Cross-cultural study: Value perception on fashion luxury purchase

R. Cynanthia, Y. Wang & R. Kennon
School of Materials, The University of Manchester, UK

Abstract

In this study, the value perception of the fashion luxury market between Indonesia (an emerging-collectivistic country) and the UK (a developed-individualistic market) is compared by using systematic equation modeling (SEM). Differences in value perception of the luxury market between the two countries are not significant.

Keywords: luxury, fashion, emerging, value perception, and cross-cultural study.

1 Introduction

Expensive handbags, in particular luxury designer handbags, are very popular among fashionable women. This is why many fashion houses, such as Chanel and Hermes, offer handbags as another product line as part of their accessories category [1]. Some retailers claim that owning a luxury designer handbag worth more than £1,000 is financially considerable to middle-class women, who may not spend as much on clothing, but view an expensive luxury designer handbag as an investment piece, which can be used every day, adding a touch of glamour [1].

The global handbag market, which encompasses exceedingly dynamic players and an expanding consumer base, is expected to flourish owing to increasing demand from emerging markets and strong performances of international luxury brands [2]. The top 10 markets for luxury handbags collectively account for over 120 million online searches, demonstrating substantial global demand for the world’s most covetable luxury items [2] (Fig. 1).

The country subjects are the UK and Indonesia. Despite the fact that both these countries are viewed positively as luxury markets [2–4], they have differences,
which may lead to different motivation for luxury purchase. Indonesia is an emerging market, while the UK is a mature market. The rise of emerging market makes a difference. Earlier, individualist countries mostly meant western developed countries, while collectivistic countries referred to eastern developing countries [5]. Nowadays, emerging countries are catching up with developed countries [6].

Increasing exposure to global media and the depiction of western lifestyles in local media seem to have increased the desire for high-quality goods and services among consumers in emerging markets [7]. With regard to luxury products and services, studying consumption patterns in emerging markets is particularly important owing to phenomenal growth in luxury consumption among consumers in these markets [5]. According to Bain and Company [8], 85% of all luxury stores will be opened in emerging markets over the coming decade. Moreover, recent studies highlight the significantly strong influence of materialism on luxury consumption in emerging markets [9, 10].

As predicted by BCG, in 2015, emerging-market cities will account for around 20%, or $2.6 trillion, of the total global consumption of clothing and house. The key consumer base for luxury goods has long shifted from Europe, moving westward to the US, but also eastward to the Gulf States and Asia and southward to Latin America, particularly Brazil [11]. Luxury companies are no longer focusing on mature markets. Luxury goods enable consumers to satisfy their material and sociopsychological needs to a greater degree than do regular goods [12, 13].

Luxury brands are one of the most profitable and fastest-growing brand segments, yet at the same time, social influences associated with luxury brands are poorly understood and underinvestigated [13–15]. With regard to luxury products and services, studying consumption patterns in emerging markets is particularly important owing to phenomenal growth in luxury consumption among consumers in these markets [5]. From above, it can be inferred that emerging-market countries are the targets of luxury brand companies for investments.
2 Culture is changing: Rise of emerging markets

As discussed in Chapter 2, when the political, social, and economic environments change, people's cultural values change. Thus, many cultural theories should be reevaluated and modified periodically. Hence, Wu [16] said that the individualistic vs collectivistic dimension theory is no longer applicable. Additionally Shaiq et al. [17] said that Hofstede’s individualistic dimension work is too old and cannot be effectively implemented in an era of rapidly changing environment, convergence, and globalization. Arguments by Wu [16] and Shaiq et al. [17] support Bian and Forsythe [18], who argue that culture is changing as a consequence of the increasingly global economy, especially in emerging markets, converging in the direction of greater individualism. As a result, collectivist societies may adopt some individualistic elements, but this would not change their societal identity or their social label as a collective society [18].

Differences among few contemporary studies on luxury value perception in individualistic and collectivistic countries [18] (Table 1) are leading to confusion in understanding value perception on luxury purchase in individualistic and collectivistic countries. For instance, according to Li et al. (2012), a collectivistic country (China) has high consideration for the functional value of a luxury purchase, but according to Shukla and Purani (2012), a collectivistic country (India) has low consideration for the functional value of a luxury purchase. According to Bian and Forsythe [18], an individualistic country (the US) highly values the personal and social dimensions during a luxury purchase, but according to Shukla and Purani (2012), an individualistic country (the UK) gives little consideration to personal and social values during a luxury purchase. The study’s results of Bian and Forsythe [18] and Li et al. (2012) support Shukla’s [5] observation that culture is not static, but keeps changing.

Table 1: Differences among study results on value perception across culture.

