Based on the discussions conducted in this study, four such "worth it" attributes surface: functionality; durability; design; and unique identity. Table A offers a selection of quotes and descriptive words from the interviews, each sorted into the four broad characteristics.

Attribute	Sample Quotes	Other Descriptors
Functionality	*"I entered a luxury store to purchase sunglasses and completely fell in love with a pair, only to realise that it did not offer UV protection. I did not want to waste time in that store and just bought a regular pair instead."* – Interviewee #39, South African, F, 31 "*Whenever I buy a jacket from a luxury store, I make sure that the fabric is all-weather so that I can wear it even when I am travelling out of Singapore."* – Interviewee #82, French, M, 28	• *Useful* • *Practical* • *Multipurpose* • *Adaptable* • *Comes in handy*

Attribute	Sample Quotes	Other Descriptors
Durability	*"If I am shelling out S$7,700 on a handbag, it [had] better last me a lifetime. I have had to save for a few months to finally buy the piece."* – Interviewee #37, Russian, F, 26 *"A luxury item can't be a 'use-and-throw' product, especially because of the price tag that comes along with it."* – Interviewee #1, Singaporean, F, 29	• *Long lasting* • *Heavy duty* • *Resistant* • *Well made*
Design	*"I don't know about others, but the first thing that catches my eye is the design of the product – be it luxury or otherwise. If it does not look appealing, I am not interested."* – Interviewee #46, Indian, M, 30 *"Design is key. Whether it's a classic design or a modern take, a cocktail dress from a luxury showroom has to look and feel great. It just has to."* – Interviewee #65, Dutch, F, 34	• *Cute* • *Fancy* • *Matt finished* • *Colourful* • *Slim fit* • *Lustrous* • *Sleek* • *Fashionable*
Unique Identity	*"At the end of the day, the luxury good should 'speak to me.' I, honestly, never use luxury to flaunt how well I am doing in life. The only factor I use to decide whether to buy or not is 'to what extent does the item represent me.'"* – Interviewee #55, Korean, F, 34 *"I have a strong bond with my luxury possessions. Each item that I have bought says something about me, my way of thinking, and my personal style. These are not random purchases; a lot of thought goes into each purchase decision."* – Interviewee #76, American, F, 30	• *Represents me* • *My reflection* • *Best suits my personality* • *Syncs between me and the product*

Table A: "Worth It" Attributes

Building on the assortment of views presented above, it is safe to say that exclusivity of luxury goods is insufficient to hold on to the attention of Millennials. Instead of focussing on limiting product supply, it is imperative for brands to assure their customers that buying their goods is truly worth the expense. From some of the anecdotes that the participants had shared, it can be surmised that for

a luxury good to be "a joy for ever" it needs to be much more than just a "thing of beauty." In addition to being utilitarian, long lasting and voguishly designed, it is becoming increasingly important for luxury products to incorporate elements of the users' identity and transform into their "extended selves" (Belk 1988).

It is also worth mentioning that these "worth it" attributes are not new discoveries, but their repeated mention during the interview sessions indicates that they cannot be ignored. Moreover, the Millennials included in this sample were observed to have consumed luxury for an average 2.65 years – a short but extremely decisive span for inculcating brand loyalty. By not adapting themselves to the demands of Generation Y during this nascent stage, brands could lose out on cultivating a clan of faithful customers in the future.

5. DISCUSSION

5.1 Will Millennials Cause Brand Dilution?

With the results showing that Millennials relegate exclusivity to a feature of little importance, it is reasonable for some luxury brand managers to equate this trend with brand dilution. Establishing such an equivalence, however, would be a misstep.

In precise terms, brand dilution refers to the negative feedback effects on core brand beliefs and attitudes (Magnoni and Roux 2012). Considering this definition, one can think of a number of factors that can tarnish a premium brand's reputation and prove detrimental to its ethos, including: ill-judged brand extensions; inadequate emphasis on innovation; or even careless management. However, the strategy of reaching out to Millennials by downplaying the exclusivity factor should not be added to this list of dilution triggers.

As a matter of fact, mindful of their increasing purchasing power, a handful of luxury brands have already started creating more Millennial-centric products. Today, other than mainstream luxury goods like apparel, jewellery and cars, there also exist luxury versions of mundane items like mobile phone cases, exercise equipment, cutlery and even candles (Figure A). If this drift towards small ticket goods is not characterised as dilution, then expanding the reach of a brand by focussing on the "worth it" attributes should not be seen as a cause of concern either.

Attelage Salad Fork and Spoon by Hermès

GG Lock Web Headband by Gucci

Summer Feel Ice Cream Magnet by Luis Vuitton

Medusa Medallion Keychain by Versace

Amore Print iPhone 7/8 Plus Case by Dolce & Gabbana

Black Yoga Mat by Chanel

Figure A: Some Millennial-centric Items Produced by Luxury Brands
Source: Official brand websites.

5.2 Theoretical and Managerial Implications

This study sets out to answer a few central questions regarding luxury consumption. With reference to the first question on whether the notion of luxury has transformed over the years, the answer oscillates between yes and no. As partly recorded in literature, even though the fascination with luxury remains unaltered, the motivations behind its consumption vary from one generation to the next. In the span of the last 100 or so years, individuals have been found to

acquire luxury for reasons ranging from flashing stature, joining a certain reference group, to fulfiling inward needs. The case of Millennials is even more peculiar. For them, not only is the basket of luxury goods expanding rapidly, but the characteristics that they associate with it are changing, too – as denoted by the two findings of this research. As more items join the tribe of luxury and as "fancy" varieties of everyday products are continuously introduced in the market, it would be interesting to see if a completely new definition of luxury makes an appearance in economics textbooks.

This leads to the second question on how Generation Y members differ from other buyers when it comes to shopping for luxury. Although far from being representative of the entire Millennial population, responses of the interviewees in this study suggest, most likely to the surprise of some, that the high-end brands' deep-rooted obsession with exclusivity might actually be unwarranted. Out of the 89 sampled Millennials, not a single participant insinuated that s/he derived pleasure out of luxury because of its rarity. This result is not perfectly aligned with established literature based on traditional shoppers and, therefore, merits further confirmation through future studies with larger samples.

The answer to the final question on how upmarket brands can rework their marketing strategies to attract and keep Millennial shoppers occupies the rest of this subsection. Since a majority of the participants mentioned that they are always on the lookout for functional luxury goods, brands must create products that are practical and evoke the consumers' satisfaction and not guilt. Prada's US$185 paperclip-shaped money clip[ix], Tiffany's US$1,000 tin can[x], and Balenciaga's US$2,145 version of Ikea's 99-cent shopping bag[xi] are a few examples of products that do not reflect this rule – as validated by the online backlash they received. Admittedly, it is not feasible to incorporate perfect functionality in one item; it is, therefore, vital for brands to extend price and product ranges and offer incremental useful features at corresponding price points. This could serve three purposes: first, an increased number of individuals could have a luxury experience; second, variety-seeking customers would have more to choose from; and third, everyone would know the exact return for their buck.

As a number of Millennials also look for durability in their luxury possessions, brands have to realise the significance of quality assertion.

Most new shoppers look at luxury goods through aspirational lenses. Moreover, these items are, by no means, inexpensive, which limits the buyers' purchase frequency. To ensure that the consumers feel fully contented with their occasional luxury acquisition and that they return to the store for more, it is crucial for brands to assure them of the good's durability in the form of guarantees. If, for some reason, a perfect guarantee cannot be offered, then hassle-free, in-house repair services should be made available.

When it comes to design, brands must offer a wide spectrum of aesthetics for consumers to choose from. Although Millennials can collectively think along similar lines on some aspects, expecting their design preferences to be perfectly harmonised might not be an accurate assumption. In such a scenario, communication is key. Practitioners are recommended to make regular use of on/offline channels to develop new ideas and stay on top of the ever-changing fashion trends. Conducting periodic surveys, collaborating with Internet personalities with large followings, and even directly contacting customers are some ways of getting quick feedback and reinventing products.

Last, but certainly not the least, a growing number of new-age luxury consumers desire a certain degree of concord between their identities and their luxury belongings. In other words, they would like the good(s) to express their ideal self-image to themselves as well as to others. To accommodate the needs of such buyers, brands can offer personalised services and charge premium prices. This recommendation, however, comes with a caveat. The customers' need for self–product compatibility should not be misconstrued as the need for exclusivity. Some individuals might want a modified version of a standard luxury good not because they want to stand out from the group of "ordinary" customers, but simply because they feel that the product, in its original form, does not capture their unique personal traits.

5.3 Conclusion

In literature, for a rather lengthy time span, young adult luxury consumers (including Millennials) have been overlooked at worst, or addressed as "nibblers," "day trippers," and "excursionists" at best (Husband and Chadha 2010; Kapferer and Bastien 2012). However, the recent increase in the buying capacity of this demographic group

should eliminate any excuse to liberally use these labels for them. To further back this argument, the findings of this research suggest that Millennials, unlike other consumer clusters, do not think of luxury goods as scintillating signals that differentiate them from the crowd. Alternatively, they base their purchase decisions on a set of four "worth it" factors: functionality; durability; design; and unique identity. As more facets of their consumption behaviour are uncovered in subsequent studies, it might be appropriate to get rid of the aforementioned not-so-flattering tags and, instead, refer to Millennials as "discerning devourers" of luxury.

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Appendix A

Interviewee Profile

Interviewee	Gender	Age	Marital Status	Nationality
1	F	29	Married	Singaporean
2	F	28	Unmarried	American
3	F	21	Unmarried	Korean
4	M	24	Unmarried	American
5	F	28	Unmarried	South African
6	F	25	Unmarried	Vietnamese
7	M	27	Unmarried	Singaporean
8	F	30	Married	Singaporean
9	M	31	Married	Indian
10	F	27	Unmarried	French
11	F	29	Unmarried	Australian
12	F	19	Unmarried	German
13	F	33	Unmarried	German
14	M	33	Unmarried	German
15	F	27	Unmarried	German
16	M	28	Unmarried	Indonesian
17	F	28	Unmarried	Italian
18	F	30	Married	Indonesian
19	M	34	Divorced	American
20	F	30	Unmarried	Australian
21	F	27	Unmarried	Vietnamese
22	M	25	Unmarried	Italian
23	M	24	Unmarried	Indonesian
24	M	24	Unmarried	Singaporean
25	F	24	Unmarried	German
26	F	29	Unmarried	German
27	F	29	Unmarried	Indian
28	M	31	Married	British
29	F	28	Married	British
30	F	28	Unmarried	British
31	M	27	Unmarried	Singaporean
32	M	26	Unmarried	Singaporean

Occupation	Highest Academic Qualification	Number of Years of Experience with Luxury
Financial Analyst	Bachelor's Degree	4
Language Tutor	Bachelor's Degree	2
Research Assistant	Bachelor's Degree	1
Operations Analyst	Bachelor's Degree	2
Management Consultant	Bachelor's Degree	2
Research Officer	Bachelor's Degree	1
Junior Actuary	Bachelor's Degree	3
Actuary	Bachelor's Degree	4
Mechanical Engineer	Master's Degree	11
Musician	Bachelor's Degree	2
Project Manager	Bachelor's Degree	3
Junior HR Trainee	Bachelor's Degree	2
Architect	Master's Degree	6
Research Fellow	PhD	4
Laboratory Assistant	Bachelor's Degree	1
Journalist	Bachelor's Degree	1
Management Associate	Master's Degree	2
Facilities Manager	Bachelor's Degree	3
Associate Fellow	PhD	4
HR Manager	Bachelor's Degree	2
Quantity Surveyor	Bachelor's Degree	2
Credit Analyst	Bachelor's Degree	3
Management Trainee	Bachelor's Degree	2
Communications Manager	Bachelor's Degree	4
Civil Engineer	Master's Degree	1
Civil Engineer	Master's Degree	1
Loans Officer	Bachelor's Degree	3
Financial Analyst	Bachelor's Degree	4
Financial Analyst	Bachelor's Degree	2
Financial Analyst	Bachelor's Degree	2
Systems Programmer	Master's Degree	3
Systems Programmer	Bachelor's Degree	1

Interviewee Profile

Interviewee	Gender	Age	Marital Status	Nationality
33	M	26	Unmarried	Russian
34	M	20	Unmarried	Russian
35	F	21	Unmarried	Russian
36	M	21	Unmarried	Russian
37	F	26	Unmarried	Russian
38	M	30	Unmarried	Singaporean
39	F	31	Unmarried	South African
40	F	32	Married	Swedish
41	F	32	Married	Swedish
42	M	35	Married	Indian
43	F	30	Unmarried	French
44	F	28	Unmarried	American
45	M	27	Unmarried	American
46	M	30	Unmarried	Indian
47	F	24	Unmarried	Canadian
48	F	25	Unmarried	Canadian
49	M	25	Unmarried	Singaporean
50	F	18	Unmarried	Australian
51	M	24	Unmarried	Australian
52	F	25	Unmarried	Australian
53	M	27	Unmarried	Indian
54	M	26	Unmarried	Indian
55	F	34	Unmarried	Korean
56	M	26	Unmarried	Singaporean
57	F	21	Unmarried	Indonesian
58	F	20	Unmarried	Australian
59	F	27	Unmarried	Canadian
60	M	28	Unmarried	American
61	F	28	Unmarried	Canadian
62	M	29	Unmarried	Canadian
63	F	30	Unmarried	Indonesian
64	M	24	Unmarried	Singaporean
65	F	34	Married	Dutch
66	M	33	Married	Dutch
67	F	19	Unmarried	Korean

Occupation	Highest Academic Qualification	Number of Years of Experience with Luxury
Project Manager	Bachelor's Degree	1
Management Consultant	Master's Degree	1
Management Consultant	Bachelor's Degree	2
Management Consultant	Bachelor's Degree	1
Management Consultant	Bachelor's Degree	3
Private Business	High School (Grade 12)	7
Software Specialist	Bachelor's Degree	5
Image Consultant	Bachelor's Degree	2
App Developer	Bachelor's Degree	3
Management Associate	Master's Degree	4
Network Administrator	Bachelor's Degree	3
Reporter	Bachelor's Degree	1
Junior Reporter	Bachelor's Degree	2
Accountant	Bachelor's Degree	2
Corporate Services Assistant	Bachelor's Degree	1
Junior Accountant	Bachelor's Degree	2
Claims Inspector	Bachelor's Degree	1
Research Assistant	Bachelor's Degree	1
Social Media Manager	Bachelor's Degree	3
Copywriter	Bachelor's Degree	2
Compliance Officer	Bachelor's Degree	2
Software Engineer	Bachelor's Degree	1
Senior Researcher	Bachelor's Degree	6
Photographer	Bachelor's Degree	3
Business Analyst	Bachelor's Degree	1
Assistant Copywriter	Bachelor's Degree	1
Flight Steward	Bachelor's Degree	2
Audit Executive	Bachelor's Degree	3
Industrial Relations Officer	Bachelor's Degree	2
Business Solutions Consultant	Bachelor's Degree	3
Research Assistant	PhD	1
Remittance Officer	Bachelor's Degree	1
Senior Editor	Master's Degree	5
Online Content Manager	Bachelor's Degree	4
Teaching Assistant	Bachelor's Degree	2

Interviewee Profile

Interviewee	Gender	Age	Marital Status	Nationality
68	M	21	Unmarried	British
69	F	23	Unmarried	British
70	F	29	Unmarried	Vietnamese
71	M	28	Unmarried	Singaporean
72	M	28	Unmarried	Singaporean
73	F	23	Unmarried	Singaporean
74	M	27	Unmarried	Vietnamese
75	M	31	Unmarried	Australian
76	F	30	Unmarried	American
77	F	34	Unmarried	Australian
78	M	35	Married	Italian
79	F	29	Unmarried	Italian
80	F	30	Unmarried	Canadian
81	F	24	Unmarried	American
82	M	28	Unmarried	French
83	M	24	Unmarried	American
84	F	21	Unmarried	Dutch
85	F	21	Unmarried	Burmese
86	F	23	Unmarried	Burmese
87	M	30	Married	Korean
88	M	31	Married	Indian
89	F	19	Unmarried	Singaporean

Occupation	Highest Academic Qualification	Number of Years of Experience with Luxury
Associate Underwriter	Bachelor's Degree	1
Web Support Engineer	Bachelor's Degree	2
Technology Manager	Bachelor's Degree	2
Executive Officer	Bachelor's Degree	3
Video Equipment Technician	Bachelor's Degree	3
Wealth Manager	Master's Degree	1
Management Trainee	Bachelor's Degree	2
Marketing Manager	Bachelor's Degree	2
Risk Analyst	Bachelor's Degree	3
Senior Ad and Promo Manager	Bachelor's Degree	7
Sales Executive	Bachelor's Degree	4
Sous Chef	Bachelor's Degree	2
Adjunct Faculty	Bachelor's Degree	3
Website Developer	Bachelor's Degree	2
Investment Analyst	Bachelor's Degree	7
Market Research Analyst	Bachelor's Degree	4
Junior Analytics Manager	Bachelor's Degree	1
Database Administrator	Bachelor's Degree	2
Sales Representative	Bachelor's Degree	3
Trade Analyst	Master's Degree	4
Biologist	Master's Degree	5
Sales Trainee	Bachelor's Degree	1

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The 5C's Value Framework for Luxury Brands in Emerging Markets: A Case on India

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1. INTRODUCTION

Luxury as a phenomenon was originally meant for the hedonistic consumer, the luxury connoisseur, the aristocrats, the rich, the famous and the beautiful. Firmly positioned well outside the purview and reach of the common man, luxury was a dream for most. However, World War I and II, followed by rapid industrialisation began to drastically change this well-established consumption scenario. The need for luxury meaning '*all things good in life*' began to spread to a larger audience who started to make money due to opportunities provided by industrialisation. Wider employment needs, new lifestyle practices, and newer inventions lead to different consumption needs. The market size within a brand's home country began to increase.

The origins of branded luxury can be traced back to Europe, mainly France, followed by Italy and then the others. The possible widening of the consumption market for luxury goods needed luxury brands to rethink their business strategy. A plan was needed to lure in the newly acquired money classes in different capacities of merchandise yet maintain the exclusivity of the traditional rich class. A new phenomenon began to emerge – ***'the democratisation of Luxury'***.

The geographic spread of luxury goods and brands to other global markets outside of Europe necessitated further adjustments by luxury companies. New strategies were devised, improvised and adopted specific to the market of entry being targeted. It was a matter of time as well as commercial saturation that brands needed to target newer and newer geographies to continue to grow. Needless to say, managing luxury brands and companies became a complex issue due to its varied democratised brands, widespread product categories, far reaching manufacturing setup and a fast expanding global presence. Special strategies were developed by learned and experienced professionals in association with luxury groups. A special

management stream of ***'Luxury Brand Management'*** also surfaced in Europe around the 1990's.

A gradual appearance of luxury goods and services in the fast developing (*erstwhile underdeveloped*) economies since the mid-eighties has led to a noticeable interest by the luxury companies in these markets. ***'Emergence of the emerging markets'*** was and is a phenomenon that no global luxury player can ignore. Brands, sectors, and corporates have all been looking at these economies ever since. The luxury world was quickly divided into sections of ***'Emerging – growing, & matured'*** economies. Newer groupings of nations such as BRICS; ASEAN; HUBRICS, etc. were defined to try to club cultural homogeneity into target groups. Out of all of these, the emerging markets (BRICS) have been of particular interest to the established brands of the West. Cultural gaps along with literacy and socio-economic gaps make it hard for a brand to study and understand the consumer mindset and behavioural patterns.

Sometime in the mid 2000's, brands' focus shifted to India. A market like India is even more complex due to its demographic, social and cultural diversity. A mini Europe, India is a sub-continent with over 29 states and 1.3 billion people! A divided economy, the mystic and charm of traditional India, emergence of the new tech savvy generation and ground level challenges have all intrigued luxury managers for the past decade or so since luxury has been present in its current form. On one side, India has a rich and glorious past association with luxury wherein its kings and queens, nizams and nawabs, ministers and sahebs alike have been the biggest connoisseurs of luxury goods. Specially crafted, personalised and customised products by names like Louis Vuitton, Cartier, Rolls Royce, Salvatore Ferragamo, Judith Leibher, Smith and Mason, Colt etc. had their biggest market with these connoisseurs.

The size of the Indian luxury market is estimated to grow 10 fold times from current US$18.5 billion to $180 billion by 2025 (Aggarwal, 2016). With respect to luxury spends, India is ahead of Turkey, Thailand, and Argentina and is progressing faster than Singapore and Australia. Being the second-fastest growing economy in the world, India is considered to be the most sought after market by the luxury brands, post China. Presently, India contributes around 1%-2% to the global luxury market (Cyrill, 2017).

The Indian luxury market is evolving in multiple directions. It is not restricted to the traditional rich and or the popular alone. In fact, luxury is being sought out by multiple layers of Indian society at different expectation levels of service, communications, experience and satisfaction. There is now a much wider customer base, which has the money to splurge but wants a real value proposition. This may be the weakest link for luxury brands that find this contrary to popular historical belief of the traditional Indian consumer base.

With this ever-evolving and rapidly emerging canvas of Indian societal fabric, one needs to study the fresh situations thrown up by a newly rising India. The current relaxations in single brand retail, political developments like ease of doing business index; implementation of an unified goods and services tax; administrative will to draw in international business to India; the digital revolution, etc. are clear indicators of the future growth path in the luxury space. However, luxury brand managers face a dilemmatic challenge. No clear model of success or failures can be generically derived from this historic track. The realisation of complexity of the emerging markets has donned well on them. Making a brand successful in an emerging market is a point of worry and concern to any luxury brand manager. Besides, the lack of an established model for a brands success is a further challenge to them. With the sudden reversal of fortunes in China and the complexities of the Indian market, managers have to study and take their optimism with a cautious step.

Therefore, the ***objective of this study is to try to arrive at a standardised model*** that could be adopted by current luxury brand or brands interested to enter India. India, being the next focal point of the luxury industry as well as the ***'look up to market'*** for other smaller emerging markets, can act as a role model for adoption by luxury brands when entering a new market. Actual adjustments need to be carried out at ground zero.

2. LITERATURE REVIEW

2.1 Conceptualising Luxury

Coco Chanel defined luxury as "...a necessity that begins when necessity ends" (Coco Chanel quoted in Okonkwo 2007:7). Luxury depicts culture and values and is intrinsically different from normal goods; thus its in-depth understanding is a prerequisite for making

effective business strategies (Okonkwo, 2009). Luxury has portrayed wealth, position and status in the society since early times (Kapferer and Bastien, 2009). However, today, the concept of luxury has evolved and it is no longer reserved for the 'elite few'. Luxury is seen to have moved from providing social value to experiential value and indulgence (Yeoman, 2010).

2.2 Success Factors for Luxury Brands

Until the late 1990s, the luxury market was run by small, family-owned businesses – that emphasised superior quality and craftsmanship – later they got transformed into large conglomerates (e.g. LVMH, Richemont, etc.) (Jackson, 2002). These corporations made huge investments in marketing and development of their brands (Okonkwo, 2009). Luxury brand managers realised that "firms that invested substantially in brand building were shown to have a stronger competitive positioning than those whose core values were linked more to products and services than to branding" (Okonkwo, 2009, p. 288). Powerful brand image and identity are the key factors leading to success in this industry (Kapferer and Bastien, 2009; Keller, 2009).

Luxury brands are established from the reputation built by the founder over the years. Luxury is one of the ways to attain experiential, symbolic, utilitarian and financial value and luxury brands serve as a tool to achieve it. A luxury brand with an identifiable signature has a remarkable significance: it creates socio-cultural stratification and makes the user feel special. These brands act as a social marker and to be successful it is critical for a luxury brand to be a social signifier (Kapferer & Bastien, 2009). O'Cass & McEwen (2004) examined that luxury goods consumption provided a code that helped individuals communicate their prestige and position and thereby gain attention and approval from society. Social factors played a critical role in the buying decision of luxury brands in emerging markets like India (Jain et al, 2017; Jain & Khan, 2017).

Based on a thorough survey of the literature, it has been found that quality takes different forms: high performance (Vigneron & Johnson, 1999), technological excellence, aesthetics, workmanship, innovation (Vigneron & Johnson, 1999), and extraordinary components (Dubois et al., 2001). While marketing luxury brands, the emphasis on quality and outstanding customer service experience is of prime importance

(Keller, 2009). Tynan et al. (2009) also included relationship value to their luxury value framework, which is rarely examined in the literature. The authors highlighted that relationship value is crucial for luxury consumption since luxury customers have high expectations regarding outstanding treatment and personalised service from luxury marketers. Luxury brands have the responsibility to develop a personal connection with their clients. Atwal and Williams (2009) revealed that success can be attained in terms of luxury brands by developing a long term relationship with luxury buyers by providing superior brand-related experiences, both offline as well as online (Schultz & Jain, 2015). Consumers evaluate their purchase decisions based on both intrinsic (rarity, appeal, etc.) and extrinsic (friends, family, staff, store environment, etc.) factors (Jain et al., 2015). They gain pleasure in showing off their purchases to the significant others through online platforms like Facebook, Twitter, etc. (Jain et al., 2014). It is the task of luxury brand managers to develop a fine balance between providing functional and aspirational value to its buyers.

Luxury provides great experiential value. Experiential value represents a vital component of the perceived utility achieved from luxury items (Dubois & Gilles, 1994). Therefore, a brand can be promoted through experiential marketing (Brakus, Schmit & Zahang, 2008). Luxury brands should provide sensory experience to their buyers. Overall shopping experience can be created through perfect layout, feel and ambiance of the store and the right attitude of the sales personnel. For example, sales personnel greet the clients in the store and suitable lighting and physical environment is provided to enrich the overall customer experience. The most distinguished high-end brands dedicate their investments on training and development of their staff as quality of human resource is the key to the success of luxury brands (Rosa, 2010). These luxury companies put sincere efforts to empower and enrich their employees so that they can serve as effective brand ambassadors. In-store experience is a critical element as positive environs revitalise mental faculties and enrich buyers' experience (Verma & Jain, 2015). Patronage and brand loyalty are the outcome of a great customer experience. It is imperative for luxury brands to engage buyers by providing them a world-class experience. Brand name, logo, country of origin, celebrity, etc. assist in developing a favourable image for luxury brands (Verma & Jain, 2015). Jain and Kharbanda (2014) found that quality, packaging, customisation

and brand value have significant impact on luxury consumer behaviour in India. Rosa (2012) in her study pinpointed several key success factors for luxury brands including people, product, passion, pleasure, purpose and price.

Luxury brands are endorsed by popular Bollywood stars to gain more visibility, acceptance and prominence in the Indian market as a great influence of Bollywood is found on Indian consumer's perception of luxury brands. Through Hindi movies and television programmes, youngsters have developed a global outlook; they are desperate to emulate their Western counterparts and are eager to possess these luxury brands (Chadha and Husband, 2006). Popular magazines like Vogue display how celebrities indulge in luxury consumption and inspire the masses to copy their opulent lifestyle and make similar purchases (Mandel et al., 2006).

Marketers should emphasise on building a long-term relationship with consumers through continuous development of new and innovative products. Also, history, tradition and culture should be used in communication. Luxury communication must convey brand values, evoke emotions and weave a dream for its users (Rosa, 2012). To maximise its impact, luxury communication should use 'sensory language', be highly sophisticated, creative, elegant, urbane, unconventional and symbolic (Kapferer & Bastien, 2009). Today, luxury companies are not just dependent on advertising but they use an integrated marketing communication approach like organising exclusive events, fashion shows, television shows and celebrity endorsements to develop a long-term relationship with their customers (Rosa, 2012). Online presence of luxury brands has also become vital for their survival today (Okonkwo, 2010). It has become a powerful means to engage, entice and involve the participants through its rich content and easy accessibility (Okonkwo, 2010). Brands must adapt their communication to suit the local needs of a specific country.

Rarity of a brand is a key component of the luxury items, whose importance would be lost if they are available in abundance (Dubois and Paternault, 1995). Therefore, luxury brands have to strike a unique balance between being omnipresent and yet preserving their rarity. These brands rarely go on discount as their high prices attract the niche buyers and act as a symbol of high quality and outstanding service (Verma & Jain, 2015). Some common features that luxury buyers look for in brands today are high perceived value,

prestige, opulent lifestyle and symbolic value (Okonkwo, 2007). Brands that can effectively communicate these characteristics to their buyers tend to become leaders (e.g., Louis Vuitton in fashion; Rolls Royce in the automobile industry, etc., Chadha & Husband, 2006).

3. RESEARCH METHODOLOGY

To identify key factors for creating value in the luxury sector in emerging markets like India, a qualitative survey comprising 18 interviews was conducted between December 2017 and January 2018. Most of the interviews were conducted face to face while a few were carried out telephonically. Each interview lasted between 40 minutes and 65 minutes. Interviews were conducted with top level experts working in the luxury sector across various categories. Each of the respondents had around 10 years of experience in the luxury sector.

Before conducting the interviews, a literature review of luxury-related publications was done and based on that, researchers designed an interview guide to carry out semi-structured interviews. The interview guide was designed to get a brief profile of each respondent followed by a list of core questions and a few associated questions related to the main theme. The language of a few questions was improved after pilot testing the interview guide. Researchers also used certain planned prompts (McCracken; 1988, 35–36) in the interview guide which comprised a list of particular terms that the interviewer was supposed to probe for if the respondent didn't talk about them. The research includes luxury experts' opinions on various factors that can create value for luxury brands in India. To probe more, the respondents were repeatedly asked questions: "Why do you think this factor is important?', "Can you elaborate your viewpoint", or "What could be specific reason for your point?". Researchers made audiotapes of all interviews with the permission of the respondents that were later manually converted into transcripts. Descriptive analysis was used to analyse the data from the transcripts as it helped to generate supplemental results to get precise information.

4. FINDINGS AND DISCUSSION

India is not a nation but a sub-continent. It enjoys a multiple of sub-cultures, languages, cuisines, and social norms, yet is tied through a strong, single patriotic emotion, second to none in the world. The

nation also boasts of a majorly young population. With such variety, India offers a unique set of opportunities and challenges to luxury retailers. Thus, luxury players need to understand that the Indian market has some distinct characteristics and they have to operate very cautiously and selectively to create value for Indian consumers in such an environment. Brand managers who are able to develop a specific India-focused strategy that helps them to relate easily with such varied Indian consumers will perhaps stand to have the biggest chance of success in the near future.

Key success factors for creating value – 5C's Framework

Chadha and Husband (2006, p. 56) described that "each country has its own endearing eccentricities that make it unique". Failure to recognise these variations in terms of their levels of luxury addiction, and consumer attitudes for luxury brands can detach retailers from understanding the consumer behaviour of luxury buyers. Based on insights of luxury experts, this paper provides a framework of 5Cs (depicted in Figure 1) that can create value, drive luxury consumption, and finally help luxury retailers achieve success in India.

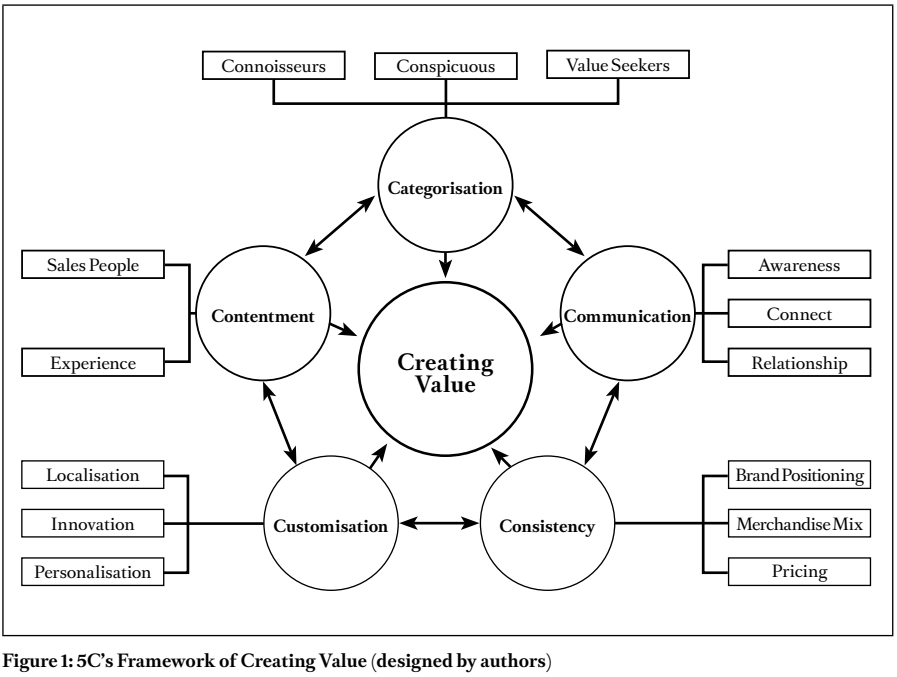

Figure 1: 5C's Framework of Creating Value (designed by authors)

The 5C's framework comprises ***Categorisation***, ***Communication***, ***Customisation***, ***Consistency*** and ***Contentment.***

The following section describes each component of 5C's framework:

1. Categorisation:
Almost all the respondents highlighted that the luxury market in India is not perceived uniformly across consumers. Retailers need to understand the different categories of luxury customers in order to serve them well. Sometime back, luxury consumers were classified into two categories: the traditionally rich and the nouveau rich. Now, Indian luxury consumers can be segmented in far more micro groups viz. – connoisseurs; conspicuous consumers; and value seekers. Firstly, connoisseurs are the ultra-rich HNIs who purchase luxury products for their intrinsic satisfaction. These consumers emphasise on exclusivity of the products, look for the level of craftsmanship, and have passion which they follow with zeal. These consumers are willing to pay a higher price for an exclusive product, don't talk about how much they've spent and don't mind to buy within the country. They buy luxury to please themselves, not to impress others. Second is the conspicuous category, who buys luxury brands to achieve status in society. Due to the lack of a luxury culture, they do everything to extremes. They buy popular brands, talk loudly about them and do everything to get them noticed. They desperately need to show that they are wealthy and possess high-end brands. They emphasise on brands that come with prominent logos, are guided by the herd mentality, and are influenced by what their peers are consuming. The third category is value seekers, who are entering into luxury; they check on the price, and do a lot of research before buying. However, across all categories this value conscious behaviour can be observed. But it is more prominent among early entrants. Discounts make a difference to value seeker consumers. During sales, a lot of such consumers start with small products and then go for higher priced items. One respondent mentioned, "People look for smarter products which give them value, comfort and styling which can be coordinated with various things". But experts believe that discount is not a long-term strategy for luxury retailing. Another respondent stated, "Sales at the end of the day for luxury

do more harm than good because it brings down the perceived value of the product".

