

# DETERMINANTS OF CONSUMER PURCHASE INTENTION TOWARD LUXURY BRAND

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## DETERMINANTS OF CONSUMER PURCHASE INTENTION TOWARD LUXURY BRAND

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### ABSTRACT

The emergence of smartphones has become a trend in society. This resulted in increasingly fierce business competition against existing smartphone brands to compete for market share. There are many types of smartphones available on the market, including luxury smartphones. One of luxury smartphone brands that are in demand is the iPhone series. According to IDC (International Data Corporation) iPhone has been the top smartphone that managed to break the record of most shipments. The purpose of this study is to determine the effect of luxury brand perception, social influence, vanity and materialism to consumer purchase intentions on iPhone series products.

Questionnaires are distributed to 244 respondents and data are analysed using Partial Least Square (PLS). The findings of this study indicate that the perception of luxury brand and materialism affect the purchase intention of consumers, while the social influence and vanity has no effect on purchase intention. In addition, it was found that vanity does not have a moderating effect on the relationship between luxury brand perceptions and social influences on purchase intention.

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Keywords: luxury brand perception, social influence, vanity, materialism, purchase intention.

### BACKGROUND

The process of globalization that has occurred to date has brought great changes to human life, one of them in the field of information and communication technology. Smartphones has become one of the most important devices in people's lives today. Smartphone is a device that functions more than just making and receiving phone calls, text messages, and voice messages. Other features include enabling access the internet, digital media such as pictures, music and videos and also computer programs called apps (Weinberg, 2012). Smartphone sales have increased in the last half decade as many countries have transitioned into digital-based communities. Currently, the smartphone is turning into one's key to connecting with family, friends, colleagues and the world. The smartphone industry has become the fastest growing industry in the world (Becker et al., 2012).

The large number of smartphone users indicates that there is a great opportunity in the smartphone market so that smartphone manufacturers should be able to seize this opportunity well (Lay-Yee, et al., 2013). One of premium-class smartphone brand in demand is iPhone. This is evident from the results of research published by International Data Corporation (IDC) which states that iPhone has been the top smartphone manufacturer to beat other brands by successfully breaking the latest product shipment record of 7,800,000 unit in the fourth quarter of 2016, an increase of about 4.7% from the same quarter in 2015 (www.idc.com, 2017). This is an interesting fact to investigate considering the price of iPhone is more expensive than other brands with similar specifications.

With its higher-than-average price, iPhone can be regarded as a luxury brand. Some researchers such as Horiuchi (1984), Dubois and Laurent (1994), Pantzalis (1995), Dubois and Paternault (1997), and Wong and Ahuvia (1998) posit that high price is an important attribute for luxury brands. In addition to high price, other characteristics of luxury brands are high quality (Aaker, 1991; O'Cass and Frost, 2002; Vigneron and Johnson, 2004; Horiuchi, 1984; Dubois and Laurent, 1994; Dubois and Paternault, 1997), unique and exclusive (Srinivasan et al., 2014). Other than that, other researchers also mention that luxury brands are brands that go

beyond functional benefits (Nueno and Quelch, 1998) and used to denote the prestige and status of a person (Hur et al., 2014).

There are some factors contribute to consumer's motive to purchase luxury branded products: luxury brand perception (Hung et al., 2011), social influence (Kulviwat, 2009), vanity (Hung et al., 2011), and materialism (Richins and Dawson, 1992).

Thus, this research seeks to reveal the internal and external factors of consumers that affect consumer intention to purchase luxury goods.

### Theory and Hypotheses

Luxury brand perception refers to customer perceived value in terms of the attractiveness or benefits of a luxury brand (Hung et al., 2011) and consisting of functional value, experiential value, and symbolic value (Berthon et al., 2009). Functional value emphasizes on the function of a luxury brand that is manifested as the actual quality of a product or service (Hung et al., 2011) because quality can be a sign of what an object can do and how well it works (Berthon et al., 2009; Sweeney and Soutar, 2001). Schiffman and Kanuk (1997) suggest that consumer evaluation of product quality will help them to consider which products they will buy. Vigneron and Johnson (2004) suggest that individuals who value luxury functions (e.g., emphasizing product quality) tend to have a positive attitude toward the purchase of luxury products.

