

A Comparative Study of the Importance of Luxury Value Perceptions in Cross-National Contexts



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1. Defining the Luxury Concept

The term —luxury is routinely used in our everyday life to refer to products, services or a certain lifestyle, however, often without a clear understanding of the luxury concept as it takes on many different forms for different people and is dependent on the mood and experience of the consumer: —Luxury is particularly slippery to define. A strong element of human involvement, very limited supply and the recognition of value by others are key componentsl (Cornell 2002, p. 47). The word luxury —defines beauty; it is art applied to functional items. Like light, luxury is enlightening. [. . .] Luxury items provide extra pleasure and flatter all senses at once . . . Luxury is the appendage of the ruling classesl (Kapferer 1997, p. 253). Whereas necessities are utilitarian objects that relieve an unpleasant state of discomfort, luxuries are characterized as objects of desire that provide pleasure (Berry 1994), and as —non-essential items or services that contribute to luxurious living; an indulgence or convenience beyond the indispensable minimuml (Webster's Third New International Dictionary 2002). Defined as goods for which the simple use or display of a particular branded product brings esteem for the owner, luxury goods enable consumers to satisfy psychological and functional needs. Above all these psychological benefits can be regarded as the main factor distinguishing luxury from non-luxury products or counterfeits (Aghavan and Zaichkowsky 2000). In the literature on luxury, a concept of exclusivity or rarity is well documented (Pantzalis 1995). Luxury brands can be defined as those whose price and quality ratios are the highest of the market (McKinsey 1990) and even though the ratio of functionality to price might be low with regard to certain luxury goods, the ratio of intangible and situational utility to price is comparatively high (Nueno and Quelch 1998). Therefore, luxury brands compete on the ability to evoke exclusivity, brand identity, brand awareness and perceived quality in the consumer's perspective (Phau and Prendergast 2000). Thus, a definition of luxury should not follow a narrow but rather an integrative understanding of the luxury concept, as luxury is a subjective and multidimensional construct. For the purposes of this paper, we follow the luxury brand definition of Vigneron and Johnson (1999) as the highest level of prestigious brands encompassing several physical and psychological values. Facing the rapidly changing global business and different cross -country customer cultures, luxury can be understood as a special transnational type of culture. It represents a system of tangible (clothing, cars, buildings, etc.), as well as intangible components comprising ideals, expected behaviors, and beliefs in a group specific value system. In a global marketplace, there is no understanding of luxury conceivable which is nationally or regionally bound. However, it has to be stated that to some extent ethnocentrism and —country -of - originl effects may interfere. Concerned instead with the question of which countries'luxury products are more or less accepted, it does not impact the basic dimensions of luxury value perceptions.

2. Conceptual Framework

Luxury goods are conducive to pleasure and comfort and also hard to obtain. Consumption of such goods involves buying a brand that represents value to both the individual and significant others (Wiedmann, Hennigs, & Siebels, 2009). In other words, purchase and display of luxury goods bring esteem to the owner, apart from the functional utility (Shukla, 2010; Vigneron & Johnson, 2004). The word 'luxury' refers to products or services of a very high standard; however, researchers observe that it elicits no clear understanding due to strong involvement, contextual effects and value recognition from others (Shukla, 2011; Wiedmann et al., 2009).

Observing the growth of luxury goods in the last two decades, researchers are giving greater attention to the phenomenon of luxury consumption. Luxury goods are one of the most profitable and fastest-growing brand segments (Berthon et al., 2009), yet at the same time researchers agree that the value perceptions associated with luxury goods are poorly understood and under-investigated (Tynan et al., 2010; Vigneron & Johnson, 2004; Wiedmann et al., 2009)

2.1 Luxury Value Perceptions

According to Ruiz, Castro, and Armario (2007), early research on consumer value perceptions largely focuses on quality and price issues. They also report discordance among academics regarding single conceptualization and operationalization of the consumer value construct. Woodall (2003) conceptualizes four distinct aspects of value, namely, exchange value, intrinsic value, use value, and utilitarian value. Focusing on luxury goods, Vigneron and Johnson (2004) classify two major dimensions of luxury value perceptions, namely, personal perceptions (which entail perceived hedonic value and perceived extended self), and non-personal perceptions (which entail perceived conspicuousness, perceived uniqueness and perceived