Experts believe that while luxury malls in India offer a truly luxury experience to connoisseurs, India needs more in-between formats. There is need for entry level brands/bridge brands to attract, open the mindset and enhance the spending of this segment. One respondent opined that luxury consumption behaviour is "like a cycle and they start from products or brands which is luxury but affordable and when they get used to they move up the ladder and look for the exclusivity".

2. Communication:

Communication is mix of many things; luxury retailers have to be visible at the right places and should have the right influencers talking about the brand. Retailers need to invest in brand building and marketing activities to stay in the minds of consumers. The more unique and targeted the communication, the better it is. It cannot be mass media marketing but it has to be discrete and should be a mix of traditional and digital communication. The next few years are likely to see a paradigm shift in communication media and how retailers are reaching to their target market. Digital communication is taking a lead as most of the consumers whom they are targeting are on social media for interaction and communication with one another.

Communication is extremely important for luxury retailers as consumers' awareness, knowledge and motive may vary across product category and adoption phase. Promotion and experience activities need to be customised and targeted. Firstly, there is a category of luxury consumers who continue to purchase from abroad as they believe Indian retailers are lacking in terms of range and availability of the latest merchandise. These people are not keeping updates of Indian retailers and are not aware of their collections. It is the responsibility of the retailers to educate and inform them accurately about what they are going to find and see at the store as against what they are going to find elsewhere. To educate and convert them into premium customers, retailers need to know what motivates them, influences them, and how they influence others? Secondly, there is another category of people who are aware, and have deep pockets but don't have time to look for things. Brands have to make them aware about what to buy; they need to bring their brands in front of

their eyes to motivate them. On the marketing front there has to be a lot of experiential activities to make them feel special. Thirdly, retailers should communicate with classic consumers to earn their trust and create loyalty which results in a steady stream of profits. To create customer loyalty, luxury brands should not only rely on providing skilfully crafted products but their commitment should be reflected in everything they produce including marketing communication materials. Few respondents believe in the usefulness of "organising special 'made-to-measure events' where top clients are invited" for relationship building and loyalty. One respondent stated, "In times of uncertainty, in times of change, in times of thinking what to buy, when to buy and where to buy, relationship are solid foundation that help consumers to make decisions. Relationship can enhance value". Fourthly, retailers should seek strategies to connect with aspiring consumers who are not in metro cities but reside in tier 2 and tier 3 cities. However, this segment generates huge revenues and are key growth drivers of the luxury market in India. Luxury brands need to take an omni-channel approach to present a finely crafted marketing message. A regional language website could also be the key to quick acceptance of the brand. They should organise events, workshops, private parties, etc. so that consumers can review and understand products. Retailers can also understand who their target customers are for different price ranges.

3. Customisation:

Keeping in mind the diverse profile of Indian consumers and their different motives for luxury consumption, retailers have to customise their communication and service to their consumers. A creative process based on innovation and originality is a must for luxury retailers. One respondent felt, "Creativity and customisation can create value itself but returns will not come in the short term". Given the small size, India-specific customisations and innovations have been limited. In addition, customisation enhances cost of the product which a large number of customers are not ready to pay. Another respondent opined, "Customisation is tribute to brand but may not drive sales. Customisation to Indian tastes may not drive volumes. People may or may not buy; it only works if people see value". Experts believe that any brand which does innovation will do better; however the role of innovation in the luxury segment is relatively

low and limited to certain product categories. In the fashion category, a respondent felt that "there are new set of consumers who are looking for customisation, who are very particular about quality, personalisation specification (such as name initials), selection of fabric...' Some brands in fashion segments are very particular to give a personalised experience to every customer. One respondent strongly believed and stated, "We are very particular about profiling, knowing his liking, preferences, events in life, about family. That's the way we upscale, we get reference. We drive with good experience".

Today, brands are really working at local regions, as per seasons, and local festivals. Brands like Jimmy Choo and Louis Vuitton have come up with wedding shoes especially for Indian markets. But some experts have different views on customisation. As stated by one respondent, "People do not come to our brand because they want to buy their own version of brand but they want to buy the original brand. Customisation depends to some limited extent". Thus, luxury retailers can gain competitive advantage over their competitors if they pay attention to what its clients expect from the brand and how much customisation they look for from the brand. Furthermore, another respondent believed, "Customisation should be in adaptation of local specificity and local sensibility in a way you can preserve a brand. You can offer customisation in the approach, ingredients don't change, and the recipe can perhaps be tweaked a little bit".

A standardised product adaptation (like Canali and The nawab jacket) and collaboration with established Indian names (for example, Sabhyasachi & Christian Loubuitton) could also be good examples of market-specific customisation that have worked.

4. Consistency:

Although luxury retailers can create value with customisation and creativity, brands have to maintain consistency with the brand's DNA and preserve their integrity. There should be a consistent delivery of premium quality across all products in the line, from the high-end to bridge brands. Brands should consistently communicate with aspiring consumers. As one of the respondents mentioned, "You have to continuously romance with the brand, you have to continue to engage customers, customers may not buy today but someday

they may realise that they have to buy it or you aspire them to buy it". Customers expect luxury to be expensive but they do not want to pay a high price. Pricing has to be realistic and should be consistent with global pricing. Today, consumers can compare the price of any product or brand from any other international market. Another respondent opined, "It is too naïve to believe that we have customers who are not price conscious, there is big percentage of clients who are price conscious. We may be a bit expensive depending upon category to category but within every market the positioning remains consistent with global positioning". Due to the import duty structure, pricing of some of the products may be on par or sometimes higher. Therefore, luxury retailers need to educate their clients that although they pay a premium while buying in India, they are buying the products with someone whom they know and trust and which has stood test of the time. Therefore, all communication must make an effort to consistently position the product without focusing on the price. Brands can create value by providing merchandise consistent with other markets and online presence. As one of the respondents mentioned, "People are delighted if they see whatever is present on global Instagram page of a brand and can find the same merchandise in store". The interiors have to communicate the same image as the brands themselves. Luxury brands should be consistent while communicating their brand image, heritage and culture. Kapferer and Bastien (2009) also emphasised that strong brand image and identity have become the key determinants of success in the luxury industry. Customising and remaining consistent is a challenging task for luxury retailers but balancing these two facets would help them to succeed in the long term.

5. Contentment:

Luxury is more about indulgence and experience than functionality. Luxury is perceived as experience for the senses. Customers are ready to pay a premium because of the total shopping experience, the branded products and also for the exclusive feeling. The overall pleasure the customer gets not only originates from the product but also emanates from a bundle of contentment gained through the total experience. Keller (2009) highlighted, "all aspects of the marketing programme for luxury brands must be aligned to ensure quality products and services and pleasurable purchase and consumption experiences". Hence, luxury retailers have to

create stores with excellent layout, provide exceptionally good experience and appoint highly skilled personnel to satisfy consumers' expectations. All the respondents agreed on the importance of sales personnel within the luxury stores. Sales people are the brand ambassadors who interact with the customers and give an actual feel and experience of the brands and comfort level to the consumers. They make or break the brand in the eyes of customers, hence they should be trained in a way that they understand what the brand stands for and how they should deal with customers.

Within the store, consumers expect a warm welcome and special privilege. As emphasised by one respondent, "You have to pamper your customer. It is very much required in emerging market, consumers want to feel special, and they want something extra". One of the respondents mentioned that, "There are a lot of people who are from tier 2 and tier 3 cities, they are loaded but not familiar with the brands. They are little shy; you have to make them comfortable. You have to take them to the store as tour of the brand. Spend some time with them, make them try few products. In store, a lot of personal interaction is needed." The store's atmosphere has to convey the same feeling as that of brand, or else the experience of the brand may change. Sales people can really up sell the brands in the Indian luxury markets. But the impact of sales people depends on the category of customers. Another respondent stated, "For high engagement, people would like to understand the nuances but if they already understand the product they may not need sales people". In case of aspiring consumers, especially in emerging markets "if you have a negative experience you will not come back as you have too many options to explore? Your perception of the brand depends upon sales personnel; they are first point of contact." Thus, to create value for Indian consumers, the luxury brands need to provide contentment throughout the multiple touch points, in order to deliver a superior customer experience aligned with the brand's DNA.

5. CONCLUSION AND MANAGERIAL IMPLICATIONS

India is a young, dynamic and pulsating market. Thus, past experiences of luxury brands and managers across other global markets and a standard one-size-fits-all approach may not apply here. Besides, India and luxury have had a long historic association. Indian kings and other dignitaries have been the biggest patrons

and appreciators of all things luxury as offered by the Western brands. Luxury hence is making a second coming, a sort of homecoming to India. The difference being that this time around, the customer has changed to a host of new segments, unexplored and inexperienced by the luxury brands earlier. The new young, proud and incredible Indian is changing the name of the game for luxury managers.

The 5C's framework captures the essence of how a luxury brand manager should work towards creating value for consumers and success of his brand in India. Firstly, ***'Categorisation'*** which requires an extreme focus on the ***sub-categorisation*** of the consumers being targeted and the way of dealing with them. The vast population of India has journeyed across various stages of luxury evolution (as described by Radha Chadda in her book 'The Cult of a Luxury brand inside Asia's love affair with luxury'). She defines a society's evolution across stages of ***Subjugation; Start of money; Show off; Fit in; & Way of life.*** India offers opportunity to luxury brands primarily across the last ***four stages of Start of Money; Show off; Fit in & Way of Life.*** Hence, the anti-laws of marketing need to be adopted and exercised deeply to keep non-believers and believers completely separated and exclusive to each other (Kapferer & Bastien V; 2009).

Secondly, ***'Communications'*** is perhaps one of the pertinent 'C's' for luxury brands anywhere in the world. However, in emerging markets, it takes a bigger dimension due the relevance of the all other C's, namely categorisation of consumers; contentment sought; consistency and customisation needs. It is hence imperative for the luxury brands to create a brand connect with the consumers. The usual means of PR, special events and so on besides the digital medium should be used to not only keep the customer informed, but make him feel close to the brand, entertained and involved with the brand of his/her liking. Luxury retailers need to address the value consciousness trait sought by most Indian customers. Indians by nature are loyal and will be so if the brand is able to fulfil their needs of prompt service, quick responding and pleasant sales staff, continuous exchange of information and respect for one another's values. The Indian customer is digitally savvy. Organisations need to create value experience through the digital platform in alignment with the store experience.

The third 'C' of the framework is ***'Customisation'.*** From customised product to customised service, Indians have been spoilt for choice from time immemorial. In a society where the rich have never travelled to the market but always had artisans, musicians, tailors, chefs, and artists, etc. as part of their family stables, it is only customary to want a 'special – only for me' product and or service. Brands will do well when catering to this emotional appeal by firstly locating themselves as close as possible to their target market and secondly providing goods and services which meet the sensibilities of this group. Of course the elements will change according to different groups as described in 'Categorisation'.

Fourthly, luxury retailers have to focus on ***'Consistency'.*** Many brands have had an inconsistent offering in emerging markets. Previous season's stock dumps; extreme price cuts; offer of unsold inventory sizes, etc., have led to a negative perception of several brands. Consistency across product mix suitable for the market, prices which are not varied frequently and confused brand positioning are to be particularly watched out for. Service consistency is another aspect that the Indian consumer is looking out for. It is quite often that a customer abandons his shopping cart if his favourite sales person is unavailable to serve him.

Lastly, but perhaps not the least, the customer looks for ***'contentment'***. India's new breed of luxury consumer is indulging in luxury goods and services for a more cherished luxurious experience. Being pampered – being treated like gods – and given extremely focused attention is a part of our cultural heritage. It is extremely important for luxury brand managers to believe in, train and educate their customer-facing teams. As the first point of contact, they are the best or worst brand ambassadors. In an emerging market, they perhaps also belong to a completely different and lower social stratum than the customers they are expected to face. Hence, training could be the critical key that cannot be overlooked.

6. LIMITATIONS AND SCOPE FOR FUTURE RESEARCH

Firstly, this study is not conclusive in nature, therefore, in the future, quantitative studies may be undertaken to verify the results of this study. Secondly, the present research is restricted to only eighteen expert interviews; in the future, in-depth consumer interviews can also be undertaken to attain holistic views on the key success factors

for luxury brands. Thirdly, the scope of this study is limited to the Indian luxury market; further studies can be carried out to generalise the results.

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The Impact of Luxury Brand-CSR Fit on Consumers Attitude – Evidence from India

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ABSTRACT

Luxury brands are getting associated with CSR. However, a controversy has attracted attention in recent years. Recent research has proved that luxury and CSR are however, not compatible. Much research suggests that consumers may perceive that something is not going correctly and might give a poor response. The value of self-transcendence in the case of CSR does not go well with self-enhancement values of luxury. Hence there appears to be a conflict and both seem to contradict each other (Janssen et al 2013). But there are a few research studies which have found some '*luxury brand-CSR fit*'. The purpose of the paper is to find out how '*luxury brand-CSR fit*' has an impact on consumers' attitudes with special reference to India.

Research methodology: The research is both qualitative and quantitative in nature. Approx. 500 visitors from various environment-friendly hotels/resorts are recruited for study on the basis of judgement sampling and snowball sampling methods. The data is collected on the basis of online as well as written questionnaire methods. *Data Analysis*: Multivariate and univariate tests are used for analysis. The data analysed revealed interesting results. *Contribution*: The study has a number of managerial and academic contributions. *Originality/ Value*: A study of the luxury brand-CSR fit and attitudes with regard to real brands is the first of its kind in India.

Key words: Affective, behavioural, cognitive, environment-friendly products, consumers

INTRODUCTION

The number of companies engaged in CSR has increased over the recent years on account of the 'Ethics Era' (Davis, Lee and Ahonkai,

2012). In other words, CSR orientation has increased (Tang and Tang, 2012). Consumers are having new concerns on environment-friendly products as they are considered to be less toxic and are made of recycled materials (Lozano,Blau and Reij Maquiera, 2010). However previous research has proved that consumers give preference to CSR activities only when the product is of high quality (Bhattacharya and Sen, 2004). Recent developments have proved that the discussion on luxury and sustainability has increased over the past few years. However, there appears to be weak association between the two (luxury and CSR, Achibau and Dekhili, 2013).

Luxury and CSR are two controversial terms, but have attracted attention in recent years (Janssen, 2013). The luxury industry has been struggling to convince consumers regarding CSR but consumers pay little attention to ethical consideration in the case of luxury brands (Davis et al, 2012). They believe that luxury products are rare and hence, the concept of sustainability does not apply to them. Not only that, luxury products are considered to be dreamy and hence, consumers do not want to think about their negative aspects. (Davis et al, 2012). Luxury brands have been engaging in more desire than necessity and therefore it was found unreal that luxury brands engage in sustainability (Friedman, 2010). Traditionally, CSR is associated with the environment and social concerns whereas luxury brands are related to self-enhancement and individualistic concerns which symbolise status and achievement (Reviniene, 2017). Past studies have proved that the self-transcendent value of CSR and self-enhancing brand values of luxury create a motivational conflict in the minds of the consumers. However, in the case of luxury, it is resource dependent and is obsessed by the sustainability of the resources; high price limits the demand and it is the best way to protect the future of these resources. The contradiction seems to be more for brands that are extremely expensive rather than with those that are less expensive (Kapferer, 2012). Luxury brands, apart from their intrinsic quality and rarity of products, should also contribute to environmental values. Consumers have extended their expectation to social and environmental concerns (Lochard and Murat, 2011). Therefore, there has to be a fit between luxury and CSR rightly termed as '*luxury-CSR fit*'. However, research has proved that enduring luxury products are more compatible with CSR activities.

Recent marketing has focused on the investigation of factors that affect attitude (Chandon, Laurent and Valette-Florence, 2016,Kapferer, 2016; Zhang and Kim, 2013). Many studies have shown the positive effect of CSR on consumer attitude (Doorn et al 2017; Aliawadi et al 2014; Lichtenstern et al 2004; Lacey and Kennet-Hensel, 2010; Sen and Bhattacharya, 2001). CSR activities usually range from charity to equitable treatment of employees and environment-friendly policies in order to bring about a competitive advantage. The purpose of the paper is to find out how luxury brand-CSR fit has an impact on consumers' attitudes with special reference to India.

REVIEW OF LITERATURE

The review of literature can be divided into two parts viz; luxury and CSR and consumer attitude.

Luxury and CSR

Luxury brands do not escape the logic that human beings and the planet should be protected from each other. It plays an important role in achieving the goal (Castro, 2009). Some studies prove that consumers use luxury consumption to improve their power and status (Kleef, Homan et al, 2011). Past studies have proved that the luxury industry will move towards sustainability as customers have high expectation to include environmental factors. Kapferer (2013) believes that luxury already possesses it.

Sustainability is rightly termed as the 'business of lasting worth and durability'. Luxury products and sustainability go hand in hand. Luxury products are usually rare, which increases the chance of sustainability. It is considered that luxury products have implicit sustainability as they have respect for natural resources and craftsmanship (Hashmi, 2017). Past research has proved that there has been growth in the luxury industry which has also paved the way for certain sustainable challenges like sourcing of materials. This has paved the way for luxury brands to embrace environmental considerations (Hashmi, 2017). Previous studies have proved that consumers may not be responsive to luxury brands as CSR activities carry little weight for the same (Davis et al, 2012). The traditional view is that whenever the luxury brand talks about CSR it means that something is not right and might give a poor response with a lower

brand evaluation. Luxury products do not value the idea of regular buying of recycled products as it will involve loss of prestige (Achabare anans Dekhili, 2013). Luxury brands and CSR place an emphasis on the welfare of the consumers and luxury is associated with conspicuousness (Han et al, 2010), hedonism (Hagtvedt and Palucli, 2009) and success. A recent study revealed that managers are usually reluctant to embrace CSR activities to the following viz; perception of low environmental impact, a negative effect of ecological criteria and other selection criteria (Dekhli, 2016).

The Luxury-Brand CSR Fit

Luxury can be defined as 'business of durability'. The durability aspect of luxury has an impact on environmental sustainability and since it has a long life, it reduces the waste of natural resources. The rarity and durability aspects join luxury and sustainability together (Hoffman and Maniere, 2012). The concept of luxury-brand CSR fit was given by Janssen (2013) and can be very closely related to the demarketing approach. Demarketing is defined as, "That part of marketing which deals with discouraging customers or deals with certain class of customers on a temporary or permanent basis." The same demarketing principle can be applied to luxury products as scarcity of the luxury products can convey the idea that luxury products are more responsive in protecting the environment. Therefore, one can think that luxury products are resource dependent and are obsessed by the sustainability of resources; high price limit demand and is the best way to protect the future of resources (Kapferer, 2010). Luxury products have a higher level of scarcity and convey the alliance between luxury and CSR. However, if luxury products are more ephemeral then there are lower chances of fit between the two. In fact, ephemerality moderates the effect on luxury brand CSR fit (Janssen, 2014).

Consumer Attitude

Consumer attitude is a much discussed subject (Brunel Tietjie and Greenwald, 2004; Coulter and Punj, 2004; Sengupta and Fitzsimons, 2004) Attitude has three main components viz; Affective, Behavioural and Cognitive. Affective attitude is concerned with emotional responses whereas Behavioural is concerned with overt actions; and

verbal statements regarding behaviour and cognitive are concerned with knowledge or beliefs (Breckler, 1984). Consumer attitude plays an important role in the buying behaviour. Previous studies have proved that there is a relationship between CSR initiatives and consumer attitude. Consumer attitude is also influenced by ethical concerns. CSR activities help to distinguish between ethical and unethical activities. (Folker and Kamins, 1999). CSR activities play an important role in shaping in consumer attitude (Affective, Cognitive and Behavioural, Oberseder, Schlegemilch and Murphy, 2013). Negative CSR has a strong influence on the on cognitive process (Brown and Dacin, 1997; Mohr and Webb, 2005; Sen and Bhattacharya, 2001).

This paper seeks to find out the impact of luxury brand-CSR fit on consumer attitude.

CONCEPTUAL FRAMEWORK

Figure 1.1: Conceptual Framework of Luxury Brand CSR Fit and Consumer Attitude

The above diagram (Figure 1.1) shows that luxury brand-CSR fit has an impact on consumer attitude viz; (Affective, Cognitive and Behavioural). On the basis of this we frame the hypothesis:

H1: Luxury Brand-CSR fit has an impact on Affective attitude
H2: Luxury Brand-CSR fit has an impact on Cognitive attitude
H3: Luxury Brand-CSR fit has an impact on Behavioural attitude.

RESEARCH METHODOLOGY

500 customers from various environment-friendly luxury hotels/ resorts are surveyed on the basis of judgement sampling and snowball sampling. The data is collected on the basis of online as well as written questionnaire methods.

Parameters	Category	Percentage
Age	18-24	Nil
	25-34	80%
	35-44	9%
	44-54	11%
	55-64	5%
	65-74	3%
	75 and above	2%
Annual income (Rs)	Below 3000000	12%
	3000000-5000000	60%
	5000000 and above	28%
Gender	Male	70%
	Female	30%
Education Level	Graduate	10%
	Post Graduate	80%
	Other higher studies	10%
Occupation	Professionals	15%
	Business	70%
	Employed	10%
	Others	5%

Table 1.1: Demographic profile of the respondents

Table 1.1 shows the demographic profile of the respondents. Most of the respondents were in the age group 24-34 with an income of Rs3000000-500000. Most of them were post-graduates and belong to the business class.

S.NO	Parameters	Items	Source
1	Luxury-Brand CSR fit	4 items	Chattophaya and Basu (1998)
2	Affective attitude	5 items	Bhattacharya and Sen (2004)
3	Cognitive attitude	5 Items	Bhattacharya and Sen (2004)
4	Behavioural attitude	5 items	Bhattacharya and Sen (2004)

Table 1.2: Table Showing the Sources of Various Items

The questionnaire consisted of the written questionnaire method on a scale of 1-5 (1 – strongly disagree and 5 – strongly agree). The questionnaire was divided into various parts, like luxury brand-CSR fit, Affective attitude, Cognitive attitude and Behavioural attitude. The data collection was done in the months of September-October 2017. The questionnaire consisted of various items viz: luxury brand-CSR fit consisted of five items on a scale of 1-5 (1 – strongly disagree and 5 – strongly agree) viz; "*The luxury brand is created in a responsible way; The brand is according to the ecological principles; The luxury product is made up of ecological material; The luxury product allows for a comfortable life while preserving the planet; It takes all possible efforts to reduce wastage of resources*". Consumers' attitude has been divided into three parts viz; Affective attitude. Affective attitude is on a scale of 1-5 and consisted of the following items viz; '*I like the product, I have positive feelings towards the product; I have deep affection for the product; The enriching experience really thrills me; Visiting this product gives me immense satisfaction and joy*". Cognitive image consisted of the following items viz; *I choose this hotel or resort because it is environmentally friendly; It is one of the top most eco-friendly hotels in India; The hotel or staff has trained the staff into sustainability; The luxury brand has delivered what it has promised in terms of sustainability. The luxury brand keeps the customer first in its initiative*'. Behavioural attitude consisted of the following items on a scale of 1-5 '*I like to visit the hotels or resort; I will support hotel or resort; I will spread positive word of mouth regarding sustainability initiatives; I will give suggestions to improve environmental sustainability on a scale of 1-5 (1 – strongly disagree and 5 – strongly agree)*'.

Empirical Results

The research made use of regression analysis to test the hypothesis. The mean and the standard deviation of various items were calculated (Table 1.4). Before moving on with the study, validity and reliability of the various items are calculated. First to measure reliability; the Cronbach Alpha score of various items is greater than .7 (Forner and Larcker, 1981; Hair et al, 1998). It has been observed that Cronbach Alpha of luxury-brand CSR fit is (.825) Affective image (.846); Cognitive

image (.861) and Behavioural image (.827). In all five constructs, the Cronbach Alpha value is greater than .7; hence, all the conditions of reliability are acceptable.

In addition, it is important to verify the validity of the measurement in this study. There are two measurements that confirm to the validity of the constructs. The study made use of Forner and Larcker's (1981) measure of AVE to find the discriminant validity. The AVE measures the amount of variance explained. In order to satisfy this requirement of discriminant validity the square root of AVE must be greater than the correlation among the various constructs. Table 1.5 shows that the AVE of the five constructs is greater than the correlation among the various constructs (Table 1.4) Therefore, the discriminant validity of the instrument is acceptable. Second, the AVE of the various constructs is greater than .5; hence all the constructs satisfy the convergent validity. Hence, the studies satisfy both convergent and discriminant validity. On the basis of the above study we can conclude that there is reliability and validity in the study.

S.NO	Parameters	Cronbach Alpha Reliability
1	Luxury Brand-CSR fit	.825
2	Affective attitude	.846
3	Cognitive attitude	.861
4	Behavioural attitude	.827

Table 1.3: Cronbach Alpha Reliability of Various Constructs

S.NO	Constructs	Mean	S.D	A	B	C	D
A	Luxury-Brand CSR Fit	6.299	5.89				
B	Affective Attitude	5.89	5.07	.45			
C	Cognitive Attitude	15.39	2.98	.048	.036		
D	Behavioural Attitude	14.85	2.83	.113	.088	.20	

Table 1.4: Showing the Mean, Standard Deviation and Correlation among Various Constructs

AVE and Square Root of AVE

	Parameters	Factor	Loading	Reliability	C.R	AVE	AVE *(square root)*
1	LBCF	LBCF 1	.834	.825	.887	.640	.80
		LBCF 2	.801			.	
		LBCF 3	.829		.		
		LBCF 4	.742			.	
2	Affective Attitude	AA1	.599	.846	.934	.626	.791
		AA2	.835				
		AA3	.832				
		AA4	.835				
		AA5	.829				
3	Cognitive Attitude	CA1	.657	.861	.879	.60	.774
		CA2	.845				
		CA3	.797				
		CA4	.805				
		CA5	.742				
4	Behavioural Attitude	BA1	.661	.827	.887	.614	.783
		BA2	.834				
		BA3	.811				
		BA4	.783				
		BA5	.742				

Table 1.5: Table Showing the Factor Loadings, Reliability, Composite Reliability

S.No	Parameters	R Square	Beta-Value	Sig
1	Affective Attitude	.945	.844	.000
2	Cognitive Attitude	.048	.027	.342
3	Behavioural Attitude	.113	.060	.029

Table 1.6: Results of the Linear Regression Analysis

Table 1.6 shows the linear regression values of all the constructs. Luxury-brand CSR fit is taken as an independent variable and Affective attitude, Cognitive attitude and Behavioural attitude are taken as dependent variables. The co-efficient of determination (R square) for Affective image is .945, which shows that independent variable luxury-brand CSR fit can bring about changes in the dependent variable (Affective image) up to 94.5%. The significance value is .000, which is less than .05. Hence, luxury-brand CSR fit has a significant impact on Affective image. Similarly, the coefficient of determination in case of Cognitive image is (.048), which shows that luxury-brand CSR fit can bring about changes in Cognitive image up to 4.8%. The significance value is .342, which is greater than .05. Hence, luxury-brand CSR fit does not have an impact on Cognitive image. In case of Behavioural image, the luxury-brand CSR fit can bring changes up to 11.3%. The significance value is .029, which is less than .05. Hence, luxury brand-CSR fit has a significant impact on Behavioural image.

RESULTS AND IMPLICATIONS

Therefore, the study concluded that luxury-brand CSR fit has a positive impact on Affective image and Behavioural image but it does not have an impact on Cognitive image in case of luxury eco-friendly hotels and resorts. The results of the study throw various managerial and academic implications.

Academic implications: The study adds to the existing body of literature as so far no studies have investigated the impact of luxury-brand CSR fit on consumer attitude. The study is an extension of (Janssen, 2013) which gave the concept of Luxury brand-CSR fit. Maintaining luxury-brand CSR fit has an impact on consumer attitude.

Managerial implications: The study also contributes to managerial implications as it will help managers work on the luxury brands to CSR to enhance the Affective and the Behavioural attitudes. It will help managers understand what they should do in terms of luxury brand-CSR activities in order to enhance the Affective and the Behavioural image. It will help the managers in designing communication strategies accordingly.

CONCLUSION

Therefore, luxury brand-CSR fit is important for the shaping the consumers attitude viz; Affective as well as Behavioural. Luxury brand-CSR fit has a positive impact on Affective attitude and Behavioural attitude but not Cognitive. Environmental-friendly resorts in India should design communication strategies to enhance the Affective and Behavioural attitude. The study opens avenues for further research, The study is based in India; future studies can compare the results of the study with other countries. Only the impact of luxury-brand CSR fit on consumers attitude was tested; future studies can also study other constructs like brand equity, brand satisfaction, etc. The same study can be replicated for other luxury brands also.

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EPHEMERAL EXPERIENCES OR PERMANENT POSSESSIONS? THE FUTURE OF LUXURY IN ASIA

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> *"For LVMH, Hanoi and Guangzhou, not Lyons and Madrid – are the future." Levine (1997, p.81)*

When it comes to infrastructure investment, Asia is the destination of choice for top luxury conglomerates such as LVMH, Richemont, and Kering. And why not; the strong growth in high income households across Asian cities in the next 15 years translates into a hugely lucrative long term opportunity (Finews, 2016). Japan has been a consistent luxury goods champion (after USA), while Chinese consumers are the biggest luxury spenders in the world, making up almost one-third of the market. India, with its favourable demographics and rising incomes, is poised to become a key luxury destination. Philippines, Malaysia, and Thailand, albeit small – have posted strong growth in the recent years (Deloitte, 2017). Given the high stakes involved for luxury companies, all bets are on Asia.

And within Asia, the focus is on the 'emerging' countries – with growing middle income and affluent consumers. Mammoth developing Asian economies such as India and China have witnessed an unprecedented level of wealth creation over the last decade or so. Average income levels have risen manifold resulting in strong discretionary income and spending. Further, enhanced integration with the global economy (not to mention increased foreign travel) has opened doors to major global luxury brands and triggered demand at an unprecedented scale (Kotak, 2011). Hence, while old bastions such as Japan, South Korea, Hong Kong, and Singapore will continue to be important, the largest chunk of growth is bound to come from the up and coming economies of China, India, and Indonesia, etc.

The question then of particular interest to luxury marketers is the trajectory these markets will follow. Will the new rich with strong

disposable incomes continue to invest into personal luxury goods such as handbags, clothes, and jewellery? Will they follow the footsteps of their developed world counterparts within Asia (e.g., consumers from Japan) and fuel the business of luxury goods? Or will they be different and chart their own course, and prefer something else over material goods? Given the diversity and heterogeneity within Asia, understanding 'Asian' consumers is not enough to unlock the next level of growth. Recognising the unique differences between developed and emerging markets within Asia and designing a targeted marketing strategy are imperative for sustaining and increasing the momentum of growth.

FROM HAVING TO DOING

Research shows that luxury goods serve a key symbolic function, to *elevate*, i.e., "to convey that one's social rank is higher" (Brewer, 1991; Lee, Gregg, & Park, 2013, p. 336). In Veblen's (1899) famous book, *The Theory of the Leisure Class*, he coined the phrase 'conspicuous consumption' to denote the way in which material goods were displayed as indicators of social position and status. Hence, conspicuous consumption serves a hugely important social function – that of signalling "our worth in the social hierarchy" to others. In other words, the things we acquire show our status to the world.

Over hundred years after Veblen, the socioeconomic divide continues to be sharper than ever. However, the Industrial Revolution, rise of technology, and globalisation have altered values and behaviour such that conspicuous consumption has become mainstream (Currid-Halkett, 2017) and luxury is no longer a bastion of the elite. The democratisation, and consequent pervasiveness of luxury goods has made them far less useful as a means of displaying status.

The US Consumer Expenditure Survey data reveals that since 2007, the country's top 1% (people earning upwards of $300,000 per year) are spending significantly less on material goods, while middle-income groups (earning approximately $70,000 per year) are spending the same, and the trend is upward (Currid-Halkett, 2017).