The experimental dimension of experiential value relates to a subjective perceived experience of consumers' thoughts and feelings toward a luxury brand (Hung et al., 2011 and Berthon et al., 2017). These thoughts and feelings are generated by brand-related stimuli that are part of the design, identity, packaging, communication, and environment of related brands (Berthon et al., 2009). Thus, luxury brands are often regarded as rare, valuable and unique (Hung et al., 2011). Vigneron and Johnson (2004) also support this idea that consumer's experiential value has a positive impact on their attitude about luxury purchases.

According to Truong et al. (2008) consumers also consume luxury brands for symbolic meanings. In this dimension, luxury brand ownership provides a sign of one's social status, wealth or power to others (Belk, 1988; O'Cass, 2004; Dubois and Duquesne, 1993; Alden, Steenkamp, and Batra, 1999). Thus the proposed hypothesis is:

#### **H1: luxury brand perception affects consumer purchase intention**

As for external factors, social influences affect consumers' intention to purchase luxury brand (Hung et al., 2011). The concept of social influence asserts that social groups can influence consumers to perform certain behaviors including the purchase of a luxury brand. According to Hofstede and Hofstede (2004) individual consumption decisions are systematically influenced by their cultural and social values and norms. This is because consumers use luxury brands as a sign to be compatible with their social groups (Han et al., 2010). Therefore, the proposed hypothesis is:

#### **H2: social influence affects consumer purchase intention**

Netemeyer et al. (1995) proposed dimensions of vanity, physical vanity and achievement vanity. Physical vanity emphasizes the importance of physical appearance, while achievement vanity emphasizes the importance of personal achievement. Mamat et al. (2016) posit that as part of the dimension of consumer vanity, consumers will be embarrassed if they do not look the way they want, which lead them use luxury brands. This reflects that consumer who has excessive attention to physical appearance tend to purchase and consume luxury brands to support their performance. In addition, luxury brands can also be a way to show off their personal achievements. This is because luxury brands symbolically indicate personal success or achievements (Durvasula et al., 2008). Thus, the proposed hypothesis is:

#### **H3 : vanity positively affects consumer purchase intention**

In addition to the perception of luxury brands associated with the product, individual trait can also strengthen the effect of perception of luxury brands on consumer purchase intention toward luxury brand, i.e. vanity (Hung et al., 2011). Also, vanity can strengthen the effect of social influences on consumer purchase intentions toward luxury brands (Hung et al., 2011). Social influences will affect consumption decisions including purchases of luxury brands to suit their social groups (Hofstede and Hofstede, 2004; Han et al., 2010). Consumers with vanity will prefer luxury brands. They will continue to desire and consume new products to satisfy their excessive desires and their need for self-esteem (Sedikides et al., 2007). Thus, the proposed hypothesis is:

**H4: vanity moderates the effect of perception of luxury brands on consumer purchase intention**

**H5: vanity moderates the effect of social influences on consumer purchase intention**

According to Richins and Dawson (1992) materialism consists of three dimensions: centrality, happiness, and success. Materialism refers to consumers' mind who believes that wealth is important to their lives. Wealth is thought to provide a meaning and complement one's life (Csikszentmihalyi and Rochberg-Halton, 1981), and luxury brands are natural choices for materialistic consumers (Wong and Ahuvia, 1998; Tatzel, 2002). This will affect materialist consumers in their purchase intentions toward luxury brands. This is because materialist consumers tend to place wealth at the center of their lives (centrality). They believe that purchasing material goods or possessing possessions is important in their lives and capable of providing satisfaction in their lives (happiness). Moreover, the materialists see the success of themselves and others by the extent to which they can have products that project the desired image (Richins and Rudmin, 1994). They believe that the number and quality of one's possessions is an indicator of one's success. For that reason, the researcher proposes the following hypothesis:

**H6: materialism positively affects consumers' buying intentions.**

## RESEARCH METHODS

Population in this study is iPhone owners whereas samples are owners of the latest version of iPhone and familiar with information about iPhone. This study distributes questionnaire to 244 samples.

