

1.0 LITERATURE REVIEW ON CONSUMER BEHAVIOUR TOWARDS LUXURY PRODUCT

1.1 Introduction

The aim of this literature review is to review the recent literature about the purchase of luxury products. The literature review will look at theoretical perspectives that shape consumer behaviour for luxury products. The literature review will also identify existing gaps in theoretical understanding of the consumer behaviour in purchase of luxury goods.

1.2 Definitions

Consumer behaviour and consumer decision making are two closely related concepts that refer to the process through which consumers acquire products. Consumer behaviour defines the different behavioural elements that define how a consumer behaves (Kumar, 2012). It includes elements of how people select, buy, use and dispose goods, and services to satisfy their needs. On the other hand, consumer decision making defines the process through which identify needs, collect information, evaluate the information and alternatives, and finally make a purchase decision. Finally, luxury brands are brands that are customized to customer needs compared to regular brands (Daswani & Jain, 2011). They are sold at a higher price but they also come with additional features and aesthetic elements that are not found in regular brands. According to Turunen (2018) luxury is not inherent in the product characteristics alone but also in the act of consumption. Luxury products are those that associated with the perception of comfort, beauty and sumptuous lifestyles that is not found in other products (Truong, 2010; Shukla & Purani, 2012; Zhan & He, 2012).

1.3 Theories of Consumer Behaviour and Application in Purchase of Luxury Goods

Consumer behaviour is explained from different theoretic perspectives including the economic man, which posits that man is a rational and self-interested and makes decisions that maximise utility while using minimum efforts; psychodynamic theory which posits that purchase is related to instinctive forces or drives outside a consumer's conscious thoughts; behaviourist approach, which assumes that buying is a behaviour influenced by different factors; and finally cognitive theory (Kumar, 2012), which posits that consumers engage in information processing before making a purchase decision. These theories have been widely studied in consumer behaviour literature.

The prescriptive cognitive models are closely related to behaviourism model because they look at purchase decision as consumer behaviour. Developed in the 1960s, the prescriptive cognitive models are based on models of attitude formation or the Fishbein model and expectancy value models. According to the Fishbone model, a person's overall attitude towards a given object is determined by their beliefs and feelings about the different attributes of the object (Bian & Forsythe, 2012; Kumar, 2012). In consumer literature, the object in this model was replaced with behaviour, effectively asserting that a person's attitude towards a given behaviour is determined by beliefs and attitudes (Kumar, 2012). Prescriptive cognitive models are well explained in consumer behaviour through theory of planned behaviour and theory of planned action.

Theory of planned behaviour in consumer behaviour draws from theory of reasoned action. Theory of planned action asserts that an individual behaviour is regulated by their intention to perform a given behaviour (Bian & Forsythe, 2012). A person's behavioural

intention is affected by an individual's attitude towards the planned behaviour and the subjective norm of the behaviour (Amatulli & Guido, 2011). Theory of planned behaviour can therefore be considered as an effort to deal with a behaviour that is controlled; hence, it adds the perceived behavioural control as a third determinant of purchase behaviour in addition to subjective norm and attitude as defined by theory of planned action (Sanyal et al., 2014; Son and Jin, 2013). The three determinants have been widely explored in research in the context to which they affected an individual's purchase behaviour, especially towards a luxury brand.

The attitude towards a given behaviour is a person's positive or negative feeling expressed towards target behaviour. The individual may be feeling highly motivate or demotivated towards performing a targeted behaviour (Kumar, 2012). According to the dictates of the theory of planned action, an individual's attitude towards a given behaviour is influenced by his/her salient beliefs about the outcomes of the behaviour and how the individual evaluates these outcomes. According to Jin and Kang (2011), a study on Chinese consumers showed that attitude was the most important predictor of their purchase intentions towards imported brands. In addition, another study by Son and Jin (2013) also showed that attitude influence Indian consumers' purchase intention towards foreign branded products. An individual attitude, as determined by their salient beliefs about the product, therefore, affects their planned behavioural action (Sanyal et al., 2014). If a person holds a positive attitude towards a luxury brand, there is a high likelihood that the consumer behaviour will be towards purchasing that brand.