Apart from education and health, where is this additional discretionary income being spent? The other key trend driving consumption shifts in luxury is that of experiences taking precedence over the typical luxury goods. And this is true not just

for millennials, but even mature luxury consumers – the elites in developed economies such as USA and Europe. In a recent survey by the Economist Group (2015), 69% of elite luxury consumers (age 35 and above in North America or Europe) said they would use a windfall to take a "trip to an exotic location or an activity you've wanted to try", compared to 19% wanting to buy a new technology product, and 11% being keen on a fashion item such as apparel, jewellery, or a watch.

In the next section, we discuss the several reasons that underlie this experiential advantage.

THE VALUE OF EXPERIENCES[1]

> *"A mind that is stretched by a new experience can never go back to its old dimensions". – Oliver Wendell Holmes*

From simple pleasures such as eating out, opening a good bottle of wine and more luxurious pursuits of holidays at exotic locales and sailing on personal yachts, experiences have started commanding a bulk of disposable income. Categories such as alcohol and food, travel, and hotels are booming, indicating a shift in values. According to Euromonitor (2017), consumer expenditure on experiences overall is set to rise from US$5.8 trillion in 2016 to US$8.0 trillion in 2030 including spends on leisure, recreation, travel, and foodservices. The global luxury market was worth over €850 billion in 2016, with the experiential segment growing at more than twice the rate of personal luxury (BCG, 2017). Driven by millennials, by 2022, the experiential segment is forecast to account for nearly two-thirds of the total luxury market (BCG, 2016).

Clearly, the emphasis is moving from "having" to "doing and feeling". What is driving this shift in consumer preference? Extant research shows that experiences don't just provide fleeting, momentary happiness.

Experiences define who we are

What's in your bucket list? Not surprisingly, bucket lists are stacked full of experiences we want to have before we die and not the things to hoard before the D-day. And for a good reason too.

Whether they are simple ones like eating at a good restaurant or lofty ones like scaling Mount Everest, we are a sum total of our experiences. No wonder then, we regard experiences as closer to self, as an integral part of our identity.

As gratifying as a Patek Philippe watch or Hermes Kelly handbag may be, they remain distant from our sense of the self. In a testament to the centrality of experiences in defining who we are, when asked to write their life story, people were more likely to embed experiences in the narrative, rather the material possessions (Carter & Gilovich, 2012).

People also intuitively believe that our experiential purchases are more indicative or telling of who we are. In an interesting study by Carter and Gilovich (2012), participants were asked to imagine that they were going to meet a new person who might be important in their life (e.g., a potential romantic partner or co-worker). They were told that they would get only one piece of information about this person prior to the meeting, either about their material possessions or about the experiences he/she has in the past.

Not surprisingly, a significantly greater number of people opted to know about the person's experiential purchases. They believed that this information would give them more insight into the other person's true self, be more useful on meeting this person and be more fun to talk about.

Experiences are uniquely yours

Experiences inherently are about the person who "experiences" them. Even if two people go to the same restaurant and order the same dish, their "experiences" could be completely different. Intuitively, this makes them less prone to comparison. On the other hand, the tangible nature of possessions makes them highly susceptible to difficult comparisons.

This incomparability of experiences is not dependent on actual consumption (Carter & Gilovich, 2010). For argument's sake, imagine choosing between two beach vacations (say, Phuket and Hawaii) versus two mobile phones (say, Apple and Samsung). The mobile phones can be put next to each other, making the virtues and the vices apparent, here and now. Try doing that for the vacations. Sure, you could place the brochures side by side, but the comparison will be far too dependent on your imagination.

Experiences build social capital

Happiness is only real when shared. That is another reason why people derive lasting happiness from experiences rather than material possessions. We dine out with friends and co-workers, go on vacations with family and attend concerts and games with other music and sports lovers.

But we use the latest iPhone devices by ourselves, usually commute alone in our swanky BMW cars and are the only ones looking at the shiny Rolex watch for time. In other words, people are at the centre of the narrative when it comes to experiences, but possessions are more solitary. Not surprisingly, research shows that solitary experiences are preferred no more than material possessions (Caprariello & Reis, 2013). Even if it's an incidental discovery, we feel closer to strangers who share our experiential purchases, compared to those who share the same material possessions (Gilovich, Kumar, & Jampol, 2015).

Experiences make the best stories

The best stories in life are about the things that you did, not the things you bought. Like a gift that keeps on giving; experiences build social connections because they are more amenable to storytelling.

Try this thought experiment. Imagine going for a beach vacation. Which are the top two destinations you would like to go to? Now imagine that you could buy an electronic gadget. What are top two electronic gadgets that you would like to buy?

Here comes the twist. You can have your first choice if you promise not to talk to anyone about it, or you could have your second choice and freely talk to others. An overwhelming majority of participants facing this dilemma opted for their second favourite vacation, provided they could tell people about it rather than their highest rated vacation they had to keep in secret (Kumar & Gilovich, 2015).

This was in stark contrast to the choice in electronic gadgets, where almost 80% of the respondents were happy to get their most favoured gadget, even if it meant not talking to anyone about it.

Data by Euromonitor (2017) shows that consumers in developed economies spent one-sixth of their income on experiential purchases, which was quite ahead of consumers in emerging markets who spent 10% of their income on experiential pursuits. The relevant question then is, how will this shift towards experiential consumption play out in Asia?

EXPERIENCES AND ASIA

My co-authors and I (Madan, Savani, Sheetal, and Wadhawan, 2018) attempted to answer some of these critical questions by investigating a rich dataset of over 6,000 consumers across ten key countries in Asia (ACI, 2013). Conducted across China, India, Japan, South Korea, Hong Kong, Singapore, Indonesia, Malaysia, Philippines, and Thailand, the study delved into the attitudes and values that drive Asian consumers.

Given that rising disposable incomes in Asia are purported to be the biggest driver of luxury goods sales, we first investigated the role of financial optimism on consumption preferences. We then delved further into how this was played out differently across developed (Japan, South Korea, Hong Kong, and Singapore) and Asia's emerging markets (China, India, Indonesia, Malaysia, Philippines, and Thailand). Leveraging this large-scale dataset spanning ten countries across Asia (ACI, 2013), we found that more financially optimistic participants were more likely to display a preference for experiential consumption versus those less optimistic about their financial future. Specifically, participants who endorsed statements such as "My standard of living has increased quite a bit in recent years", and "Five years from now my income will probably be a lot higher that it is now", were also more likely to spend more money on experiences. This preference for experiences with rising financial optimism was significant even after controlling incomes within countries.

Further, and more interestingly, while financially optimistic individuals were more predisposed toward experiential consumption across Asia, irrespective of their country of residence, those low in financial optimism preferred experiences more if they belonged to the growth markets (i.e., emerging countries within Asia), compared to those living in the 'developed' countries in Asia. In other words, participants low on financial optimism were less predisposed towards experiences if they lived in developed countries, vis-a-vis if they lived in emerging markets within Asia.

In summary, our results show that Asian consumers who are positive about their financial future were keen to spend their money on experiences. Further, even less financially optimistic consumers in the 'growth' markets within Asia (i.e., China, India, Thailand,

Malaysia, and Philippines) showed a greater proclivity for experiences, compared to their counterparts in the more 'developed' markets within Asia (i.e., less financially optimistic consumers in Japan, Hong Kong, Singapore, and South Korea). Given the extant of this research (over 6,000 respondents in 10 Asian countries), it gives a unique, unparalleled view into the aspirations of Asian consumers – at the heart of luxury conglomerates' growth strategy.

Given the importance of Asia and specifically, the emerging markets within Asia, we now discuss the implications of these findings for luxury marketers.

IMPLICATIONS FOR LUXURY MARKETERS

In her book, *The Sum of Small Things*, sociologist Elizabeth Currid-Halkett (2017) argues that knowledge and creative economies have led to the rise of the "aspirational class". These are people who value health, culture, experiences, personal development and ethics above all else. Not surprisingly, trends show that the essence of luxury is moving from a focus on the physical to a premium on the experiential (Deloitte, 2017). Our results show that this trend will become increasingly more pronounced in Asia as financially optimistic consumers across ten Asian countries look forward to spending their newfound wealth on experiences. Recent data from UnionPay, a payment card company showed that the shift is already underway in China – during the Golden Week of 2014, i.e., the autumn season of strong consumer demand – the number of in-store transactions went up by 30% year-on-year while those in restaurants and hotels increased by a whopping 52% over 2013 (Economist, 2014).

Further, and more interestingly, we found a moderating effect of developed versus emerging markets within Asia such that consumers who were upbeat about their future prospects showed a preference for spending on experiences regardless of their location. However, less financially optimistic consumers' preferences were affected by their country of residence such that those in emerging markets within Asia (China, India, Indonesia, Malaysia, Philippines, and Thailand) displayed a stronger preference to spend on experiences versus consumers living in the more developed economies within Asia (Japan, South Korea, Singapore, and Hong Kong).

While our results suggest that the market for experiences (both luxury and otherwise) will continue to expand and merits attention, it is not

as if the rich have stopped (or will stop) buying goods. But increasingly, these goods will form part of an experience. Hence, this section focusses on understanding the implications of this finding for luxury product managers and the ways to leverage these results for marketing luxury goods.

Van Boven and Gilovich (2003) defined experiential purchases as "those made with the primary intention of acquiring a life experience: an event or series of events that one lives through". On the other hand, "material purchases are those made with the primary intention of acquiring a material good: a tangible object that is kept in one's possession" (p. 1194). Given the rise of the 'experience' economy, scholars have argued that the future of businesses is contingent on their ability to deliver fantastic experience to customers (Pine & Gilmore, 1999). Pine and Gilmore (1999) explained experiential marketing as "when a person buys a service, he purchases a set of intangible activities carried out on his behalf. But when he buys an experience, he pays to spend time enjoying a series of memorable events that a company stages to engage him in a personal way". Increasingly, businesses are focussing on the experiences that surround their product, rather than the specifics of attributes and qualities (Schmitt, 2000). Providing an excellent experience surrounding the (product) offering is a sure-fire way of converting customers into brand advocates/ambassadors/evangelists.

We now discuss a few recommendations for luxury product marketers to stay relevant in this experience economy.

1. *Precedence to experience (not ownership)*: Wanting (and being willing to pay for the experience) to drive a luxury car is one thing, putting down a huge chunk of your income to buy or even lease one for three years is quite a different ball game. Not to mention being stuck with a particular car for a long time. Instead of owning 'one' car, what if you can have whatever car you wanted, whenever you wanted it? With its monthly subscription service called Porsche Passport, Porsche claims to have engaged a group of people who wouldn't normally engage with the brand because they do not want to commit to a three year lease (and other hassles that come from owning one – such as insurance). Porsche makes it easier by owning the fleet, and customers pay for the opportunity to use the vehicles as and when

they desire (Fogelson, 2018). Porsche takes care of the details such as insurance, roadside assistance, maintenance and taxes – making it an extremely appealing proposition for people who just want to "try" things on a month-by-month basis and are not hesitant to pay for it (Ell, 2018). According to the company, majority of the Porsche Passport subscribers opt for the most expensive tier, with unlimited access to the most premium end of Porsche's fleet of vehicles. The programme may just be one of the reasons why Porsche is leading the pack in the automotive industry in the US. Despite a slowdown in overall new vehicle sales in the US, Porsche managed to post the eighth consecutive year of growth in 2017.

Fine jewellery rental companies such as Opulent and luxury watch rental services like Eleven James are flipping the concept of ownership on its head. Giving the consumer the option to experience several items from the assortment at a competitive cost has many takers – who would otherwise probably never 'buy' a Rolex or Patek Philippe watch.

2. *Embed products within experiences*: Even as luxury gets more mass-produced and democratised, consumers still want to hear the story that luxury brands tell. Research by the Economist Group (2015) found that stories about the luxury brand's history or craftsmanship showing how the product is made were of great interest to luxury consumers. Given their rich heritage, luxury brands enjoy a unique, enviable position to tell engaging stories about their lineage and their craft. Communicating the story behind the brand is one of the most critical aspects of luxury marketing – and one that is most amenable to an experiential twist. Close to a third of the consumers were interested in exclusive in-store events or special brand-led events like pop-up stores. While anyone may be able to buy a Louis Vuitton (LV) bag, not everyone will be invited to the LV show during the fashion week in Milan or Paris. The experiential elements could help put the 'rarity' back in luxury. There are many ways and levels at which luxury brands can bring their stories alive for consumers – fashion shows, pop-up stores, museums, visits to factories, and at a very basic level – engaging content. Experiences provide virtually limitless opportunities for engaging the consumer on a multi-sensorial level. The World of Coke in

Atlanta does a fabulous job of rekindling the nostalgia associated with the drink with an hour long immersive journey showcasing all things Coke. Not surprisingly, consumers are more than ready to loosen their purse strings at the souvenir shop, which is the last stop on the trip. The Ferragamo Shoe Museum in Florence, Italy, not only boasts of the rich history of the brand but some of the most exquisite examples of the designer's work. Arguably, it is difficult to not want to own a piece of history after you have spent a couple of hours going through the annals of tradition and craftsmanship. While it may be difficult for every brand to own and run a museum, a pop-up store can be effectively used to generate buzz and excitement while giving the consumers a privileged access into the world of the luxury brand. Hence, the recommendation for luxury marketers is to integrate their products within experiences that highlight the brand's story while giving the customers a unique way to connect with the brand, and make them feel special and privileged.

3. *Leverage Technology to Provide a Value-Added Experience*: According to Euromonitor (2017), "consumers are seeking out authentic experiences that suit their individual tastes, preferences and lifestyles." New technologies such as augmented reality/virtual reality can provide a breakthrough in creating an upgraded and enhanced in-store experience. Value-added experiences such as smart mirrors will become increasingly mainstream as technology startups vie with one another to create more immersive technological tools. For example, MemoMi Labs has created the Memory Mirror, "which uses augmented reality to allow users to virtually try on and change the colour of new items as shown in this patent application" (CB Insights, 2018, p. 27).

CONCLUSION

To summarise, in line with mature markets such as North America and Europe, Asian consumers' preference for luxury will become increasing experiential, weighting cruises and travel over handbags and jewellery. Further, the growth markets in Asia will likely not follow the same trajectory/path to material goods acquisition as their more developed counterpart countries like Japan, South Korea, etc. Even less financially hopeful consumers in these emerging markets seem to be gravitating more toward experiences.

One of the reasons behind this finding may be that while Louis Vuitton bags are a way of life in Japan, and that is what the financially constrained consumers there may look up to, luxury goods are not that entrenched in the emerging markets. Not surprisingly, a Euromonitor (2017) study found that when it came to giving precedence to experience over possessions, India ranked as number one globally with over 50% respondents preferring experiences to possessions. Hence, the aspirations of even those low in financial optimism may revolve around experiences, and not material goods. On the other hand, Japan was last in the worldwide ranking with less than 20% of consumers preferring experiences over goods.

Further, past research showed that peoples' implicit mindsets influence experiential preference (Madan et al., 2016). It is possible that those in emerging markets have a greater growth mindset, afforded by the high growth, dynamic environment. More research is needed to understand this in greater detail along with the underlying mechanism driving the effect.

Further, while our research underscores the growing importance of experiences, this is not to say that people will *stop* acquiring goods. However, it is definitely prudent to start concerted efforts to make luxury goods more experiential or to embed goods within an experience to make them even more engaging and memorable. Given the many benefits of experiential consumption highlighted earlier in this chapter, it is not an overstatement to say that consumers will continue to seek out a variety of experiences and are willing to shell out the big bucks for something authentic and exclusive.

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ENDNOTE

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"I Don't Want to be Fake!" How Psychological Distance and Self-Perceptions can Lead to Authentic Luxury Consumption?

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ABSTRACT

The growth in the luxury sector has called for identifying new customer segments and assessing which factors lead consumers to choose between authentic luxury products and counterfeited goods. The current research analyzes the motivations and purchase intentions of individuals to consume authentic or counterfeit luxury products, based on their psychological distance from the brand and self-perception. The use of an experimental design permitted an accurate representation of psychological distance from the store and the brand, which consequently influence luxury motivations as well as intention to purchase authentic or counterfeit luxury goods. 150 participants responded to an online questionnaire, to know how they perceive authentic and counterfeit luxury products. A conceptual framework has been developed and tested through structural equation modeling to outline how aspects of self-perception, shame for counterfeited purchases, and perceived proximity from the brand and store influence decision making for authentic luxury brands. According to the results of a Partial Least Squares approach, the perceived proximity from a luxury store, be it original or counterfeit, influences the motivation to pursue luxury products. Consumers of authentic luxury brands are guided in their luxury motivations through the need to authenticate one's self, while counterfeit luxury consumers switch to authentic purchases when they feel more self-conscious. The study highlights the differing processes for consumers of authentic and counterfeit luxury, aiding marketers to better understand the components of the luxury brands they should emphasize through advertising to capture different consumer segments.

INTRODUCTION

The luxury sector has evolved as a mammoth within the last decade specifically amongst developed economies; however, it is still unknown to many parts of the world. The personal luxury market was valued at €250 billion by 2015, with single digit growth figures calling for an identification of newer markets and a more stable customer base (Bain & Company, 2015). The growth in the luxury sector has seen two significant shifts: 1) a move from mature markets to emerging luxury markets such as China, Russia and the UAE, where consumer spending is growing at 70% as compared to 53% for Europe, US and Japan; and, 2) travel is becoming a rising segment for luxury, with around half of luxury purchases being made by travelers/tourists (Deloitte, 2017). Some shifts in currency exchange rates have made it difficult to purchase luxury goods in the Americas for tourists. However, there has been a growth of over 60% of tax-free purchases primarily within the high-end luxury spectrum by Chinese and American tourists coming to Europe (Bain & Company, 2015). The rise of tourist luxury consumption all over the world, specifically in Europe by Asian travelers, fosters a need to better understand their behaviors and perceptions of the luxury sector.

This paper is based on the perceptions of luxury brands but is not directly linked to defining luxury as a concept. The focus of this research is on how people see their 'selves' within the process of luxury consumption, the differing motivations for the consumption decision and how the perception of luxury impacts the self. For certain consumers, luxury consumption can be a dream come true, a way to express one's self, while for others it can be a way to join a society/group, be a part of an exclusive set, and to emulate others (De Barnier, Falcy, & Valette-Florence, 2012). A diverse respondent profile allowed testing the effect of store appearance and balancing the effects of regional exposure to luxury.

THEORETICAL FRAMEWORK

Perceptions of Luxury and the Self

Luxury products are usually marketed as desirable brands, with the ability to sell dreams such as the generational quality of watches and cars to be passed on to the progeny (Kessous, Valette-Florence,

& De Barnier, 2017). However, the ability of luxury to "excite and make a consumer dream" may not exactly be the same across different cultures (Kapferer & Valette-Florence, 2016). The perceptions of the same object can at times vary based on how a person thinks of it, i.e., at an abstract, high-level construal or at a concrete, low-level construal depending on the way that they are described. These perceptions, conceptualized as the construal level theory, influence how much we perceive ourselves to be distant from objects and experiences (Trope & Liberman, 2003, 2010).

Psychological distance has been defined as the different ways in which an object might be construed in connection with self, within the dimensions of time, physical space, social distance and hypotheticality (Trope & Liberman, 2003, 2010, Thomas & Tsai, 2012). A distancing on one dimension can also have an impact on another dimension. For instance, social distance can affect spatial or temporal distance (Stephan, Liberman, & Trope, 2010; Trope & Liberman, 2010), wherein using formal language in speech connotes a form of spatial and temporal distance with the target person. The influence of psychological distance has been proven to occur for social judgment, decision making, processing mode, evaluation and choice (Henderson, Wakslak, Fujita, & Rohrbach, 2011; Thomas & Tsai, 2012; Trope & Liberman, 2010; Yan, Sengupta, & Hong, 2016). There has been some research on serial distancing, where distance on one dimension influences the other dimension; but little work has been done on simultaneous distancing, on how consumers behave when more than one distance is perceived at the same time (Huang, Burtch, Hong, & Polman, 2016) specifically with respect to a luxury brand.

Perceptions of Luxury Stores

Within the luxury sector, special attention is given to the appearance of the store, both from the outside and the inside. The way that the store is perceived by consumers is important for brand heritage, aesthetics, and status. Store managers and creative directors put a considerable amount of time in decorating the stores to show an authentic brand ideology through the ambience and design of the store (Dion & Arnould, 2011). Oftentimes, the spirit and design of the store are used to signal status identities to consumers. Luxury firms use store design to dictate and manage the status for their particular brands, for instance how people should interact with

the brand, what should be their understanding of it and the desired customer experience (Dion & Borraz, 2017). It has been shown that the perceived service quality inside a luxury retail store influences customers' emotions and their attitudes toward the brand (Kim, Park, Lee, & Choi, 2016).

Luxury brands pay special attention to keeping their brands exclusive and rare, by keeping the penetration of luxury at a moderate level, so that it is accessible and affordable to only a few (De Barnier et al., 2012). These stores and the encompassing environment provide an escape from reality to feel the beauty, pleasure and the dream value of luxury (Kapferer, 2012; Kapferer & Valette-Florence, 2016). Some luxury brands have also "artified" their stores to be innovative, exquisite, unique and prestigious (De Barnier et al., 2012; Kapferer, 2014). This embeds an artistic touch to the brand, adds legitimacy and universality by equating the brand to art forms (Dion & Arnould, 2011; Kapferer, 2014), and transforms the luxury store into a hybrid entity constituting elements of art galleries and museums with a symbolic exclusivity (Joy, Wang, Chan, Sherry, & Cui, 2014).

Self-Perceptions

Within the field of psychology, numerous scholars have studied the concept of self by contrasting the actual with the ideal self (Hollenbeck & Kaikati, 2012). The journey from actual to ideal self can be seen as a constant process of self-growth and congruence with the ideal self (Rogers & Koch, 1959). Based on these person-centered views of self, authenticity can be defined as a dynamic link among physiological states, emotional expression and the social environment (Wood, Linley, Maltby, Baliousis & Joseph, 2008).

The consumption of luxury goods has been linked to a variety of motivations including exclusivity, conspicuous consumption, sense of belonging to a group, and snob vs. bandwagon effects (Han, Nunes, & Drèze, 2010; Kastanakis & Balabanis, 2014). The conspicuousness of a brand also affects individuals differently, with some consumers preferring to pay more for a quiet brand, while others prefer to pay more for a loud brand based on their individual needs and luxury motivation (Han et al., 2010).

The differing motivations to consume luxury have been shown to influence the choice of genuine and counterfeit luxury goods (Wilcox,

Kim & Sen, 2009). The market of counterfeit luxury relies heavily on consumers' desire to consume luxury and a general sense of belonging to the group of luxury consumers (Kastanakis & Balabanis, 2014; Penz & Stottinger, 2005). It is important therefore to understand what these specific motivations are and how consumers feel with themselves while purchasing counterfeited products.

Counterfeiting of Luxury Brands

The counterfeiting of luxury brands is fast catching up on genuine luxury as an industry. The global value of the counterfeiting and piracy industry is valued at half a trillion dollars, increasing by over 80% in five years (Anti-Counterfeiting Group, 2016). Counterfeiting is defined as "unauthorized representation of a registered trademark carried on goods identical or similar to goods for which the trademark is registered, with a view to deceiving the purchaser into believing that he/she is buying the original goods" (OECD, 2002). The counterfeiting industry has been expanding rapidly despite actions taken by governments, consumer groups and companies (Bian, Wang, Smith & Yannopoulou, 2016; Wilcox et al., 2009). Research has shown that some people indulge in the consumption of counterfeits as an accomplishment of social goals (Bearden & Etzel, 1982; Wilcox et al., 2009), while others employ it as a desire to experience real luxury (Hoe, Hogg & Hart, 2003; Penz & Stottinger, 2005).

Consumers engage in varying ways to signal their ideal self through the consumption of luxury brands. People purchase counterfeits of luxury brands to signal an aspiration to be closer to an ideal self (Gino, Norton & Ariely, 2010; Han et al., 2010; Wilcox et al., 2009). This can be through a highly visible brand logo or a "quiet" brand logo (Han et al., 2010), with the choice of genuine vs. counterfeit luxury (Gino et al., 2010; Kaufmann, Petrovici, Filho, & Ayres, 2016; Yoo & Lee, 2009, 2012), showing a resistance to counterfeiting behavior (Mourad & Valette-Florence, 2016; Penz & Stottinger, 2005) and through the social consumption of luxury brands (Wang & Griskevicius, 2014; Wilcox et al., 2009).

Consumption as Social Motivation

The social motivations of individuals are an important determinant of

consumption, as has been demonstrated by various scholars (Berger & Heath, 2007; Buunk & Gibbons, 2007; McFerran, Dahl, Fitzsimons & Morales, 2010; White & Argo, 2009; White & Dahl, 2006), with greater implications for luxury brands considering their conspicuous consumption and desirability aspects (De Barnier et al., 2012; Kapferer & Valette-Florence, 2016; Kastanakis & Balabanis, 2014; Parguel, Delécolle, & Valette-Florence, 2016; Wang & Griskevicius, 2014). The functional theories of attitude have shown two different routes for self realization through social-adjustive or value-expressive motivations (Wilcox et al., 2009), and can serve as the social motivation to consume luxury. Social-adjustive functions facilitate people in developing relationships between the self and brand as a way to gain social approval (Kastanakis & Balabanis, 2014; Smith, Bruner & White, 1956; Wilcox et al., 2009). A value-expressive function, on the other hand, allows the communication of one's own beliefs and values with the environment (Katz, 1960; Wilcox et al., 2009).

The "Authentic" Self

Recent research has questioned the belief that an availability of counterfeit products increases purchase intentions and reduces the demand for authentic luxury (Nia & Lynne Zaichkowsky, 2000; Wilcox et al., 2009). It has been shown that both authentic and counterfeit luxury consumers have their distinct needs and a positive image of these products. Around 70% of luxury brand users believed the wide availability of counterfeits did not influence the status or purchase intentions of original luxury brands. An individual's underlying social attitude functions towards luxury can influence their luxury brand attitudes and purchase intentions. Two products that look identical can be perceived as similar, however an individual's personal goals determine how consumers compare products (Ratneshwar, Barsalou, Pechmann & Moore, 2001).

Within the context of luxury counterfeiting, it is important to assess the perception of self as certain consumers assert their authenticity through the consumption of luxury (Gino et al., 2010). The consumption of counterfeit products can allow people to feel better and signal a positive trait of income, wealth, and social status through the similarity to luxury brands (Wilcox et al., 2009). This self-presentation would not be the same as the actual

self, and can result in sending conflicting signals to others (Gino et al., 2010; Goffman, 1978). Although a positive signal is being sent from the use of luxury counterfeits, the self can inwardly process it as a negative 'fake' or 'inauthentic' signal, which results in perceiving dishonesty and untruthfulness for the self and others (Dijksterhuis & Bargh, 2001; Gino et al., 2010).

HYPOTHESIS DEVELOPMENT

Psychological Proximity to Luxury

Extant research has discussed implications of social distance with a person, but not in terms of a brand or store. Research in marketing has shown that distance influences review positivity and processing of peer recommendations (Huang et al., 2016; Zhao & Xie, 2011), as well as consumer evaluations (K. Kim, Zhang, & Li, 2008). Luxury products and their descriptions are generally described as more abstract in nature, with abstract product descriptions disseminating luxurious perceptions (Hansen & Wänke, 2011). Luxury consumption has been deemed to make people dream of it (Kapferer & Valette-Florence, 2016) and to think of it as an abstract object (Hansen & Wänke, 2011), however there are few works articulating the effect of distance perceptions on the evaluation or choice of luxury consumption (Yu et al., 2017).

The current research employs psychological proximity as "the perceived closeness of the self to an object/phenomenon". A greater psychological proximity would mean being *closer* to the luxury perception and purchasing behavior. In this research, psychological distance has been considered along the dimensions of time and space, which have been most frequently employed in existing literature. Researchers have shown that a greater proximity to the object improves attitudinal responses and consumption of hedonic products (Chang & Tuan Pham, 2013; Huyghe, Verstraeten, Geuens & Van Kerckhove, 2017).

H1: Psychological proximity to a luxury brand would positively impact the motivation to consume luxury brands.

Luxury and the Self

There have been various studies conducted within psychology to assess the construct of "authenticity". These range from self-reported

measures, to comparing variation in behavior across social roles (see Wood et al., 2008 for a review). The prospect of authenticity for the self has implications for behaviors and consumption, such that greater self-authenticity results in greater authentic consumption (Morhart, Malär, Guèvremont, Girardin & Grohmann, 2015; Wood et al., 2008). Authenticity for a brand based on heritage, style, quality and production has been shown to influence the different brand stories and narratives of a hedonic product (Beverland, 2006). A stronger perception of brand authenticity results in improved brand choice, through greater authenticity for the self (Morhart et al., 2015).

Within the context of counterfeit consumption, varying authenticity levels have an impact on the way people consume luxury and counterfeits (Gino et al., 2010). Authentic consumers think it is better to be themselves, stand by their ideology and prefer to value themselves more in life through the consumption of genuine products, whereas people with lower attributes of self-authenticity would not assign much importance to the choice of authentic consumption. For the purposes of this study, self-authenticity would be defined as "behaving and expressing emotions in such a way that is consistent with the conscious awareness of physiological states, emotions, beliefs and cognitions" (Wood et al., 2008, p. 386). The atmosphere of an authentic luxury store incites certain feelings of authenticity within its consumers (Dion & Borraz, 2017; Kim et al., 2016), hence the store environment (authentic or fake) can cause individuals to feel differing levels of authenticity (Gino et al., 2010; Wilcox et al., 2009).

H2a: Self-authenticity would not moderate the impact of psychological distance on luxury motivations for a counterfeit store.

H2b: Self-authenticity would positively moderate the impact of psychological distance on luxury motivations for an authentic luxury store.

The social motivation functions of a person determine his/her attitude towards counterfeiting. Consumers have a greater tendency to purchase authentic luxury products when they align more with value-expressive functions, with the exception of late adolescents aged up to 25 years (Pueschel, Parguel, Chamaret, & Valette-Florence, 2017; Pueschel et al., 2017; Schade, Hegner, Horstmann, & Brinkmann, 2016).

When consumer motivations are in line with social-adjustive aims, self-presentation goals are more salient and the counterfeited product would be deemed better than the original product because of its lower price and identical appearance. As both an original product and a counterfeit one serve this goal equally, the psychological proximity to a brand would greatly influence social motivations. Conversely, when consumers' motivations are serving a value-expressive function, self-expression goals are more salient. As a counterfeit product does not serve the goal of self-expression well for most consumers, it would be deemed as inferior to the authentic product (Nia & Lynne Zaichkowsky, 2000; Wilcox et al., 2009). The variable of luxury motivations has been operationalized in this research as the difference between value-expressive and social-adjustive functions. Figure 1 illustrates the inherent relationships between psychological distance and luxury motivations.

H3a: Luxury motivations for a counterfeit brand would positively influence the intention to purchase authentic luxury products.

H3b: Luxury motivations for an authentic brand would positively influence the intention to purchase authentic luxury products

Self-Consciousness

Consumers usually purchase products which align with their self-image, based on the varying motivations for consuming luxury (Kastanakis & Balabanis, 2014; Wilcox et al., 2009). This is highly relevant in the case of luxury brands, where status seeking and conspicuous consumption play a significant role in purchase intentions (Han et al., 2010; Kastanakis & Balabanis, 2014; Schaefers, 2014; Shukla, 2010; Wang & Griskevicius, 2014). Within luxury and counterfeiting, self-image has also been shown to influence purchase intention for genuine luxury brands, as association with an authentic luxury brand would enhance self-presentation within the social environment (Kaufmann et al., 2016; Shukla, Banerjee & Singh, 2016; Yoo & Lee, 2009).

Public self-consciousness has been defined as "awareness of the self as a social object or the awareness that others are aware of the self" (Fenigstein, Scheier & Buss, 1975). Researchers have often used varying interpretations of self-consciousness to show a person's concern about

his/her self-image, self-esteem or self-appearance (Argo, White & Dahl, 2006; Banister & Hogg, 2004; Dunning, 2007; Kressmann et al., 2006; Malär, Krohmer, Hoyer & Nyffenegger, 2011; Scheier, 1980). Luxury consumption is a social behavior for many individuals, hence self-consciousness would play a role in the general luxury motivation (Kastanakis & Balabanis, 2014; K. H. Kim, Ko, Xu & Han, 2012). However, authentic luxury consumers who do not wish to explicitly show their usage of luxury products would not be affected significantly by this (Han et al., 2010; Kaufmann et al., 2016).

H4: Self-consciousness would: a) positively influence the ***motivations for luxury brands*** *at a counterfeit goods store; and b) positively influence the motivations for luxury brands at an original luxury store.*

H5: Self-consciousness would: a) positively influence the ***intention to purchase luxury brands*** *for users of counterfeit luxury; and b) not have a significant impact for users of original luxury products.*

Role of Anticipated Emotions

The act of choosing a counterfeit product over its authentic counterpart can be considered a moral decision that consumers undertake. Within the context of moral decision making, various scholars have emphasized the role of moral emotions for decisions involving moral values. They suggest that moral judgments are influenced by automatic and affect-induced moral intuitions (Greene & Haidt, 2002; Haidt, 2001, 2007; Monin, Pizarro & Beer, 2007; Shweder & Haidt, 1993). This is in line with behavioral scientists working on mental processing models, who have shown that instinctive judgments are different from the conscious processing of information (Haidt, 2001; Kahneman, 2011).