### Variables measurement

Perception of luxury brands refers to values felt by consumers related to the attractiveness or benefits of luxury brands. Indicators are adapted from Hung et al. (2011), Shukla et al. (2015), and Cerqueira (2015). Social influence refers to the extent to which reference group members influence consumer behavior in purchasing luxury brands. Indicators are adapted from Hung et al. (2011). Vanity refers to an excessive consumer concern or a positive outlook on physical appearance and/or personal achievement. Indicators are adapted from Hung et al. (2011). Materialism refers to major belief in the importance of wealth in the lives of consumers. Indicators are adapted from Sun et al. (2014) and Heaney (2005). Purchase intention refers to consumer desire in purchasing luxury brands. Indicators are adapted from Hung et al. (2011). All indicators are measured using a 5-point Likert scale. Data is processed using PLS.

## RESULTS AND DISCUSSION

Table 1 shows the estimated values for the path relationships in the inner model obtained with the bootstrapping procedure. The value considered significant is if the statistical t value is greater than 1.65 for each of its path relations.

**Table 1. Path Coefficient dan T-Statistics**

Independent Variable: Purchase Intention	Original Sample (O)	T Statistics ( O/STDEV )	Remark
Perception of Luxury Brands	0,289	4,166	H1 Supported
Social Influence	0,054	0,789	H2 Not supported
Vanity	0,067	0,809	H3 Not supported
Vanity x Perception of Luxury Brands	0,057	0,750	H4 Not supported
Vanity x Social Influence	0,060	0,778	H5 Not supported
Materialism	0,345	5,243	H6 Supported

Based on the results of statistical tests, social influence does not affect consumer purchase intention (T-stats <1.65) because consumers tend to be more concerned with aspects of technological sophistication, high quality, better design and price when they consider purchasing smartphone. This finding is similar to the results of research by Yang et al. (2007) that the influence of reference groups or social groups is a less important aspect when choosing a smartphone. <sup>22</sup>

Vanity variable also does not affect consumer purchase intention (T-stats <1.65). This finding is consistent with research by Park et al. (2007) whose respondents characteristics were similar with this study. Majority of respondents are young people with average income while the price of the iPhone is quite expensive so it becomes consumers' barrier. This is supported by the results of a follow-up survey of 20 respondents who have no intention to purchase iPhone. The majority of respondents stated that the expensive price prevents them from wanting to purchase iPhone. So, it can be said although consumers have a high level of vanity, it does not make them intend to purchase a luxury brand because they are not financially independent (Hung et al., 2011). <sup>21</sup>

Furthermore, based on the results of statistical tests, vanity does not moderate the effect of luxury brand perceptions on consumer purchase intention. Despite the fact that H1 supported, even though consumers have a high perception of the iPhone and have a high level of vanity, but their purchase intention is still lacking for financial reasons. In addition, according to the results of further surveys, other reason that also contributed is that respondents feel there is still no need to change the phone at this time.

Based on the results of statistical tests, it also can be seen that vanity variables do not moderate the effect of social influence on consumer purchase intention. These findings are consistent with the results of research conducted by Hung et al. (2011). Despite the fact that H2 is supported, consumers in this study were not influenced by their social groups in conjunction with their purchase intention although their level of vanity are high because of financial reason.

#### CONCLUSIONS AND IMPLICATIONS

This study found that luxury brand perception that is formed from functional, experiential, and symbolic value affects purchase intention toward luxury brand. So it is important for manufacturers and marketers of premium-class smartphone brands to improve functional aspects characterized by high quality or sophistication of the product, experiential aspect that can make

consumers feel that the brand is valuable, engaging and unique through an exclusive design, and symbolic aspect that is able to signify social status users through price and the form of marketing stimuli such as advertising or other forms of promotion.

From the fact that this study found that materialism affect consumers' intention to purchase luxury branded smartphone, so it is important for manufacturers and marketers to develop stimuli that can improve the materialistic side of their target customers. It is expected that this will make consumers pay more attention to their public self-image than personal self-image so they will choose to adapt to their public image through ownership of products offered. Since this study has limitations on respondents with average incomes, further research especially in researching a luxury brand should require respondents with above-the-average income to better reflect the true purchase intentions.

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