On the other hand, subjective norm, which is one of the determinants of a person's purchase behaviour under theory of planned action, is an individual's perception about approval or disapproval of the behaviour by others (Shukla & Purani, 2012; Zhan & He, 2012). A person's behaviour is equal to behavioural intentions. The behavioural intention is derived from among

other things a combination of an individual's attitude towards the purchase of a luxury product and the subjective norms, which regards how other people feel about it (Amatulli & Guido, 2011; Bian & Forsythe, 2012). In referent norms, a person considers how others think about the product before committing to purchase it. Subjective norms influences conformity because if others have a high opinion about a given product, then a person is more likely to purchase it in order to comply with these subjective views. Marketing literature shows that individuals are influenced by families, friends, colleagues, and relatives and depending on their view of the products or the purchase decision, the person will most likely commit to the behaviour or not (Kim and Karpova, 2010). In their study, Kim and Karpova (2010) showed that there is a direct relationship between subjective norm and purchase intention in their study that sought to explain attitude towards purchasing counterfeit goods among college students in the United States. Similar positive relationship between subjective norms and the intention to buy is well established in other studies marketing literature (Amatulli & Guido, 2011; Bian & Forsythe, 2012).

The prevalence of subjective norms differs from society to society depending on the individualistic or collective nature of the society. According to Hofstede cultural model, a society can be individualistic and collectivist (Hofstede, Hofstede, & Minkov, 2010). Individualist societies like the United States have people who make individualised decisions while in collectivist society, the society has more influence on an individual's decision making. The relationship between cultural orientation and collaborative actions is well established in research (Arpaci, 2016). In addition, Cho and Lee (2015) established that personal beliefs and perceptions have stronger effect on behavioural intention in individualistic society (the United States) compared to collectivist society (Korea). Collectivist societies emphasize a greater degree

of group conformity and social status compared to individualistic societies that emphasise on experiential value and inner satisfaction from what they have (Shukla, 2010). People living collectivist culture are more concerned with having a sense of group belonging and their decisions are governed by the influence of significant others rather than their personal satisfaction.

Closely tied to the subjective norms is the concept of social stimuli on the stimulus-response model. The stimulus-response model is a basic framework that is used to explain consumer purchase behaviour, looking at the major stimulus that leads to the final decision making (Kumar, 2012). This theory posits that the purchase decision is a result of response to different stimulus, and the model recognizes different marketing and environment stimuli. Marketing stimuli include product characteristics, price, place and promotion. According to Arora (2013), the 8P's of luxury goods marketing include performance, pedigree, paucity, personal, public figures, placement, public relations, and pricing. This is different from the 4 P's used for other products, which means, marketing luxury and how they influence purchase decision differs from the normal goods (Heine, 2011). For example, Boundless (2015) found that price is inelastic in luxury products while it is elastic in normal goods. This means that an increase in price of luxury goods will not result to decrease in the demand for the luxury goods (Arora, 2013; Heine, 2011). The environmental stimuli include economical, technological, political, and cultural factors. Research evidence shows that quality (Chevalier & Mazzalovo, 2012), aesthetics (Heine, 2011), performance (Arora, 2013), and others as important in making the final purchase decision. In addition, economic stimuli like price and the value for money are also among the determining characteristic of consumer behaviour in purchase of luxury goods (Fahy and Jobber, 2012). The customer must feel that the price he/she is paying for is worth the

value he/she is getting (Heine, 2011; Arora, 2013). The Social stimuli, which draws from the subjective norms, refers to the social status usually linked to luxury goods. People do not buy luxury goods because there are no alternatives in the market but because they reflect a social status (Shukla, 2010; Daswani & Jain, 2011). They want to show off their goods because this is a reflection of social status. This is related to the buyer's self-image and emotions that draw psychological satisfaction and social reference, which are all elements of self-concept theory reviewed in detail later in this paper (Kumar, 2012). People develop self-image not only through personal traits, but also through social interactions which shape their buyer behaviour.