quality). Using Bourdieu (1984), Wiedmann et al. (2007) extend the framework put forward by Vigneron and Johnson (2004) by using four latent dimensions: social value (i.e. conspicuous value, prestige value); functional value (i.e. usability value, quality value, uniqueness value), individual value (i.e. self-identity value, hedonic value and materialistic value) and financial value (price value). Berthon et al. (2009) conceptualize that luxury goods have three distinct value based dimensions: the objective (material), the subjective (individual) and the collective (social). In a separate attempt, adapting the generic customer value creation framework of Smith and Colgate (2007), Tynan et al. (2010) extend the framework in the domain of luxury using exploratory research. Smith and Colgate (2007) propose that four dimensions are critical to value creation namely: symbolic/conceptualize the self as a relatively independent, self-contained, and autonomous entity. Individualism is also positively correlated with emphasis on self-gratification where consumers focus on personal achievement, physical attractiveness, material possessions, personal happiness, and success (Hofstede & Hofstede, 2004). In contrast, consumers from Eastern collectivist cultures, define self-more by relationships with members of one's extended environment including family, relatives, and co-workers (Wang & Waller, 2006). USA is highly individualistic and India to be highly collectivist (Hofstede & Hofstede, 2004). Expressive, experiential/hedonic, utilitarian/functional and cost/sacrifice values. In their exploratory study Tynan et al. (2010) segment symbolic/expressive value perceptions in two sub-dimensions namely: self-directed and other-directed symbolic/expressive values. The discussion highlights several important indicators of luxury value. First, luxury value perceptions may have a strong social dimension that takes into account both self and others while acquiring luxury goods. Second, the importance of personal dimension of luxury relating to experience and pleasure seems non-negligible. Thirdly, luxury goods are also sought for their higher quality and functionality and have an association with the overall price perception.

Focusing on the above conceptual debate, the present study develops and empirically tests a comprehensive model incorporating three dimensions of luxury value perceptions (see Fig. 1). The dimensions include self-directed symbolic/expressive value, utilitarian/functional value and cost/sacrifice value. Using the above value perception dimensions, this study addresses the calls for empirical testing of the largely primary data base in the area as well as extends the reliability and validity of the luxury value perceptions framework in a cross-national context.

2.2 Individualism versus Collectivism in a Cross-National Context

Redding (1990) and Over by, Woodruff, & Gardial (2005) argue that cultural differences have been one of the influencing factors on consumption of global brands particularly because consumers across cultures buy products and services for different reasons even if they buy the same products. Extant literature drawn from means-end theory and cultural studies emphasizes culture's influence on consumer value perceptions and beliefs. Researchers also suggest that empirically derived cultural domains such as in Hall (1966), Hofstede (1991), and Trompenaars and Hampden-Turner (1998) are useful in comparing the effects of consumption across cultures (Wong & Ahuvia, 1998). Keeping in mind the wide application of Hofstede's cultural framework to understand influence of cultural differences in global marketing theory, evaluation of luxury value perceptions of consumers in countries with different national cultures becomes interesting. This study focuses specifically on the dimensions of individualism and collectivism. Academic literature widely uses the cultural dimension of individualism versus collectivism to explain the general differences between Western and Eastern perspectives on the concept of self (Wang & Waller, 2006). Further, challenging problems identified in meta-analyses of Oyserman, Coon, and Kimmelmeier (2002), Schimmack, Oishi, and Diener (2005) establish individualism as a valid and important dimension of cultural differences. Markus and Kitayama (1991) argue that consumers from Western individualist cultures tend to conceptualize the self as a relatively independent, self-contained, and autonomous entity. Individualism is also positively correlated with emphasis on self-gratification where consumers focus on personal achievement, physical attractiveness, material possessions, personal happiness, and success (Hofstede & Hofstede, 2004). In contrast, consumers from Eastern collectivist cultures, define selfmore by relationships with members of one's extended environment including family, relatives, and co-workers (Wang & Waller, 2006). The individualism scores of 85 and 45 for USA and India respectively, suggests USA to be highly individualistic and India to be highly collectivist (Hofstede & Hofstede, 2004).

