

The More You Know, the More You Buy? Knowledge and Engagement Drive Luxury Purchasing

(Full Paper)

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ABSTRACT

The market for luxury goods has changed drastically for the most recent two generations of consumers, who account for almost half of these types of purchases. This is due in part to their integration of using the internet for online shopping, as well as their relationship to luxury goods. We tested eight hypotheses about the luxury goods purchasing behavior of these two generations. Each of the hypotheses has proven statistically significant, which suggests that marketing strategies for luxury goods need to change to address the different wants, and needs of a changing market. These research results suggest that consumer knowledge and awareness have a positive correlation with their level of trust, and risk in luxury brands. The implications of this suggest that practitioners of luxury goods marketing should invest in marketing strategies that address certain social peer groups, which can significantly influence their target market.

Keywords: luxury goods marketing, luxury retail strategy, consumer brand knowledge perspective, luxury in the digital era

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NEW MARKETS FOR LUXURY GOODS

With the rapid global expansion of luxury brands over the past two decades, luxury consumer behavior, and their values have changed at an equal pace through a multichannel brand knowledge learning process. While the global luxury market is ultra-competitive; it has increasingly flourished over the past few decades and will reach €280 billion in size by 2020 on account of its 3–4% mild-pace growth (Bain and Company, 2017). However, according to Deloitte (2017), an increasing number of luxury brands are struggling due to sudden changes in competitive marketplaces. For example, some are afraid to embrace e-commerce, while others are unaware of how they could manage a digital brand transformation, or the impact that their marketing strategy has on vastly different cultures around the world.

Although luxury consumption behavior has received attention from both the business world, and academia in recent years, there is still very little research about luxury consumer behavior analysis based on knowledge–attitude–behavior perspectives. To understand the relationship between a consumer’s knowledge of luxury brands, and how that influences their attitude and behavior, we proposed a framework based on the Theory of Planned Behavior (Ajzen, 1991), and a consumer luxury brand knowledge perspective to illuminate consumer word-of-mouth and purchase behaviors.

Firstly, Ajzen's theory as a research starting point suggests that consumer attitudes, and subjective norms trigger their purchase intentions, and perceived behavior control. It further explores consumer behavior, which results in the formulation, and design of the proposed research model.

Secondly, we examined consumer knowledge by integrating brand familiarity, luxury involvement, and brand country-of-origin (COO) identification with luxury shopping experiences to test the proposed framework.

China plays a vital role in global luxury consumption, contributing 770 billion RMB (\$115 billion USD) in 2018 on luxury items—equivalent to a third of the entire global spend (McKinsey and Co. 2018). I chose Chinese consumers (mainly millennials, and generation z) as my research sample, and provided business insights for practitioners to do future research. Amongst the luxury consumer groups, it is important to define younger generations, especially the two most prominent purchasers of luxury goods: millennials (those born between the early 1980s and the mid-1990s) and generation Z (those born after the mid-1990s). It’s estimated that these two groups will account for 45% of luxury-market consumption by 2025 (Bain and Company, 2017).

Younger Consumers in the digital age mainly receive brand information from digital technology, including social media. They have specifically expanded their brand knowledge via online, and offline resources, and may internalize it (Keller, 2003). Millennials grew up with the Internet, and gen z cannot imagine a world without it. (Forbes, Apr 18th 2017). They have contrasting values from their parents’ generation, and no longer buy luxury brands as status symbols. This behavior has disrupted the established luxury paradigm (Bain and Company, 2018).

Previous generations such as baby-boomers, and generation X experienced something close to what was defined by Goody as “Refined enjoyment, of elegance, of things desirable but not essential” (Goody, 2004). This describes luxury as representing the

recognition of financial success and wealth. Typically, this kind of luxury plays a vital role in shaping self-presentation in public and business environments. On the other hand, millennials and generation z purchase luxury brand “to feel different rather than fit in with society” (McKinsey, 2018). However, with the changing luxury paradigm, a question arises regarding what motivates modern consumers to buy luxury brands.

Academically, some attention has been paid to the consumer perceptions of luxury brands (Christodoulides et al., 2009; Vigneron and Johnson, 1999; Vickers and Renand, 2003). Others have discussed the COO’s effects on consumer decisions when purchasing luxury goods (e.g., Lampert and Jaffe, 1998; Ahmed et al., 2004; Koschate-Fischer et al., 2012). However, until now there has been little research on the effect of luxury brand knowledge on the behavior of digitally integrated consumers.