The current research in counterfeiting behaviors has studied varying moral emotions of pleasure, envy, regret, guilt and shame, based on the way people feel when processing them (Chen, Teng, Liu & Zhu, 2015; Haidt, 2003). A greater feeling of guilt for past counterfeit purchases would lead to judging future purchase decision as morally wrong (Kim, Cho & Johnson, 2009). There has been a great amount of research on the impact of pride, envy and regret involving luxury purchases, with the absence of shame. The presence of pride,

shame and regret leads to a preference for either non-conspicuous counterfeiting or adjudging the action of counterfeiting as morally wrong (Chen et al., 2015; Kim & Johnson, 2014). A feeling of shame based on self-view and luxury motivation would hence curb future counterfeit consumption (Chen et al., 2015). See **Figure 1** for a graphical illustration of the causal model along with the hypothesized relations.

H6a: Shame arising for a future counterfeit luxury purchase would positively influence the purchase intentions for authentic luxury.

H6b: Shame arising for a future authentic luxury purchase would not significantly impact the purchase intentions for authentic luxury.

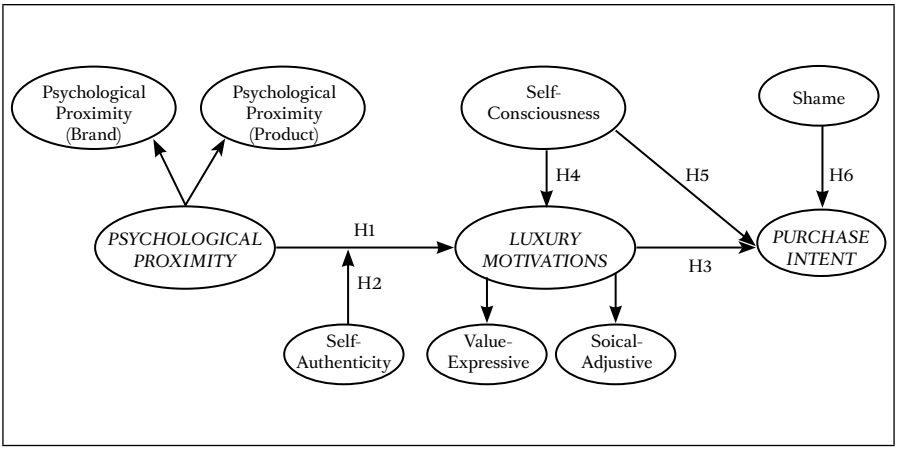

Figure 1: Research Causal Model & Hypotheses

RESEARCH CONTEXT AND METHODOLOGY

Methodology

This research utilized a survey methodology, wherein participants were asked to respond to an online questionnaire. A total of 150 respondents took part in an online experiment, consisting of two different conditions for the type of retail store. The selected product for this research was a well-known accessory brand (Rolex), which is used equally by both genders. This product category was chosen due to its balanced mix of usage as opposed to automobiles or handbags which are more commonly used by either one of the

genders. This allowed us to have a mix of both genders utilizing the same luxury brand. The respondents included 48% females, with 96% of the respondents having earned a bachelor's degree or a higher qualification. Most of the respondents were employed (58%), earned more than US$3,000 per month (52%), and were in a relationship (47%). The respondent profiles belonged to differing regions across the world, to check the effect of store outlet on people of varying regions and balance effects of regional exposure to luxury.

Participants started by providing details of their usage and familiarity with the brand, which was followed by one of the experimental conditions. All scenarios were randomized through the software to have a balanced mix of the different conditions. The manipulation check showed that respondents understood well the distance and retail store descriptions. Respondents then answered questions relating to psychological distance, luxury perception, anticipated emotions, self-perceptions, and luxury motivation. The questionnaire ended with luxury purchase intent, current preferences, and demographics.

The experimental conditions included a textual description and pictorial representation of a retail store selling either authentic or counterfeit luxury products (original luxury store vs. street shop). Respondents first read a paragraph describing the store's distance from their home and the type of store. The product type sold at the store was manipulated through text, as well as pictures of the store and the product. Certain phrases were used to elaborate whether the store was selling counterfeit or authentic luxury products, focusing on the originality of brand names and logos, and a price comparison. This was followed with a picture of an original Rolex store or a counterfeit street store, as well as a product sold by Rolex watch. As counterfeit products are perceived to look identical to the original products, the same picture of a watch was used for both conditions.

Measures

In line with Bar-Anan, Liberman & Trope (2006) and Benedicktus (2008), psychological distance can be manipulated for a luxury brand in terms of physical distance from the store. The perceptions of abstractness of luxury can be manipulated in line with existing works on luxury perceptions and malleability of self, which can

influence the luxury motivations and attitude towards counterfeiting (Aaker, 1999; Hansen & Wänke, 2011; Nia & Lynne Zaichkowsky, 2000; Wilcox et al., 2009).

The measures for psychological distance included a 5-item scale measuring distance from the product and the brand (Bar-Anan et al., 2006; Benedicktus, 2008). For the current study, psychological distance has been evaluated as the perceived proximity to a luxury brand (vs. counterfeit street) store regarding the time taken to reach from home. These values for distance were reverse coded to attain a psychological proximity score, showing the relation between perceived nearness and luxury motivations. Shame was evaluated using 3-item measures based on previous studies (Aaker & Williams, 1998; Izard, 2013; J.-E. Kim & Johnson, 2014). Self-perceptions were measured through public self-consciousness and self-authenticity (Gino et al., 2010; Kaufmann et al., 2016; Morhart et al., 2015). Luxury motivations were evaluated on an 8-item scale comprising social-adjustive functions and value-adjustive functions (Grewal, Mehta & Kardes, 2004; Wilcox et al., 2009). The purchase intention for authentic luxury products was measured using a 4-item scale (Kaufmann et al., 2016; Yoo & Lee, 2009).

ANALYSIS AND RESULTS

Regarding the causal model depicted in **Figure 1**, a Partial Least Squares (PLS) estimation procedure has been selected according to its ability to handle both a rather complex hierarchical structure and small data samples, since there were 68 respondents for the genuine luxury shop, compared to 64 respondents for the street shop. Moreover, Sharma & Kim (2013) show that in the case of small sample sizes, PLS estimates are particularly accurate and clearly outperform maximum likelihood approaches. As recently suggested by (Henseler, Hubona, & Ray, 2016), the results are presented according to overall model fit, measurement model and structural model. In addition, all assessments are based on bootstrapping with 5,000 replications (e.g., (Hair, Sarstedt, Ringle & Mena, 2012; Hair Jr, Hult, Ringle & Sarstedt, 2016; Henseler, Ringle & Sarstedt, 2012; Henseler, Ringle & Sinkovics, 2009), which computes

the standard errors of estimates from the standard deviations of the bootstrap estimates.

As for the overall model, the absolute GoF values are respectively 0.674 and 0.615, far above the 0.36 threshold for excellent fit suggested by Wetzels, Odekerken-Schröder & Van Oppen (2009) and identical to the bootstrapped GoF values. In addition, the SMR, which equal respectively 0.078 and 0.083, remain in line with the recommended thresholds (Henseler, Hubona, et al., 2016).

Once the overall quality of the proposed model had been established, internal consistency, reliability, and convergent and discriminant validity were assessed. As shown in **Table 1**, indicators of convergent validity and reliability are satisfactory: the reliability is greater than 0.7 and the convergent validity is greater than or equal to 0.5 for all of the first-order constructs and the second-order ones (psychological distance and luxury motivations) encompassed within this research. Ultimately, discriminant validity is established, according to Fornell & Larcker's (1981) criterion or the HTMT matrices, all figures being below the recommended threshold of 0.85 (Henseler, Ringle & Sarstedt, 2015).

Finally, the structural part of the model can be evaluated. All the direct and indirect path coefficients were again evaluated for significance by means of a bootstrapping approach with 5,000 bootstrap samples and all are statistically significant, with t-values greater than 2 and confidence intervals which do not include zero (**Table 2**). To study the moderating effect of self-authenticity, the product indicator approach was relied upon (with mean centered product measurement indicators), following Henseler & Chin's (2010) recommendations for moderation investigations. In addition, it has been verified that, according to the modern MICOM (measurement invariance of composite models) procedure (Henseler, Ringle & Sarstedt, 2016), between the two samples under investigation, the configurational and measurement invariance was achieved, hence enabling meaningful comparisons between the structural path coefficients.

Latent Variables	Reliability ρ		Convergent Validty	
	Street Shop	***Genuine Luxury Shop***	***Street Shop***	***Genuine Luxury Shop***
PSYCHOLOGICAL DISTANCE (order 2)	0.875	0.865	0.778	0.763
Psychological Distance Product	0.814	0.785	0.594	0.555
Psychological Distance Brand	0.526	0.714	0.498	0.571
LUXURY MOTIVATIONS (order 2)	0.953	0.947	0.910	0.900
Value-Expressive	0.944	0.965	0.808	0.875
Social-Adjustive	0.872	0.911	0.640	0.724
Self-Consciousness	0.876	0.800	0.638	0.510
Self-Authenticity	0.871	0.872	0.629	0.629
Shame	0.958	0.902	0.883	0.754
Purchase Intent	0.905	0.862	0.705	0.615

Table 1: Convergent Validity and Reliability

Overall, the R^2 for the dependent latent variables range from 15.5% up to 42.9%, hence giving full support to the proposed research model. More precisely, regardless of the shop, the impact of psychological distance on the luxury motivations is statistically significant (authentic store: 0.119 vs. counterfeit store: 0.212), hence validating H1. This is in line with existing research affirming the effects of psychological distance on the luxury motivations and evaluation for an individual (Huang et al., 2016; Yu et al., 2017). This is especially relevant in luxury consumption where abstract language and psychological distances regarding the timeliness of luxury consumption are frequently used to attract consumers towards this sector.

The same pattern arises regarding H4 and the highly significant influence of self-consciousness on the luxury motivations (original luxury store: 0.430, vs. counterfeit store: 0.448). This implies that being socially aware of one's self has a significant impact on why individuals consume luxury, be it authentic or counterfeit. Research in luxury has shown that many consumers indulge in this behavior for social motivations and not just for self-satisfaction purposes (Han et al., 2010; Shukla, 2010; Wiedmann, Hennigs & Klarmann, 2012). The results of this study show that even amongst counterfeiting of luxury a similar pattern of social consumption for luxury goods

emerges, where social acceptance and signaling the desire to be part of a group are major factors (Bian et al., 2016; Penz & Stöttinger, 2012; Thaichon & Quach, 2016). Interestingly, there is a strong moderating effect of self-authenticity, hence validating H2, on luxury motivations, but solely for the original luxury shop condition. Consumers of authentic luxury products would be more inclined to feel authentic with themselves, which has a direct impact on their luxury motivations. With counterfeit products, there is no perception of self-authenticity and it has a negative, insignificant effect on luxury motivations. For such situations, the psychological distance/proximity from the store and the brand has a greater impact on consumers (authentic store: 0.119, vs. street store: 0.212). Consumers are looking for authenticity while shopping, which creates a catalyst effect in reducing the psychological distance between the consumer and the luxury watch. This relation supports the role of psychological distance in reducing the proximity that consumers feel between themselves and a luxury product (Huang et al., 2016; Yu et al., 2017), and authenticity perceptions for original products against feeling "fake" on consuming counterfeited ones (Gino et al., 2010; Wilcox et al., 2009).

For the dependent variable, the pattern is quite different between the street shop condition and the original luxury store. As expected (H5a and H6a), self-consciousness (0.171) and shame (0.534) are good predictors of counterfeited purchase intent, whereas the opposite pattern (respectively -0.244: H5b and -0.278: H6b) occurs regarding one's intention to purchase genuine luxury, hence validating H5 and H6. Accordingly, whereas luxury motivations do not impact purchase intent in the case of the street shop condition, they positively influence (0.236) purchase intentions in the original luxury shop condition (validating H3b). This shows that consumers of counterfeit products are conscious of their luxury motivations and the intention to purchase. They purchase luxury products because of their social sense of appearance rather than the inherent motivations to purchase luxury. Authentic luxury consumers are also self-conscious about their luxury motivations, which then influence them to purchase. However, for them, being socially visible in fact suppresses the intention to purchase as they are motivated to buy authentic products more because of their personal attitude regarding luxury.

GENERAL DISCUSSION

This research intends to highlight the differences in perception of authentic luxury based on the luxury motivation, self-perception, and perceived psychological distance from the store. There are differing mechanisms through which individuals process the purchase of authentic and counterfeit luxury products.

This research shows that self-consciousness is a significant predictor for luxury motivations involving counterfeit products. This implies that people who are willing to purchase counterfeit products are more interested in their public appearance and making a good impression on others. For individuals viewing a counterfeited product, they can be influenced to purchase authentic luxury brands if they feel a greater level of shame and a greater proximity to the luxury brand. Since these individuals are highly conscious of their social appearance, they can be "shamed" into using

	Street Shop; GoF = 0,615; SRMR = 0,083			
Latent Predictors	Parameter estimates	t tests	Low Confidence Intervals (95%)	High Confidence Intervals (95%)
	Dependent Variable: Luxury Motivations; R^2= 0.264			
Psychological Distance (H1)	0,212	4,443	0,117	0,305
Self-Consciousness (H4)	0,448	10,353	0,359	0,526
Self-Authenticity X Psychological Distance (H2)	**-0,012 (NS)**	-0,267	-0,112	0,071
	Dependent Variable: Purchase Intent; R^2= 0.429			
Self-Consciousness (H5a & H5b)	**0,171**	4,125	0,093	0,258
Shame (H6a & H6b)	**0,534**	15,892	0,463	0,594
Luxury Motivations (H3a & H3b)	**0,020 (NS)**	0,438	-0,068	0,109
Psychological Distance (*total*)	0,004 (NS)	0.355	-0,016	0,021
Self-Consciousness (*total*)	**0,180**	4,571	0,102	0,260

Table 2: Path Coefficients Estimates & Confidence Intervals

* *Underlined coefficients are not statistically different;** **Bold** type coefficients are different between the two groups (p<0.005).*

authentic luxury brands instead of counterfeit luxury by influencing them to feel close to the brands.

Conversely, self-authenticity is a significant factor when evaluating the purchase of an authentic luxury product. For these persons, self-expression and authenticity are more important, which lead to their luxury motivations to purchase authentic luxury products. Individuals who are researching on authentic luxury brands feel a reinforcement of self-authenticity, which increases their motivation and intention to purchase from authentic luxury brands. This is in line with existing research on counterfeiting behavior putting light on the varying motivations for individuals to consume authentic and counterfeit luxury brands. Researchers have shown that this is influenced by perceptions of appearance, luxury motivations, social acceptance and self-image similar to the predictions of the current research (Thaichon & Quach, 2016; Wilcox et al., 2009; Yoo & Lee, 2009).

Genuine Luxury Shop; GoF = 0,674; SRMR = 0,078			
Parameter estimates	t tests	Low Confidence Intervals (95%)	High Confidence Intervals (95%)
Dependent Variable: Luxury Motivations; R^2 = 0.355			
0,119*	3,169	0,041	0,189
0,430	14,473	0,371	0,489
0,371**	9,015	0,301	0,461
Dependent Variable: Purchase Intent; R^2 = 0.155			
-**0,244**	-2,693	-0,327	-0,084
-**0,278**	-6,658	-0,364	-0,200
0,236	4,650	0,116	0,323
0,028	2,354	0,007	0,052
-**0,131** (**NS**)	-1,573	-0,223	0,157

Contributions and Future Research

This study focuses on an empirical demonstration of factors which lead to the consumption choice of authentic luxury and counterfeit products. The context is based on an international sample of respondents to get a diverse input as to how and why people from different parts of the world decide in indulge in counterfeiting behaviors or buy original luxury. The research has relied on some innovative concepts of distance between the self and the brand, perceptions of self-authenticity and consciousness, and personal motivations for luxury which have not been extensively used except in some work (Gino et al., 2010; Kaufmann et al., 2016; Wilcox et al., 2009; Yoo & Lee, 2012, 2012; Yu et al., 2017).

This research is unique in using psychological perceptions and a negative social emotion to curb counterfeiting behaviors. There exists no work to date which has employed psychological proximity within the context of counterfeiting for luxury products. This research suggests that employing psychological distance is equally important in anti-counterfeiting efforts as it can be used for targeting individual consumers' luxury attitudes as well as ensuring that current users of authentic luxury do not switch to counterfeited products (Wilcox et al., 2009; Yoo & Lee, 2012; Yu et al., 2017). The study is one of the first to employ the emotion of shame in counterfeiting behavior, whereas previous work have mostly focused on pride, gratitude or regret (Chen et al., 2015; Romani, Gistri, & Pace, 2012).

With the rise of luxury counterfeits as a distinct segment, there is a growing risk for the personal luxury goods sector losing its customers to "fake" product sellers. The growing size of both the luxury and counterfeiting industry has made it imperative to understand the underlying motivations for choosing an authentic brand or a counterfeit one. A large amount of research has shown varying reasons as to why people indulge in counterfeiting behaviors (Eisend & Schuchert-Güler, 2006; Nia & Lynne Zaichkowsky, 2000; Thaichon & Quach, 2016; Wilcox et al., 2009). This research, however, shows how the distance perceptions of a luxury store and a person's self-view influence their decision for luxury consumption. This is highly relevant for luxury brand managers who are engaging in efforts to enhance consumption of authentic products while at the same time making efforts to curb counterfeiting of their products.

For luxury brand managers and luxury stores, they can engage the consumers by reinforcing that there is little distance and high proximity between the brand and the individual. In certain geographical regions of the world where counterfeit presence is ubiquitous, luxury brands need also to ensure that consumers stay loyal to original luxury products and do not switch to counterfeits which are less costly and highly available (Eisend & Schuchert-Güler, 2006; Mourad & Valette-Florence, 2016; Penz & Stottinger, 2005; Thaichon & Quach, 2016). Store managers can inform consumers that original luxury brands will lend greater authenticity and visibility in the society as compared to fake luxury brands, which can be done through ad copies showing greater pleasure in distinguishing oneself (Gino et al., 2010; Kastanakis & Balabanis, 2014; Romani et al., 2012; Wilcox et al., 2009). Lastly, a feeling of shame associated with counterfeit consumption helps to ensure the purchase of authentic luxury by customers, which can be done through anti-counterfeiting communication messages showing social embarrassment from peers for using counterfeits (Bian et al., 2016).

This research has a few limitations, which can be addressed through future exploration and subsequent studies. The research context is based on a single product category, and the current causal model could be tested across different product categories (such as apparel, travel and lifestyle brands) to test external validity of results. There is a limited sample size; hence future research should validate the results across a bigger sample to enhance internal consistency of the measured concepts. It is also worthwhile to explore the impact of luxury motivations and anticipated emotion on future purchase situations through a longitudinal study, evaluating how these decisions evolve over time based on the dynamic nature of luxury motivations.

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The Double-Edged Sword of Social Signaling: Antecedents and Consequence of Mixed Emotions in Counterfeit Brand Consumption

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Counterfeits are products that use brand names or logos without the brand owner's authorization. In addition to being illegal, counterfeiting infringes intellectual property rights and brings financial loss to luxury brand companies. It is also often tied to organized crime, child labor, money laundering, and drug trafficking (International Anti-counterfeiting Coalition 2016). The value of counterfeit and pirated goods is projected to be US$1.9-2.3 trillion by 2022, a 100% increase over the past decade (International Chamber of Commerce 2017) and, by some accounts, a significant part of this growth is due to consumers' thirst for luxury fashion products (Nia and Zaichkowsky 2000; International Anti-counterfeiting Coalition 2016). This problem is particularly severe in Asian markets, where counterfeit products are widely available and produced. Thus, strategies to combat counterfeiting likely depend on a multitude of factors, including whether consumers are duped into purchasing a counterfeit or do so intentionally, and the nature of the counterfeit. We narrow our investigation to contexts where consumers intentionally purchase counterfeits of popular name brand and luxury brand products, because rising consumer demand is a major obstacle to fighting counterfeits.

Consumers desire counterfeit fashion products for the brands' signaling value. Counterfeits represent an inexpensive way to convey desirable qualities about oneself (e.g., wealth, taste, or status) to other consumers that are generally conveyed by luxury brands (Phau and Teah 2009; Wiedmann, Hennigs, and Klarmann 2012; Wilcox, Kim, and Sen 2009). It is possible, however, that the desire to send positive social signals is met with concerns about social disapproval when consumers go on to *use* the counterfeit. This would suggest that using a counterfeit can be an emotionally complex experience insofar as the combination

of both positive and negative social signals elicits both positive and negative, or mixed, emotions. If this hypothesis is correct, then one way to design effective anti-counterfeiting messages for fashion products might be to leverage the mixed emotions that arise during use, as consumers often avoid situations that elicit mixed emotions (Williams and Aaker, 2002; Hong and Lee, 2010). To this end, the present investigation endeavors to identify factors that cause counterfeit users to feel mixed, to examine how mixed emotions impact the desire to purchase counterfeits, and to utilize these findings to design an intervention that curbs demand for counterfeit products.

Consumption of Counterfeit Products

Extant research has examined different drivers of counterfeit purchase. Demographic characteristics play a role (see Eisend and Schuchert-Guler 2006 for a review). Going on holidays or abroad increases counterfeit purchase because it is perceived as exciting and adventurous (Penz and Stottinger, 2012). Importantly, consumers' desire to use brands to signal social status is a key motivation for counterfeit purchase (Phau and Teah 2009; Wiedmann, Hennigs, and Klarmann 2012; Wilcox et al. 2009). In addition, past counterfeit consumption also increases future purchase (Tom et al. 1998), possibly because counterfeit users find ways to justify counterfeit consumption (Bian, Wang, Smith, and Yannopoulou 2016; Cordell, Wongtada, and Kieschnick 1996; Poddar, Foreman, Banerjee, and Ellen 2012), and they tend to view counterfeits as less unethical (Tom et al. 1998). Given counterfeit users' tendency to repeat purchase, it is important to examine situational and individual factors that influence the users' consumption experience, which may in turn influence purchase decisions. We focus on counterfeit users' *emotional* experience and argue that in some situations counterfeit users have mixed emotions.

Counterfeit Consumption and Mixed Emotions

Mixed emotions usually arise in emotionally complex situations, such as moving from home and graduating from school (Larsen, McGraw, and Cacioppo 2001), facing disappointing gains or relieving losses (Larsen, McGraw, Mellers, and Cacioppo 2004), and behaving impulsively (Rook 1987) or indulgently (Ramanathan and Williams 2007). We argue that using a counterfeit can also be an emotionally complex situation that elicits mixed emotions. To elaborate, consumers often

view counterfeits as an inexpensive way to send *positive* social signals, such as wealth, status, and social affiliation, which otherwise are associated only with genuine brands (Gentry, Putrevu, and Commuri 2001; Hoe, Hogg, and Hart 2003; Jiang and Cova 2012; Tang, Tian, and Zaichkowsky 2014; Wilcox et al. 2009). At the same time, however, because people in general hold negative attitudes toward counterfeiting (Gistri, Romani, Pace, Gabrielli, and Grappi 2009; Perez, Castano, and Quintanilla 2010), using a counterfeit can also send out *negative* signals in the event that counterfeits are identified, such as being unethical and deceitful. Thus, using a counterfeit can also elicit concerns about negative social judgment. The potential to send positive signals and gain social approval should elicit positive emotions, such as happiness and pride, whereas the potential to send negative signals and receive social judgment should elicit negative emotions, such as embarrassment and fear. When these positive and negative emotions arise at the same time, counterfeit users experience mixed emotions. Based on our theorizing, factors that influence the different aspects of social signaling in counterfeit consumption should influence mixed emotions in counterfeit consumption. Accordingly, we test the effects of three such factors on users' emotional experience when using a counterfeit and the downstream consequence on purchase decisions.

Social Norms

The extent to which a product or consumption behavior is associated with positive or negative social signals depends on social norms (Cialdini, Kallgren and Reno 1991; Olds, Thombs, and Tomasek 2005). In the context of counterfeit consumption, when using a counterfeit is perceived as unaccepted by others, concerns about social disapproval would arise and elicit negative emotions. This rise in negative emotions, accompanied with the positive emotions arising from the potential to send positive signals associated with the brand, should in turn elicit mixed emotions. On the other hand, when using a counterfeit product is uncommon, doing so may be interpreted as being savvy, and thus may not elicit negative emotions. Thus, perceived social (un)acceptance, relative to perceived prevalence, should have a stronger effect on counterfeit users' mixed emotions.

H1: Counterfeit users are more likely to experience mixed emotions when using a counterfeit, if counterfeit consumption is perceived to be socially unaccepted (vs. accepted).

Consumption Setting

The extent to which counterfeit users feel mixed also depends on whether the mixed signals sent by a counterfeit would be received by others and hence elicit social approval and social judgment. Public consumption is easily observed by others, and hence, makes salient the positive signals that garner social approval, or negative signals that elicit social judgment. Thus, counterfeit users are more likely to experience mixed emotions when using a counterfeit in a public (vs. private) setting, where the positive and negative signals are observed by others.

H2: Counterfeit users are more likely to experience mixed emotions if they use a counterfeit product in a public (vs. private) setting.

Social-Adjustive Motive

The potential of a counterfeit to send mixed signals does not influence all counterfeit users equally, and may depend on the extent to which counterfeit users are concerned with the audience's interpretation of those signals. One determinant of this individual difference is counterfeit users' *social-adjustive motive*, or the motive to use brands to facilitate social relationships, signal social status and gain social approval (Katz 1960; Wilcox et al. 2009). Counterfeit users with a *high* (vs. low) social-adjustive motive are likely to be more concerned with the ways that others interpret the signals they send, because they have a consumption goal of gaining social approval and, conceivably, avoiding social judgment. Thus, the potential to gain social approval intensifies positive emotions, and the potential to receive social judgment intensifies negative emotions. As a result, counterfeit users with a high (vs. low) social-adjustive motive are more likely to experience mixed emotions.

H3: Counterfeit users are more likely to experience mixed emotions when using a counterfeit, if they have a high (vs. low) social-adjustive motive.

Consequences of Mixed Emotions in Counterfeit Consumption

Mixed emotions represent an emotional conflict that is aversive and can negatively influence attitudes toward the source of one's mixed emotions (Cacioppo et al. 1999; Hong and Lee 2010; Williams and Aaker 2002). Thus, the mixed emotions elicited in counterfeit consumption should *reduce*

the attractiveness of counterfeit products. Because people do not often experience mixed emotions, experiencing mixed emotions is unique and salient relative to the respective positive and negative emotions (Berrios et. al 2015; Fong 2006; Scherer 1998; Rosenberg 1990). Thus, although negative emotions are also aversive in nature, we predict that the mixed emotions elicited in counterfeit consumption have an independent and stronger effect on counterfeit users' subsequent purchase intentions toward counterfeit products.

H4: The mixed emotions elicited in counterfeit consumption reduce counterfeit users' subsequent intent to purchase counterfeit products.

Study 1: Social Norms

Method

Undergraduate students in Hong Kong participated in the 2-conditions (product: counterfeit, genuine) by social norms continuous study. We manipulated product, and measured participants' perceptions on the social acceptance and prevalence of counterfeit consumption. International students and two participants who complained about discomforts while using the products (e.g. "the sunglasses don't smell good") were excluded, resulting data from 176 participants (N=176, 61.4% females; M_{age} = 20.07, *S.D.* = 1.21) in the analyses. Participants first reported their perception on the social acceptance (e.g. "many consumers find using counterfeit products socially acceptable") and prevalence (e.g. "many consumers use counterfeit products"; 1 = "definitely false", 5 = "definitely true") of counterfeit consumption[1]. Then, those in the counterfeit [genuine] condition read that a luxury eyewear brand wants to understand "how consumers feel when wearing the counterfeit [genuine] sunglasses of the brand". To provide a sense of choice, we then asked participants whether they would like to proceed to wear the counterfeit [genuine] sunglasses, and all participants agreed. Participants received the sunglasses and followed the experimenter to an outdoor area to experience the sunglasses under natural lighting. After a couple minutes, they returned to the lab and reported how they felt while wearing the sunglasses on a mixed emotions scale (M = 2.27, α = .88; good and bad at the same time, ambivalent, mixed feelings, bothered, discomfort, conflicted). Participants also reported

specific positive (M = 2.40, α = .79; happy, proud, good) and negative (M = 1.83, α = .82; nervous, afraid, embarrassed, guilty) emotions.

Results

Participants' perceptions on the social acceptance and prevalence of counterfeit consumption did not differ between product conditions (all *ps* > .6). We regressed mixed emotions on product condition, perceived social acceptance (standardized), and their interaction (R^2 = .05). Results revealed a main effect of perceived acceptance (β = -.14, $t(172)$ = -2.27, p = .02), qualified by an interaction (β = -.10, $t(172)$ = -1.74, p = .08). The slope of the effect of perceived social acceptance on mixed emotions was significant and negative in the counterfeit condition (β = -.24, $t(172)$ = -2.91, p < .01), but non-significant in the genuine condition (β = -.03, $t(172)$ = -.36, p > .7; Figure 1). Moreover, we do not expect perceived prevalence to influence mixed emotions, and conducted a separate analysis using perceived prevalence, product condition, and their interaction as the independent variables. We found no significant main effect (both *ps* > .3) or interaction (p > .1) on mixed emotions.

We also regressed positive and negative emotions, respectively, on product, perceived social acceptance (standardized), and their interaction. In this and the two following studies, we report all results of analyses on positive and negative emotions in Table 1.

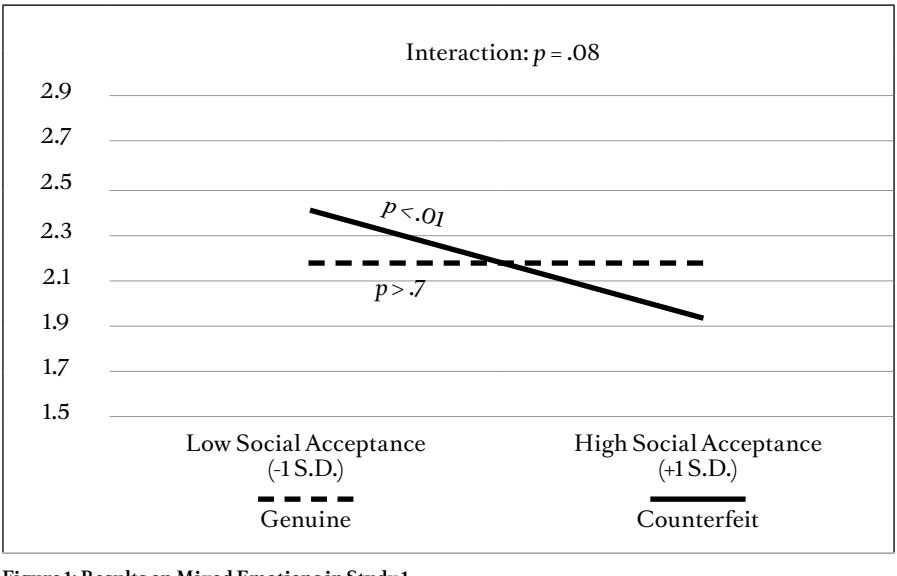


Figure 1: Results on Mixed Emotions in Study 1

Study 1: Social Norms		
	Positive Emotions	Negative Emotions
Regression:		
Product (counterfeit = 1, genuine = -1)	β= .05, $t(172) = .89$, $p > .3$	β= .04, $t(172) = .77$, $p > .4$
Social Acceptance	β= -.03, $t(172) = -.48$, $p > .6$	β = -.20, $t(172) = -3.63$, $p < .01$
Product* Social Acceptance	β= .11, $t(172) = -1.80$, $p = .07$	β= -.08, $t(172) = -1.36$, $p > .1$
Simple Effects of Social Acceptance:		
Product = Counterfeit	β= .08, $t(172) = .96$, $p > .3$	β= -.28, $t(172) = -3.61$, $p < .01$
Product = Genuine	β= -.14, $t(172) = -1.57$, $p > .1$	β= -.13, $t(172) = -1.57$ $p > .1$

Study 2: Public vs. Private Consumption Settings		
	Positive Emotions	Negative Emotions
ANOVA:		
Product	$F(1,184) = 5.17$, $p = .02$	$F(1,184) = 14.28$, $p < .01$
Setting	$F(1,184) = 2.79$, $p < .1$	$F(1,184) = 60.27$, $p < .01$
Product * Setting	$F(1,184) = 7.96$, $p < .01$	$F(1,184) = 26.08$, $p < .01$
Simple Contrasts between Public vs. Private:		
Product = Counterfeit	*M*s = 2.65 vs. 2.79, p = .42	*M*s = 2.96 vs. 1.46, $p < .01$
Product = Genuine	*M*s = 3.31 vs. 2.72, p < .01	*M*s = 1.93 vs. 1.62, $p = .06$

Study 3: Social-Adjustive Motive		
	Positive Emotions	Negative Emotions
Regression:		
Product (counterfeit = 1, genuine = -1)	β= -.47, $t(233) = -7.22$, $p < .01$	β= .43, $t(233) = 7.69$, $p < .01$
Social-adjustive Motive	β= .37, $t(233) = 5.7$, $p < .01$	β= .15, $t(233) = 2.67$, $p < .01$
Product* Social-adjustive Motive	β= -.13, $t(233) = -2.06$, $p = .04$	β= .26, $t(233) = 4.55$, $p < .01$
Simple Effects of Social-adjustive Motive:		
Product = Counterfeit	β= .24, $t(233) = 2.46$, $p = .01$	β= .41, $t(233) = 4.87$, $p < .01$
Product = Genuine	β= .51, $t(233) = 5.79$, $p < .01$	β= -.11, $t(233) = -1.40$, $p > .1$

Table 1: Results on Positive and Negative Emotions in Studies 1 – 3

DISCUSSION

Results of this study support H1. When using a counterfeit is perceived as unaccepted (vs. accepted) by others, counterfeit users have more mixed emotions. Counterfeit consumption is a global trend that implicates a wide range of consumers, so the norms of counterfeit consumption may vary across societies and over time. Thus, based on our theorizing, the counterfeit-induced mixed emotions and their downstream consequences may be weakened in countries where using counterfeits is perceived as socially accepted. Participants used actual products in a relatively realistic setting, which speaks to the external validity of this study. In the next study, we test H2, which predicts counterfeit users have more mixed feelings when using a counterfeit in public (vs. private), using *imagined* counterfeit consumption. We also test the effect of mixed emotions on purchase intentions (H4). Imagining an experience allows people to simulate actual experience and can elicit similar emotions (Dahl, Manchanda, and Argo 2001; Rotman, Lee, and Perkins 2016). Thus, our hypotheses should hold in both actual and imagined consumptions.