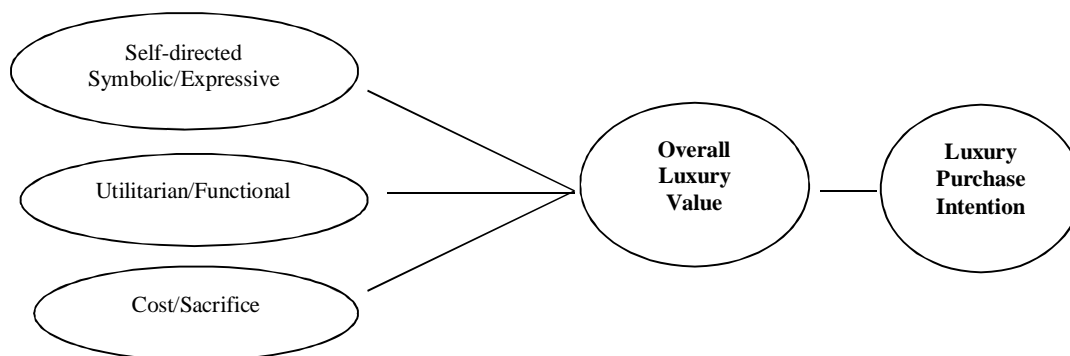


Figure 1

3. Hypotheses Development

3.1 Self-Directed Symbolic/Expressive Value Perceptions

Smith and Colgate (2007, 10) define symbolic/expressive value as the 'extent to which customers attach or associate psychological meaning to a product'. Several prior studies note luxury goods' appeal to consumer's self-concept and self-worth (Tsai, 2005; Vigneron & Johnson, 2004). In other words, luxury goods make consumers feel good about themselves either in possession or in gift-giving. Tsai (2005) and Wiedmann et al. (2007) observe that self-directed consumption is comparatively overlooked in the literature relating to luxury goods. Individualism is established strongly in Western countries and individualist consumers are motivated by their own references, needs and rights (Hofstede, 1991).

H1. The relation between self-directed symbolic/expressive value and overall luxury value perceptions is stronger for USA consumers than Indian consumers.

3.2 Utilitarian/Functional Value Perceptions

Utilitarian/functional value is concerned with the extent to which a product (good or service) has the desired characteristics, is useful, or performs a desired function (Tynan et al., 2010). While hedonic consumption focuses on providing a heightened emotional experience and satisfaction from products, utilitarianism focuses on rational purpose. Consumers expect a luxury product to be usable, of good quality and unique enough to satisfy their urge to differentiate (Wiedmann et al., 2009). Han, Hwan Yun, Kim, and Kwahk (2000) suggest that usability of a product is now considered one of the most important purchasing factors. Luxury goods are different on the basis of their excellent product quality, craftsmanship and performance as compared to non-luxury goods (Vigneron & Johnson, 2004). For example, Christian Dior initially made outstanding clothes of great functionality and Louis Vuitton made great trunks built to withstand world travel. Thus, functional value will play a significant role in influencing consumer luxury value perceptions. In a comparative study of American, Canadian, British, and Indian consumers, Donthu and Yoo (1998) find that individualistic consumers have higher overall service quality expectations than collectivist consumers which get reflected in consumer demand for product functionality. The finding suggests that individualistic consumers may demand higher levels of functionality and utility from the product purchase

H2. The relation between utilitarian/functional value and overall luxury value perceptions is stronger for American consumers than Indian consumers.

3.3 Cost/Sacrifice Value Perceptions

Price plays both positive and negative roles with regard to price perceptions. Literature suggests seven psychological constructs of price perceptions: prestige sensitivity, price-quality schema, value consciousness, price consciousness, coupon proneness, sale proneness and price mavenism. Prestige sensitivity and price-quality schema represent the positive role and the other five constructs represent the negative role of price (Lichtenstein, Ridgway, & Netemeyer, 1993). Both, prestige sensitivity and price-quality schema are associated with social identity. For example, Tellis and Gaeth (1990) suggest that price plays a positive role in determining consumers' perceptions regarding quality, wherein higher price generally denotes higher quality. Similarly, prestige-seeking by acquiring higher price products is acceptable in many collectivist cultures (Shukla, 2011; Wong & Ahuvia, 1998). In case of luxury, higher financial sacrifice is positively related to overall value of the brand associated (Thomas, 2007). Thus, positive role of price becomes important in case of luxury goods. In other words, higher cost of acquisition elevates the luxury brand's uniqueness and desirability. Individualism indicates emotional detachment from groups and hence personal goals as opposed to group goals become crucial (Hofstede & Hofstede, 2004). Further, Individualists value competition and personal achievement. On the other hand, collectivists who seek status are prestige sensitive (Shukla, 2010) as well as relate high price significantly with higher quality. Thus, authors posit that positive role of price would be much more significant in creating luxury value perceptions for collectivists in comparison to individualistic consumers. The per capita income for the USA is approximately USD 53,960 in comparison to USD 5,350 for India (Factbook, 2013). Also, the urban consumer per capita income in India is approximately three times that of their rural counterpart (Cali, 2007). While the Indian elite may have similar purchasing power as their Western counterparts, the income gap at the level of the middle class is far wider. Taking into consideration the overall gap between the USA per capita income and the Indian per capita income, Indian consumers may have to make greater financial sacrifice in acquiring a global luxury brand. As they have to make higher sacrifice in obtaining the luxury goods, the cost/sacrifice value may influence overall luxury value perceptions of Indian consumers.