Social influence plays a major role in purchase decision as expounded by the subjective norms. In his work, Scholz (2014) recognises two approaches to consumer buying behaviour, including socially oriented and personally oriented behaviours. These approaches align with the collectivist and individualist approaches. Socially oriented purchase behaviours are based on the need to impress other people while personally oriented purchase behaviours are geared towards self-fulfilment. Social role and status are major influencers of purchase behaviours (Shukla, 2010). By buying luxury products, a person aims at gaining a given social status signalled by using the luxury goods (Perreau, 2013; Daswani & Jain, 2011; Han, Nunes, & Dre'ze, 2010). Consumers have a sense of belonging and want to belong to a given group and membership to this group is only achieved through buying the luxury goods. Personal factors like age, purchasing power, lifestyle and others are among the most significant individual factors influencing purchase decision.

One of the existing gaps in this area is the unclear role of social influence in collectivist and individualist societies. Existing research has well established relationship between collectivist society and how they influence individuals self-image and hence buyer behaviour

(Kumar, 2012; Arpaci, 2016; Cho & Lee, 2015). The contrary is established for individualistic societies. However, even in individualist societies like the United States, people are influenced by their friends to buy luxury goods as established in group norms (Daswani & Jain, 2011). Further research is a need to establish the cross-cutting role of reference group influence in the theory of planned action under subjective norms for both collectivistic and individualistic societies.

The other determinant of purchase decision under the theory of planned behaviour is the perceived behavioural control. Perceived behavioural control defines the difficult that a person sees when about to perform behaviour. Purchase is behaviour and this means it will refer to the difficulties that a person will experience when about to purchase a luxury product (Kumar, 2012). It helps to predict the behaviours that individuals want to perform they are they cannot because they do not have the opportunity or the resources like time, money, skills and others. This theory postulates that more resources and opportunities that are available to a person, the more they are likely to see individual control over a given purchase behaviour. In a study, Ling (2009) confirmed that perceived behavioural control is the most important determined of purchase intentions for a luxury product. While the above factors may influences a purchase decision the ultimate determinant with the resources available to execute the purchase behaviour. For example, a person may be socially enticed to purchase a luxury product because his/her friends are buying it but without financial resources, the purchase behaviour will not be executed. In a study, Phau, Tea, and Chau (2015) found underpinned by the theory of planned behaviour, attitudes and perceived behavioural control influenced purchase intention of a luxury brand for apparel made in sweatshops. The intention to purchase luxury fashion apparel was related to the willingness of the buyer to pay more for a product not made in sweatshops.

While theory of planned behaviour has been found effective in predicting consumer behaviour, there are a number of limitations. First, the successful use of this theory in research studies depends on the ability of the research to measure the salient attributes considered by the consumer in forming their attitudes. However, most of the consumption situations are quite complex and are influenced by a number of conscious and subconscious factors (Kumar, 2012). The prescriptive cognitive models, under which theory of planned behaviour and action are based, rely on the assumption that a consumer will undergo complex cognitive process before making a decision to purchase. However, this is not always the case because there are other influences like emotions, spontaneity, habitual, cravings, and others that also affect the purchase decision. In addition, although the prescriptive cognitive models like theory of planned behaviour align well with the western cultures, it is not clear whether the underlying assumptions suits well with other cultures. There are very few cross-cultural studies that have looked at the applicability of the model to other cultures, especially in reference to purchase of luxury goods. This limitation has not been taken into consideration by most research studies that have used this theory to predict purchase behaviour of luxury goods in other cultural settings apart from western cultures (Daswani & Jain, 2011; Bian & Forsythe, 2012). Lastly, an intention is continuously changing with time and with new information (Amatulli & Guido, 2011; Bian & Forsythe, 2012). This theory does not factor in such impact on intention, which may keep on changing.