Study 2: Public vs. Private Consumption Settings

Method

One hundred and eighty eight undergraduate students in Hong Kong (65% females; M_{age} = 19.5, *S.D.* = 1.3) participated in a 2 (product: counterfeit, genuine) by 2 (setting: public, private) between-subjects study for partial course credits. Participants imagined wearing either a counterfeit or a genuine Abercrombie & Fitch sweater, either at a picnic party or at home. Then they reported the extent to which they felt mixed (M = 2.14, α =.93), positive (M = 2.87, α = .81), and negative (M = 1.99, α = .89) on the same scales as in Study 1. Afterward, participants indicated their willingness to purchase counterfeits in the future ("Are you willing to purchase a counterfeit branded product in the future?" 1 = "definitely would not purchase", 7 = "definitely would purchase").

Results

Mixed emotions: We conducted an ANOVA using product, setting, and their interaction as independent variables, and mixed emotions as the dependent variable. Results yielded main effects of product ($F(1, 184) = 3.30$, $p = .07$) and setting ($F(1, 184) = 16.44$, $p < .001$), qualified by the predicted

product by setting interaction ($F(1, 184) = 11.93$, $p < .001$). Supporting H2, simple effect analyses showed that counterfeit users felt more mixed when using a counterfeit in public ($M = 2.74$) than in private ($M = 1.77$, $t(187) = 5.31$, $p < .001$; Figure 2). No simple effect of consumption settings was found among genuine users ($M_{public} = 2.06$, $M_{private} = 1.98$, $p > .6$).

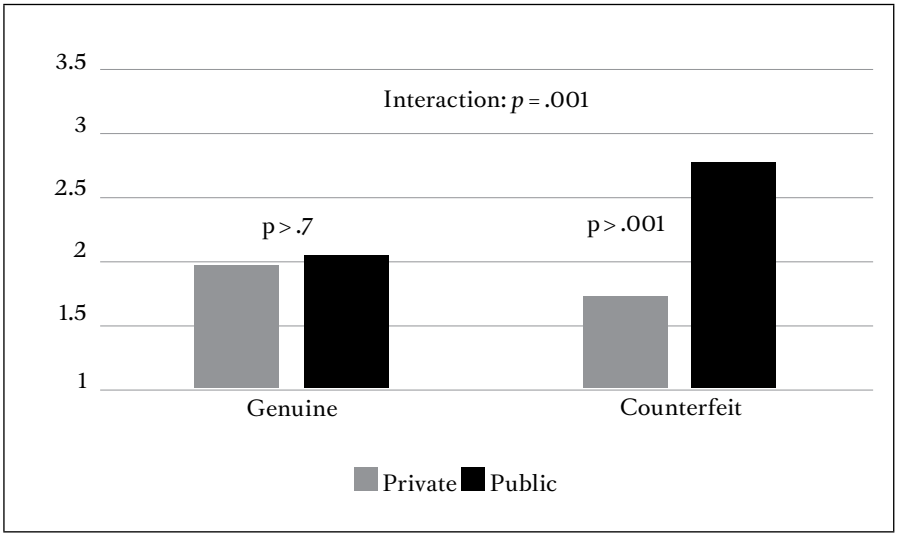


Figure 2: Results On Mixed Emotions in Study 2

Downstream Consequence on Purchase Intentions: We tested the effect of mixed emotions on purchase intentions by conducting a moderated mediation analysis using purchase intentions toward counterfeits ("PIc" hereafter) as the dependent variable, mixed emotions as the mediator, setting as the independent variable, and product condition as the moderator (PROCESS model 7, Hayes 2013). Results showed a significant moderated mediation effect (bootstrapped samples = 5000, 95% CI = [-.31, -.02]). The interaction of product and setting had no direct effect on PIc ($F(1, 184) = .64$, $p > .4$), but had a significant indirect effect on PIc through the mediation by mixed emotions (Zhao, Lynch, and Chen, 2010). Moreover, despite the lack of direct effect of the interaction, simple effect analyses showed that PIc was lower in the public vs. private condition (Ms = 3.11 vs. 3.77, $F(1, 184) = 3.81$, $p = .05$) among imagined counterfeit users, but not imagined genuine users ($M_{public} = 3.13$, $M_{private} = 3.40$, $F(1, 184) = .67$, $p > .4$). Finally, to test our prediction that mixed emotions (as opposed to negative emotions) are an independent and stronger predictor of PIc, we conducted a parallel

moderated mediation analysis, using *both* mixed emotions and negative emotions as mediators, and the same independent, dependent, and moderator variables as before. Results showed that mixed emotions (bootstrapped samples = 5000, 95% CI = [-.40, -.01]), rather than negative emotions (95% CI = [-.19, .26]), were the mediator on purchase intentions, supporting our prediction.

DISCUSSION

Supporting H2, imagined counterfeit consumption in public vs. private elicits a greater level of mixed emotions, whereas imagined genuine consumption in public vs. private elicits a similar, and relatively low, level of mixed emotions. Supporting H4, the mixed emotions experienced by imagined counterfeit users in public (vs. private) reduce their subsequent intents to purchase counterfeits. We do not observe these patterns among the genuine users. Importantly, mixed emotions, compared to negative emotions, have a stronger and significant mediating effect on purchase intentions. This suggests that the experience of mixed emotions is an independent and salient emotional state that influences consumers' subsequent attitudes toward the object that elicits the mixed emotions. In the next study, we test the effect of social-adjustive motive on counterfeit users' mixed emotions (H3).

Study 3: Social-Adjustive Motive

Method

Two hundred and forty one MTurk participants participated in a 2 (product: genuine vs. counterfeit) by social-adjustive motive continuous study. In this and all other studies conducted on MTurk, we excluded participants whose completion time was outside three standard deviations from the mean, resulting data from 237 participants (50.2% female; M_{age} = 34.8, *S.D.* = 11.86) in the analyses of this study. Participants in the genuine [counterfeit] condition learned that a (fictitious) foreign luxury eyewear brand, German Optical, wanted to understand how U.S. consumers feel about using [the counterfeit version of] its products. They imagined wearing a pair of genuine [counterfeit] German Optical sunglasses at a picnic where someone complimented the sunglasses. They completed the same mixed emotions (M = 2.15, α = .95), positive emotions (M = 3.30, α = .92), and negative emotions (M = 1.82, α =.88) scales as in previous studies. Then, they reported PIc ("How likely would

you be willing to purchase a counterfeit luxury product in the future?"; 1 = "Definitely would not purchase", 7 = "Definitely would purchase"), completed the Social-Adjustive Function Scale (α = .89; Wilcox et al., 2009).

Results

Mixed emotions: Social-adjustive motive did not differ between product conditions ($p > .15$). Thus, we regressed mixed emotions on product, social-adjustive motive (standardized), and their interaction ($R^2 = .29$). Results revealed a main effect of product (β = .58, $t(233) = 9.1$, $p < .001$, counterfeit = 1, genuine = -1), qualified by a significant interaction (β = .22, $t(233) = 3.37$, $p < .001$). The slope of the simple effect of social-adjustive motive on mixed emotions was significant and positive in imagined *counterfeit* consumption (β = .15, $t(233) = 2.72$, $p < .01$). Unexpectedly, the slope was significant and negative in imagined genuine consumption (β = .10, $t(233) = -2.02$, $p < .05$; Figure 3). This might be because the social-adjustive motive elicits only positive emotions in imagined genuine brand condition, resulting in an experience of pure positive emotions, and hence reduces the experience of mixed emotions.

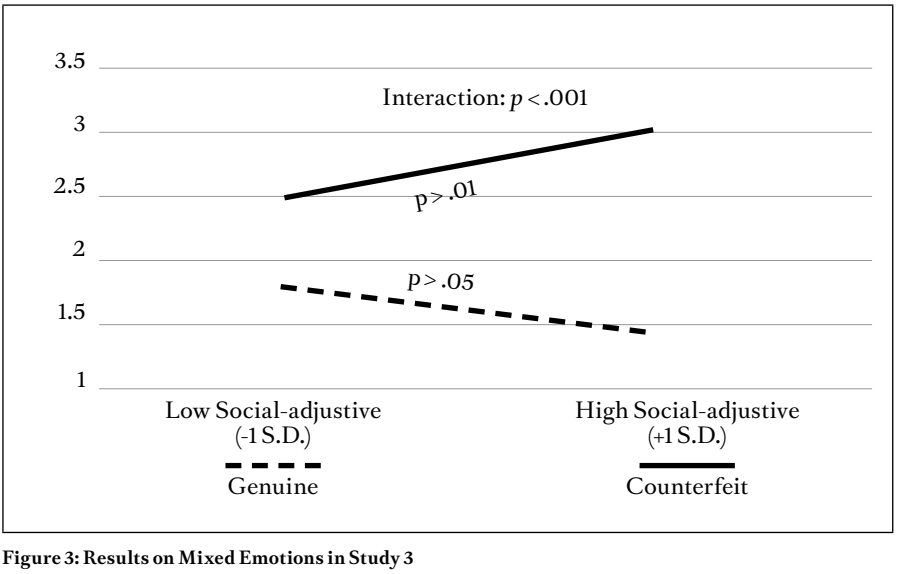


Figure 3: Results on Mixed Emotions in Study 3

Downstream Consequence on Purchase Intentions: We tested the effect of mixed emotions on purchase intentions by conducting a moderated mediation analysis using PIc as the dependent variable, mixed emotions

as the mediator, social-adjustive motive as the independent variable, and product as the moderator (PROCESS model 7, Hayes 2013). Results showed a significant moderated mediation (bootstrapped samples = 5000, 95% CI = [-.27, -.02]). Similar to Study 2, the interaction of product and social-adjustive motive did not yield a significant direct effect on PIc, but an indirect effect through the mediation of mixed emotions (Zhao, Lynch, and Chen, 2010). As in Study 2, we also conducted a moderated parallel mediation analysis using both mixed emotions and negative emotions as mediators, and the same independent, dependent, and moderating variables as before to test the prediction that mixed emotions, compared to negative emotions, are a better predictor of purchase intentions (PROCESS model 7, Hayes 2013). Results of the analysis showed a significant mediation effect of mixed emotions (95% CI = [-.38, -.01]) but not negative emotions (95% CI = [-.14, .28]). Thus, mixed emotions, relative to negative emotions, are an independent and stronger predictor of purchase intentions.

DISCUSSION

Consistent with H3, imagined counterfeit users with increasing levels of a social-adjustive motive are more likely to experience greater mixed emotions. These patterns are not observed for imagined genuine brand users, where social-adjustive motive in fact decreases mixed emotions. Importantly, the mixed emotions in turn reduce imagined counterfeit users' intent to purchase counterfeit products, supporting H4. Parallel mediation analysis shows that mixed emotions, rather than negative emotions, have a stronger effect on purchase intentions, suggesting that the mixed emotions elicited in counterfeit consumption are salient and unique from the negative emotions. Thus far, we have demonstrated three antecedents and the consequence of mixed emotions in counterfeit consumption using laboratory experiments, where participants are randomly assigned to use or imagine using a counterfeit (vs. genuine brand) product. In the next study, we test whether counterfeit users indeed feel mixed in the *real world*, by surveying their experiences of previous counterfeit consumptions.

Study 4: Survey on Counterfeit Users' Real World Experiences

Method

We recruited counterfeit users via a campus-wide email to the students and staff in a university in Hong Kong, asking whether they had

knowingly used counterfeit products before. A hundred and twenty university members who responded "yes" were invited to participate in the main survey, and 52 (56% female; M_{age} = 20.3, *S.D.* = 1.12) completed and returned the survey (a 43% response rate). The survey has a one-factor (product type: public, private) within-subjects design to test the hypothesis that counterfeit users are more likely to feel mixed while using a counterfeit in public (vs. private; H2). Participants first read our definition of public counterfeit goods (i.e. counterfeit products that are "commonly used in public situations...") and were given a list of product categories of public goods (e.g. bags, shoes, wallets). They selected the categories in which they had used counterfeits. They then described in an open-ended format how they felt while using these selected counterfeit products. Then, they repeated this procedure for private counterfeit goods (i.e. counterfeit products that are "commonly used in private situations", e.g. books, DVDs, bedsheets). Not everyone had used both public and private counterfeit goods, resulting in 44 and 47 responses for public and private consumption, respectively.

Results

The open-ended responses revealed several common themes in participants' experiences of using counterfeits. Participants in both public and private counterfeit consumption mentioned benefits of the low price (public: 27%; private: 32%) and, to a lesser extent, concerns about morality (public: 9%; private: 13%). However, when it comes to matters related to social signaling, their experiences with public and private consumption were very different. For *public* consumption, 16% users mentioned the benefits of gaining social approval through the brand (e.g. "I take pride when someone complements [compliments] the product based on the brand name"), whereas 23% users mentioned the concerns of being judged by others (e.g. "I was quite worried that others would discover that the product I was using wasn't authentic"). In contrast, 26% users explicitly stated that social signaling was *not* a concern because these signals are not received by others. Thus, both the potentials to send positive and negative signals to others were salient in public, but not private, consumption.

Next, we dummy coded participants' responses into one of the four emotion categories – positive, negative, mixed, and no emotion. If a response mentioned only positive [negative] emotions (e.g. happy, proud, satisfied [embarrassed, afraid]), it was coded as 1 for "positive emotions" ["negative emotions"]. If a response mentioned both positive and negative emotions or mixed emotions, it was coded as 1 for "mixed emotions".

If no emotions were mentioned, the response was coded as 1 for "no emotion". Because of the different numbers of participants in the public and private conditions, we compared the *proportion* of responses that indicated mixed feelings. We found that counterfeit users were four times as likely to report feeling mixed when describing their consumption experiences of public counterfeit goods (16%), compared to private counterfeit goods (4%, $t(47.66) = -1.83$, $p < .075$).

DISCUSSION

When recalling public (vs. private) counterfeit consumption, counterfeit users are four times as likely to feel mixed emotions when using a counterfeit in public (vs. private). These results were consistent with Study 2, and support the notion that in a public setting, where the positive and negative signals are received by others, counterfeit users are more likely to feel mixed. Moreover, this effect is observed based on voluntary counterfeit users' retrospective memories of past consumption, suggesting the predicted effect holds in the real world and persists over time. Leveraging on the findings in this study and Study 2, we propose that intervention strategies that prompt consumers to imagine using a counterfeit in public should also elicit mixed emotions, and in turn reduce the attractiveness of counterfeit products. In the next study, we test such an intervention strategy.

Study 5: Anti-Counterfeit Intervention

In this study, we tested the effect of an intervention strategy, which prompted consumers to imagine using a counterfeit in a public setting, in the context of advertising. Moreover, we predicted that such an intervention strategy may reduce the *relative* appeal of counterfeit vis-à-vis their genuine counterparts. Counterfeit users tend to view counterfeits and genuine products as substitutes (Jiang and Cova 2012; Wilcox et al., 2009), and using a counterfeit gives them a taste of the genuine brand. Thus, to the extent that the users feel mixed, they should see genuine products as a more appealing option. This is important because intervention strategies benefit the luxury brand owners the most if they can gravitate consumers away from the counterfeits and toward the original products. To test the relative appeal, we used the *price premium* that consumers are willing to pay for a genuine product over its counterfeit counterpart ("price premium" hereafter) as the key dependent variable.

We designed three types of ads (Figure 4). First, we designed a *social ad* that prompted consumers to imagine how they would feel when using a counterfeit in *public*. We predicted that such an ad should elicit mixed emotions, which in turn reduces the relative appeal of counterfeits vis-à-vis their genuine counterparts. Second, we designed a *non-social ad* that prompted consumers to imagine how they would feel when using a counterfeit in *private*. Prompting consumers to imagine using a counterfeit in private may make salient the signals that a counterfeit sends to the self, and thus testing the effects of social signaling versus self-signaling as intervention strategies. We predicted that the social ad (vs. non-social ad) induces mixed emotions and in turn reduces the relative appeal of a counterfeit product over its genuine counterpart, hence, increases the price premium. Third, we included a generic ad that was intended to promote an awareness of counterfeiting, from a real-world anti-counterfeit campaign (International Trademark Association 2012). Awareness promotion ads are the most common type of anti-counterfeit campaigns based on a research on Google we have conducted (details available upon request). We included the generic ad to compare our proposed strategy (i.e. the social ad) with the existing strategies. Finally, we included a baseline condition, where participants reported their willingness to pay (WTP) *before* seeing an intervention ad, in order to test the respective effects of these three types of intervention ads relative to not having an intervention.

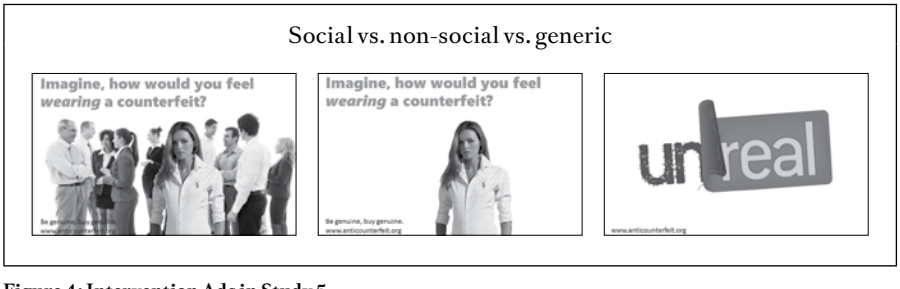


Figure 4: Intervention Ads in Study 5

Pretests

We conducted three separate pretests for the ads used in the main study. The first pretest (N = 92, 54.3% females; M_{age} = 35.38, $S.D.$ = 12.29) showed that the three ads did not differ in liking ($F(2, 91) = .16$, $p > .7$) or professional appearance ($F(2, 91) = 1.05$, $p > .3$). We conducted the second pretest to validate that the social (vs. non-social) ad indeed prompts

participants to imagine public versus private counterfeit consumption ((1 = private, 100 = public; M_{public} = 68.27, $M_{private}$ = 53.40; F(1, 160) = 8.07, p = .005). We conducted the third pretest to validate that the social ad (vs. the other two ads) is more likely to elicit mixed emotions. Participants in the pretest saw all three ads and indicated the ad that made them feel mixed about using a counterfeit. Sixty-three percent of participants chose the social ad, significantly higher than those who chose the non-social (13%) or the generic ad (24%, Chi^2 (2) = 32.08, $p < .001$).

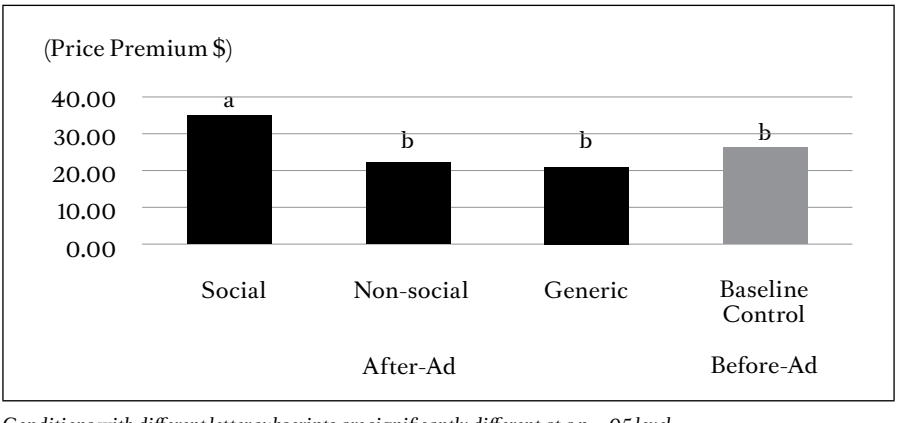
Main Study Method

Mturk participants participated in the 2 (WTP order: after-ad vs. before-ad) by 3 (ad: social, non-social, generic) between-subjects study. Participants in the after-ad WTP order condition were first randomly assigned to see one of the social, non-social, or generic ads. The ad appeared on the screen for five seconds. Then, participants imagined having a chance to purchase a counterfeit Ralph Lauren polo shirt and reported their WTP for both a counterfeit and a genuine Ralph Lauren polo shirt respectively. Participants in the before-ad condition first reported their WTP and then saw one of the ads. We explicitly stated that counterfeit products cost significantly less than genuine products, and thus excluded five participants who reported a greater WTP for a counterfeit than a genuine shirt from analyses, because it was unclear whether they understood our definition of a counterfeit. Data from 215 participants (41% females; M_{age} = 33.53, *S.D.* = 9.65) remained in the analyses.

Results

We calculated price premium by subtracting participants' WTP for a genuine good by their WTP for a counterfeit good (price premium = WTP genuine – WTP counterfeit). Price premium was log transformed for analyses due to its high skewness (*Skewness* = 4.25, *S.E.* = .17), but for ease of interpretation we report the untransformed means here. A univariate analysis using order, ad, and their interaction as independent variables, and price premium as the dependent variable yielded a significant two-way interaction ($F(2, 209) = 3.21$, $p = .042$). Price premium did not differ by ad conditions within the before-ad order condition (all $ps > .14$). This was expected given that the participants in this condition began the study by reporting their WTP before viewing an ad. Thus, we collapsed the data in the before-ad order condition to create a baseline control condition.

Participants were willing to pay a higher price premium after seeing the social ad (M = 34.67) compared to the baseline control (M = 26.29, p = .04). But the price premium did not differ between the baseline control and either the non-social ad (M = 21.96, p > .8) or the generic ad (M = 20.43, p > .5). In other words, compared to *no* intervention, only the social ad increased interests in a genuine over a counterfeit product. The social ad was also more effective than the other two intervention ads. Price premium in the social ad condition was higher than in the non-social ad (p < .06) and the generic ad (p < .03) conditions, and the latter two conditions did not differ (p > .7; Figure 5). No order by ad interaction was found for the absolute WTPs for genuine or counterfeit product (ps > .1). However, the social ad (vs. all the other conditions) directionally increases absolute WTP for the genuine good and decreases absolute WTP for the counterfeit good (Table 2).



Conditions with different letter subscripts are significantly different at a p = .05 level.

Figure 5: Results on Price Premium in Study 5

(**in US$**)	**"After-Ad"**			**"Before-Ad"**
	Social *M* (S.D.)	Non-social *M* (S.D.)	Generic *M* (S.D.)	Baseline Control *M* (S.D.)
Price Premium	34.67 (28.42)	21.96 (14.30)	20.43 (12.13)	26.29 (28.83)
$WTP for a Genuine Polo Shirt	45.12 (29.21)	34.76 (18.77)	31.35 (17.19)	37.28 (31.33)
$WTP for a Counterfeit Polo Shirt	10.45 (8.81)	12.8 (9.61)	10.92 (16.41)	10.99 (9.45)

Note: Untransformed means are reported, but analyses were conducted on log-transformed data.

Table 2: Results in Study 5

DISCUSSION

Advertising that prompts consumers to imagine publicly using a counterfeit (vs. other ads and vs. no ad) increases the price premium consumers are willing to pay for a genuine over a counterfeit product. In contrast, ads that either prompt consumers to imagine privately using a counterfeit or promote awareness of counterfeiting do not affect price premiums (vs. no ad). These results suggest that making salient concerns related to social signaling is an effective strategy for moving consumers away from counterfeit products. Importantly, the results also suggest that social signaling, rather than self-signaling, in counterfeit consumption is the key factor that curbs consumer demand.

CONCLUSION

Our research makes three key contributions. First, we identify three antecedents to experiencing mixed emotions in counterfeit consumption, each tapping into a different part of the usage experience: the potential to send mixed signals (which we test by examining social acceptance of counterfeit usage), the opportunity for those mixed signals to be received (which we test by examining public and private consumption settings), and the user's concern with the audience's interpretation of those signals (which we test by examining individual differences in social-adjustive motives). Our findings show that it is important to examine use experience because the social signaling motives that often drive purchase can in fact be catalysts to mixed emotions during use. Second, our results identify a subset of counterfeit users who are more likely to experience mixed emotions (as a function of the situational and individual difference factors described above) and show that, among these counterfeit users, mixed emotions reduce the appeal of future counterfeit consumption. Understanding how to curb repeat use is important because repeat users might account for a significant proportion of counterfeit demand (Tom, Garibaldi, Zeng, and Pilcher 1998). Third, we demonstrate that an anti-counterfeiting campaign message that makes salient the mixed social signals associated with using a counterfeit can reduce demand for counterfeits. This finding is important because most firms and organizations rely on strategies that are unrelated to social signaling. Taken together, our work is theoretically relevant to the counterfeiting literature, and substantively important to stakeholders interested in curbing counterfeit demand.

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ENDNOTE

[1] We also measured the extent to which participants believe others can differentiate counterfeit and genuine products. It had not significant two-way interaction with product (p>.1), or three-way interaction with product and social acceptance (p>.5). Thus, we do not discuss further.

Defining a New Concept in Luxury Tourism & Travel Industries Using a Delphi Study – The Case of Haute Villégiature

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ABSTRACT:
With increased competition in the tourism industry and an ever-evolving and demanding luxury demand, new business models have emerged that would be close to the concept of *Haute-couture* for the travel industry. In this paper we present a Delphi study that aimed at defining this new concept, thanks to the input of a panel of 18 experts. The initial list of statements was generated thanks to a thorough literature review about all 'Haute'-related research, and 3 rounds were necessary to reach consensus on a list of 11 statements that now stand for the definition of what has been labelled *Haute-villégiature*.

Keywords: luxury; tourism; delphi study

INTRODUCTION

Luxury consumption is getting more and more complex, with a variety of motivations and expectations associated with it, which have been found depending on the geographic origin of the consumers (Dubois, Czellar et al. 2005, De Barnier, Rodina et al. 2006) and on the level of expertise in luxury (new generation of consumers vs. second/third or later generation, de Barnier, Roux et al. 2013). Practitioners and market research companies have identified a shift from consuming luxury goods to having luxury experiences (Beverland 2006, Atwal and Williams 2009). Especially, there is a boom of consumption of exceptional travels/stays/journeys from all cultural origins and around the world. Companies have emerged, whose duty is to craft the journey for these clients. They call themselves travel designers. Simultaneously, the usual players from the hospitality and travel industry (hotels, yacht rental companies, airlines, etc.) challenge the limits of their offers, showcasing unique and sometimes time-limited "products" such as bespoke services, pop-up rooms to stay in and unexpected encounters with the stared 'Chef' of the hotel.

Therefore, it looks like the industry is witnessing the already quite structured birth of a specific category of services that would belong to a different world than the luxury travel and hospitality sector. It would be the equivalent for the sector to the Haute-concepts that already exist in quite a few other luxury sectors: *Haute-couture* in fashion, *Haute-cuisine* in food, *Haute-coiffure* in hairstyling, *Haute-horlogerie* in watchmaking or *Haute-joaillerie* in the jewelry industry. All relate to the concept of *Haute-façon* that links them to notions of craftsmanship, unicity and know-how.

In the travel and hospitality industries, there is thus a new emerging concept, which has been labeled *Haute-Villégiature*, inspiring itself from the pre-stated Haute-concepts and the notion of "*Villégiature*", a French word that opposes itself to strict tourism owing to its pace (Boyer 2008). Indeed, tourism would be more associated with migration and mobility, along with hurrying, while Villégiature could be seen as more a journey during which actors stay long enough to feel relaxed, without being submitted to an imperative schedule (Boyer 2008).

It is the objective of the present study to decipher how the new concept of *Haute Villégiature* could be defined, hence paving the way for future research on this topic with scholars and practitioners able to use the concept and elaborate on its various aspects.

The present article is first articulated around some literature review about the notions and definitions of Haute concepts, to be able to shape the preliminary questionnaire of our Delphi Study. The protocol and findings of the Delphi Study are then presented, enabling some expert-based definitions of *Haute-villégiature* to emerge. We conclude with practical recommendations and theoretical developments that could be further developed in the future.

LITERATURE REVIEW & METHODOLOGY

We started our study with the aim of identifying the characteristics defining *Haute-villégiature*. That could help the industry structure itself around some criteria that would clarify which companies could be labelled *Haute-villégiature*, and from an academic perspective it would also enable define a new concept that could be then further explored in relation to strategic business models, marketing conduct, or sociology of consumption.

We decided to use the Delphi method to reach our objective. Delphi studies are traditionally used to obtain a reliable response to a problem/

definition from a group of experts who have no interaction with one another, and who can be geographically dispersed (Kezar and Maxey 2016). It consists of a series of questionnaires that are sent by e-mail, and the replies being kept anonymous (Hsu and Sandford 2007, Ekionea, Bernard et al. 2011). The aim is to reach some consensus by the group of experts on the key concepts that would define *Haute-villégiature*. Our group of experts consists of 18 people, all working in the pre-exposed companies including TAJ or Cheval Blanc Hotels (hotels), Forbes (private jets), Il Viaggio (travel designers) or Ahipara

Brand	Category	Title	Name	Surname
Great Plains	Africa Lodges	Mr	Derreck	Joubert
Journey Beyond	DMC	Mr	Phillip	Lategan
Ahipara	DMC	Mr	Jean-Michel	Jefferson
Journey Mexico	DMC	Mr	Zachary	Rabinor
Dar Ahlam	Hotel	Mr	Thierry	Teyssier
Cheval Blanc Hotels & Royal van Lent Yachting	Hotel & yacht Group	Mr	Olivier	Lefebvre
La Réserve/ Victoria Jungfrau	Hotel Group	Mr	Michel	Reybier
Belmond	Hotel Group	Mr	Arnaud	Champenois
TAJ	Hotel Group	Mr	Chinmai	Sharma
COMO	Hotel Group	Mr	Olivier	Jolivet
Peninsula	Hotel Group	Ms	x*	x*
Elefant	Member Agencies	Mr	Gonzalo	Gimeno
Summit	Member Agencies	Mrs	Sheila	Zats
Weisse Travel	Member Agencies	Mr	Olivier	Weisse
II Viaggio	Member Agencies	Mr	Ico	Inanc
Haslemere	Member Agencies	Mrs	Gemma	Antrobus
Forbes	Private Jets	Mr	Doug	Gollan
YPI	Yacht Broker	Mr	x*	x*

**Panelist required anonymity.*

Table 1: Panel of Experts

(DMC). They have been identified thanks to the help of the owner and founder of Traveller Made®, "a network community of travel designers dedicated to providing unique and exclusive bespoke journeys to travelers looking for different and original experiences, requiring skilled and knowledgeable advisors who are committed to fully servicing their clients". They all acknowledge being luxury clients as well, with ages from 35 to 65, and different nationalities. Average experience in the industry is above 20 years. Table 1 summarizes our sample of experts.

Age	Position	Years of Experience	Located	Luxury Consumer?
60	Owner & CEO	30	Johannesburg	Y
64	Owner & CEO	37	Johannesburg	Y
53	Owner & CEO	17	Auckland	Y
46	Owner & CEO	22	Mexico	Y
52	Owner & CEO	30	Paris	Y
46	CEO	12	Paris	Y
	Owner & CEO		Geneva	
40	SVP Brand & Marketing	8	London	Y
45	Chief Revenue Officer	20	Mumbai	Y
45	CEO Como Holdings	20	Singapore	Y
53	x*	30	Hong Kong	Y
44	Owner & CEO	13	Madrid	Y
59	Owner & CEO	35	Sao Paolo	used to, now only for work
50	Owner & CEO	30	Paris	Y
40-45	Owner & CEO	18	Milan	Y
35-40	Owner & CEO	18	London	Y
53	Journalist, former owner of Elite Travel, private jet magazine	30	New York	Sometimes
45	x*	3	Monaco	Y

After filling up a questionnaire that collects the key population characteristics such as age, sex, gender, socioeconomic status and level of education, the experts have been provided with a list of claims that would define *Haute-villégiature*. The list was based on a thorough literature review of past research conducted on the other Haute-concepts.