H3. The relation between cost/sacrifice value and overall luxury value perceptions is stronger for Indian consumers than American consumers.

4. Methodology

4.1 Sample and Procedure

More than 1000 respondents contacted, after cleaning the data, the final usable sample used for the analysis is 150 for the USA and 160 for India presenting a response rate of 15% and 16% respectively.

Data and evidence for the study was collected through interviews with a selected group of people in USA and India. The interviews were conducted primarily via telephone and personally. The questions tended to be general and open-ended to afford the interviewees enough flexibility to give detailed responses. In addition, secondary sources such as published articles, newspapers and web based literature are used.

After all the data were collected, collated and verified, an analysis of the data was done. The data has been analyzed to:

- Construct a picture of the luxury brand consumption environment in US and India.
- Understand the luxury brand value in place where consumption is made.
- Identify the issues and challenges involved in luxury brand value and consumption.
- I then interpreted the information to arrive at my overall analysis and conclusions of luxury brand value perception in cross nations.

The emerging study focuses on comparing the impact of various luxury value perceptions, determining the overall luxury value and the influence of overall luxury value perceptions on luxury goods purchase intention in cross-national context.

5. Construct Development

All measures use a five-point Likert-type response format, with “strongly disagree” and “strongly agree” as anchors. The participants' perceptions of what is luxury for them motivate their answers.

List of Measurement Items	USA	India
Self-directed symbolic/expressive value perceptions	Estimate	Estimate
I often buy luxury brand accessories that reflect my own image.	0.29	0.29
My choice of luxury brands depends on whether they reflect how I see myself but not how others see me.	0.43	0.40
I am highly attracted to unique luxury accessories	0.35	0.35
Composite Reliability (CR)	0.38	0.39
Average Variance Extracted (AVE)	0.29	0.32
Cronbach's Alpha (α)	0.33	0.35
Utilitarian/functional value perceptions	Estimate	Estimate
In my opinion buying luxury accessories is really useful	0.36	0.36
consider my purchase of luxury accessories to be practical	0.39	0.35
Composite Reliability (CR)	0.35	0.34
Average Variance Extracted (AVE)	0.30	0.28
Cronbach's Alpha (α)	0.36	0.34
Cost/sacrifice value perceptions	Estimate	Estimate
In my mind higher price equals higher quality	0.33	0.33
An item being higher in price makes it more desirable to me	0.50	0.40
Composite Reliability (CR)	0.40	0.38
Average Variance Extracted (AVE)	0.35	0.30
Cronbach's Alpha (α)	0.37	0.38
Overall luxury value perceptions	Estimate	Estimate
I purchase luxury accessories to gain/increase social status	0.38	0.38
The uniqueness of a luxury accessory is important to me	0.34	0.33
Higher price luxury brand accessories mean more to me	0.36	0.34
Composite Reliability (CR)	0.38	0.37
Average Variance Extracted (AVE)	0.31	0.30
Cronbach's Alpha (α)	0.38	0.35
Fit measures	Estimate	Estimate
Chi-sq— χ^2 (degrees of freedom—df)	166.30	122.60

6. Analysis and Findings

The study employs multiple-group CFA (Confirmatory Factor Analysis), to examine the hypothesized relationships. The analysis uses a series of comparisons between the unconstrained base model and models in which one structural path at a time

is constrained to be equal between countries to test differences in the magnitude of effects between the British and Indian consumers.

The path coefficient analysis (see Table 3) shows the structure of the hypothesized relationships in the study. The hypothesized antecedents to luxury consumption are good predictors of the dependent variable across countries. To test the magnitude of effect between the self-directed symbolic/expressive values among American and Indian consumers, this study compares a constrained model, in which only the self-directed symbolic/expressive values related factor means are set to be invariant, with the unconstrained model. As predicted in H1, American consumers show higher levels of self-directed symbolic/ expressive values ($\beta=0.05$; $t= 0.99$) than Indian consumers.