Owing to advanced digital devices, and platforms, consumption in the luxury business industry has allowed customers to shop wherever they physically visit, or e-visit. For example, McKinsey (2018) reported that by 2018, global digital sales for women’s luxury fashion were expected to grow from their current 3% of the total market to 17%, making a total market size of \$12 billion USD. Meanwhile, consumers are gaining brand knowledge from multichannel social media, and their purchasing experiences. Furthermore, recent innovative technologies have enabled consumers to receive extensive information about luxury brands such as through 3D tours on websites, and stories on Instagram, or Facebook

DISSEMINATING CONSUMER BRAND KNOWLEDGE

‘Consumer brand knowledge’ relates to the cognitive representation of a brand (Peter and Olson, 1999). It is defined in terms of how a consumer has adapted personal meaning from a brand, and committed it to their memory. For example: all descriptive, and evaluative brand-related information. Based on this concept of consumer memory, there are two key aspects to utilizing it in the branding-leveraging process.

First, the level of existing consumer brand knowledge will affect how in-depth their knowledge is in regards to a brand.

Second, leveraging entails linking the brand to other entities in consumers’ lives, such as knowing how brand knowledge functions as a trigger, and antecedent of consumption is an effective way to decipher consumer behavior (Keller, 2003; Kuo and Nagasawa, 2018).

According to Keller (2003) brand knowledge is composed of multiple factors (awareness, attributes, benefits, image, thoughts, feelings, attitudes, and experiences), which include personal cognitive, and affective responses to any brand-related information, formatted into overall brand evaluation, becoming a part of consumer memory, and leading to consumption behavior. These factors guide the research hypotheses in this article: more informed luxury brand knowledge positively affects consumer trust, which in turn influences a perceived lower risk for certain brands, and will positively affect purchase intention, as well as actual purchase.

Brand Familiarity

Brand familiarity signifies the extent—both direct and indirect—of a consumer’s experience with a brand (Alba and Hutchinson, 1987; Kent and Allen, 1994). Examples of this include consumer in-store purchasing experiences, searches for brand products, and visits to online platforms that display information about brand items, features, or history.

Luxury brands may invest in marketing strategies that collaborate with online platforms to showcase their brand story, or heritage. Similarly, luxury brands hold international fairs, cross-promote with popular entertainers, and leverage relationships with technology companies to increase both conscious, and unconscious brand familiarity among potential customers, and to capture the consumer knowledge structure about a brand (Campbell and Keller, 2003).

Luxury Involvement

Luxury involvement represents the degree to which a consumer regards a specific purchase decision, and perceives it as important to them (Schiffman and Kanuk, 1983). This is particularly relevant for consumers who are willing to invest time, and money into purchasing decisions more often than ordinary customers, or who regularly check contemporary seasonal products. These individuals usually belong to a peer group or social network that shares an approach to, and perception of luxury involvement. Such consumers can join e-forums, or brand communities, to share, and discuss brand personalities, design, and other pertinent topics.

Consumers with higher luxury involvement tend to be early adopters of fashion trends, and demonstrate higher fashion awareness. Such consumers are much more willing to try trendy, or novel products (Zhang and Kim, 2013).

Brand Country of Origin Identifiability

Brand Country Of Origin identifiability is defined as the place, region, or country from which a brand is perceived to belong to by its target consumers (Thakor and Kohli, 1996). This also refers to the strength of the brand node in the memory, the country of origin. For example, the luxury brand Hermes is famous for its craftsmanship, and extraordinary leather goods. Customers expect Hermes bags to be handmade in France, rather than made in some other country. Some prior studies have argued that COO significantly effects the evaluations of product quality and perception, and it positively affects consumers’ willingness to pay

higher prices for luxury brands (Dinnie, 2004). For example, Chinese businessmen build factories in rural Italy in order to label their product 'MADE IN ITALY'. These "Italian" products are sold at a premium price in Chinese locales like Taobao or TMall very well. Thus, brand COO identifiability is a key factor that contributes to consumer brand knowledge.

Brand Trust

According to some research, developing a long-term loyalty program with customers requires that business practitioners first gain their trust (Reichheld and Scheffer, 2000). When consumers are aware of, and can comprehend the knowledge structure of a luxury brand, and hold positive associations with the brand in their minds, it leads consumers to place more trust in the brand, and perceive less risk from that brand. Behavioral evidence shows that an increasing level of consumer trust in luxury brands leads to consistent consumer brand loyalty (Gassenheimer et al., 1998; Kuo and Nagasawa, 2015). For example, when someone praises a specific brand, that person is communicating a desire to be connected to the people who consume that brand (Husic and Cicic, 2009).