Literature Review on 'Haute' Concepts

Academic literature on Haute concepts is unbalanced depending on the sector of activity, and even non-existent for some like *Haute-coiffure*. We therefore extended our review to less scientific research, referring to some definitions provided by the organisms supervising the usage of the Haute title. Indeed, this is one of the common characteristics among all Haute concepts: there is systematically the existence of an official body that is setting up the criteria in its industry to award the title of Haute and that is federating its members around these criteria. In France and Italy, they would be labeled as 'Fédération/ Federazione', Federation in English.

While conducting the literature review, the objective was to gather the various dimensions, criteria and problematics that are similar across industries but are also those exclusive to one. These criteria, dimensions and issues would be gathered into the preliminary step of our Delphi Study (initial questionnaire).

Literature on *Haute-cuisine* is quite dense, with researchers defining the creativity process (Stierand, Dörfler et al. 2014), the legacy issues (Dion and de Boissieu 2013), the fit with the clientele (Hetzel 1999, Nlemvo and Surlemont 2008), or the key components that would characterize *Haute-cuisine* vs. high-quality cuisine (Durand, Rao et al. 2007, Svejenova, Mazza et al. 2007). *Haute-cuisine* (High Cooking) is a very codified area, with first codification scheme written by chef Antonin Carême in 1828 who, as a Chef is described as a culinary artist "who began to simplify the vestiges of medieval pageantry in the courtly *Haute-cuisine*" (Trubek 2000). The importance of the Chef is one area of academic research, especially regarding how his/her personality is turning him/her into a real creator of artistic food based on strong know-how (Dion and de Boissieu 2013). Therefore, heritage is key and can only be achieved with a strong brand identity rooted in territories, and iconic dishes that would be staged. The Chef's creativity and innovativeness turn

Haute-cuisine restaurants into trendsetters of the highest quality standards in the culinary area, which have a major influence on the overall image of Cooking at a given time (Stierand, Dörfler et al. 2014). *Haute-cuisine* consumption is more than eating, it is an overall experience, and hence requires specific services to the guests in a tasteful environment (Ninemeier and Perdue 2008). Speaking of the guests, they are all considered as unique clients who expect to be surprised on the three already mentioned dimensions of novelty, welcome quality and eating environment (Nlemvo and Surlemont 2008). They are usually belonging to Elites, with some specific 'art of living', *Haute-cuisine* being part of it. *Haute-cuisine* bears with its name the notion of identity- and class-markers. The food is part of the overall experience and following the Carême's codification scheme, it involves the use of different ingredients, different culinary techniques, different dish presentation, different kitchen organization and different service to the table (Durand, Rao et al. 2007). Depending on the set of features chosen, the cuisine will be labeled as classical vs. nouvelle. Training of future talents is one of the preoccupation of the industry, and it is usually done through a master-apprentice relationship to trigger innovation and respect for tradition, both within the kitchen and in the clients' area (Stierand, Dörfler et al. 2008).

Haute-couture is an official label granted on a yearly basis by the French minister in charge of the industry, upon proposal of a commission set up by the *Chambre syndicale de la Haute-couture*. The set of criteria had been defined in 1945 and some examples of rules are:

- design made-to-order for private clients, with one or more fittings;
- have a workshop (atelier) in Paris that employs at least fifteen staff members full-time;
- have at least twenty full-time technical people, in at least one workshop (atelier); and
- present a collection of at least fifty original designs to the public every fashion season (twice, in January and July of each year), of both day and evening garments.

Clients of *Haute-couture* belong to a given Elite and seek luxurious lifestyle (Sargiacomo 2008). They look after intangible benefits associated with *Haute-couture* products: exclusivity, power, seduction, virility or femininity and strength (Frings 1987). Thus the consumption of *Haute-couture* is highly symbolic, with Creators (Designers) proposing

distinctive artistic styles (Sargiacomo 2008). Talent management is key as well in this industry, with labor standing for a signification portion of cost for many garments (Abernathy, Dunlop et al. 1999).

Haute-joaillerie and *Haute-horlogerie* (High Jewelry and High Watchmaking) haven't attracted much scholar attention. Still there are some 'White Books' defining the criteria to be respected, among which excellence, tradition and innovation, know-how heritage and transmission, identity and originality of the products and brands. The Maisons are also classified according to their history in the luxury industry in four different segments: historical Maisons/contemporary brands/luxury brands/craftsmen-creators.

Similarly, *Haute-coiffure* (High Hairdressing) is defined by professionals as the artistic side of coiffure, displaying the highest quality standards not only in the 'product' but also in the store and service. Twice a year, there are some catwalk with presentation of the 'collections' and here again know-how of the Artistic Director of the Hairdressing Maison is key, along with talent management and heritage.

As the reader has seen, most studies have a historical or product-based approach of each Haute concept ontological definition. To our knowledge, our approach of consensus-reach is quite innovative from this perspective as well.

Back to the Delphi Study Protocol

From the literature review, a set of statements was built:

- Haute Villégiature is the art of travel
- Haute Villégiature is the art of designing travel
- Haute Villégiature sets trends for the travel industry
- Haute Villégiature has some major influence on the image of the travel industry
- Haute Villégiature is about the highest quality standards
- People working for Haute Villégiature are led by passion
- One objective of Haute Villégiature is to surprise
- One objective of Haute Villégiature is to be a wow factor
- One key component of Haute Villégiature is being creative
- One key component of Haute Villégiature is being innovative
- Haute Villégiature deals with unique clients
- Clients of Haute Villégiature become experts with time
- Clients of Haute Villégiature have specific expectations

- Consuming Haute Villégiature is some class-identification building for the clients
- Companies belonging to Haute Villégiature could be called Maisons, as this is the case for all other Haute concepts
- Each Maison has its ID-codes such as iconic products, iconic locations, iconic clients or partners
- Each Maison has its own style and personality

Each expert was invited to rate on a 10-point Likert scale on how much he/she agrees with the statement, with 1 being the lowest and 10 the highest agreement. Qualitative comments could be shared for each statement in some dedicated areas. Then the results were compiled, using traditional statistical measures for quantitative data (measures of central tendency and level of dispersion), and content analysis for the qualitative data (Fischer 1978). A second set of questionnaire was then sent, with an enriched list of statements based on the qualitative comments provided in Round 1. Each expert was presented with his/her score and the average score of the group. He/She could choose to keep his initial score or update it. He/She also had to rate the new assessments. We proceed in this way until consensus on the ratings is achieved. For this study, only perfect and very good consensus were kept, following the definition of consensus presented in Table 2 below, from (Bauman 2001):

Perfect consensus	All respondents agree on an answer
Very good consensus	Median and 50% of respondents at one integer or 80% of respondents within one integer of the median
Good consensus	50% of respondents within one integer of the median or 80% of respondents within two integers of the median
Some consensus	50% of respondents within two integers of the median or 80% of respondents within three integers of the median
No consensus	All other cases

Table 2: Definition of Levels of Consensus

RESULTS / FINDINGS

Three rounds of questions were necessary to reach consensus. Round 1 included the list of 17 statements derived from the literature.

Table 3 is an example of a typical statistical treatment of the data (from Round 1):

	Mean Round1
Haute Villégiatue is the art of travel	6,6
Haute Villégiature encapsulates many artforms within the art of travel, from fashion to food, adventure to culture	–
Haute Villégiature is the art of designing travel	7,3
Haute Villégiature is the art of designing and delivering travel	–
Haute Villégiature relates to the art of fine tailoring in travel	–
Haute Villégiature sets trends for the travel Industry	7,3
Haute Villégiature is a pioneer in terms of trends	–
Haute Villégiature has some major influence on the image of the travel industry	6,9
Haute Villégiature is about the highest quality standards	8,8
Haute Villégiature deals with unique experiences	–
People working for Haute Villégiature are led by passion	9,3
People working for Haute Villégiature are highly knowledgeable/ experts in the business	–
One objective of Haute Villégiature is to surprise	7,4
One objective of Haute Villégiature is to exceed expectations	–
One objective of Haute Villégiature is to be a wow factor	8,7
One key component of Haute Villégiature is being creative	8,6
One key component of Haute Villégiature is being innovative	8,9
Haute Villégiature is about a thorough reading of the client's travel requirements	–
Haute Villégiature deals with unique clients	7,7
Clients of Haute Villégiature become experts with time	6,4

	Results Round 1					
	Mode Round 1	Median Round 1	Range Round 1	Interquartile Range Round 1	Std Deviation	CV
	10,0	7,0	9,0	4,5	2,9	44%
	–	–	–	–	–	0%
	10,0	8,0	8,0	4,3	2,5	34%
	–	–	–	–	–	0%
	–	–	–	–	–	0%
	10,0	8,0	7,0	5,0	2,5	34%
	–	–	–	–	–	0%
	8,0	7,5	7,0	4,5	2,5	36%
	10,0	10,0	7,0	2,0	2,0	23%
	–	–	–	–	–	0%
	–	10,0	4,5	1,0	1,3	14%
	–	–	–	–	–	0%
	8,0	8,0	8,0	2,3	2,1	29%
	–	–	–	–	–	0%
	10,0	8,5	4,0	2,0	1,3	15%
	10,0	10,0	9,0	2,0	2,4	28%
	10,0	9,5	4,0	2,0	1,4	16%
	–	–	–	–	–	0%
	10,0	8,0	5,0	4,0	2,0	25%
	7,0	7,0	8,0	1,3	2,1	32%

	Mean Round1
Client of Haute Villégiature become more and more knowledgeable about time	–
Clients of Haute Villégiature have specific expectations	8,7
Haute Villégiature allows individuals (clients) to master time and space	–
Consuming Haute Villégiature is some class-identification building for the clients	7,5
Companies belonging to Haute Villégiature could be called Maisons, as this is the case for all other 'Haute-x' concepts	7,2
Each Masion has its ID-codes such as iconic products, iconic locations, and iconic clients or partners.	7.2
Each Maison has its own style and personality	8,4
Each Masion has its own savoir-faire	–
A Haute Villégiature client would have a long-term and project-based relationship with the Masion	–

Table 3: Statistical Treatment of Round 1 Data

12 statements out of the 17 were kept for Round 2, excluding those combining consensus and poor median score.

Round 2 included a list of 29 statements, with 17 new statements emerging from the qualitative comments of the panelists. Consensus with high median scores was reached during Round 2 on eight statements (See Table 4):

CONSENSUS ROUND	Median
Haute Villégiature is about the highest quality standards	10
People working for Haute Villégiature are led by passion	8
One objective of Haute Villégiature is to surprise	8
One objective of Haute Villégiature is to be a wow factor	9
One key component of Haute Villégiature is being creative	9
One key component of Haute Villégiature being innovative	9
Clients of Haute Villégiature have specific expectations	9
Each Masion has its own style and personality	9

Table 4: Consensus Reached in Round 2

Results Round 1					
Mode Round 1	Median Round 1	Range Round 1	Interquartile Range Round 1	Std Deviation	CV
–	–	–	–	–	0%
10,0	10,0	5,0	2,3	1,8	21%
–	–	–	–	–	0%
8,0	8,0	9,0	3,0	2,7	39%
–	8,0	9,0	5,0	3,1	42%
5,0	7,5	8,0	5,0	2,4	33%
10,0	10,0	7,0	3,0	2,1	25%
–	–	–	–	–	0%
–	–	–	–	–	0%

The 21 other statements were once again submitted and additional consensus was reached on a set of 3 items (with median scores above 8/10). Table 5 summarizes the consensus reached.

	Nb of VG consensus	Nb of G consensus	Some or No consensus
Round 1	–	–	–
Round 2	8	–	–
Round 3	3	12	6

(VGC~Very Good Consensus / GC~Good Consensus)

Table 5: Consensus Reached During Each Round

In the end, the Delphi Study generated a list of eleven statements that would define *Haute-villégiature* (median scores from 8 to 10 and Very-Good Consensus). Only one VG consensus has a median below 8 (7): Clients of *Haute-villégiature* become experts with time (mean ~ 6,3).

Table 6 Summarizes the findings.

	Mean	Median	Type of Consensus
Haute Villégiature is about the highest quality standards	9,2	10	VG (a)
People working for Haute Villégiature are led by passion	9	10	VG (a)
One objective of Haute Villégiature is to be a wow factor	7,6	9	VG (b)
One key component of Haute Villégiature is being creative	8,8	9	VG (b)
One key component of Haute Villégiature is being innovative	8,6	9	VG (b)
Clients of Haute Villégiature have specific expectations	8,8	9	VG (b)
Each Masion has its own style and personality	8,4	9	VG (b)
People working for Haute Villégiature are highly knowledgeable/experts in their business	8,6	9	VG (b)
One objective of Haute Villégiature is to surprise	7,4	8	VG (b)
One objective of Haute Villégiature is to exceed expectations	8,4	8	VG (b)
Haute Villégiature deals with unique clients	8	8	VG (b)

Table 6: Summary of Statements Combining Very Good Consensus and Median Score Equal or Above 8/10

Therefore, we found that *Haute-Villégiature* is about designing and delivering travel experiences with the highest quality standards, by highly knowledgeable people who are experts in their business and led by passion. Each Maison has its own style and personality, but all are creative and innovative to surprise and exceed the expectations of their clients. These clients are unique and have specific expectations. The overall objective of *Haute Villégiature* is thus to be a wow factor in the travel industry.

CONCLUSION AND DISCUSSION

We believe our approach is quite novel in the luxury academic research and could be a novel method to get an emic-perspective on the evolving

definition of the traditional concepts with which scholars work on. Of course, this is a first exploratory step in the field of research, so further studies should be conducted to build a scale of measurement and enquire about the ranking of the criteria. Conjoint Analysis could be used to do so. Besides, we got an experts' view on the concept, but it would be highly valuable to cross-check the definition with other stakeholders such as relevant influencers and target clients. It would also be necessary to refine some of the criteria. For instance, we found a quality-related criterion but the definition of quality itself in luxury is vast and context/culture-specific.

On a more managerial side, we believe that from the set of statements that emerged from the present study, a list of strict criteria could be crafted to designate which actors in the travel and hospitality industries could be eligible to the *Haute Villégiature* label (if any). On their side, being in regular contact with clients of *Haute Villégiature*, they could also have a more qualitative and ethnographic study of the nature and components of the concept from a client-perspective.

ENDNOTE

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Exploring Affordable Luxury Purchase in Millennials: Case of Perfume Purchase from Packaging to the 7Ps

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ABSTRACT

The major contribution of this paper is the examination of Millennials' affordable luxury purchase in the retail context. Based on recommendations from previous studies, this research aims to identify the antecedents and consequences in the retail experience of affordable luxury (perfume). To answer the research question, two studies were conducted – an experiment using a student sample and a quantitative study collecting data from 150 respondents using convenience-sampling method. The 7Ps have been verified as a suitable framework for explaining affordable luxury purchase in the discount store. It is found that due to the hedonic nature of the purchase, the consumers were not compromising in their expectations of the personnel and process aspects. The results show that it is important for sellers of affordable luxury, even in the context of discount stores, need to satisfy all of the factors in the 7Ps framework. In terms of managerial contribution, this means creating scripts for the sales people and offering testers as means for experiencing the products. Future research based on findings from the first study include adding more details to the 7Ps framework including the personal characteristics of the sales persons and additional dimensions for the physical evidence, presentation, and process.

INTRODUCTION TO THE STUDY

Millennials are open to novel experiences while constantly searching and creating content online. Chu and Kamal (2011) explained that this generation is more engaged with online communications through which they can be persuaded to buy luxury brands. However, there is still a lack of study that explore how the Millennials experience luxury in the retail context. This is an interesting research area because

Millennials are the major target of the retail industry (Yip, Chan, & Poon, 2012).

This research focuses primarily on the affordable luxury category, which is defined as the line extensions of luxury brands that include wallets, scarves, and cosmetic items such as perfume (Eckhardt, Belk, & Wilson, 2015; McCracken, 2005). Consumers have adopted the use of these "little luxuries" creating the so called "lipstick effect" in their routine life. This behavior occurs despite times of economic hardship as a way to seek pleasure (Wilson, 2014). Eckhardt, Belk and Wilson (2015) explained that this is the enhancement of the sense of personal self-image. Thus, it stands to reason that the experiential component of the brand that enhances the personal self-image should be an important factor in the purchase of these "little luxuries". Traditionally, the purchases of products in this category took place in stores. Verhoef, Lemon, Parasuraman, Roggeveen, Tsiros and Schlesinger (2009) explained that the customer experience was an important function of the retailer. The authors also identified the gap that was necessary to encourage academic research into understanding the antecedents and consequences of customer experiences. This is especially true when there are more retail options available to the consumer.

As a result, this study aims to study the factors affecting the in-store purchase of affordable luxury items, which for the purposes of this study perfume is selected. Conejo and Cunningham (2016) explained that there were many tiers in the study of luxury thus research should be done for the specific category to create a more specific theory. Consequently, in terms of theoretical contribution, the study aims to create a framework for understanding the antecedents and consequences of the retail experience on the purchase of affordable luxury items. The second theoretical contribution is the use of the field experiment as an exploratory study to identify the factors in retail that affect the purchase of affordable luxury. In addition, the study explores the success factors of retail in selling affordable luxury using the 7Ps – product, price, place, promotion, personnel, physical evidence and presentation, and process – as the framework for analysis (Booms & Bitner, 1981; Magrath, 1986). The 7Ps is suitable because it combines both the physical/emotional and affective/cognitive elements (Yip, Chan, & Poon, 2012). Booms and Bitner (1981) developed the 7Ps particularly for service because it is different from products. The authors argued that it is important to acknowledge the

importance of environmental factors, personnel, customers, and the process of service delivery (Constantinides, 2006).

LUXURY

Kapferer and Bastien (2009) explained that luxury serves an inherent function because it has a strong personal and hedonistic component. According to Keller (2009) luxury brands are the purest examples of branding. Previous researchers (Kapferer & Bastian, 2009; Keller, 2009; Dubios, Laurent, & Czellar, 2001) identified luxury brands as having a premium image, high price, good quality, exclusivity, a heritage and unique aesthetics. Shukla (2011) and Vigneron and Johnson (2004) explained that luxury brands represented a sense of esteem for the owner. However, luxury today is accessible to more people and the middle class tends to use it to create a desired identity to emulate the classes that are higher than them (Walley, Custance, Copley, & Perry, 2013). This is known as the Beccaria's Theory of Luxury, wherein the consumption of luxury by the higher classes creates a cascading use of luxury by the classes below (Camcastle, 2008).

Luxury brands fulfill functional, psychological (Kapferer, 1997), and emotional (Dubois & Laurent, 1994) aspects. For consumers, luxury consumption is a special treat that is not an ordinary purchase, thus it is not a frequent purchase (Hansen & Wanke, 2011). Thus the perceived value received from the purchase of luxury is distinct from the purchase of ordinary products. As a consequence, luxury is subjective because its value is perceived in context (Walley, Custance, Copley, & Perry, 2013; Shukla, 2011; Phau & Prendergast, 2000), which makes it fit the 7Ps framework for analysis.

Studies of luxury brands have identified the dimensions associated with the construct. Vigneron and Johnson (2004) identified two dimensions. The first is personal perceptions (hedonic value and perception of self). The second is non-personal perceptions including perceived conspicuousness, perceived uniqueness, and perceived quality. Later, Wiedmann et al. (2007) developed the four dimensions of luxury including social value (conspicuousness, prestige), functional (quality, uniqueness), individual value (self-identity, hedonic, and materialistic), and financial (price). Berthon et al. (2009) explained that luxury brands had three dimensions, namely objective (material), subjective (individual), and collective (social). The discussion reveals that the consumption of luxury brands involves at least the dimension

of personal and product quality factors. The question in this research, however, is the means by which these concepts are translated into the affordable luxury segment. Chevalier and Lu (2010) explained affordable or accessible luxury makes consumers in the middle classes experience increased affluence. It has also been called by some researchers as masstige luxury because it is consumed by the masses (Walley, Custance, Copley, & Perry, 2013; Shukla, 2011). However, new luxury is a new phenomenon (Walley, Custance, Copley, & Perry, 2013; Truong et al., 2009), which for the purposes of this research would focus on the brands that are not from the traditional houses but from new luxury designers.

RESEARCH METHODOLOGY

For this study data was collected using mixed research methodology combining qualitative and quantitative studies. The data collected was triangulated with the results of social media analysis. The details of the studies are presented in the following section.

Study 1

The first study is a field experiment. Fifteen undergraduate students were selected for the study based on their past purchase of perfume. Conejo and Cunningham (2016) and James and Sonner (2001) criticized the use of student samples in conducting luxury brand research. The authors reasoned that students lacked the money and maturity for such a purchase. However, since the study aims to examine the Millennials' behavior in purchasing affordable luxuries in retail settings (Goswami & Mishra, 2009; Taylor & Cosenza, 2002), students have been selected as the sampling frame. In addition, a second criterion was based on the Conspicuous Consumption Motive (CCM, Truong et al., 2008), which defines the relationship between luxury and self-image. Thus, in addition to having bought perfume, they were screened based on the importance they attributed to the perfume in creating their desired image.

The participants were assigned to make a purchase between two different types of luxury brands: traditional and new luxury. Kapferer and Bastien (2009) explained that the concept of new luxury was developed to contrast it against traditional luxury. Another definition is proposed by Truong, McColl, and Kitchen (2009), presenting new luxury as a niche within the traditional luxury category. Thus, for the purposes of this study, Dior is considered a traditional luxury brand

while Marc Jacobs is considered a new luxury brand. This is because Dior is a long established brand that has superiority in its DNA as proposed by Kapferer and Bastien (2009). Marc Jacobs is a relatively new brand since it only dates back about 15 years. As a result, it is a suitable representative for a new luxury brand.

The mall selected for the research is Mega Bangna because it has four retailers selling luxury perfume brands. The students were given US$100 with the instruction that they make their own decision with regards to the purchase. This meant that there were three possible options – no purchase was made, purchase was made, and purchase was made online. The students were told to film the shopping experience. Once they have finished their task, an in-depth interview was conducted. The analysis of the motivations were then categorized based on the self-expressive values (Tsai, 2005), experiential values, functional values, and cost from Spangenberg et al. (1997), and Luxury purchase intention (O'Cass & McEwen, 2004; Shukla, 2011). The findings were then presented based on how it fit into the 7Ps framework.

On the two days of the field experiment, fourteen students came to the interview. Six decided to make a purchase while eight decided not to. Of the six who made a purchase, five bought from Marc Jacobs. One bought from Dior. The eight students who decided not to make the purchase explained that the sales persons did not assist them. They felt that the sales persons judged them as just window shoppers thus ignoring them. The six who made the purchase reported the opposite. They said that the sales persons were very helpful, allowing them to try the product. They also loved the way the sales persons explained to them the origin of the brand and how it suited their image. This is in line with the work of Phau and Prendergast (2000), which explained that consumers bought luxury products to evoke feelings of exclusivity.

In terms of luxury purchase intention (O'Cass & McEwen, 2004; Shukla, 2011) respondents made the purchase of luxury perfume because it defined who they were. It was a symbol of who they were and it made them more accepted in their social circles. Categorizing the interviews in terms of the self-expressive values (Tsai, 2005), it is

found that the respondents selected the perfume that is unique, identified as having an attractive packaging. The next factor in the selection was how the brand reflected their self-image. They were less concerned about how others perceived the fragrance because they felt they have made the choice for themselves. Exploring the experiential, functional, and cost aspects (Spangenberg et al., 1997), it was found that the respondents derived pleasure in the shopping experience. They visited three to four different retail establishments before making their buying decision. Of the six who made a purchase, two bought at the counter of the brand, two bought at Sephora (considered a category killer), and two bought at EVEANDBOY (considered a discount store).

The purchase at the discount store raised an interesting question that would be explored further in Study 2. No purchase was made online because the respondents felt that perfumes were experiential products. They wanted to smell the perfume and see how it suited them. In addition, most of them did not trust the online channel because they were afraid of buying fake products. This is in line with Turunen and Laaksonen (2011), who explained that an important characteristic of luxury is authenticity thus fake products cannot satisfy the consumer's psychological needs (Walley, Custance, Copley, & Perry, 2013). Those who might consider buying online said they would do so only if the vendor was well rated in the social media.

Regarding the field experiment conducted to explore the factors affecting in-store purchase of perfume using the 7Ps – product, price, place, promotion, personnel, physical evidence and presentation, and process, the overall findings among fourteen students in this field experiment study are summarized (Table 1).

Products	– They all agreed that nice packaging really does attract them. Also, most of them indicated that brand image and a well known brand are also important since they define the characters of the perfume. – All respondents agreed that nice packaging can easily grab their attention and also affect their purchase decision of the perfume. – Most respondents said that they were also concerned about the scent as well. If packaging and scent go well together, they would make a decision easier and faster.

Price	– All respondents said that they were concerned about the price of the perfume. They would compare prices among buying from another country, duty free in Thailand, a counter brand in Thailand and also a huge specialty store that carries a variety of perfume brands. - Most of them thought that sales promotions or discounts would definitely affect their buying decision. It helped them want to try or buy the product.
Place	– Most of them agreed that the popularity or image of the store affected their buying decision. – Most of them thought that different types of stores have different images. All respondents perceived that duty free shops at the airport and counter brand shops have a better image and can be more trusted than discount stores in Thailand.
Promotion	– Most of them thought that promotions affect their buying decision. It made them feel that it is worth buying and made their purchase decision easily. – All respondents agreed that perfume testers are important since they needed to sniff it before they buy because the scent represents their self-image and lifestyle.
Personnel	– They all thought that how nice and helpful sales staff are the number one priority that affected their decision to buy. – All respondents agreed that salespersons need to provide some information about the product, be polite, have a service mindset and show that they are willing to serve the customers, which can help to drive sales.
Physical evidence and presentation	– Most respondents said that product display did not affect their purchase decision that much. However, they were more concerned about the availability of the product and tester. – All respondents said that they would look for nice packaging no matter where it is located or how it is displayed, but what all of them were concerned about is the availability of the product tester or sample.
Process	– Most respondents said that they would search for product information on the Internet first if they would like to buy a new bottle of perfume that they never used before. After that they would go the physical store to test the scent sample and see the packaging design before making a decision to buy the product. – One respondent mentioned that she would not search on the Internet but she would walk around the specialty store that carried a variety of perfume brands or a counter brand in a departmental store to test scent samples and make a decision to buy the scent that she would like.

Table 1: Summary of Qualitative Research

Given the overall findings, the most important factors affecting in-store purchase of perfume using the 7Ps are helpful salespersons and attractive packaging. These field experiment findings shed light on how important the salesperson and packaging are in order to attract and successfully selling the perfume. In addition, no purchase was made online but instead some respondents opted for purchase at a discount store. This also has prompted the authors to further explore the findings in Study 2.

Study 2

A quantitative study was conducted to explore the success factors of discount stores in selling affordable luxury items, in particular perfume. EVEANDBOY was selected because it is a very popular discount store for luxury items. Although this store has had a series of negative publicity as a result of its massive sales resulting in disappointed customers complaining on social media, the store has maintained a strong performance. The questionnaire launched online was developed based on the 7Ps framework measured on a five point Likert scale. Data was collected from 150 respondents sampled using the convenience sampling method.

The respondents were aged from 18-38 years. This is based on the definition of the Millennials as those born after 1980 (Pew Research, 2010). A majority of them have a bachelor's degree (54%). About 30% had made a purchase at EVEANDBOY within 1-2 months. They spend about 1,000-3,000 per visit. The products purchased most often are facial skin care (34.67%) followed by perfume (32.67%).

The data shows that the factor that the consumer is most satisfied with is the product reputation, which is dependent on the brand (4.7), followed by frequency of promotions (4.62), and convenience of location (4.56). Consumers are also satisfied with the price dimension (clarity of price labeling at 4.55 and price suited to quantity at 4.52). The display is also a strong point for the retailer (products displayed in good order at 4.14 and products well stocked at 4.06). However, consumers are most dissatisfied with the lack of testing paper (2.75). The dimension of the sales person is another weak aspect (sales explains product well at 3.09 and sales provides at advice 3.10, see Figure 1).

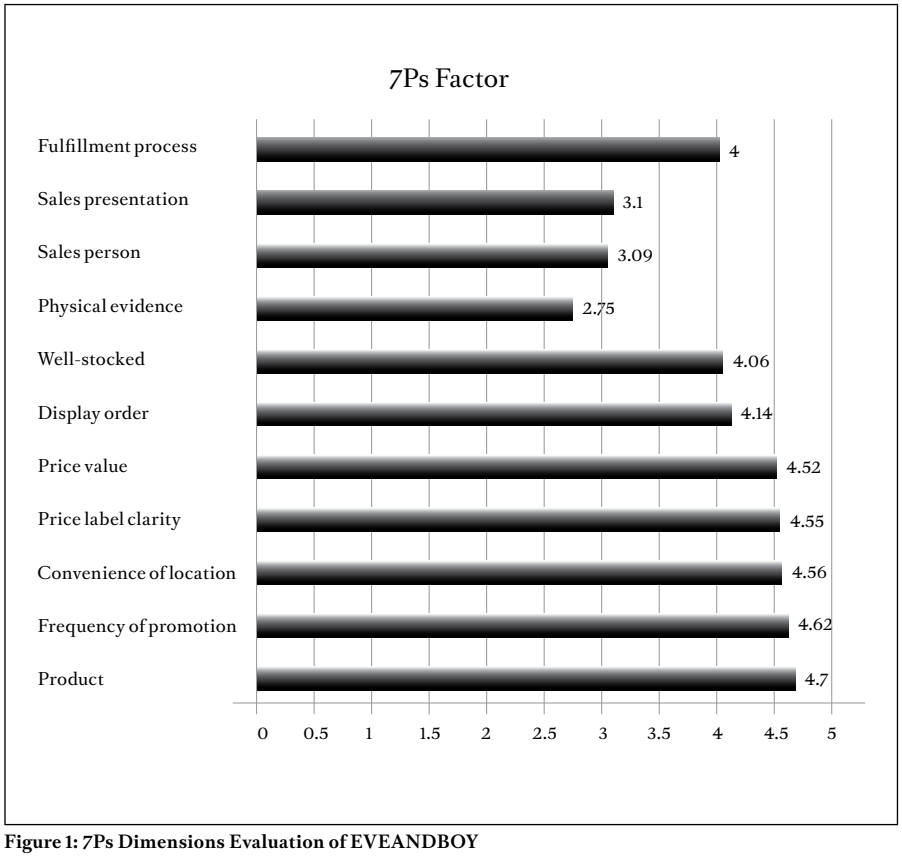

Figure 1: 7Ps Dimensions Evaluation of EVEANDBOY

DISCUSSION OF FINDINGS

The quantitative findings confirm observations made in Study 1 that the consumer gives importance to the attention provided by the sales person. This is because the purchase of perfume is a hedonic experience, thus having knowledgeable and caring sales people to engage with the customers at the point of purchase is an important strategy.

The data from the two phases of the study were triangulated with social media analysis from ZocialEye. The analysis was conducted from 137,343 messages over a one-month period (January 2018) from 4,299 unique accounts of which 83.42% are female while 16.58% are male. The accounts primarily came from the Greater Bangkok Area (Bangkok at 34.9%, Nonthaburi at 18.85%, and Samut Prakan at 2.87%). The top social media is Facebook at 78.85% followed by Instagram at 19.90%. There is an average of 2,747 per day; about 83.66% are neutral with 11.35% being positive (excluding news, blogs, and YouTube).

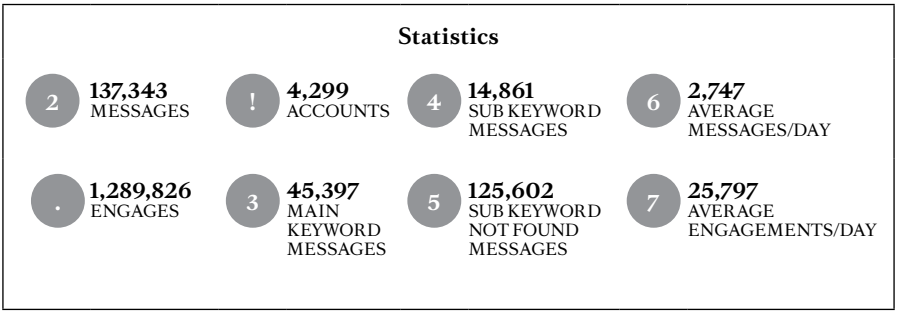

Figure 2: Overview of Interactions with EVEANDBOY

Figure 3: Word Cloud EVEANDBOY

The analysis of the Word Cloud, which explores the association with words consumers use shows evidence that all of the 7Ps are strongly associated with EVEANDBOY. The Word Cloud provides clarification of ratings in Study 2 that do not appear to have significant differences among the factors. Other than the benefit from the product, price is a major discussion when making a purchase. This includes asking the price and asking in general where to get the best deal. The personal, physical evidence, presentation, and process are of slightly lower association while promotion is not a major part of the online conversation. This is consistent with the way Millennials perceive the purchases made in the affordable luxury category because they would like to have pleasure and pride in the purchase. For this group the promotion is in the form of gift sets and packaging rather than discounts.

THEORETICAL CONTRIBUTION

The 7Ps of product, price, place, promotion, personnel, physical evidence and presentation, and process form the core of the purchase. The three dimensions of luxury brands, namely material (objective aspect), individual (subjective evaluation aspect), and social (collective opinion aspect) proposed by Berthon et al. (2009), however, are what define the affordable luxury purchase. The 7Ps, which are embodied in the material (objective aspect), act as the antecedents driving the individual perception and thus the social aspect of the purchase.