The finding highlights two important phenomena, (a) the relationship between self-directed symbolic/expressive values and overall luxury value is non-negative and (b) the relationship is non-significant among the Indian consumers. As H2 predicts, American consumers show higher utilitarian/functional value perceptions ($\beta=0.20$; $t=2.40$) than Indian consumers. The influence of utilitarian/functional value perceptions among Indian consumers is found to be non-significant. However, contrary to the predicted relationship, American consumers are observed to be more concerned with cost/sacrifice value perceptions ($\beta=0.12$; $t= 1.25$) than Indian consumers ($\beta=0.10$; $t=0.99$).

7. Hypotheses Testing

H₀₁: There is no significant difference between proportion of Consumers who given importance to the Self-Directed Symbolic/ Expressive value of the product in India and US

H₀₂: There is no significant difference between proportion of Consumers who given importance to the Utilitarian / Functional value of the product in India and US

H₀₃: There is no significant difference between proportion of Consumers who given importance to the Cost / Sacrifice value of the product in India and US

H₀: There is no significant difference between proportion of Consumers who given importance to the Overall value perception of the product in India and US

Mathematically

$$H_0: p_1 = p_2$$

Vs

$$H_1: p_1 < p_2$$

Table 2

Correlation Matrix	USA			India		
	SDSE	UF	CSF	SDSE	UF	CF
SDSE	0.38			0.39		
UF	0.05	0.38		0.20	0.37	
CSF	0.03		0.40	0.05		0.40

SDSE= Self-directed symbolic/expressive; UF = Utilitarian/Functional; CS= Cost/sacrifice
Decision: Reject H0 at 5% level of significance i.e. Accept H1

Table 3

Summary of Results	USA		India	
	Estimate	T-value	Estimate	T-value
Self-directed symbolic/expressive value→Overall luxury value	0.05	0.99*	0.03	0.90
Utilitarian/Functional→Overall luxury value	0.20	2.40*	0.10	0.56
Cost/sacrifice→Overall luxury value	0.12	1.25*	0.10	0.99*

**p < 0.01*

Conclusion

1. The proportion of Consumers who have given importance to the Self-Directed Symbolic/ Expressive value of the product in US are significantly greater than that of in India
2. The proportion of Consumers who have given importance to the Utilitarian / Functional value of the product in US are significantly greater than that of in India
3. The proportion of Consumers who have given importance to the Cost / Sacrifice value of the product in India are significantly greater than that of in US
4. The proportion of Consumers who have given importance to the Overall value perception of the product in US are significantly greater than that of in India

Thus, our null hypothesis “*There is no significant difference between proportion of Consumers who given importance to the Overall value perception of the product in India and US*” is rejected. Alternatively we accept our alternative hypothesis *the proportion of Consumers who given importance to the Overall value perception of the product in US are significantly greater than that of in India.*

8. Limitations and Future Directions

Like any other study, this study too suffers from limitations that, in turn, offer avenues for further research. The paper provides findings from only two countries namely: the USA and India, focuses on cultural dimension of individualism and collectivism while analyzing the differences between the countries. The two countries differ in many other ways apart from cultural dimensions of individualism.

Despite economic, social, linguistic and regional diversity, Indians have core values which unify these sub-cultural differences to create a unique Indian culture where such inequalities may not be very significant. However, influences of dimensions such as power distance may not be completely ignored. Therefore, further comparative studies involving other nations and cultures will assist in generalizing the findings of the study. India and USA, being developing and developed countries respectively, the observed country differences in this study may also have been influenced by the differences in stages of economic development. Further studies comparing multiple developed and developing countries at different stages of development will provide further insights. It is observe a dramatic change in consumption behavior among the consumers in emerging markets. To capture the dynamism of luxury consumption phenomenon in these rapidly changing economies requires a longitudinal study. Such a study may offer add insights in the changing nature of luxury in these markets.

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Confirmatory Factor analysis: Confirmatory factor analysis (CFA) is used to study the relationships between a set of observed variables and a set of continuous latent variables. When the observed variables are categorical, CFA is also referred to as item response theory (IRT) analysis (Baker & Kim, 2004; du Toit, 2003; Fox, 2.