<table>
<thead>
<tr>
<th>Study design</th>
<th>Country</th>
<th>Dependent variable</th>
<th>Collectivistic</th>
<th>Individualistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey</td>
<td>US vs China (collectivistic vs individualistic)</td>
<td>Luxury value perception</td>
<td>Not being measured</td>
<td>High</td>
</tr>
<tr>
<td>Li et al (2012)</td>
<td>Survey China</td>
<td>Luxury value perception</td>
<td>High</td>
<td>Not being measured</td>
</tr>
<tr>
<td>Shukla and Purani (2012)</td>
<td>Survey UK and India (collectivistic vs individualistic)</td>
<td>Luxury value perception</td>
<td>Low</td>
<td>Not being measured</td>
</tr>
</tbody>
</table>
Consumer value lies at the heart of all marketing movements and, hence, undoubtedly deserves attention of every consumer scholars; especially, in the next decade, the luxury business is predicted to revolve around the customer [19] (Fig. 2). The current crisis in luxury marketing area is encouraging companies to look more deeply into the links between consumers and luxury brands [20]. The consumption of luxury products is driven by two main reasons: purchasing for oneself (for pleasure) and purchasing as a symbol of success [20]. Whatever the perspective, the brand remains the main vehicle for connecting with a consumer [20]. To help understand the right brand strategy, the purpose of this study is to identify the constructs of perceived peer communication in social media activities of luxury fashion brands and evaluate the influence of those activities on the intention to purchase in the UK and Indonesia. In this research, a strategy is proposed to enhance brands’ performance by defining specific factors relating to the intention to purchase. Moreover, the findings will enable luxury brands to forecast customer-purchasing behavior.

The objectives of this study, based on a conceptual model, are to:
A. Obtain information about the demographic data of luxury handbag customers in Indonesia and the UK
B. Measure the value perception of luxury handbag customers in Indonesia and the UK by using four categories of the luxury value perception conceptual model proposed by Wiedmann [21].
C. Analyze deeply how a rising emerging market affects value perception between individualistic and collectivistic countries
D. Provide recommendations for luxury handbag brand strategies in the UK and Indonesia

3 Methodology

Steenkamp and Baumgartner [22] suggest the use of a structural equation modeling approach for cross-culture studies. The SEM approach was successfully applied by many luxury researchers in measuring luxury value perceptions [5, 18]. The structural equation design of this study is illustrated in Fig. 3.

The method of self-completed questionnaire allows for a greater geographical coverage than do face-to-face interviews without incurring the additional costs of time and travel. It is particularly useful when carrying out research with the help of geographically dispersed populations [23].

4 Results and discussion

Self-completed questionnaires were distributed to 400 women in the UK and Indonesia using snowball sampling through an online survey (Table 2), and 200 valid samples were utilized from each country. The criterion sampling strategy reviews all cases that meet predetermined criteria [24]. Both criterion and snowball
sampling techniques were components of a purposeful sampling strategy designed to identify participants with these criteria:

A. Originally from and lived in Indonesia or originally from and lived in the UK
B. Purchased at least one luxury handbag.

Table 2: Descriptive information on subjects.

<table>
<thead>
<tr>
<th>Geographic location of subjects</th>
<th>Number of subjects</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>200</td>
<td>50</td>
</tr>
<tr>
<td>UK</td>
<td>200</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>100</td>
</tr>
</tbody>
</table>

Supporting the research of Shukla and Purani (2012), the result showed that there were no significant differences in value perception on luxury handbag between developed market (UK) (Fig. 2) and developing market (Indonesian) consumers (Fig. 3).

Financial, functional, personal, and social values are significant factors that influence the decision to purchase luxury products in the UK. However, personal value has the most weightage, and other values have no significant score in comparison (Fig. 2).

Financial, functional, personal, and social values are significant factors that influence the decision to purchase luxury products in Indonesia. Similar to the UK, personal value has the highest influence, followed by financial value (Fig. 3).
4.1 Rising emerging markets: Rising consumer confidence index

The growing economy of emerging countries leads to increasing consumer confidence index. Measures of consumer confidence have genuine forecasting power for consumption [25]. Lower consumer confidence may then translate into lower growth in discretionary spending [26]. Nielsen Global Survey of Consumer Confidence and Spending Intentions was conducted November 10–28, 2014, polling more than 30,000 online consumers in 60 countries throughout Asia-Pacific, Europe, Latin America, the Middle East/Africa, and North America. The sample...
had quotas on the basis of age and sex for each country and was weighted to be representative of Internet consumers. It had a margin of error of ±0.6% [27]. India led the world consumer confidence index (score of 129), followed by Indonesia (score of 120) [27] (Fig. 4). Meanwhile, the UK had a score of 94, lower than Indonesia’s, but high in comparison with the average global score. In this sense, the fact that the UK and Indonesia have similar luxury consumption patterns may be influenced by the fact that both countries have a high score on the CCI. Furthermore, the influence of the CCI on luxury consumption patterns in both countries still needs to be researched.

5 Conclusion

Luxury bag consumers in Indonesia and the UK are both influenced by four luxury value perceptions: financial, functional, personal, and social values. The subvalues of luxury value perception (cost, premium quality, personal history, hedonism, aesthetics, exclusivity, and prestige value) that were proposed in this research have also been confirmed to be linked with luxury value perception in both markets. Referring to the growth of the Indonesian economy, consumer confidence may then influence discretionary spending [26]. Therefore, other factors, such as the CCI, should be considered and studied as the factors influencing luxury purchase.

References