Mayer et al. (1995) argued that brand loyalty enables consumers to be more confident in predicting the future performance of a luxury brand, which is important because consumers are willing to pay more for brands, and will support companies' innovative, and new products over time. Highly recognizable brands can generate positive attitudinal responses with an increased number of repetitions. Therefore, it can be determined that such attitudinal responses to luxury-brand familiarity can lead to certain behavioral outcomes.

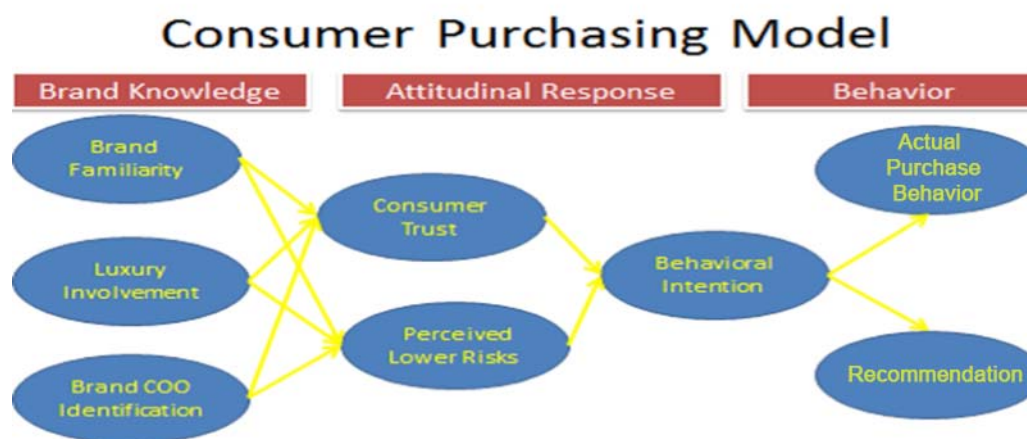


Fig 1

The Theory of Planned Behavior

Based on the theory of planned behavior (Ajzen, 1991), we proposed a knowledge–attitude–behavior research model as shown in Figure 1. This was designed to provide a comprehensive explanation of social behavior. According to TPB, behavior can be predicted by intention, which is dependent on attitude, subjective norms, and perceived behavior control. In addition to Ajzen's theoretical grounding, the two-factor theory (Berlyne, 1970) is a particularly pertinent model in the examination of current consumers' luxury brand knowledge.

The theory designates both novelty, and complexity as drivers of hedonic value. Novelty plays an essential part in motivation theory when it comes to luxury purchasing behaviors in areas of research such as exploratory behavior. Evaluating the novelty of a product is an impetus in individual experiences toward absorbing luxury brand knowledge through a range of exploratory behaviors such as surfing the Internet, mass media materials, or any physical shopping experience. These values represent attitudinal responses in our proposed model.

Attitude is a feeling of favored, or unfavored behavior with respect to a product (Ajzen, 1991). For example, if someone believes that gaining brand knowledge reduces their risk of being misinformed about the quality, reputation, or effectiveness of a brand, then they are more likely to search out such information about the luxury product. Consequently, they are more likely to regard such activity as worthwhile, which often leads to positive purchase decisions.

The psychological processes of customers have long been understood to play a role in the understanding of brand knowledge. Such processes play a part in driving attitudinal responses, and lead people to opt into luxury purchasing experiences, as well as to recommend luxury brands to others.

Subjective norms are the attitudes, or behaviors that exist around an individual that are considered typical. These may stem from cultural norms, group beliefs, or an individual's family, and social network. Beliefs concerning others' perceptions of the ownership of luxury brand products are key influences on purchasing decisions.

Finally, perceived behavior control can be described as a belief about the level of control someone has over their own environment. This means that a consumer is more likely to make positive buying decisions if they perceive that they can easily handle, or use a product. In summary, these three factors are reliable predictors of behavioral intention.