MANAGERIAL CONTRIBUTION

Millennials purchase luxury brands as a reflection of their self image. Their desired image is not only one of status but of uniqueness. As a result, luxury perfume brands need to attract them with unique packaging. Respondents reported that the Marc Jacobs made them decide on the brand despite it being a relatively new brand when compared to Dior, a brand that they are more familiar with. Once they are attracted by the packaging, the next important step is to help them experience the scent. Thus, it is necessary to provide sufficient sample and paper for testing the fragrance. The final but most important factor in promoting the purchase is the sales person. Consumers do not like to be ignored. While they might enjoy the independence of shopping and try the perfume, they expect to get assistance when they need it. Ignoring them has an immediate impact on sales. Also, it is found that what consumers want to hear is information about the brand and how the particular scent suits their image. As a result, it is important to train the sales people by having a script that includes information on the brand heritage and an explanation of the imagery of the fragrance that links it to the consumer.

CONCLUSIONS AND FUTURE RESEARCH DIRECTIONS

Critical to the affordable luxury purchase experience is the 7Ps. It is found in this study that more discerning consumers may rather not choose to purchase affordable luxury items online. The retail outlet is still an important part of the experience. In addition the social media

analysis provided interesting insights, however due to the limitations with ZocialEye the individual data is not included in the analysis. Future studies may make use of similar data and go deeper at the individual level to gain more insights into the associations people make in purchasing affordable luxury items. Also, quantitative studies further establish the 7Ps as antecedents of the affordable luxury purchase experience need to be conducted to refine the model presented in this study.

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Investigating the Evolution of Luxury Consumers' Preferences of Ecological Products

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ABSTRACT

In this paper, we try to assess the growing importance of ecological considerations in luxury markets. We also aim to shed light into the question on the type of consumers who exhibit a preference for ecological luxury products.

As the increasing tendency toward ecological merchandise has reached the luxury segment, new tastes and preferences for "green" products, often by so-called LOHAS surface. In addition, more conservative yet well-to-do consumers are argued to consume ecological luxury products to reiterate their privileged status in life and society. For instance, buying an electrically powered vehicle (EV) allows such consumers to differentiate themselves from others who typically buy conventional cars such as Mercedes, BMW or even Ferrari and Porsche.

These phenomena may amount to early warning signals of a fundamental shift in the market place for luxury. However, whether these tendencies envelop a disruptive potential remains unclear as well as there is little or no research suggesting how established luxury manufacturers should respond to such an evolution that may even amount to disruption. In this paper, we develop several hypotheses and conduct an empirical study with German luxury car buyers to investigate the aforementioned research opportunities. Our results confirm the growing importance of ecological and ethical dimensions for luxury consumers' purchase decision.

Keywords: ecological luxury consumption, disruptive evolution, sustainability, ecology

1. INTRODUCTION

Luxury markets have long been viewed as resisting ecological concerns. Luxury products are often characterized as, for example, offering the

highest quality possible, causing them to simply require excessive production inputs which, in turn, limits their ability to be called ecological. Interestingly, luxury consumers appear to focus on ecological issues differently than high production costs as they view luxury. These foci include the luxury product's so-called ecological footprint, ethical treatment of employees, fairness of prices paid for raw materials, etc. In other words, prosperous consumers enjoy the indulgence of knowing about a luxury product's complete value chain. In addition, a new reputational risk emerges as criticism from a single customer may spin out of control through social networks. As high-end goods rely more than other goods on their reputation, the latter issue poses a major threat to today's luxury offerings.

The luxury value perception and the motive for its consumption are, thus, no longer limited to the display of status but extended to ecological issues or sustainability. That is, over the last few years, a paradigm shift took place in the domain of luxury. High-end products are not only related to the traditional characteristics of high price, small quantity and best quality but also to some new attributes such as environmental friendliness and social responsibility. However, in luxurious fashion the task is more complex. Subsequently, luxury brands tried to adopt ecological or sustainability issues as a key part (Bendell and Kleanthous, 2007; Davies et al., 2012) to customers, product reputation/images and, of course, market share. According to Kleanthous (2011), this task becomes even more challenging in emerging countries/markets, which account for a growing portion of luxury purchases. This is likely to be the case since in emerging markets luxury consumption is seen as a key aspect of the distinction between the rich and the poor, as well as a symbol for recognition and status dwarfing ecological concerns. Notably, an increasing number of luxury studies (Bendell and Kleanthous, 2007; Cvijanovich, 2011; Bendell, 2012) consider luxury and sustainability sharing common standards. Both place importance on rarity, on the notion of timelessness and the significance of heritage – all seemingly related to longevity that is common to many indulgent makes. "Both can be about creation, education, about pleasure and emotion." (Cvijanovich, 2011, p.1). Generally, there seems to be a surprising amount of overlap: For example, ecology principles suggest a fair and responsible usage of scarce resources over time which implies a chargeable, high quality, but also a limited production. The output

converges to the fundamentals of luxury like high price, quality and rarity. Thus, some argue that "both luxury and sustainability are becoming the guardians of heritage" (Cvijanovich, 2011, p.1). Furthermore, there is a reasoning that luxury brands are reflecting consumers' identity and some exceptional values (Dubois, Laurent & Czellar, 2005; Wiedmann, Hennings & Siebels, 2007), luxury clientele expects the brands to mirror their hopes and ambitions (Bendell and Kleanthous, 2007). "They 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).

Despite these commonalities, the introduction of sustainability as well as "going green" have confronted luxury firms with many defies. For instance, limited communications in the past on both sustainability and its measures had a negative effect on luxury buyers. Hearing about sustainable luxury or living, many luxury customers were distressed and thought this would lead to a notable change to their lifestyle and norms. In short, this paper aims to analyze the (disruptive) potential driven by sustainable luxury goods. Furthermore, it objects to assess luxury consumers' emerging preferences for ecologically sound products and details these desires for the case of luxurious EVs.

2. SUSTAINABILITY AS DISRUPTIVE INNOVATION IN LUXURY

One might argue that the emergence of ecology and sustainability as a decisive attribute for luxury consumers could amount to a fundamental, and even pivotal event in luxury markets. This might, at least in part, be the case since luxurious products have practically always entailed best quality and, naturally, a willingness for waste in production. For example, a Hermes bag will be made using the best leather hides, only causing many hides to be rejected – leading to much waste. Such wasteful behavior may increasingly be diametrically opposed to emerging preferences of luxury consumers causing a paradigm shift, i.e., disruption.

2.1 Sustainability and possible disruption in luxuries: A brief review of the extant literature

Traditionally, luxury entailed high quality and price plus low quantity (Langer and Heil, 2013). Recently, 'conspicuous luxury consumption' appears, at least in part, to evolve to rather 'conscious consumption' (Cvijanovich, 2011; Bendell, 2012). The emergence of a new consumer

group (LOHAS: life style of health and sustainability) is very much interested in ecology and sustainability challenged luxury makers to keep image and brand (see Appendix 1). In addition, experienced and satisfied luxury clients have reached a saturation level and are therefore interested in new goods with exceptional environmental friendliness or ecological expertise. The literature often differentiates between two attitudes. On the one side, the importance of ethics is confirmed but is not considered as a key aspect to succeed in luxury since buying luxurious products entails an intimate moment, e.g., customers are rewarding themselves (Davies et al. 2012). Also, the literature recognizes that sustainable luxury drives market share and profit (Hennings et al., 2013; Kapferer and Michaut, 2015; Cohen, 2015). Davies et al. (2012) have examined how consumers perceive ecological or ethical luxury and discovered interesting differences between luxury and commodities/ FMCGs. Buying FMCGs makes it easier for consumers to display their concern for the society and to feel pleased while purchasing. Other studies (Vermir and Verbeke, 2006; McGoldrick and Freestone, 2008; Mori, 2009) confirmed this conjecture: and found that approximately 30% of respondents showed interest in ecological or ethical goods and were ready to pay approximately 10% more.

Relatedly, Vigneron and Johnson (2004), Ward and Chiari (2008) and Davies et al. (2012) concluded that luxury consumers are looking for specific goods with specific features (social and personal values) to both enjoy by themselves and, in addition, to impress others. As a result, we argue that luxury and mass goods need to have significantly distinct aspects along several dimensions such as prestige, self-image, ethical condition of production and convenience. We maintain that, while buying luxury goods, clients think more about price and pleasure than about ecology or ethics, although Kapferer (2010) argues that ignoring sustainability norms will entail a reputational risk. Both the appearance of new ecological customers and the new buying behavior of experienced clients (who want differentiation through luxury) are important. Furthermore, investigating the commonalities between luxury dimensions and the principles of environmentalism (ecology, economy and social) suggests a noteworthy intersection (Balderjahn et al, 2016) here. For example, the ecology aspect requires a "mature" use of scarce materials which implies high prices and quality as well as limited access in both production and retail (Franco et al., 2014). Thus, luxury firms are suggested to follow ethical

strategies and sustainable production processes without ignoring the principles of luxury goods (high price, quality, aesthetic, etc.). In this context, Gam et al. (2010), pointed out that customers accept to pay more for ethics under the assumption that the new good illustrates, at least, similar quality. Bendell and Kleanthous (2007) concluded that price differences (ethic and non-ethic) don't affect buying decisions in luxuries because producers are supposed to guarantee a minimum level of transparency in both production and resource usage to save business and preserve competitiveness.

Furthermore, price is often not the most crucial factor influencing buying decision in luxury, since high-end clients are interested in prestige and status (Kapferer and Michaut, 2015). For instance, many goods like jewelry and arts can be transferred through generations and are, while very expensive at the start not that costly over time (VerdeNieto, 2011). Gibson and Sibold (2014) referred to numerous manufacturers that succeeded in understanding this facet and influencing ecology-oriented luxury consumers, e.g., Patek Philippe. Also, car maker Tesla impressed the market with its unique cars allowing owners to profit from a combination of ecology (CO_2-emission, low costs, unlimited warranty) and superfluity (exciting acceleration, design, exclusivity, status and prestige) as well as luxury pricing. Therefore, the company succeeds in attracting clients from market leaders such as Daimler and Porsche.

In short, the literature has offered numerous insights into the drivers of luxury products, but little research investigated the evolution of luxury consumers' preferences for ecology and sustainability in a new vehicle to signal status, connoisseurship, etc.

2.2 Conceptualizing and modeling evolving luxury consumers' preferences using concepts of disruptive innovation

Several researchers saw indications for the emergence of a new preference paradigm in luxury markets, the possibility of disruption and suggested that "the current time is potentially disruptive for incumbent luxury brands and groups" (e.g. Bendel 2012, p1; Kroeber-Riel and Gröppel-Klein, 2013). In his work 'Elegant disruption: How luxury and society can change each other for good', Bendell (2012) argued about things that may change the rules of luxury. More precisely, change in attitudes and tastes, often described as conspicuousness evolving into consciousness, are seen to, together

with trans-modernism and hyper-connectivity, combine into truly potential. Notably, many luxury houses have fingered a menace and are trying to adopt their trades and develop new strategies with the view to save their own business and to survive. For example, Hermes has launched a new Chinese luxury brand that focuses on local ancient design. Another illustration is offered by the "special days" of LVMH where they demonstrate transparency regarding production and trading. Established luxury houses have, thus, discerned this change and reacted.

This seemingly disruptive wave is also driven by start-ups that try to combine inspiration, ingenuity and inventiveness in order to produce special goods with special features. The most fruitful strategy is the use of 'Hackathons', where many inspired experts and inventors try to find out what kind of features, technologies and structures could come together. They are often efficacious because they have neither pressure nor anxiety, which allows Schumpeter-like sophisticated destruction (and construction). In addition, such firms create a new market with unconstrained growth, unlike the traditional ones that seemingly have to do so. Such creative start-ups are different from traditional competitors, come from diverse markets, and don't see the incumbents as direct competitors. In this case, the good targets many customers and segments simultaneously. So, there are trial users who buy it at first, then the massive mainstream. It is highly probable that the production won't be felicitous in many steps, but they will get it right at some point. And so, they don't only meet consumers' expectations but go a touch above. Look at the example of Tesla motors Inc. that satisfies all these conditions. The firm combines technological talents (autonomous drive), social responsibility (ecology and environmentalism) with luxury principles (quality, performance, price, enjoyment) to attract various prosperous buyers. The company is directed by a chief executive who is leading other inspired commitments such as a rocket company (Space X), the new tunneling operation (The Boring Company), a company planning a human-computer-interface (Neuralink), and a non-profit project focusing on the dangersof artificial intelligence (Open AI). Exhibiting a similar behavioral paradigm, many luxury consumers that switched to the car manufacturer seemed to have found the right luxury recipe to fulfill their needs and wishes. They are remarkably excited about quality (safety, warranty, acceleration, range, infrastructure, etc.),

features (autopilot, traffic signs recognition, touch screen, etc.) and services (wireless updates, no intermediaries: direct relationship to clienteles). Moreover, those creative traders have changed some marketing rules. To realize competitive advantages and market share, they do not follow traditional schemes after Porter (1985) but they associate creativity, technology and performance and, may therefore have a random path. It is noteworthy that these firms are really not "direct" competitors from the same industry (combining battery manufacturers, high-tech companies) and they aim at neither the bottom of the market nor low-end consumers. For instance, Tesla aims to accelerate the worlds' transition to sustainable energy more than just providing an autonomous drive. Such companies are very different from incumbents, who just innovate to preserve prices and revenues from dropping, i.e., subscribe to continuous change (if any).

To conclude, the luxury market displays much disruptive potential driven by creative start-ups and newly emerging technologies and consumer preferences (Downes and Nunes 2013). In addition to attractive product features, new entrants thus, employ ecology and sustainability as competing advantages. Unlike the mass market, they introduced new luxury merchandise. Examples entail the electric car of Tesla or handbags produced by Elvis&Kresse which have to some extent better features (acceleration for cars and load capacity for handbags) compared to conventional ones. To date, there are no real cases that illustrate the effect and the course of a disruptive innovation in the high-end sector. However, the cited examples confirm the potential or threat of such innovations, and allow the prediction of their course and physiognomies in comparison to the mass market. Unlike commodities, market leaders have reacted swiftly. For example, they developed peerless strategies to save their business like the "special days" by LVMH or the founding of a local Chinese luxury brand by Chanel, or, at the least, launching new product combinations such as hybrid cars, e.g., Mercedes and Porsche.

Looking at Teslas' sales, it becomes evident that many luxury consumers are interested in such a new luxury car, as the car offers indulgence with the good conscience. Over time, however, the task is rather complex – especially when the favorite brand offers the same (or better) technology and features because luxuries are based on brand love, loyalty and emotions. We combine the

preceding notions with different concepts and theories to develop several specific hypotheses.

Generally, an important tenet of evolutionary psychology entails that humans' mind are successively fulfilled by abroad range of socialization forces (Pinker, 2002). This concept supports the idea that a consumer's behavior evolves in a dynamic way to best fit his/her needs given some specific vicissitudes (Griskevicius and Kenrick, 2013). Along these lines, Saad (2013, p356) empathized the role of consumer perception in the decision-making process. He argued, "[T]here are innumerable visual stimuli that are innately and universally appealing. For example, newborns and infants, too young to have been socialized, gaze longer at and respond more favorably toward attractive faces." Similarly, young luxury buyers (baby buyers) can be conceptualized to be somewhat "raw," with limited experience. They seek the fundamental benefits of acquiring high-end products such as social status and recognition. Therefore, buying glittery, and/or fashionable goods could be the best avenue. Also, much literature (Howell & Hill, 2009; Johnston & Finney, 2010; Gonzales-Cutre, Sicilia, Sierra, Ferriz & Hagger, 2016) confirms that self-determination theory (SDT) can help when examining the relationship between needs and well-being. Its fundamentals suggest two different motivations that can be either sustained or diminished. On the one side, intrinsic incentive is a natural interest that boosts the willingness for mastery and assimilation. These values are likely to run deeper in luxury consumption situations. Csikszentmihalyi and Rathunde (1993), and Ryan (1995) empathized its primary role as a source of enjoyment and vivacity. As well, Deci and Ryan (1985, 2000) stated a positive correlation among intrinsic motivations, autonomy and self confidence.

Generally, thus, experienced wealthy clients are more knowledgeable, have more expertise, and are likely to be able to appreciate a luxurious product more than others. Importantly, they tend to be more aware of environmental complications, and thus try to adapt their behavior and lifestyle earlier, faster and stronger than others. Consequently, acquiring a luxury EV might be an effective way to, first show concern with environmental issues and secondly, to enjoy the fundamentals of luxury such as pleasure and satisfaction. The more they succeed in finding such opportunities, the higher their psychological outcome

will be. Notably, these notions are consistent with the principles of the VBN (values, beliefs and norms) theory that takes into consideration socio-demographic factors, personal norms, values and beliefs as antecedent for "green" behavior. For instance, Jansson et al. (2011) tried to integrate two research streams – environmental psychology research and the diffusion of innovation – to explore factors motivating or hindering adoption of high-involvement green products. To investigate their conjectures, a survey of Swedish car owners was conducted. The results show that an adoption decision within the domain of high-involvement innovations like alternative fuel vehicles (AFV) is not tied either to TIA (theory of innovation adoption) or to TRA (theory of reasoned action) – but, in fact, it is knotted to both. It could be argued that the adoption of alternative fuel vehicles was thus driven by fuel efficiency (cost saving) and by ecological concerns. Furthermore, adopters expect higher demand for AFVs in the future, especially if they would have higher (non-)monetary advantages and would be more compatible in general and less complex in terms of features.

On the other side, extrinsic motivations are driven by external social desires such as status and appreciation. Therefore, one can argue that the performance of an activity is (also) driven by exterior factors for a pure societal outcome such as gratitude and recognition (Bandwagon and Veblenian behaviors). Accordingly, young inexperienced luxury clientele primarily seeks status, recognition, etc. Thus, they are largely driven by rather external drives (Vigneron and Johnson, 1999). Afterwards, they become more and more familiar with luxury and begin consuming their favorite brands (see Appendix 2). At this point, they often consider themselves as "recognized" prosperous buyers and members of an elite group. Therefore, the materialistic impulse decreases compared to the outgoing position and their choices are more consistent with their own beliefs and preferences. Such customers aim, in a sense, at the equilibrium between intrinsic and external motivations. Later on, however, customers may reach a certain saturation level (higher luxuriosity) andbegin seeking for alternatives to preserve privilege. In that sense, EVs are likely to fit their evolving preference structures in an efficient way. As a result, we maintain:

H1a: Older, experienced luxury consumers prefer environmentally-friendly luxury products.

H1b: Young luxury buyers tend to have higher materialistic motivations and, thus, exhibit less of a preference for environmentally-friendly luxury products.

Next, we turn to arousal theory. This theory offers fundamental notions in behavioral psychology with the goal to understand decision making. While this work deals with the adaptation and the willingness to accept luxury products in form of luxury EVs, it is necessary to address other issues such as a customer's need for novelty and his/her perception of new ecological products. Both arousal and the need for novelty theories support the idea that customers are weak in predicting and defining what they need specifically and over time (Garcia-Torres, 2004). However, they are trying to maintain their arousal level high enough through the search for newness which entails the necessity "to experience something not previously experienced, or something deviating from everyday routine" (González-Cutre et al., 2016, p1). Consequently, both luxury consumer groups are expected to be interested and willing to buy environmentally-friendly goods such as eco-tourism and electric cars. In addition, we build on TIA (theory of innovation adoption) and the TAM (technology acceptance model) as bases for our subsequent hypotheses. TIA and TAM explain how users come to adopt/accept and use innovative technology in relationship to their attitude formation which provides one avenue to explain adoption behavior (Vakentesh et al., 2007). Hence, attitude formation is largely based on two characteristics of an innovative product: perceived usefulness and ease of use which subsequently facilitates the adoption (Davis, 1989; Kulviwat et al., 2007. For completeness, we add that other characteristics such as compatibility and trialability should be considered as well, of course). The innovative and superior characteristics of new luxury electric cars in terms of acceleration, comfort and efficiency (CO_2-emission, fuel cost saving) amount to the main attractions for the purchase.

We note that this notion is supported by the TRA (e.g., Ajzen, 1975) and VBN that explain consumers' decision-making process (Stern, 2000). TRA outlines social acceptability as the dominant factor of innovation adoption, particularly when uncertainty of the innovation is high (Chou, Chen and Wang, 2012). Thus, it can be argued that with the increasing environmental menace, people are more likely to

adapt their behavior in a conscious way and develop a preference for ecological luxury products. Accordingly, environmentally-friendly products such as EVs, fair-traded and ecological goods are gladly seen and preferred by a well-to-do community which favors those luxury products. Therefore, we maintain that the adoption of green innovation in the high-end segment is motivated by both intrinsic (consciousness, new preferences and norms, and quality) and extrinsic (social acceptability, impress others and differentiation) factors that sustain and accelerate the adoption process. Next, we suggest novel luxury products have the potential to hold arousal at sufficiently high levels, so the luxury consumer can truly enjoy the consumption experience and reach the desired social status. Therefore, trendy, sustainable luxury products such as electric vehicles can evoke a need for novelty and originality for prosperous customers. Based on the above, we offer to the following:

H2a: Despite their opposing motivations, both luxury categories (baby buyers and experienced) are interested in sustainable vehicles.

Furthermore, portions of evolutionary psychology that bear on consumer behavior (e.g., Griskevicius and Kenrick, 2013) as well as game theory (e.g., Butnaru, 2009) support the dynamic nature of customers' preference evolution, especially during times of social change. Similarly, a metaphoric approach to Maslow's theory supports the idea that once one's first order needs are satisfied, new requirements (second order) emerge, and so on (Maslow, 1943). For instance, under various assumptions (e.g., personal, social, functional and financial), acquiring the desired good/status increases the willingness to achieve an enhanced, upper luxury level. Typically, rather inexperienced clients aim more for a certain status level and privilege. Consequently, they engage more in a conspicuous behavior to show their sense of belonging to an "elite". For example, ecological and sustainable products such as luxury electric cars is a courteous manner to acquire the desired social status (recognition), since they are fashionable, noticeable and can only be consumed in public. Eco-friendly people, in contrast, are aware of environmental conflicts and aim to reiterate their responsibility and mindfulness through a conscious behavior and consumption of luxury products. As stated above, in contrast, inexperienced buyers are more oriented and look for exclusive,

extravagant, conspicuous luxury products. This contention was already mentioned by Martinez et al. (1998) as they concluded that early adopters are younger, richer and have generally higher education level than late adopters. However, although mentioned some time ago, the notion was neither detailed or motivated through existing theories or framework nor was it carried over towards the segments involving luxury products. As a result, we argue:

H2b: Young luxury buyers plan higher budgets and budget shares for luxury purchases than more experienced luxury buyers

One of the most important tenets of market research is the gender effect. In fact, it has been argued that gender differences explain some of the largest differences in consumer and consumption behavior around the globe. Thus, we expect that knowing the target customer's gender and his/her preferences or differences thereof are of major importance in the luxury business as well. For instance, Stockburger-Sauer and Teichmann (2013) found out that females have higher preferences for perceived symbolic and social values. Additionally, the existing examples of ecological creative start-ups in the high-end segment (Elvis&Kresse, Cosescha, Rags2richens, Shilpa Chavan, Shockey, etc.), show that the majority is targeting females. Therefore, we maintain that:

H3: Women have a stronger preference for luxury products that are environmentally-friendly than men.

3. METHODOLOGY

Data collection: Due to the sensitivity and the difficulty to recruit high-end clients, it was essential to choose an appropriate stimulus/product. Luxury vehicles seem to be an appropriate stimulus/product, for several reasons. Unlike fashion and jewelry, both genders like and drive cars. Even if a woman does not drive much, she is likely to be familiar with the car and can judge the experience. Thus, product familiarity as an important condition to get consistent and realistic answers. Next, avoiding a pure gender-driven product allows us to get a heterogeneous and a representative sample.

For this purpose, well-to-do German customers were asked to complete a survey on environmental friendliness and on conspicuous

consumption. Environmental friendliness was measured using the "Green scale" developed by Haws, Winterich & Naylor (2014). It includes six statements that respondents should evaluate on a 7-points Likert scale. Consequently, the sum of the evaluations can be viewed as an indicator for ecology. Analogously, the conspicuous consumption level is measured using a reliable and valid question catalog established by Eastman, Goldsmith and Flynn (1999).

In addition, the sample includes a rich set of demographic variables like age, income, education level, number of cars in a household and the budget dedicated for the next car purchase. All these variables might clarify numerous uncertainties about consumers' decisions.

A choice-based conjoint analysis was conducted. Each participant was shown 17 different cases where he/she had to choose from three alternatives (pure electric, hybrid and combustion energy) the car he is more likely to buy. In five cases, customers were only shown combustion or hybrid vehicles that are not purely electric. In addition, the sample contains only people who are planning to buy a new car in the next seven to nine months, which permits us to get more realistic decisions and choices. All in all, 243 luxury clients (147 males and 97 females) completed the survey. The first analysis of the data affirmed its representativeness since the individual average net income was between €50,000 and €75,000. According to the institute of German economy in Cologne (2011), a single person with a net yearly income above €49,140 is considered "rich". Even young people with no (to minor) income who come from rich families (average number of cars ~3) are considered potential customers. For instance, they acknowledged an average budget between €41,000 and €55,000 for their purchase (see Appendix 2).

4. RESULTS AND MARKETING IMPLICATIONS

Luxury academics are emphasizing two different (contradictory) buying motivations: Conspicuousness and environmental friendliness (extrinsic and intrinsic). Therefore, it is indispensable to categorize high-end customers based on their self-perception (either materialistic or ecologic) to better understand their motivations and behaviors. As mentioned above, both constructs were measured using valid and reliable scales. Respondents evaluated a set of statements that provide their score on each alternative.

Afterwards, two regression analysis are done to identify the role of demographics on each measurement (see Appendix 4). As expected, the findings illustrate that older people are less materialistic than younger customers. They are aware of the environmental conflicts and try to project their consciousness through a matured ecological behavior. In addition, knowledgeable customers have reached a saturation level and their sense of belonging to the "elite" is already deeply rooted (see Appendix 3). Another important result is that young buyers with higher income are more engaging in a conspicuous behavior. Their aim appears to attain social recognition and to conquer the desired public status. Moreover, they want to enjoy their prosperity. Such clients build a principal component of the luxury market, since they primarily seek the fundamentals of high-end goods (extraordinariness, exclusivity and rarity), have basic motivations (essentially Veblenian and Bandwagon, Vigneron and Johnson, 1999), and plan to have more funds for their car purchase. Appendix 2 illustrates this result since young buyers (under 40 years) generally dedicate higher amounts for this purchase. This is consistent with the principles of luxury where price is a key aspect for prestige. Additionally, the results affirmed that females are less materialistic than men are (see Appendix 4, at the bottom). This might be due to the nature of the product since women have other goods that better reflect their status and prestige like jewelry and fashion.

The second regression analysis deals with the ecology level (see Appendix 4, at the top). The output confirms the results of the first step. Older buyers are less materialistic. They are conscious about environmental challenges and, thus adjust their behavior. Another explication of this outcome might be the positive correlation between age and luxury (see Appendix 3). Older buyers are generally more experienced and familiar with high-end possessions than younger clients (Deci, 2000a, González-Cutre et al., 2016).

Subsequently, their objective is to preserve this privilege through differentiation rather than identification. Green products can therefore be a brilliant approach to reach the desired end state. Moreover, women are more concerned about the environment since they have highly significant negative materialistic and positive ecology factors. Besides, the number of cars in a household has a significant negative impact on the sustainability score. A conceivable

explication might be the findings of Davies et al. (2012), Elliott and Freeman (2001), McGoldrick and Freestone (2008). They acknowledged that buying high-end products is an intimate moment where customers are seeking to reward themselves. The authors added that, unlike commodities, luxuries have lower purchase frequency. Consequently, customers assume that this won't have an negative impact on the environment.

Remarkably, the budget people dedicate for their next car purchase diminishes with an increasing ecology score. Environmentally-friendly customers gave lower funds than conspicuous clients. This might be due to the up-to-date perceived lower quality and proficiency of green products. Thus, hypothesis H1a, H1b, H2b and H3 are approved.

In a next step, all choices were converted to a binary variable (1 if EV was chosen, 0 else). After filtering the data using R-studio, a logistic regression is done to better characterize potential electric car buyers. Table 1 summarizes the results: Despite their incongruity, ecology and materialism are positive and highly significant. With contrasting goals and motivations, both categories show high responses for electric cars. On the one side, older luxury buyers (and the LOHAS) are more concerned about the environment and want to reflect their responsibility through the consumption of green products. Another possible explanation could be that sustainable cars guarantee privilege and a high prestige level due to their trendiness and exclusivity. Furthermore, such merchandise guarantees status and privilege due to a high social acceptability.

On the other side, younger buyers are inexperienced. Following privileged and honored customers might afford them the status and the recognition that they are looking for. Besides, they are primarily interested in the fundamental aspects and benefits of high-end goods such as exclusivity, rarity, extraordinariness and enjoyment. The empirical study favored the classification of high-end buyers in three categories according to their consumption expertise (see Appendix 3). Surprisingly, people with several cars were less interested to buy the power-driven ones. This contrasts with early judgments that multi-car households might accept the relative low range electric cars: electric in the city and gasoline for long distances. Similar results were found by Hidrue et al. (2011).

Deviance Residuals:

Min	1Q	Median	3Q	Max
-1.5221	-1.0087	-0.7655	1.2025	1.9112

Coefficients:

	Estimate	Std. Error	z value	Pr(>|z|)	
(Intercept)	-2.868040	0.669340	-4.285	1.83e-05	***
Age	0.023819	0.008975	2.654	0.007953	**
Gender	0.176879	0.142172	1.244	0.213458	
Education.level	-0.052231	0.070561	-0.740	0.459165	
Wage	-0.007080	0.057960	-0.122	0.902772	
cars.in.household	-0.160951	0.063006	-2.555	0.010633	*
Buy.price	0.043252	0.058511	0.739	0.459779	
Class	-0.031726	0.045310	-0.700	0.483802	
Environmental.friendliness	0.051654	0.010772	4.795	1.62e-06	***
Status.consumption	0.036664	0.010785	3.399	0.000675	***

Signif. codes: 0‘***’ 0.001‘**’ 0.01‘*’ 0.05‘.’ 0.1‘ ’ 1

Table 1: Logistics Regression EVs (R Output)

Finally, the output confirmed the age effect since older people scored higher on environmental friendliness and, therefore are more willing to buy alternative fuel vehicles even though they are dedicating lower budgets than younger buyers.

To conclude, the results presented above are, in a sense, preliminary for luxury car manufacturers since they simultaneously face two different potential consumer groups. Both environmentally-friendly and status-seeking customers are willing to buy electric vehicles. It appears that they differ in goals and motivations: Older customers are more ecologically-oriented and would try to adjust their behavior to show their appreciation and concern for environmental issues. Subsequently, buying EVs may afford them the privilege and honor that they are looking for. However, younger clients (under 40 years) show a willingness to buy EVs as well, but due to different motivations: The trendiness and the exclusivity of this new product afford a certain status level through superior features such as acceleration and high-tech. Furthermore, it facilitates them to show their belonging to a honored group. This is consistent with the fundamental principles of

buying luxury products. The existence of a moderate group between the old and young seems to be logical and is proved by the data. This cluster contains clients that regularly consume their favorite brands and are less easily being influenced. They may switch between both edges (inexperienced and experienced), depending on their involvement. Also, this is consistent with the principles of the self-determination theory. After entering the luxury market, customers seek the basic benefits of acquiring flattering products (more extrinsic motivations). Afterwards, they reach a maturation level where the consumption is more driven by intrinsic motivations and beliefs (favorite brands, quality and appropriateness, Ryan and Deci, 2000). The upper level constitutes knowledgeable and privileged customers. Such experts are familiar with the market and aim to distinguish themselves and guard their privilege (see Appendix 3).

5. CONCLUSIONS AND IMPLICATIONS FOR MANAGERS AND RESEARCHERS

The results of the study affirmed the classification of luxury buyers based on their materialism and ecology levels. Additionally, age was shown to be mediator for this categorization since older buyers are more environmentally-friendly than younger clients. In addition, we find that, despite their contrasting motivations, both groups are interested and willing to buy ecologically-driven luxury products in the form of a luxury electric vehicle. Interestingly, younger buyers seek more of the recognition and high social status that new luxury electric vehicles can deliver. Accordingly, they are dedicating higher budgets for their car purchases. Importantly, older, experienced customers are more aware of environmental issues and adapt their behavior. Also, they might find in alternative fuel cars an effective way to keep feeling privileged and to differentiate themselves from others.

From a managerial perspective, it appears that new entrants try to redefine the luxury market using the ecology/sustainability as these dimensions emerge as important drivers in the luxury market. Luxury firms seemingly understood that these dimensions pose a considerable threat but started to react by reassessing their strategies to develop things into an opportunity. To illustrate, not only did car manufacturers begin the production of electric cars but fashion houses such as LVMH and Chanel emphasized sustainability in production, marketing and sales.