To overcome the challenges of theory of planned behaviour, especially in areas where it disregards human emotions and changing intentions, the humanist model of buyer behaviour is proposed. One of the theories under this model is the theory of trying. This theory posits that there are key antecedent variables to the intention to try including subjective norms, attitudes, and expectations to succeed (Amatulli & Guido, 2011; Bian & Forsythe, 2012). Past behaviours

is particular considered important determinant under this theory because customers will always re-evaluate their past experience before making a current purchase decision. However, this theory has not been applied in commerce set ups and only finds relevance in health models. Jain, Naved Khan, and Mishra (2017) included the element of this theory when they researched the question, “I will try to buy luxury goods in future” as a part of their exploration of the purchase intention, but they did not explore the element of “trying” in details. There is a need to carry out further research about the influence of this theory on purchase of luxury brands.

Another theory that looks at the role of emotions and past behaviour under the theory of planned behaviour is model of goal directed behaviour. This theory has all element of theory of planned behaviour, but it includes the frequency and recency of past behaviour and positive and negative emotions. It also includes the structure of behavioural causality from desire to intention. This means the theory includes the new element of desire that was not considered as a predictor intentions, but which is a stronger predictor than subjective norms, perceived behaviour control and attitudes (Amatulli & Guido, 2011; Bian & Forsythe, 2012). This is particularly important in the purchase of the luxury goods because one must have desire to commit large amount of money to purchase a product that can be found at a much lower cost. This theory is new and has not been well explored in research. However, Chiu, Kim, and Won (2018) used this theory to predict purchase intention to purchase sporting goods online. The study found that there was a strong relationship between the traditional determinants like attitude and subjective norms in purchase intention. It also found a very strong association between positive and negative anticipated emotions on the desire to purchase. The frequency of the past purchase behaviour also had an influence on the consumers. On the basis of gender, the study revealed that male consumers are more influenced by desire to make a purchase intention compared to female

consumers. The findings of this study validate the model of goal directed behaviour in influencing purchase intention. However, there are not studies that currently look at the role of past purchase behaviour and desire on the purchase of luxury goods. The two are likely to be strong predictor of the purchase intention for luxury goods and there is a need to carry out a study on this area.

Another theory of relevant to the consumption of luxury goods is the self-concept theory, which is closely related to the economic man or rational theory. Self-concept is defined as the totality of an individual's thoughts and feelings in reference to themselves as an object (Shukla, 2010). This means it is the cognitive process that is associated with how a person sees himself/herself. According to the tenets of symbolic interaction theory, individual's self-concept depends on perceptions and responses from others (Lu & Pras, 2011; Shukla & Purani, 2012; Zhan & He, 2012). An individual will therefore make decisions that are likely to win appraisal from others. In self-concept, social self and ideal self are powerful determinants of individual behaviour because the propelled self-image is always that which will win approval from others. The self-image congruence hypothesis in consumer behaviour posits that individuals will make purchase decision for products that aligns from their projected self-image. Products are not consumed for functional utility alone, but also for social utility. This explains why most of the purchase of luxury goods is a representation of symbolic purchasing behaviour. Apart from consumption for societal approval, a product may also be consumer for self-definition. For example, a luxury watch will not only be a symbol of social class but also a definition of self-worth. Truong (2010) explains "Velben Effect" which asserts that people are willing to pay a premium price for good with same functionality so long as they are seen as more prestigious. This means a person buying luxury good is willing to pay more for status.

1.4 Conclusion

In summary, this literature review shows that although the area of consumer behaviour and consumer decision making is well researched, there are many gaps. Theories of consumer behaviour are dynamic and keep on evolving. For example the theory of planned behaviour traditionally included two determinants, attitude and subjective norms, new determinants like desire and previous purchase experience have emerged and are not well studied. Also, other theories like model of goal directed behaviour, theory of trying, and others are not well studied. Although consumer behaviour in purchase of luxury products is well mapped within the existing theories, more research should be carried on new determinants like desire and previous purchase decision to understand how they influence purchase intention of luxury goods.

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