HOW BRANDING EFFECTS YOUR MARKET

'Brand familiarity' is defined as a store of favorable knowledge about a particular luxury brand that is accumulated by consumers' previous direct, or indirect purchasing experiences (Campbell and Keller, 2003). Searching for specific luxury brand products, and knowing more about brands can lead to higher familiarity with a brand, and might produce feelings of greater satisfaction, or trust, and a lower perceived risk. Thus, brand familiarity positively influences consumer trust (Ha and Perk, 2005). Lane and Jacobson (1995) also found that brand familiarity influences a brand value in the stock market, while stock market performance indirectly reflects consumer trust, and lowers perceived risk.

Brand Familiarity Has A Positive Effect

H1a: Brand familiarity has a positive effect on consumer trust.

H1b: Brand familiarity has a positive effect on perceived lower risk.

In terms of brand familiarity, the hypothesis is that familiarity with a brand will typically generate trust. Trust can be defined as one's willingness to be exposed to another based on the confidence that the other is benevolent, honest, open, credible, and well-qualified Karakuş and Savaş (2012) showed that willingness to be engaged in something has a positive relationship with trust.

Consumer engagement, involvement in the experience, connection to luxury brands, and information received about them from multiple channels such as physical stores, and online resources, lead to positive trust, and lower perceived risk. This study expands the concept of consumers' involvement in its examination of luxury brand involvement to validate the hypothesis between trust and brand involvement.

Brand Involvement Has A Positive Effect

H2a: Brand involvement has a positive effect on consumer trust.

H2b: Brand involvement has a positive effect on perceived lower risk.

Only limited research has been conducted into the effect of COO on services or products (Ahmed et al., 2002). However, it has been found that alongside a brand's corporate reputation, COO can significantly influence trust (Zaheer, 2006). One way of seeing trust is through categorization theory. According to Rosch (1978), individuals make use of various categories to describe the characteristics of objects to reduce the cognitive effort. Objects that combine most of a category's characteristics are defined as prototypes.

When confronted with a new stimulus, individuals categorize it by comparing it to their prototype. Prior knowledge associated with a prototype will be applied to the new stimulus. Following this rationale, countries can be viewed as categories. Based on the positive or negative experiences associated with a prototype within such a category, consumers will either reduce, or increase their initial trust toward a new stimulus. Therefore, those prototypical associations will vary between countries (Balabanis et al., 2002). For example, Germany is famous for automobile industry (BMW, Porsche) as COO, and consumers trust the mechanics of the cars themselves, as well as the long history of prestigious German automobile brands.

Brand COO Identification Has A Positive Effect

H3a: Brand COO identification has a positive effect on consumer trust.

H3b: Brand COO identification has a positive effect on perceived lower risk.

We collected data from a sample of 300 hundred Luxury consumers (Luxury shopping website members who had luxury purchasing experience in the past six months with specific handbag brands (such as Hermès or Chanel), are invited to attend a web-based survey. The questionnaire was adapted from prior studies, and based on the proposed research model, was used to collect confirmatory evidence from consumers with the conspicuous purchasing experience. To comprehend consumer behavior intentions toward luxury consumption, and actual buying behavior, this research collected empirical evidence to examine the research model's postulated hypotheses.

Measuring Trust

Measurement items of brand familiarity, luxury involvement, and brand COO identification were adopted from Campbell and Keller (2003), Zhang and Kim (2013) and Ahmed et al. (2002, 2004). Furthermore, the measurement items of trust, lower perceived risk, and behavioral intention were adjusted from Erdem et al. (2006) and Bian and Forsythe (2012).

For validity, one PhD student, and three experts checked the wording, and meaning of each item in a corresponding construct. All items were listed in the questionnaire, and each was measured by a seven-point Likert-type scale that ranged from 1 (strongly disagree) to 7 (strongly agree). The respondents were mainly young women under the age of 35, with luxury purchasing experience, and a high level of luxury brand knowledge.

The results satisfy the acceptance level that was suggested by the following related studies: the factor loadings of each measurement item surpass 0.7 as suggested by Hulland (1999), and the composite reliability exceeds 0.7 as suggested by Bagozzi and Yi (1988), and the discriminant validity criteria proposed by Fornell and Larcker (1981). Thus, Partial Least Squares Structural Equation Modeling (PLS-SEM) was conducted to assess the proposed model, and test the hypotheses proposed in this study.

Analysis Results

For measurement reliability and validity, this study conducts confirmatory factor analysis (CFA) to ascertain the reliability, and validity of the measurements used. First, the factor loadings of each measurement item are in the range 0.754–0.947, which surpasses the suggested level of 0.7 (Hulland, 1999). In conformance with prior studies, Cronbach's alpha is applied to assess the internal consistency reliability in social science research. Bagozzi and Yi, (1988) suggested using composite reliability (CR) as a placement. Composite reliability is represented by the overall reliability in a heterogeneous data collection and—as noted by Bagozzi and Yi (1988)—exceeds 0.7.