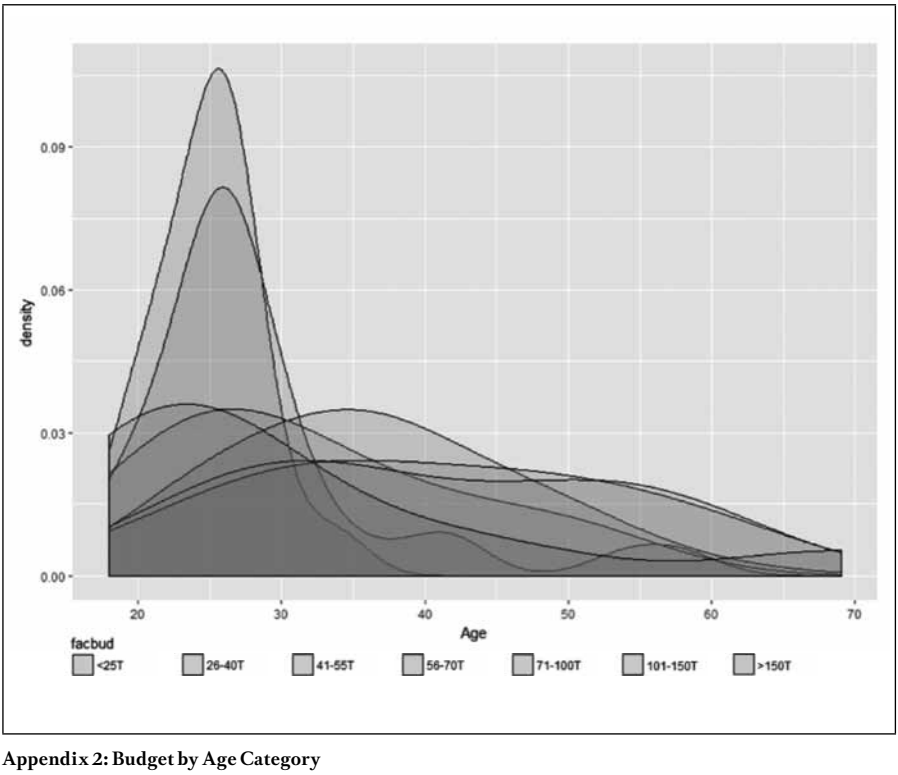
If and how luxury firms will suffer permanent damage as there remains a certain contradiction within luxury products due to the inherent "wastefulness" of luxuries, cannot be assessed at this point in time. It seems clear that a number of luxury companies reacted fairly well. Future research should investigate reaction options for incumbents as well as to try to develop optimal reaction patterns for entrants and incumbents, probably calibrated by industry.

Another important challenge for luxury manufacturers is to identify their target customers as precisely as possible. Toward this goal, our empirical study investigated the willingness to accept luxury electric vehicles. Clients were grouped into three groups based on their luxuriousness (luxury level). New entrants (baby boomers) are rough and inexperienced. Therefore, they seek the fundamentals of luxuries such as recognition and status. Glittery and trendy products are then demanded. After reaching a certain maturation level, consumers are mainly interested in consuming favorite brands and reconsider their behavior. This cluster seems to be not very attractive at this time for so-called green disruption since their choices are moderate and aim for traditional values and brands. Also, because they may switch between both poles depending on their current requirements, as clients become saturated and, therefore belong to an experienced privileged group. It becomes apparent that, also in the case of ecologically-driven luxury products, their willingness to pay for luxury correlates positively with age. Naturally, this is important news for the practicing manager but carry-overs to other product categories should be done with care. Obviously, investigating the peculiarities of a market or an industry that may facilitate or inhibit such carry-overs would amount to important research opportunities. Consequently, this helps luxury car manufacturers to identify potential segments and to provide each target with the desired product characteristics. While this finding is already pregnant with importance for managers, future research should try to develop a new theory as to the constructs causing the contrast. In addition, future research should investigate the attribute preferences like price, electric range, charging time and acceleration to provide each cluster with the suitable and tailored goods for younger buyers and experienced, older clients.

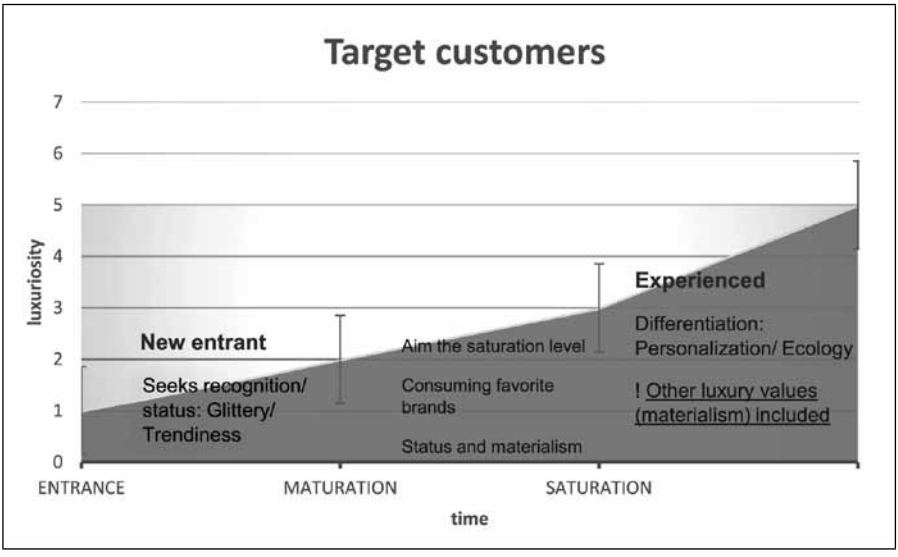
APPENDIX

old luxury	contemporary luxury	new tendencies
only the elite	conspicuous consumption	ecology, education and success
wasteful aspect	quality/price correlation	sustainability and quality
reference group and differentiation	psychological and functional aspects	creativity, appreciation and emotion
extravagance	democratization	conscious consumption

Appendix 1: Evolution of Luxury and Luxury Consumption



Appendix 2: Budget by Age Category



Appendix 3: Target Customers

Residuals:

Min	1Q	Median	3Q	Max
-22.8530	-4.0847	0.7434	5.6358	14.8291

Coefficients:

	Estimate	Std. Error	t value	Pr(>|t|)	
(Intercept)	25.13192	2.47756	10.144	< 2e-16	***
Age	0.27172	0.06544	4.152	4.6e-05	***
Wage	-0.70889	0.42098	-1.684	0.093515	.
Gender	2.81378	1.00452	2.801	0.005513	**
Budget	-0.47054	0.33031	-1.425	0.155608	
Cars in household	-1.67730	0.44641	-3.757	0.000216	***

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residuals:

Min	1Q	Median	3Q	Max
-14.9661	-5.5887	-0.1685	5.7306	18.4742

Coefficients:

	Estimate	Std. Error	t value	Pr(>|t|)	
(Intercept)	19.82490	2.24468	8.832	2.34e-1	***
Age	-0.21747	0.05929	-3.668	0.000302	***
Wage	1.26679	0.38141	3.321	0.001037	**
Gender	-2.74202	0.91010	-3.013	0.002869	**
Budget	1.36615	0.29926	4.565	8.02e-0	***
Cars in household	0.04446	0.40445	0.110	0.912551	

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Appendix 4: Ecology and Materialism Levels (R-Output)

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Limited Editions: Harvesting Extra Willingness-to-Pay by Optimizing LEs at the Category Level

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ABSTRACT

- Limited edition products pose major opportunities as well as threats for the practicing luxury manager. Fundamental research question surrounding limited edition products deal with the causes as to why consumers are willing to pay more for a limited edition product that they could purchase in a practically identical fashion for less or how much does consumers' willingness to pay actually increase and why.
- Primary data were collected in stated preference experiments and analyzed using both linear and logit regression to investigate the aforementioned research questions.
- Some of the main findings of our paper include:
  - Willingness to pay for limited editions stems largely and most often from increases in signaling value. That signaling value is caused by making the product scarce/limited in a way that is consistent with the preference structure of certain consumer segments.
  - Limited edition products catering to snobs require rather high efforts, especially as snobs typically require unique features that they are willing to pay much for and, thus, profits stem from high price potentials.
  - Limited edition products that cater to the needs of so-called conformists require surprisingly low effort for their creation and such limited editions offer considerable profits.
- Discussion of the findings and implications for researchers and managers conclude the paper.

INTRODUCTION

Generally, limited editions are argued to increase consumers' interest in a product, and reduce search efforts for the product so that consumers may eventually exhibit a preference for the scarce over a non-scarce product. Although products are – according to commodity theory – valued by their degree of scarcity, scarcity messages' effects on product price or consumers' willingness to pay are unclear so far. Generally, it is safe to assume that luxury products are, at least in part, based on a certain scarcity. That way, these products satisfy customers' desire to produce unique (luxury) signals which translates into a greater willingness to pay.

Using a stated preference choice experiment, this study shows that successful limited editions indeed generate additional revenue. On the one hand, it shows that conspicuous luxury products bear high potential for limited-edition creation. On the other hand, and importantly, we find that the added value due to the limited edition and the resulting willingness to pay stem mostly from increases in signaling value. Furthermore, results suggest that products designed for snobs require more effort in limited edition creation than those designed for conformists. Interestingly, both limited editions end up producing a significant total revenue contribution for the manager and the firm.

CONCEPTUAL MODEL & HYPOTHESES:

The Sizeable Benefits from a Scarcity Strategy involving Limited Editions for Conspicuous Products:

'*The embellisher above the glove locker features an exclusive detail underlining the individuality of the 911 Turbo S Exclusive Series: An insignia featuring limitation and personal serial number.*' Further, Porsche's (2017) brochure claims some unique performance and styling features, which are exclusively tied to the latest limited edition of their sports car icon. Similar strategies of serial number-based limited editions are to be found for exclusive spirits or expensive wrist watches (Compass Box, 2018; Hublot, 2018), to name a few. Even more sophisticated limited editions for example involve

Bugatti's Veyron sports car which, in sequential tranches, entails limited editions – interestingly enough without a clearly recognizable regular or base product (Bugatti, 2018). Likewise, in 2012 Bentley Motors launched its Mulsanne Diamond Jubilee edition to mark the Queen's sixtieth birthday and her Diamond Jubilee year. The cars' interiors (e.g., headrests, cushions) were decorated with royal motifs. The edition targeted the marque's Chinese customers. All sixty units of the Jubilee edition were swiftly sold at a substantial premium (SuperCars, 2016; Vijayenthiran, 2012).

The rationale of using scarcity messages as a marketing tool goes back to Brock's (1968) commodity theory, in which he posits that consumers' attitudes change towards products, services or purchase situations as a reaction to expected limited availability. If products are perceived sufficiently attractive by their potential customers (Verhallen, 1982), especially due to supply side scarcity messages, e.g., limited editions, a product's popularity increases, purchase intentions grow and the attitude toward goods and their brands improves (Aggrawal, Jun & Huh, 2011; Jang, Ko, Morris & Chang, 2015; Gierl & Huettl, 2010). This is especially true if these products are perceived by their consumers as unique or symbolic, as opposed to being mainly functional (Lynn, 1991).

Products' potential to serve their owners beyond sheer functionality can be achieved through signaling of exclusivity and uniqueness (Leibenstein, 1950; Bourne, 1957). It is important to note that, in addition to their usage value, these products exhibit signaling value, which makes these products suitable for conspicuous consumption – often a major purchase motivation of many luxury consumers. For example, such consumers may expect to increase their social status through such consumption.

Scarcity plays several important roles including that something scarce is perceived to be more unique and, via mediating reference group effects, scarcity can drive a product being more conspicuous (Vigneron & Johnson, 2004). Reference group effects arise most for a consumer segment of snobs, since snobs try to differentiate from conformists to reiterate their status (Kastanakis & Balabnis, 2011). Restrictions of supply and lower search cost may lead to increased uniqueness, and, thus, increased signaling value translating into higher willingness to pay.

The theory of conspicuous consumption implies that a product's total utility is increasingly being judged by its signaling value, which may even cause product demand to increase as the price goes up (Hopkins & Kornienko, 2004; Bagwell & Bernheim, 1996; Veblen, 1912). Based on the aforementioned, our stated preference choice experiment will investigate revenue potential of two conspicuous limited editions – one snobs' product and one conformists' product (two usage value-oriented products – one durable and one non-durable serve as controls). Also, participants' choices are argued to be based on two main variables – usage value and signaling value. Interestingly, findings include that only conspicuous products benefit from such limited edition, as illustrated in the Porsche example above. For usage value-oriented products, simple scarcity messages seem to suffice.

Additionally, we find that snob products require more effort for limited edition creation than conspicuous conformists' products.

The Remarkable Revenue Potential of Limited Editions:
Empirical evidence pertaining to the revenue potential of limited editions is meagre at best. Lynn (1989) has touched on the issue and showed that customers are aware of higher prices for scarce goods and drew the conclusion that scarcity messages may only exert their full potential in the absence of price information. Amaldoss and Jain (2008) conceptualize that limited editions may pose one of the few profitable ways for firms to handle strong reference group effects and to preserve natural distribution functions of markets. In a game theoretic paper Balachander, Liu and Stock (2009) found positive price effects of limited editions.

However, the authors' assumptions – in order to make their game theoretical model tractable – limit the applicability of their results. Jang, Ko, Morris and Chang (2015), offer conceptual insights as they see value potential in the combination of supply quantity restrictions and conspicuous products.

Generally, as limited editions may be viewed as one of the strongest commitments to scarcity and provide manifestations to enhance value and as value increases are only noteworthy if they result in one's greater willingness to pay (Porter, 1985). Thus, we hypothesize:

H1: Willingness to pay for a limited edition of a product is higher than willingness to pay for the same non-scarce product.

A product's utility can be increased by increases in both usage value and signaling value. Utility increases by improvements of usage value are typically achieved by adding features or services which are perceived as beneficial by consumers (Peck, Payne, Christopher & Clark, 1999; Ravald & Grönroos, 1996). As mentioned above, limited edition scarcity messages are beneficial to their customers because they increase a conspicuous product's uniqueness and lower search efforts, especially for snobs. Hence, limited edition scarcity messages add signaling value. This notion is consistent with research by Amaldoss and Jain (2005a; 2005b), who further suggest that limited editions' effect on profit was superior to adding a feature in case of conspicuous products, offered under strong reference group effects (Amaldoss & Jain, 2008; Amaldoss & Jain, 2010). Hence, scarcity (e.g., in the form of a limited edition) is an important aspect of a product's signaling value. This notion is also supported by the findings of Szybillo (1973), who found value effects mainly for snobs. With utility of usage value-oriented products mostly driven by usage value increases and that of conspicuous products being mostly influenced by signaling value increases, we maintain:

H2: For a conspicuous product, WTP for scarcity/limited edition is higher than WTP for a tangible feature.

Consumers often engage in conspicuous consumption in order to become more unique. Generally, a product's signaling value is reflective of its ability to signal uniqueness. More precisely, such signaling is facilitated and often also enhanced through a limited edition product. Finally, consumers' willingness to pay increases through the aforementioned logic. According to Sirgy (1982), the purchase of conspicuous products is, thus, to a large extent driven by motives of self-concept formation. Likewise, Simonson and Nowlis (2000) noted that the need for uniqueness can have a major effect on a consumer's purchase decisions. This includes purchases which are not bought from the shelf and give at least a "feeling" or "perception" of increased individualism (Herbas-Torrico & Frank, 2017).

Franke and Schreier (2008) showed that high need for uniqueness (HNFU) individuals are not only more likely to buy individualized products – they are also assumed to have a greater willingness to pay for personalized products (Goldsmith & Freiden, 2004). Striving for uniqueness can, for example, be achieved by individual serial numbers of small magnitude – reiterating the power of limited editions. Also, lowering the supply of a limited edition product leads to an increase in consumers' competition for the product, which may exert positive value effects, due to similarity avoidance and (Tepper-Tian, Bearden & Hunter, 2001; Worchel, Lee & Adewole, 1975), hence, lower search costs. However, negative value effects include feelings of selfishness (Lynn, 1991). According to Monroe (1990), both types of offers lead to value increases for the consumer: value increases by uniqueness improvements and lowering sacrifice by reduction of search cost. Interestingly, serial numbered finite unit count limited editions may satisfy both, i.e., value increases by personalized serial numbers and reduction of sacrifice by lowering supplies. Especially for conspicuous consumption products it seems thus consequent to hypothesize:

H3: A conspicuous product's limited edition-based scarcity message and WTP can be increased by:
a) personalisation through serial numbers or
b) announcements of limits to snobs only.

The Large Importance of Statues Seeking and Limited Editions:
As mentioned in the introduction, limited edition purchases are expected to generate additional revenues, if limited editions succeed in causing consumers to perceive conspicuous products as being scarce. That way, these products allow consumers to engage in consumption-based social comparison as well as to express themselves as more unique. These comparisons take place for reasons of self-evaluation (Lucas, Diener & Suh, 1996) with the goal of enhancing status, thereby strengthening self-esteem and subjective well-being (Fournier, 2009; Huo, Binning & Molina, 2010). Higher status, often defined as a form of admiration and respect from peers is found to be a ubiquitous driver (Anderson, Hildreth & Howland, 2015).

Early on, Veblen (1912) classified public consumption for the purpose of status improvement as conspicuous consumption, for which a product must be physically and socially visible. Social visibility is reflective of a product's capability to express exclusivity, uniqueness and, of course, status (Bearden & Etzel, 1982; Bourne, 1957; Balachander & Stock, 2009; Stock & Balachander, 2005). Thus, social visibility can be subsumed in a product's signaling value, the latter representing an important portion of a conspicuous product's total utility. If a product's signaling value goes beyond 50%, the demand for that product may even increase as the price goes up (Hopkins & Kornienko, 2004; Veblen 1912). This holds especially if snobs are publicly consuming the product and simultaneously serve as role models for conformists.

However, snobs may dislike exactly such an outcome and, thus, seek other shopping opportunities, which satisfy their desire for differentiation from the masses. In this context, limited editions may become just what the doctor ordered. Thus, limited editions may provide a unique and yet unexplored avenue for snobs to differentiate themselves. Interestingly, as conformists and snobs both rely on the visibility of their consumption, signaling value can become part of both groups' preference, causing us to hypothesize:

H4: Successful limited editions are preferred by individuals:

a) who engage in comparisons with others and who use comparisons with others for the purpose of self-expression.

b) who use self-expression to display their major purchase motivation (snobbism or conformism).

STUDY DESIGN, METHOD AND SAMPLE

The study was conducted as a paper and pencil stated preference choice experiment stretched over 7 weeks. Participants received one questionnaire per week to their company in-box or home mail box, in which questions of the current questionnaire were based on their individual answers in the previous weeks from week 3. A personal code composed of first name and birth place initials, day and year of birth secured the attribution of questionnaire and participant. In the first two weeks, the individual's willingness to pay for each product

was elicited unframed (week 1) and framed with the product category's upper and lower price bound (week 2). WTP-results were checked for plausibility with those products sorted out for the specific individual, where WTP was either more than two standard deviations below lower bound or above upper price bound even though otherwise informed. For those products, where WTP results fulfiled these requirements, the stated preference experiment began in week 3, based on the lower of the two mentioned reservation prices in order to capitalize on the idea of WTP as an interval (Schlereth, Eckert & Skiera, 2012), rather than a point estimate. From week 3 onwards, participants had to make price-based trade-offs between at least one improved version of the product and the base version, either not offering improvement at all or offering the improvement at a lower choice level. Participants were informed to either leave the price tag open or mention a price of €0–in the first two weeks or to pick no option for a specific product in the following weeks, if not interested, thus, providing a non-option. Improvement in week 3 was a minor change in the physical product–a so called feature, which, different from Amaldoss and Jain (2008), is not upscale or costly. In weeks 4 to 6, several limited edition choice options were offered starting with a serial numbered, finite unit count limited edition on a take it or leave it base (week 4; Serial-No: 462 of 1000), options to personalize serial number (week 5; Serial-No: 1, 1000 and lucky number option) and for further cuts of supply (week 6; supply before 1000, reduced to 500). Individual limited edition choices made were stored for each product from week 5 and followed in subsequent rounds. Consequently, in week 7 participants were offered their individual limited edition choice for each product either as a sole limited edition or combined with the feature from week 3. Each version of the questionnaire came with additional questions on socio demographics and a questionnaire on the personal opinion towards scarcity messages, including shopping opportunities, price and quality inferences. This version of the questionnaire was answered by all respondents. An extended questionnaire was developed for hypothesis 4 and was exclusively reserved to a reduced sub-sample, which included additional items on participants' opinion towards self-expression, conformism and

snobbism and on the suitability of the offered products for self-expression. All versions of the questionnaire have been pre-tested using two different student samples from two different cohorts of 'Marketing and Strategy' lectures at entry level master studies (n=85, μ-age=24.36, fem=54.12%; n=46, μ-age=25.69, fem=51.28%). The main sample consisted of 72 individuals at an average age of 41.88 years, of which 49.35% were female, while the sub-sample consisted of 50 individuals at an average age of 39.96, of which 47.06% were female. All participants have a household income at their disposal from either regular employment, self-reliance or pension and live in cities of up to 250,000 inhabitants in Central Europe.

A leather smartphone wallet and a messenger bag were chosen as the conspicuous products for this study. As the former was produced by a globally well-known accessories brand and was suited to fit an older iPhone-version, it was expected to be more appealing to conformists. In contrast to that, the messenger bag featured a polarizing up-cycling design with eye-catching details and was produced by a small expert brand, which is well-known only in sub-cultures. Hence, this product was expected to rather appeal to snobs, instead of conformists. As a benchmark to both products, a PC-mouse and a chocolate bar were chosen, of which the former is from a functional brand, known for product quality and durability. The latter was a premium chocolate brand available in nearly all supermarkets in the study region. These two products are expected to cater for functional demand according to Leibenstein (1950). Expectations on the products were confirmed in a pre-test with the larger of the two pre-test samples mentioned above.

Hypotheses pertaining to WTP were analyzed using linear regression with price as the dependent variable and product improvements, namely feature and limited edition choices as independent variables. The main sample was used for the WTP-part, while the sub-sample was used to test hypothesis 4 on consumer behavior. The latter were analyzed modeling participants' choices between base and improved product as the dependent variable, thus applying a binary logit regression with price and choice parameters as well as motivational parameters on consumer behavior as independent variables. Setting of both regression models is parsimonious and

allows for the same convenient handling, namely: if independent variables are relevant, they will have to be significant and sufficiently large in effect size. The linear sub-regression, reduced to limited edition improvements asked, applied for in-depth analysis if necessary, follows the same idea. In-depth analysis also included collinearities in participants' choices and a backward analysis of individual choice paths, as collinearities denote consumers making consistent improvement choices, which are expected to be typical especially for snobs and thus, more prevalent for conspicuous products.

RESULTS

Willingness to Pay – Hypotheses 1 to 3:

For the conspicuous conformists' product (smartphone wallet), limited edition main effect on price is highly significant and the highest in magnitude (0.428***), which is in support of H1. As predicted in H2 the LE-effect is also larger than the combined offer's effect (0.143***) and the isolated feature effect (0.140***). While there is a willingness to pay for personalization, which is .059• with lucky number option being the most successful, there is no WTP for increases in consumer competition. This is in line with H3, as conformists are assumed to prevent 'their' products from becoming less accessible, but may be interested in personalization for the sake of curiosity. There is no significant interaction effect of feature and LE offer.

Price effect for the snob products' limited edition (messenger bag) offer is 0.266***, which confirms H1. As this effect is also larger compared to a combined offer with a feature (0.158***) and a sole feature offer (0.077*), this is also in line with H2. Please note, that this product was expected to find few users to improve 'their' limited edition choice. Consequently, there are no significant price effects for personalization or lowering sold quantity during the main regression, whereas participants' choice paths indicate corresponding behavior. However, in the LE-effects sub-regression, there are highly significant results for the lucky number option (0.096***) and further increases in consumer competition (0.191***), which appear on surface after controlling for collinearities with LE-main effect and personalization respectively, which in turn empirically reconstructs choice path

results. This is in line with predicted snob behavior from H3. Additionally, interaction effect of LE and feature offer is highly significant at 0.084**.

In contrast to that, the isolated main LE-effect on price for the usage value-oriented durable (PC-mouse) is strongly significant, but negative in magnitude (-0.020***). As H1 only claims a measurable willingness to pay, the Null cannot be rejected, although LE-offers may disadvantage revenues. Also, isolated feature effects on price (0.086***) are larger than the effect for combined offers (0.046***) and off course the LE-main effect. As this sequence displays the reverse effect for conspicuous products, as predicted in H2, this further supports our assumptions. Interaction effect of feature and limited edition is also highly significant, but very low in magnitude (0.020***).

For the only consumable product (chocolate bar) in the study, limited edition main effect on price itself is insignificant (0.025^{ns}). It does show significance once we control for collinearities with variable for simultaneous offers with feature (0.061***), H1's Null thus, cannot be rejected. Keeping the limited edition main effect whilst controlling for the feature variable results in an effect of .044***, which is slightly stronger than the isolated feature effect (0.038**), which in turn is slightly stronger than the isolated LE-main effect (0.025^{ns}). This sequence is once again different from our proposal in H2 and, thus underlines our assumption about consumers' different utility priorities for conspicuous and usage value-oriented products. There is also no significant interaction effect of feature and LE-offer.

Status Seeking – Hypothesis 4:

During our analysis, we also elicited limited edition introduction effects, which show consumers' emphasis on either changed intrinsic preferences, i.e., higher product quality, or increased importance of shopping opportunities, i.e., buying frenzies (DeGraba, 1995; Becker, 1991), subject to scarcity messages. For the smartphone wallet, there are some significant limited edition introduction effects, which in summary, support the importance of shopping opportunity. This is further supported by participants' tendency to take

other consumers' purchases as a role model (bandwagon behavior: 17.68*) and the fear to miss an important opportunity (11.98*). General individual motivation for self-expression also shows several significant effects, including the general tendency for self-expression (2.34•), which supports H4a. Rating a product's suitability to self-expression shows that the product is highly socially visible (15.88*) and more attractive, if the offer includes a scarcity message (1.78*). In summary, status seeking can be explained, based on various significant effects from product suitability; H4b is thus, supported as well. Interestingly, price does not predict product choice at all.

Contrary to the conformists' product, price does positively and highly significantly predict product choice (135.24**) of the messenger bag. Significant limited edition-introduction effects are clearly related to increased intrinsic preferences, with quality inferences from price (1.45**) and demand (1,23•). General individual motivation to self-express comprises the main effect for self-expression (2.41**) and is not driven by the brand's capabilities to express lifestyle (-2.02*), which shows that products rather than brands signal snobs' lifestyle. Product-based judgments of suitability to self-expression among others show that improvement choices are negatively related to popular choices (-2.10*), which is typical for snobs. In summary, H4a and H4b are supported for the messenger bag and hence for both conspicuous products.

Contrary to that, the chocolate fails to score for limited edition introduction effects, while the PC-mouse shows a weakly significant low in magnitude effect for buying frenzies (1.60•). The same applies to H4, where the PC-mouse shows some significant effects for its capabilities to aid its users in self-expression (H4b), but fails on individual motivation (H4a). In contrast to that, the chocolate bar scores weakly on the latter, but fails in the former. In both cases, effect sizes are either too small or mutually exclusive, which prevents reasonable argumentation. As the two usage value-oriented products were not expected to simultaneously score in limited edition introduction effects and in status seeking (H4a; H4b) and did only selectively instead, the entire framework is supported as well.

SUMMARY OF FINDINGS

Hypothesis	Conspicuous	
H1: WTP for scarcity	regular + limited edition > regular	
H2: WTP for improvements	Regular + limited edition > Regular + feature	
H3: Personalization and similarity avoidance	Snob	Conformist
a) Uniqueness	WTP	WTP
b) Competition	WTP	/
H4: Self-expression	Snob	Conformist
a) Individual level	Present	Present
b) Purchase-based	Present	Present

Table 1: Summary of Results

DISCUSSION AND IMPLICATIONS

Overall, this work identified a variety of significant effects that product scarcity in form of limited editions can have on consumers' desire for such products, which translates into one's increased willingness to pay. Thus, managers should carefully consider the power of limited editions for the products in an effort to maximize profits.

Especially, we find that products entailing much conspicuous consumption are likely to benefit the most from limited editions superimposed on them. Naturally, managers should, thus, not only limit the editions of their products–but also enhance their products' conspicuousness to provide the necessary and sufficient basis for the implementation of limited editions.

More precisely, we find that compared to other scarcity messages, the most valuable scarcity message and basis for limited edition appears to be personalizations by limited serial numbers with a pre-committed supply limit. Thus, managers seem well advised to market limited editions with serial numbers as limiters. Conceptually speaking, it is interesting to learn that these limiters possible amount to be the best forms of scarcity messages. In short, willingness to pay results for limited editions suggest much extra revenue potential from scarcity messages entailing serial numbered finite unit counts, compared to other options available to the manager.

	Usage Value-Oriented		Result
	regular + limited edition ≤ regular		Supported (conspicuous only)
	Regular + limited edition < Regular + feature		Supported
	Conspicuous only		Supported
	Consumable	Durable	Supported
	Present	/	
	/	Present	

While the conspicuous products in this study have shown that price effects justify pre-committing supply limits and numbering each unit, the two usage value-oriented products have shown that simple scarcity messages may do the trick for them.

For regular products, even simple scarcity messages seemed questionable suggesting that limited editions have a limited price and profit potential. Reasons may include that for such products, consumers may simply not believe in the scarcity message. Managers should thus be careful when contemplating limited editions for such products.

However, while there are little or no scarcity effects on price for, say, a regular cream milk chocolate bar, the scarcity effects on price for a combination of the chocolate bar and a feature tell a different story. In this case the feature can, for example, be a new taste or fair trade cocoa beans as the study showed that even the combination with a simple scarcity message may leverage one's willingness to pay above that of the feature alone. This supports marketers' conduct to combine minor variations of consumable products in terms of taste, odor or styling with simple scarcity messages. Besides chocolate bars with–often seasonal–variations in taste, further examples include limited edition shower gels, for which odor variations are often tested using a simple scarcity message to catch consumers'

attention. Once again, a rather simple scarcity message without a pre-committed supply appears to be a preferred managerial choice. Thus, supporting the notion, that purchases subject to scarcity messages for inconspicuous products may be triggered by consumers' impression that time is running out, due to increased consumer competition regardless of the true content of the scarcity messages (Reis, 2018).

Next, our findings suggest that managers may focus their limited editions on products that entail much conspicuous consumption. Such products exhibit large revenue potential. This is especially true when looking at the greater willingness to pay for scarcity in case of the conspicuous conformists' product. Conformists make their product choice regardless of price and are willing to pay the highest price premium for scarcity to become part of the crowd. Additionally, our findings suggest that such consumers are also more likely to engage in buying frenzies. These findings are a bit surprising and certainly new, thus suggesting that managers who implement them first gain a competitive advantage. In this context, our findings suggest that it is the accessibility of the product or at least a perception thereof, which contributes to a limited edition for conformist products. That is, there appears to be much managerial potential for commercial success in the context of these product/market configurations.

Next, our findings suggest conformists may turn towards more accessible products. Yet, messages of easy availability often necessitate price discounts. Thus, balancing supply within the threshold of abundance and of non-accessibility may, surprisingly, result in profitable buying frenzies with much revenue and profit potential for the manager.

Additionally, we found conformists do not care that much about additional features: the simple limited edition (absent influence on serial number or further supply limits), did not only produce the highest single price effect in the study, but it even outsold the feature by a whopping 300%. This is supported by the finding that there was no significant interaction of limited edition and feature. Thus, if features are offered, exclusivity of feature and limited edition is not mandatory. As a managerial implication, this is important as limited editions are

often derived from regular products, yet features are often needed to visually differentiate the limited edition offer from the regular product.

In case of conformists' products, we can thus recommend to simply rearrange some less costly features from the regular line-up to create an attractive limited edition at low marginal costs. For example, to create a limited edition wristwatch for conformists, a combination of a popular, less upmarket wristwatch with a bracelet from another popular model may already do the trick.

In summary, we recommend, conformists' limited editions to be derived from products that are less upmarket and expensive yet sufficiently conspicuous. One reason is that price determines accessibility as supply quantity does. Another reason is the surprising finding that conformists have a relatively greater willingness to pay for entry level limited editions and a relatively lesser willingness to pay for personalized serial numbers. Hence, with less expensive regular products and less expensive features added, the price potential of the entry level limited edition may produce much profits in this context.

It also appears that adding conspicuous features when creating limited edition products for snobs will be fruitful. Thus, contrary to conformists, snobs prefer simultaneous exclusivity of scarcity message and feature. Hublot's scratch resistant Magic Gold alloy may entail a decent illustration just like Bugatti's FBG par Hermès. Based on our results, we recommend considering to offer such features exclusively with limited editions products. Notably, creating limited editions for snobs requires relatively more effort as opposed to conformists' products and limited editions should be smaller in size. Along the same lines, products for snobs can be truly high priced and there may be no real price limit. Investigating price ceilings as well as investigating the drivers for a products' or a category's size amount to two challenging research projects and are left for future research.

Please note finally, that our work also points to unexploited revenue potential: It appears that variations in willingness to pay across serial numbers should be investigated and measured as consumers like serial numbers that are low, high and with meaning (such as 888 suggesting financial success in Asia). Research could reveal easily exploitable willingness to pay in this context.

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