Based on the analysis results, the values of CR in the research model are in the range 0.842–0.952, which exceeds the acceptable level. In addition, this study assesses the convergent validity by evaluating the values of the Average Variance Extracted (AVE). All values of AVE in this study are in the range 0.641–0.831, which surpass the standard level value of 0.5 suggested by Fornell and Larcker (1981).

To calculate the discriminant validity, this study applies the approach suggested by Fornell and Larcker (1981) where the values of AVE are larger than the shared variance with other latent constructs. As shown in Table 1, the square root of the AVE is a diagonal entry with a correlation coefficient beneath.

Based on the measurement reliability, and validity test, this study employed Partial Least Squares Structural Equation Modeling. The findings show that brand familiarity, luxury involvement, and COO identifiability positively affect consumer trust in luxury brands. Luxury involvement has the strongest impact on consumer trust ($\beta = 4.752$, $p < 0.001$), followed by brand COO identifiability ($\beta = 3.905$, $p < 0.001$) and lastly, brand familiarity ($\beta = 2.108$, $p < 0.01$).

However, when it comes to lower perceived risk, only luxury involvement positively impacts consumers' lower perceived risk ($\beta = 4.231$, $p < 0.001$). Likewise, both consumer trust in luxury brands, and lower perceived risk positively influenced the intention to buy, and the intention to spread the brand image through word-of-mouth. Finally, the intention to buy positively influenced actual purchase behavior ($\beta = 3.501$, $p < 0.001$).



Fig 2

Turning Data Into Customers

Historically, published papers, and articles in this field have typically focused on the issue of consumer perceptions, and the COO of luxury brands. In this article we employed a consumer knowledge perspective to explain consumer purchasing, and word-of-mouth behavior in luxury markets based on the theory of planned behavior. Consumer trust, and risk perception are used as mediators between consumer knowledge, and behavioral intentions, empirically testing the construction of actual usage. Since consumer knowledge positively influences trust, and risks, practitioners can enhance the depth of their brand culture through marketing strategies. For example, various knowledge-based information could be broadcast through marketing activities. Such differential processing, and the presentation of brand story to a digitally integrated cohort could convey fresh brand knowledge to consumers with a high level of luxury involvement.

Another example is differentiation, and specialization. Marketing the differentiation in production methods can give consumers the opportunity to attain products with unique attributes through their brand knowledge. Some luxury brands emphasize that their products are made solely by hand, and of natural materials. The differentiation in their manufacturing process allows them to charge a substantially higher price than other brands. By engaging in such consumer brand knowledge activities, luxury brands can also develop connections with existing customers both intrinsically, and extrinsically, while also attracting new customers.

Specific Markets

The research questionnaire context of our research was luxury handbags; there may be limitations in the viability of extrapolating the findings that are made here to other sectors of the luxury field, and future research may be needed to collect data on other product categories.

CONCLUSIONS AND RECOMMENDATIONS

Our research shows that brand familiarity, luxury involvement, and brand COO identification all play an integral part in establishing consumer trust, which leads to consumer purchase intention, and actual purchase behavior. A higher degree of consumer trust will accelerate consumer intention to purchase brand products, and stronger intention to practice word-of-mouth behavior.

To increase awareness, and engagement with brand familiarity, luxury involvement, and brand COO identification in your luxury good marketing strategy, it will be essential to identify how your market is evolving, and has different needs from previous generations. This is especially true for the younger generations of the Chinese market, which is the growth engine for the luxury market, where they prefer experiential marketing.

Marketing strategies should focus on customers who may have a different set of needs, and reasoning for investing in luxury goods from the previous generation of consumers. Additionally, both physical, and online branding representation should be streamlined for authenticity using a multichannel approach, focusing on building brand trust, increasing brand awareness, and engaging customers in the brand story.

Increased customer engagement will lead to a higher volume of sales, as well as greater customer retention. Moving forward, a heightened awareness of the geographical market for luxury goods consumers, as well as where, and how they are bought, and sold, will continue to play a pivotal role in how, and where to implement marketing strategies.

This advice will be applicable for brands seeking to expand their marketing strategies toward the increasingly young consumers of luxury goods, as well as large foreign markets, like China.

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